

## Sales Note

**Jubilant Foodworks Ltd.**  
CMP: Rs. 486 | TARGET PRICE: Rs.567 (17%)

### Company Profile

Jubilant FoodWorks Limited (JFL) is part of the Jubilant Bhartia Group and India's largest food service Company. The Company holds the master franchise rights for three international brands, Domino's Pizza, Dunkin' Donuts and Popeye's addressing three different food market segments. It has launched first homegrown brand - Hong's Kitchen in Chinese cuisine segment and also entered into the exciting world of Biryanis with the launch of "Ek dum!". It offers the widest range of Biryanis curated from various parts of India using authentic ingredients along with extensive range of Kebabs, Curries, Breads, Desserts and Beverages. The Company currently operates more than 2,787 outlets for Domino's Pizza, Dunkin' Donuts and Hong's Kitchen and is a market leader in pizza segment. It has more than 30,000 brand ambassadors committed to deliver value to its customers.

### Investment Rationale

**Brand Network expansion and store addition to continue:** JFL's remain focus on expanding its presence in the existing market and whitespace, through the opening of new stores in Tire 2 and Tire 3 cities, as this market has significant growth opportunities. During the year, JFL opened 249 new Domino Pizza stores and entered 56 new cities to expand its network to 1816 stores across 393 cities. The company has expanded its Popeye's network with the launch of the first store in Chennai on Jan 23, JFL opened 9 new stores for Popeye's taking the total store count to 13 in FY23. The company is targeting to reach 3000 stores of Dominoes in the next 2-3 Years by opening 200 to 250 stores of dominoes in the next 12-18 months. JFL also aims to set up 30-35 stores of Popeye in the next 12-18 months. This will help JFL to reach more customers and increase its brand presence across locations, which led to increasing its sales growth in the long term.

**JFL Innovation is likely to drive growth in future:** The company has launched a new range of pizza Minia with two new sauces. With an everyday value price point of Rs.49 for din-in customers, which is a strategic move aimed at increasing footfall in its outlets and driving up same-store sales growth. Offering the lowest price point in the market is likely to attract customers who are price sensitive and looking for a value proposition offer. However, to avail of this offer customers have to buy two products. JFL has launched a 20-minute delivery guarantee service in Bengaluru, a first in India and global amongst Domino's franchisees. This innovative initiative is set to elevate the consumer experience of enjoying pizza by ensuring swift and efficient delivery within an exceptionally short timeframe. In Q4 FY23 JFL opens container stores in educational institutions, capitalizing on low costs. This move targets untapped market segments and offers significant growth opportunities. By adopting a cost-effective container store model, Jubilant aims to expand and meet rising demand in these locations.

**Customer loyalty programs (Domino's Cheesy rewards) can boost order frequency and SSSG Growth:** JFL has launched its loyalty program (Cheese Rewards) where a customer gets free pizza after ordering every 6 pizzas. Enrolment to JFL Domino's cheesy reward program has crossed 13.6 mn and loyalty order contribution reached 45% in March. In FY23 app downloads stood at 122 million highest ever in the Year. The MAU (Monthly Average Users) during the quarter reached 11.1 million at an all-time high accounting for a growth of 22% YoY. The loyalty program will lead to attracting new customers, increase the frequency of purchases from existing customers seeking to redeem

#### Company Detail

Industry	QSR
BSE Code	533155
NSE Code	JUBLFOOD
Bloomberg Code	JUBI IN
Market Cap (INR Cr)	32,134
Promoter Holding (%)	41.94%
52wk Hi/Lo	652/412
Avg. 20 Daily Volume (NSE)	2.981M

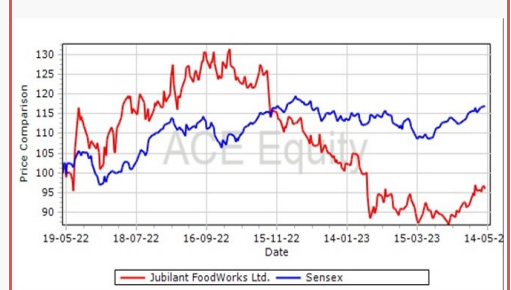
#### Shareholding Pattern (%)

Category	Dec-2021	Mar-2022
Promoter	41.94	41.94
Public	10.23	10.63

#### Public Holding More than 1% (May-23)

Name	% of Shares
UTI-Equity Fund	2.63%
Touchstone Strategic Trust	1.43%
Tata India Consumer Fund	1.36%
Motilal Oswal Multicap 35 Fund	2.31%
Kotak Standard Multicap Fund	2.27%
Kotak India Midcap Fund	1.13%

#### Share Price Performance



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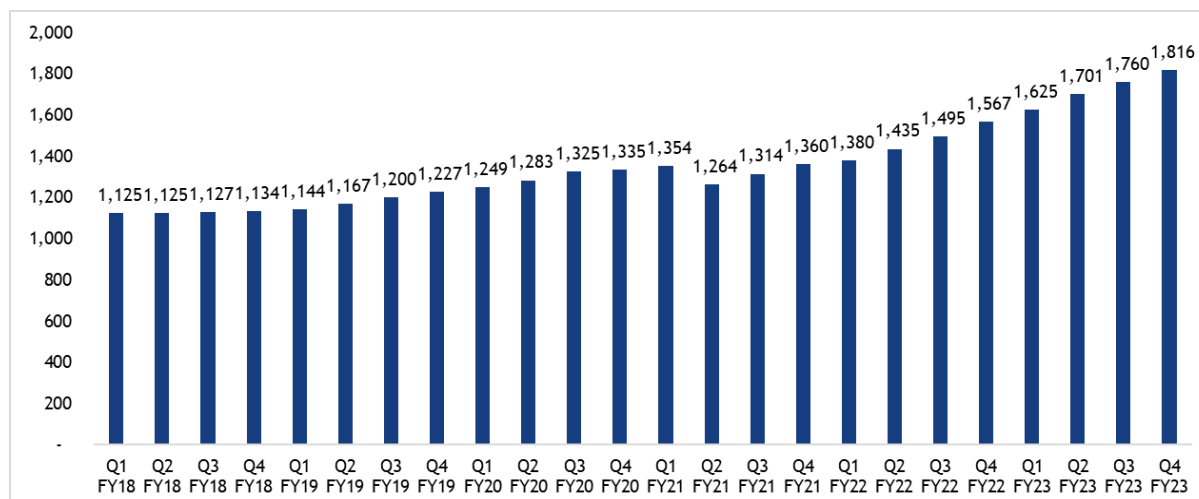
**Jubilant Foodworks Ltd. (JFL)**

Date: 31 May, 2023

loyalty benefits, and prevent customer attrition. The loyalty program will also help to retain high-level users who may transition to medium-level users over time. The program will aid JFL to gain more high-frequency-loyal customers. Management expected benefits from this program are likely to be coming from Q1FY24.

**Popeye's to emerge as new growth driver:** JFL's acquisition of Popeye's franchise rights, positions the company strategically to tap the immense potential growth of the Indian chicken QSR market. With its well-established brand reputation and expertise in the food service industry, JFL aims to capitalize on the growing demand for chicken-based QSR offerings among Indian consumers. The Indian chicken QSR has a huge growth opportunity with low market penetration. Currently, KFC stands as the dominant player in the Indian chicken QSR space. Popeye's Cajun flavors are a unique offering to the Indian QRS Market, which has a high probability of consumer acceptance. JUBI's positioning for Popeye's as a casual dining option with elements of fast food is well-suited to its strengths as a brand. By focusing on providing good value for the price and offering efficient delivery services, JUBI can successfully meet the needs of customers who are looking for a dining experience that is both enjoyable and affordable. JFL has expanded its Popeye network to Chennai from its existing operation in Bangalore and aim to open 30 to 35 new store in next two year. Management has stated that they have received an enthusiastic response and remain confident that Popeye could be profitable, sizeable and scale business.

**Company valuation:** JFL strategy of investing in core business and new venture aim to scale up business growth and revenue while maintaining profitability margins. Aggressive store additions, improving delivery, platform experience, sustained innovation, and customer-centric offerings will drive growth in the medium to long term. We estimate Revenue/ EBITDA / PAT CAGR of 18%/19%/27% over FY23-FY25 period. The stock is trading at a forward PE of 56.49x. We recommend BUY on JFL with DCF based target price of Rs. 567 (17%).

**Exhibit 1: Number of Store ( Domino's)**

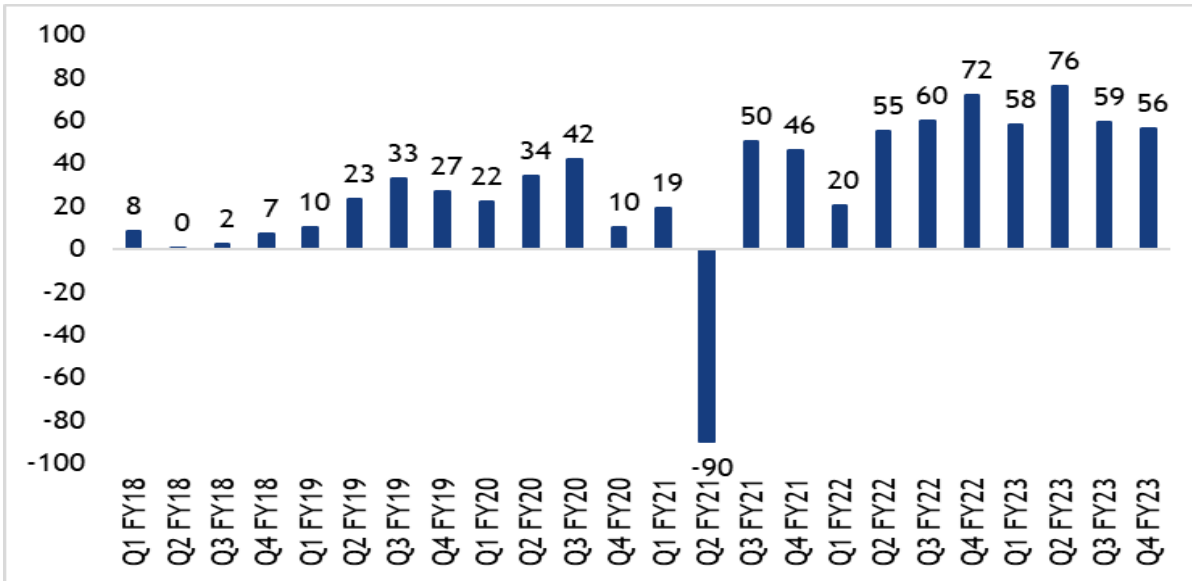
Source: Company Data, GEPL Research

## Jubilant Foodworks Ltd (JFL)



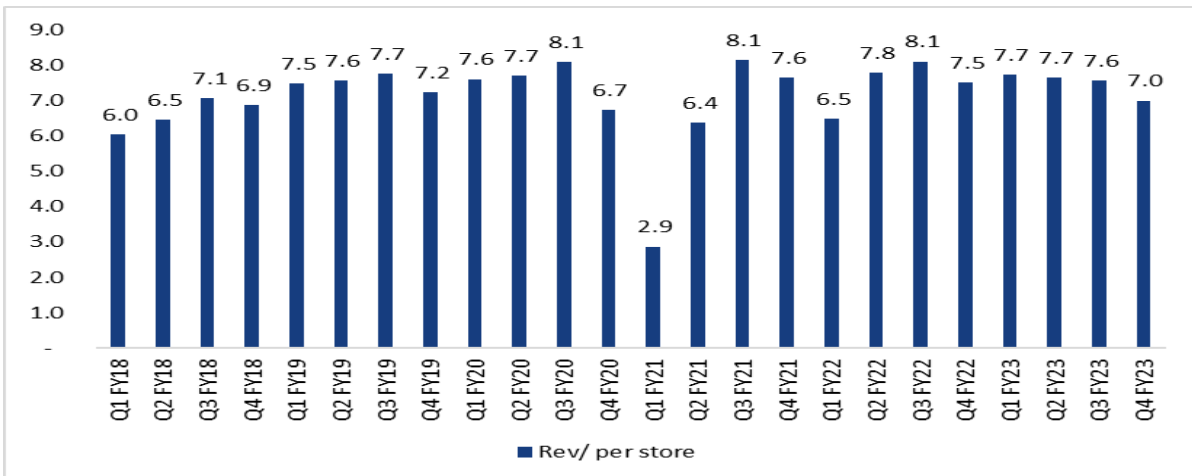
Date: 31 May, 2023

Exhibit 2: Net Store additions ( Domino's)



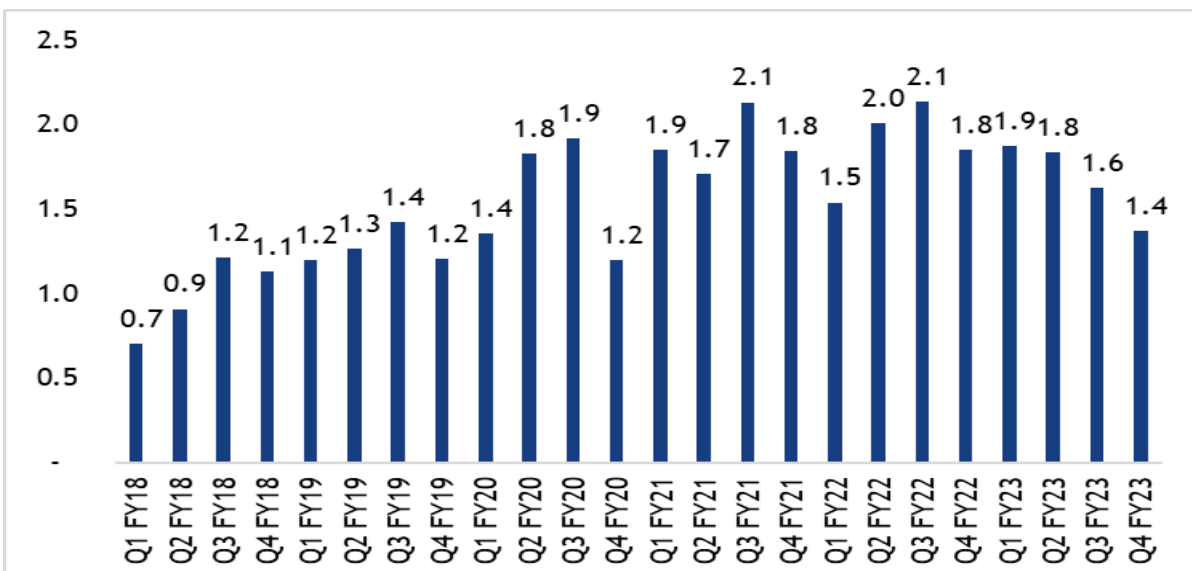
Source: Company Data, GEPL Research

Exhibit 3: Revenue Per Store



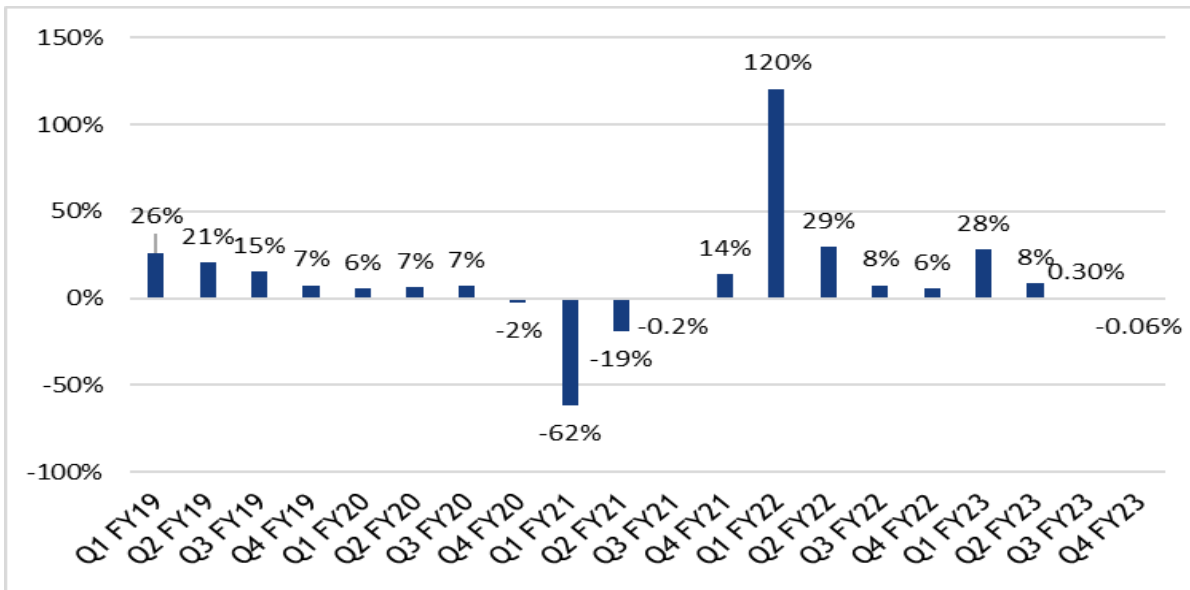
Source: Company Data, GEPL Research

Exhibit 4: EBITDA per store



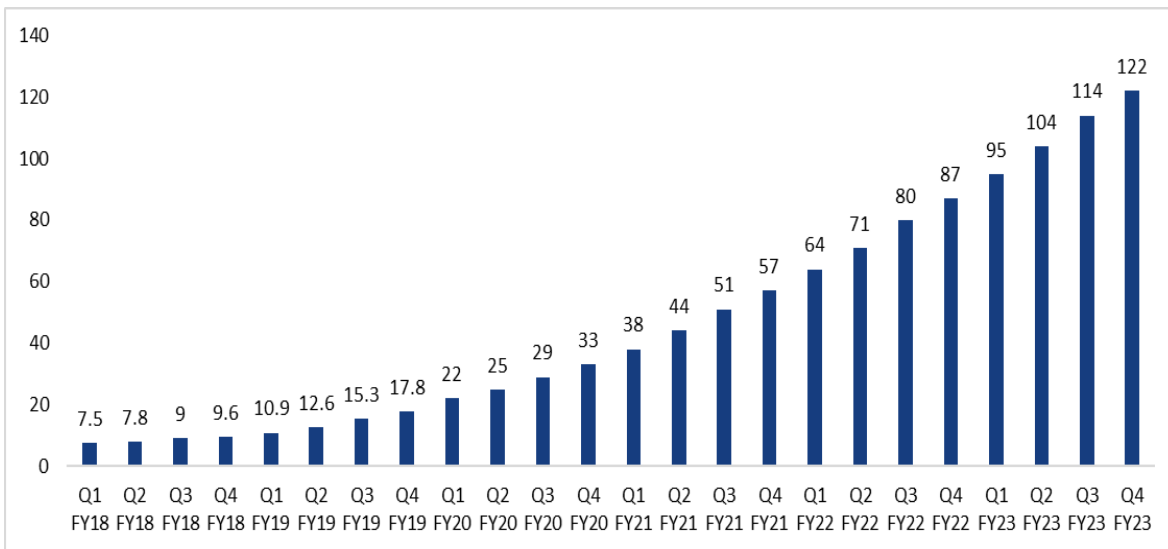
Source: Company Data, GEPL Research

**Exhibit 5: LFL Growth**



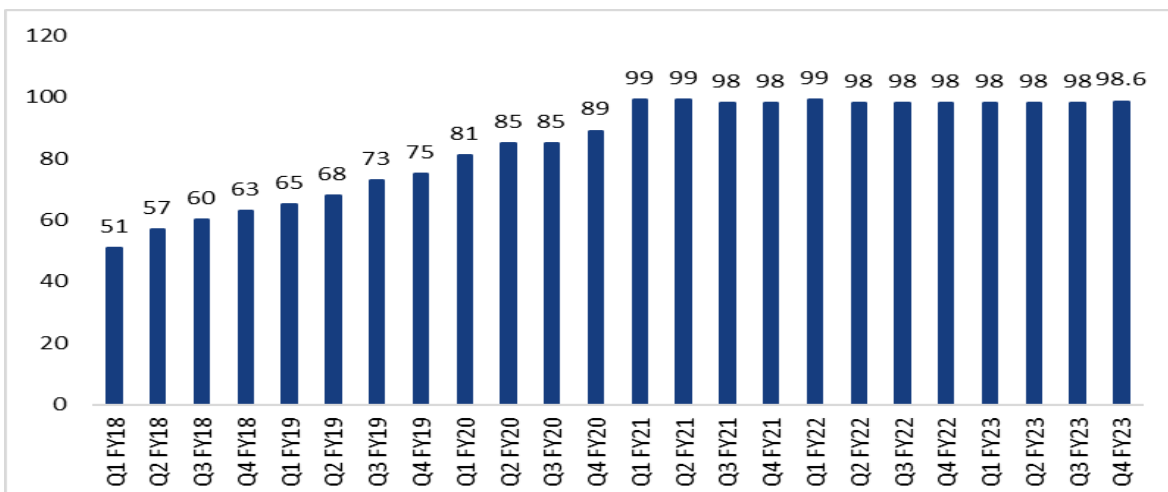
Source: Company Data, GEPL Research

**Exhibit 6: Downloads from mobile ordering apps (fig Mn)**



Source: Company Data, GEPL Research

**Exhibit 7: Average OLO contribution to delivery**



Source: Company Data, GEPL Research



### Exhibit 8: Format Innovation

Low capex format which allows us to be present in whitespaces



Source: Company Data, GEPL Research

### Exhibit 9: Services Innovation

Bengaluru becomes first city for Domino's globally to offer 20 minute delivery service guarantee



Source: Company Data, GEPL Research

### Exhibit 10: Menu Innovation



Source: Company Data, GEPL Research

Exhibit 11: All time high valuations corrected to historical median levels aids

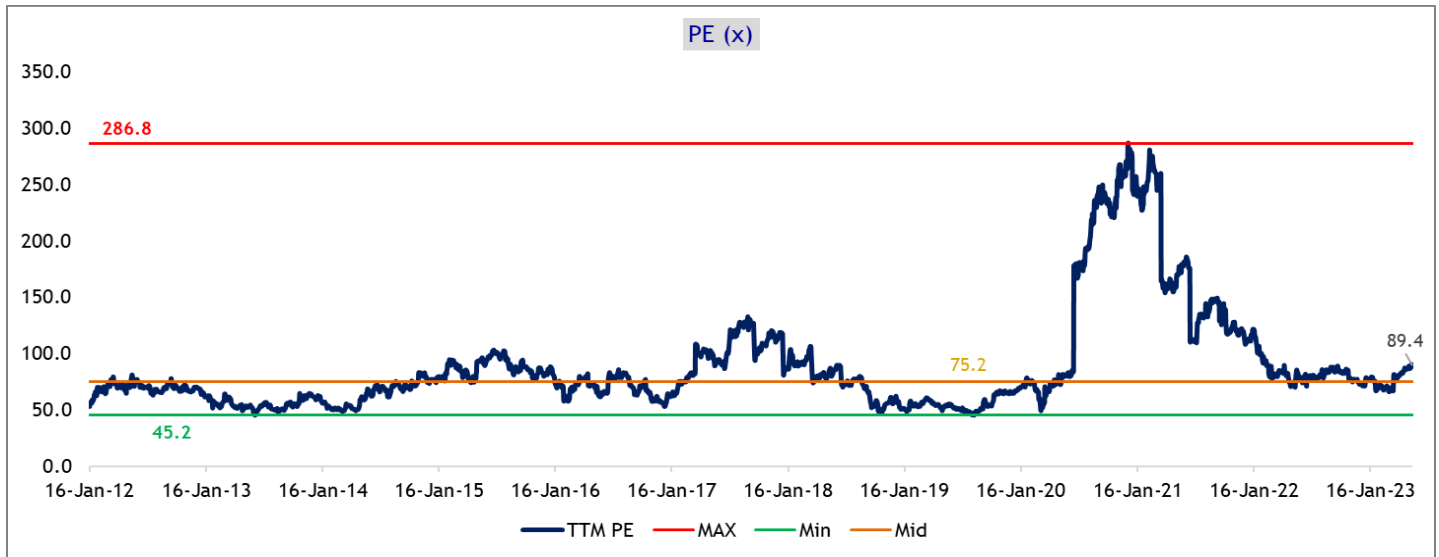


Exhibit 12: EV/ EBITDA trading below Median historical levels



Exhibit 13: Premium to equity has corrected to 15.7 (X) from Highs of 36.9



## Jubilant Foodworks Ltd. (JFL)



Date: 31 May, 2023

## Exhibit 14: Profit and Loss Statement

In Rs Cr.	FY 20	FY 21	FY 22	FY 23	FY 24E	FY 25E
<b>Net Operating Revenue</b>	3,927	3,312	4,396	5,158	6,087	7,243
%growth		-16%	33%	17%	18%	19%
COGS	1,539	1,218	1,650	1,248	2,374	2,825
<b>Gross Profit</b>	2,388	2,094	2,746	3,910	3,713	4,418
Operating Expense	1,513	1,322	1,638	2,758	2,435	2,825
<b>EBITDA</b>	876	771	1,109	1,152	1,278	1,594
EBITDAM%	22.3%	23.3%	25.2%	22.3%	21.0%	22.0%
Other Income	70	73	41	50	51	51
Depreciation & Amr.	352	375	393	486	548	602
<b>EBIT</b>	593	469	757	717	781	1,043
Interest	165	163	176	201	231	286
Exceptional items	-25	-	-7	-	-	-
<b>Pre-Tax Profit</b>	403	306	574	490	550	758
Tax Rate%	30.8%	24.7%	25.3%	28.0%	25.0%	25.0%
Tax Provision	124	76	145	137	138	189
<b>Profit After Tax</b>	280	232	431	353	413	568
PATM%	7.1%	7.0%	9.8%	6.8%	6.8%	7.8%
%growth	-12%	-17%	86%	-18%	17%	38%

Source: Company Data, GEPL Research

## Exhibit 15: Balance Sheet

In Rs Cr.	FY 20	FY 21	FY 22	FY 23	FY 24E	FY 25E
<b>Shareholder's Fund</b>	1,122	1,427	1,945	2,038	2,438	2,989
Equity Share Capital	132	132	132	132	132	132
Reserves and Surplus	990	1,295	1,813	1,906	2,306	2,857
<b>Non-Current Liabilities</b>	1,461	1,396	1,865	2,554	2,938	3,173
Long Term Borrowings	-	-	120	183	183	183
Other Long Term Liabilities	1,461	1,396	1,745	2,371	2,755	2,989
<b>Current Liabilities</b>	1,373	1,615	1,818	791	1,486	1,399
Short Term Borrowings	-	-	-	-	-	-
Trade Payables	447	533	537	570	597	620
Other Current Liabilities	926	1,082	1,281	221	889	779
<b>Total Equity &amp; Liabilities</b>	3,955	4,438	5,628	5,383	6,863	7,561
<b>Non-Current Assets</b>	3,096	3,600	4,706	4,765	6,222	6,708
Net Fixed Assets	2,189	2,148	2,743	3,512	3,962	4,300
Capital Work In Progress	41	26	40	160	160	160
Non-Current Investments	-	435	827	822	822	822
Other Non-Current Assets	866	990	1,095	271	1,278	1,426
<b>Current Assets</b>	859	838	922	618	641	853
Inventories	95	133	161	177	189	224
Trade Receivables	17	17	22	29	32	38
Cash And Cash Equivalents	656	539	563	257	117	143
Other Current Assets	92	149	176	155	304	448
<b>Total Assets</b>	3,955	4,438	5,628	5,383	6,863	7,561

Source: Company Data, GEPL Research

## Exhibit 16: Cash Flow Statement

In Rs Cr.	FY 20	FY 21	FY 22	FY 23	FY 24E	FY 25E
Reported PBT	403	306	574	490	550	758
Non-operating & EO items	(44)	(58)	(20)	(24)	-	-
Interest expense	165	163	176	201	231	286
Depreciation	352	375	393	486	548	602
Working capital changes	(8)	51	(41)	10	13	(19)
Taxes Paid	(140)	(87)	(141)	(137)	(138)	(189)
<b>Operating Cash Flow (a)</b>	<b>728</b>	<b>751</b>	<b>940</b>	<b>1,026</b>	<b>1,204</b>	<b>1,437</b>
Capex	(289)	(243)	(458)	(842)	(700)	(797)
Free Cash Flow	438	507	482	184	504	640
Others	191	(359)	(196)	247	-	-
<b>Investing Cash Flow (b)</b>	<b>(99)</b>	<b>(602)</b>	<b>(654)</b>	<b>(595)</b>	<b>(700)</b>	<b>(797)</b>
Interest expense	(0)	(0)	(0)	(201)	(231)	(286)
Dividend	(145)	(0)	(79)	(79)	(74)	(102)
Others	(316)	(289)	(227)	(146)	(164)	(226)
<b>Financing Cash Flow (c)</b>	<b>(461)</b>	<b>(289)</b>	<b>(307)</b>	<b>(426)</b>	<b>(469)</b>	<b>(613)</b>
<b>Net Cash Flow (a+b+c)</b>	<b>208</b>	<b>(140)</b>	<b>(20)</b>	<b>5</b>	<b>36</b>	<b>27</b>
<b>Closing Cash Balance</b>	<b>237</b>	<b>96</b>	<b>76</b>	<b>81</b>	<b>117</b>	<b>143</b>

Source: Company Data, GEPL Research



## Notes

Recommendation Rating	Expected Absolute Return (%) over 12 months
BUY	>15%
ACCUMULATE	>10% and <15%
HOLD	< 10% and > 0%
SELL	<0%

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for stock and our recommendation.

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