

Industry	Consumers
Bloomberg	JUBI IN
BSE CODE	533155

7-yr high 16.4% FY19 SSG; Strategic store expansion

RATING	BUY
CMP	1243
Price Target	1474
Potential Upside	19%

Rating Change	↔
Estimate Change	↓
Target Change	↓

Stock Info

52wk Range H/L	1578/902
Mkt Capital (Rs Cr)	16397
Free float (%)	55%
Avg. Vol 1M (,000)	2192
No. of Shares (Cr)	13
Promoters Pledged %	13%

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4QFY19 Results Update

- ❑ JUBLFOOD reported a sales growth of 10.9% at Rs 865 crores for the quarter.
- ❑ The company reported same store sales growth of 6% even on a base of 26.5% previous year.
- ❑ Gross Margin came in at 76.1%, up 50bps QoQ, with the help of soft input prices and better costing from new beverages partner.
- ❑ The flow-down from gross margin and management's continued sharp focus on the cost structure has helped in reporting an EBITDA margin of 17.1%. The EBITDA margin was also aided by sustained performance momentum of Dunkin' Donuts India.
- ❑ Company reported adjusted PAT of Rs 81.9 crores, indicating PAT margin of 9.5% for the quarter.
- ❑ Exceptional items amounting to Rs 7.93 crores in Q4FY19 represent the provision for diminution in the value of investment in wholly owned subsidiary Jubilant FoodWorks Lanka (Private) Limited towards loss incurred on closed stores.
- ❑ The company opened 30 new stores in the quarter, adding 2 new cities and has reduced 1 Dunkin' Donuts stores taking the total to 31 now.

View and Valuation

FY19 revenue growth of 18.5% was primarily driven by Dominos same store sales growth of 16.4%. Going ahead, the major sales growth will be through a strategic store expansion where the company has already 102 stores in FY19 and would further add 100 stores in FY20 as per guidance. Further, SSG from the existing stores and a probable price hike during the year would add to the revenue growth. DDI sustained its operational performance for the second straight quarter and is witnessing strong SSG with the improved product portfolio. The company has ventured into Hong's Kitchen, a Chinese cuisine restaurant, which has been receiving good response. Margins improvement would continue with the management's continuous efforts towards cost rationalization along with breakeven of DDI and better costing on beverages from the new tie-up. We have reduced our sales/PAT estimate for FY20 by 1.3%/3.6%. We value JUBLFOOD 45x FY20e EPS to arrive at a price target of Rs.1474. Re-iterate BUY

Key Risks to our rating and target

- ❑ Unable to gather demand from the newly expanded stores.
- ❑ Rise in inflation for input prices as RBI targets inflation of 4% (+2%/-2%)

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20E
Net Sales	2410	2546	2980	3531	4083
EBITDA	272	247	446	608	757
EBIT	148	95	291	456	587
PAT	107	67	206	323	432
EPS (Rs)	8	5	16	24	33
EPS growth (%)	-14%	-38%	213%	53%	36%
ROE (%)	14%	8%	22%	27%	29%
ROCE (%)	18%	11%	29%	37%	38%
BV	60	65	79	100	127
P/B (X)	10.5	8.6	14.7	14.4	9.8
P/E (x)	78.8	109.8	73.7	59.9	37.9

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4QFY19 Results Lower than estimates

Strong Gross Margin

Financials	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	780	855	881	929	865	10.9%	-6.9%	2,980	3,531	18.5%
Other Income	13	7	11	14	15	18.9%	9.7%	23	47	106.5%
COGS	200	218	224	227	207	3.3%	-8.8%	751	876	16.6%
Gross Margin	74%	75%	75%	76%	76%	1.8%	0.5%	75%	75%	0.4%
Employee Cost	142	155	170	177	169	18.9%	-4.6%	604	672	11.3%
Rent	86	84	83	87	87	2.1%	1.0%	316	341	8.0%
Other Expenses	224	257	257	268	254	13.5%	-5.1%	863	1,033	19.8%
EBITDA	128	142	148	171	148	15.5%	-13.5%	446	608	36.1%
EBITDA Margin	16%	17%	17%	18%	17%	0.7%	-1.3%	15%	17%	2.2%
Depreciation	38	37	38	37	40	5.8%	7.3%	156	152	-2.3%
EBIT	90	106	109	133	108	19.6%	-19.3%	291	456	56.8%
Interest	-	-	-	-	-	0.0%	0.0%	-	-	0.0%
PBT	103	113	120	147	123	19.5%	-16.6%	313	502	60.4%
Exceptional	-	-	-	-	(8)	0.0%	0.0%	-	(8)	0.0%
Tax	35	38	42	51	41	18.0%	-19.2%	107	172	60.7%
PAT	68	75	78	97	74	8.7%	-23.4%	206	323	56.4%
PAT Margin	9%	9%	9%	10%	9%	-0.2%	-1.8%	7%	9%	2.2%

Lower SSG on a higher base last year

JUBLFOOD reported a sales growth of 10.9% at Rs 865 crores, lower than our estimates of Rs 895 crores for the quarter. The strong same store sales growth came at 6% (est. 11%) on a high base quarter. The management mentioned in the call that the new stores opened by splitting up of the stores impacts SSG to an extent and they are seeing pressure on dine-in as customers move towards delivery. The share of online delivery sales has risen to 75% of total delivery sales with the help of new app launched (contributing 93% of total online sales) by the company.

High gross margins and DDI break-even drives EBITDA margins

Gross Margin improved by over 50 bps QoQ to 76.1% (est. 75.1%) during the quarter driven by soft input prices and better costing from new beverages partner. Such high gross margins and strict cost rationalization followed by the company helped it to report an EBITDA margin of 17.1% (est. 17.3%) for the quarter. With the break-even of DDI operations, the drag on the company's overall margins will be reduced going ahead. Hong's Kitchen, Company's Chinese cuisine venture, is still in its early stages and its impact on the margins over next few years needs to be watched.

The company reported adjusted PAT for the quarter at Rs 81.9 crores indicating PAT margin of 9.5%, against our PAT estimate of Rs 89 crores.

Concall Highlights

- Domino's Pizza – 30 Stores opened, 3 Stores closed, Total store count at 1,227.
- New stores that are launched through split of existing stores impacts SSG.
- On the demand front, company is seeing pressures on dine in as customers move towards delivery. This, however, does not imply a slowdown and remains optimistic.
- Gross margins improved on the back of dairy prices being soft and better margins from new beverages partner.
- The company has not taken any price hikes over the last 2.5 to 3 years and price hikes are on the cards. No timeline is provided for it.
- Dunkin' Donuts: Company is witnessing healthy growth in product portfolio and strong SSG. This is the second straight quarter of breakeven.
- Expecting FY20 capex to be Rs 220-250 crores. Expects to open 100 new stores in FY20.
- Hong's Kitchen: New Venture addresses the gap between street vendors and high premium dining restaurants in Chinese cuisine. The response is good in Gurugram.
- The company would continue to test other cuisines for future launch. The company also has focus International market, especially in the adjacent geographies (apart from Lanka and Bangladesh) for further expansion
- The response in Bangladesh has been good. Expect to open 5 stores in Bangladesh in FY20. Strong focus on ensuring Value for money.
- The company continues to remain upbeat about Lanka market, believes the current situation is temporary and market potential is immense.
- Rent has been controlled by better re-negotiation and achieving higher productivity benefits.

Exhibit: Net Sales (Rs. Crore) and Gross Margin trend

Strong sales growth to continue with expansion of stores

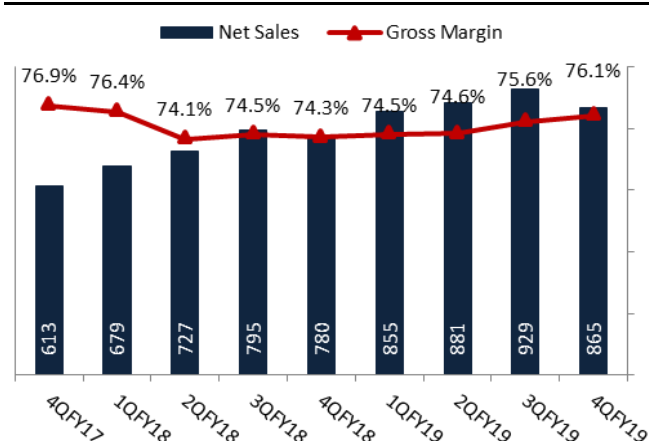


Exhibit: EBITDA (Rs. Crore) and EBITDA Margin trend

Strong cost rationalisation strategies and no DDI drag to drive EBITDA margins higher

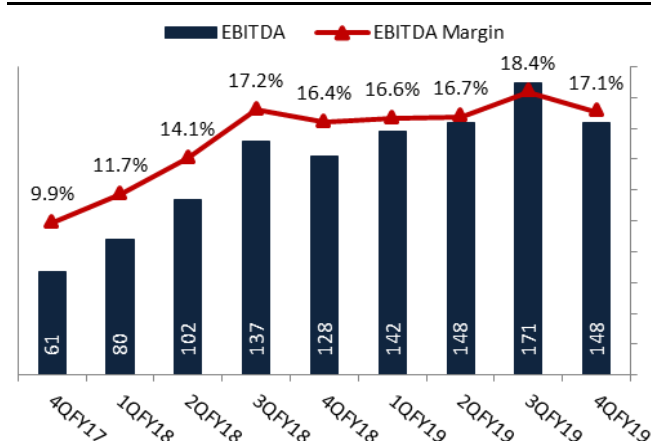


Exhibit: Return Ratios

Return ratios to improve going ahead

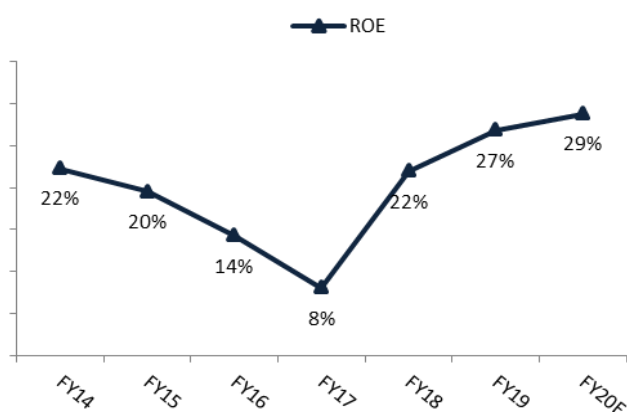


Exhibit: Same Sales Growth Trend

New stores to contribute to sales growth alongwith with SSG

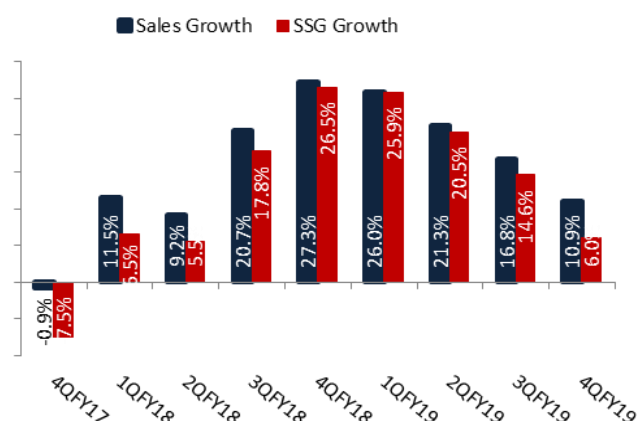


Exhibit: Sales (Rs. Crore) and PAT (Rs. Crore)

Strong Sales and PAT growth to continue going ahead

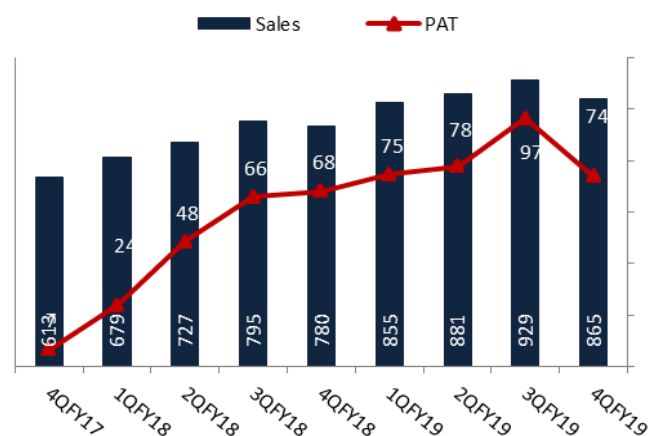
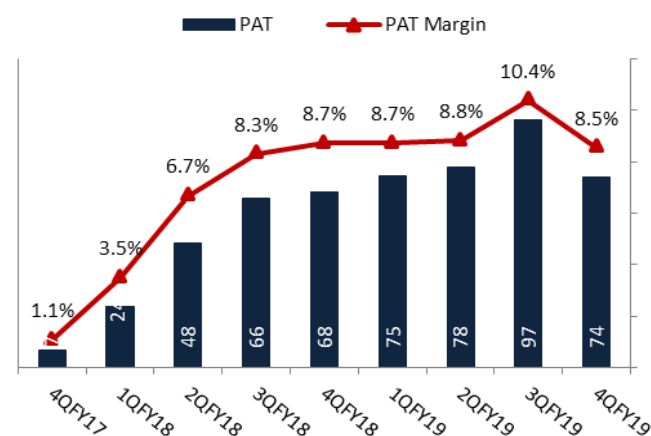


Exhibit: PAT (Rs. Crore) and PAT Margin trend

Rising operational profits to flow into PAT and PAT margin



Financial Details

Balance Sheet

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Share Capital	65	66	66	66	66	132	132
Reserves	498	631	732	786	978	1,192	1,544
Networth	563	696	798	852	1,044	1,324	1,676
Debt	-	-	-	-	-	-	-
Other Non Current Liab	46	61	73	70	55	50	50
Total Capital Employed	609	757	871	922	1,099	1,373	1,726
Net Fixed Assets (incl CWIP)	547	734	831	838	781	800	881
Non Current Investments	34.9	55.7	61.7	74.4	82.2	88.7	88.7
Other Non Current Assets	106	121	140	186	204	218	218
Non Current Assets	688	911	1,032	1,099	1,067	1,107	1,188
Inventory	32	42	54	59	63	73	83
Debtors	9	12	12	16	15	33	38
Cash & Bank	23	30	31	32	129	489	819
Other Current Assets	120	98	124	127	295	212	216
Current Assets	184	183	221	233	501	806	1,156
Creditors	172	240	293	312	387	417	475
Provisions	11	14	17	20	14	24	28
Other Current Liabilities	79	84	73	78	68	99	115
Curr Liabilities	263	337	383	410	469	540	618
Net Current Assets	(79)	(154)	(162)	(177)	33	266	539
Total Assets	872	1,094	1,253	1,332	1,568	1,914	2,344

Income Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Revenue from Operation	1,724	2,074	2,410	2,546	2,980	3,531	4,083
Change (%)	22%	20%	16%	6%	17%	18%	16%
Other Income	9	7	11	14	23	47	73
EBITDA	255	263	272	247	446	608	757
Change (%)	5%	3%	3%	-9%	81%	36%	25%
Margin (%)	15%	13%	11%	10%	15%	17%	19%
Depr & Amor.	77	98	124	151	156	152	170
EBIT	178	165	148	95	291	456	587
Int. & other fin. Cost	-	-	-	-	-	-	-
EBT	188	172	159	110	313	502	660
Exp Item	-	-	-	(12)	-	(8)	-
Tax	62	49	52	31	107	172	228
Reported PAT	126	123	107	79	206	331	432
Adjusted PAT	126	123	107	67	206	323	432
Change (%)	8%	-2%	-14%	-37%	207%	56%	34%
Margin(%)	7%	6%	4%	3%	7%	9%	11%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
ROE	22%	20%	14%	8%	22%	27%	29%
ROCE	29%	24%	18%	11%	29%	37%	38%
Asset Turnover	2	2	2	2	2	2	2
Debtor Days	2	2	2	2	2	3	3
Inv Days	26	30	34	35	30	30	30
Payable Days	140	168	188	185	188	174	174
P/E	56	79	79	110	74	60	38
Price / Book Value	12	14	11	9	15	14	10
EV/EBITDA	27	37	31	29	34	31	21
EV/Sales	4	5	3	3	5	5	4
FCF per Share	(1.5)	0.6	(0.3)	2.5	46.0	19.9	25.5
Div Yield	0.0%	0.3%	0.4%	0.5%	0.4%	0.3%	0.5%

Cash Flow Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	188	172	159	98	313	502	660
(inc)/Dec in Working Capital	14	48	(11)	8	91	45	57
Non Cash Op Exp	72	98	131	144	143	68	97
Int Paid (+)	-	-	-	-	-	-	-
Tax Paid	(43)	(35)	(58)	(37)	(126)	(172)	(228)
CF from Op. Activities	231	283	220	213	415	434	586
(inc)/Dec in FA & CWIP	(241)	(280)	(222)	(196)	(111)	(171)	(250)
Free Cashflow	(10)	4	(2)	17	304	263	336
(Pur)/Sale of Inv	6	18	21	3	(226)	(332)	-
others	(5)	(15)	(0)	(4)	(15)	57	73
CF from Inv. Activities	(240)	(277)	(201)	(197)	(352)	(446)	(177)
inc/(dec) in NW	1	1	2	5	2	-	-
inc/(dec) in Debt	-	-	-	-	-	-	-
Int. Paid	-	-	-	-	-	-	-
Div Paid (inc tax)	-	-	(20)	(20)	(20)	(40)	(80)
others	-	-	-	-	-	-	-
CF from Fin. Activities	1	1	(18)	(15)	(18)	(40)	(80)
Inc(Dec) in Cash	(8)	8	1	0	45	(52)	330
Add: Opening Balance	30	23	30	31	32	77	25
Closing Balance	23	30	31	32	77	25	355

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