

January 18, 2023

Company Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	610		610	
Sales (Rs. m)	63,011	73,889	63,011	73,889
% Chng.	-	-	-	-
EBITDA (Rs. m)	15,885	18,638	15,885	18,638
% Chng.	-	-	-	-
EPS (Rs.)	10.6	13.6	10.6	13.6
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	43,311	51,826	63,011	73,889
EBITDA (Rs. m)	11,046	12,541	15,885	18,638
Margin (%)	25.5	24.2	25.2	25.2
PAT (Rs. m)	4,448	4,865	7,012	8,987
EPS (Rs.)	6.7	7.4	10.6	13.6
Gr. (%)	90.4	9.4	44.1	28.2
DPS (Rs.)	1.2	3.2	5.0	6.5
Yield (%)	0.2	0.6	1.0	1.3
RoE (%)	24.7	21.1	25.4	27.4
RoCE (%)	40.1	34.1	38.3	38.6
EV/Sales (x)	7.5	6.2	5.0	4.1
EV/EBITDA (x)	29.5	25.6	19.8	16.4
PE (x)	74.7	68.3	47.4	37.0
P/BV (x)	15.8	13.2	11.1	9.3

Key Data

JUBI.BO | JUBI IN

52-W High / Low	Rs.785 / Rs.451
Sensex / Nifty	61,046 / 18,165
Market Cap	Rs.332bn / \$ 4,092m
Shares Outstanding	660m
3M Avg. Daily Value	Rs.1325.49m

Shareholding Pattern (%)

Promoter's	42.12
Foreign	28.66
Domestic Institution	19.94
Public & Others	9.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	(10.0)	(33.5)
Relative	(2.7)	(19.6)	(33.8)

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Chennai entry positive for Popeyes scale up

Jubilant Foodworks is entering Chennai market with Popeyes after opening 12 stores in Bengaluru in past 3 quarters (4/6/8/12 stores in 4Q22/1Q23/2Q23/YTD FY23). Popeyes operates in the fried chicken category, which is growing and well accepted. It has limited competition with KFC being there since 1995 and has seen recent entry of McDonalds. We believe fried chicken is a large category and more players will help expand the category. Popeyes, which opened its first store in Bengaluru, found acceptance amongst the likes of KFC & McDonald's. Since then, Popeyes has gained wider consumer acceptance on the back of differentiated flavour profile providing strong repeat rates (30%+) establishing store economics.

With guidance of 20-30 Popeyes stores in FY23, fast scale up can fill in the void of a second large brand in the portfolio of JUBI as earlier global brand launch of Dunkin Donuts failed due to limited acceptance of donuts and it being 5/6th player to enter a crowded category in coffee. We believe faster scale up of Popeyes can be a trigger for the stock. We estimate 26.4% PAT CAGR over FY22-25 and assign a DCF-based target price of Rs610 (unchanged). The stock trades at 37x FY25 EPS of Rs13.6. Maintain BUY.

- **JUBI to accelerate store expansion in Popeyes:** Jubilant Foodworks entered into an agreement with Restaurant Brands International Inc (RBI) in 4Q21 to develop the Popeyes franchisee in India, Bangladesh, Nepal and Bhutan. Popeyes, which opened its first store in Bengaluru, found acceptance amongst the likes of KFC & McDonald's.
- Since then, Popeyes has gone from strength to strength, opening stores quarter after quarter with 4/6/8/12 stores in 4Q22/1Q23/2Q23/YTD FY23 in Bengaluru. The increase in store count comes on the back of differentiated flavour profile providing strong repeat rates (30%+) establishing store economics.
- **Channel checks indicate product acceptance:** Our channel checks indicated positive product feedback across multiple visits. Products were found to be fresh with a differentiated flavor profile distinct from other competing fried chicken brands.
- **Launch of new commissary in Bengaluru:** The guidance for 20-30 stores by FY23 remains on track. JUBI is expected to commence the new commissary in Bengaluru by March 23. This will enable the launch of more product variants, innovations and pick-up in store openings beyond Bengaluru.
- **Further downside limited:** JUBI has significantly underperformed QSR pack across 3/6/12 months with -16.2%/-10%/-33.5% respectively. JUBI is the cheapest QSR and trades at a discount to most QSR names. We believe downside is capped and risk reward seems favourable at 37x FY25 EPS. Buy.

Exhibit 1: Popeyes has opened 13 stores across South India



Source: Company, PL

Exhibit 2: Popeyes product portfolio offers a differentiated flavour profile



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	43,311	51,826	63,011	73,889
YoY gr. (%)	32.5	19.7	21.6	17.3
Cost of Goods Sold	9,742	12,375	14,689	17,260
Gross Profit	33,569	39,451	48,323	56,630
Margin (%)	77.5	76.1	76.7	76.6
Employee Cost	7,514	9,710	11,278	13,380
Other Expenses	6,980	7,636	9,369	10,821
EBITDA	11,046	12,541	15,885	18,638
YoY gr. (%)	44.1	13.5	26.7	17.3
Margin (%)	25.5	24.2	25.2	25.2
Depreciation and Amortization	3,830	4,668	5,341	5,948
EBIT	7,216	7,873	10,544	12,689
Margin (%)	16.7	15.2	16.7	17.2
Net Interest	1,730	2,000	2,219	2,344
Other Income	407	571	962	1,558
Profit Before Tax	5,820	6,443	9,288	11,904
Margin (%)	13.4	12.4	14.7	16.1
Total Tax	1,444	1,579	2,275	2,916
Effective tax rate (%)	24.8	24.5	24.5	24.5
Profit after tax	4,375	4,865	7,012	8,987
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,448	4,865	7,012	8,987
YoY gr. (%)	90.4	9.4	44.1	28.2
Margin (%)	10.3	9.4	11.1	12.2
Extra Ord. Income / (Exp)	(73)	-	-	-
Reported PAT	4,375	4,865	7,012	8,987
YoY gr. (%)	87.2	11.2	44.1	28.2
Margin (%)	10.1	9.4	11.1	12.2
Other Comprehensive Income	2,430	-	-	-
Total Comprehensive Income	6,805	4,865	7,012	8,987
Equity Shares O/s (m)	660	660	660	660
EPS (Rs)	6.7	7.4	10.6	13.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	17,074	23,804	28,305	32,677
Tangibles	15,642	22,056	26,341	30,505
Intangibles	1,431	1,748	1,963	2,172
Acc: Dep / Amortization	9,286	11,675	14,516	17,794
Tangibles	8,383	10,588	13,223	16,273
Intangibles	903	1,087	1,293	1,521
Net fixed assets	10,697	12,129	13,789	14,883
Tangibles	10,168	11,467	13,119	14,232
Intangibles	528	662	671	651
Capital Work In Progress	457	200	200	200
Goodwill	-	-	-	-
Non-Current Investments	9,685	10,726	10,881	11,022
Net Deferred tax assets	571	628	691	760
Other Non-Current Assets	16,959	19,179	19,658	19,259
Current Assets				
Investments	997	1,495	1,501	2,102
Inventories	1,571	1,871	2,100	2,372
Trade receivables	268	355	552	648
Cash & Bank Balance	5,400	10,063	16,444	25,119
Other Current Assets	726	648	756	739
Total Assets	47,754	57,720	66,999	77,528
Equity				
Equity Share Capital	1,320	1,320	1,320	1,320
Other Equity	19,715	23,788	28,689	34,377
Total Networkth	21,035	25,108	30,009	35,697
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	17,653	21,687	24,350	26,374
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,353	6,081	6,737	7,928
Other current liabilities	3,707	4,333	4,977	5,552
Total Equity & Liabilities	47,754	57,214	66,078	75,556

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	5,893	6,443	9,288	11,904
Add. Depreciation	3,830	4,668	5,341	5,948
Add. Interest	1,730	2,000	2,219	2,344
Less Financial Other Income	407	571	962	1,558
Add. Other	6,214	3,767	2,425	1,794
Op. profit before WC changes	17,667	16,879	19,272	21,990
Net Changes-WC	(489)	545	760	815
Direct tax	(1,444)	(1,579)	(2,275)	(2,916)
Net cash from Op. activities	15,734	15,845	17,756	19,889
Capital expenditures	(13,037)	(8,896)	(7,460)	(6,622)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(13,037)	(8,896)	(7,460)	(6,622)
Issue of share cap. / premium	50	-	-	-
Debt changes	-	-	-	-
Dividend paid	(792)	(792)	(2,112)	(3,299)
Interest paid	(1,730)	(2,000)	(2,219)	(2,344)
Others	-	(1)	1	(1)
Net cash from Fin. activities	(2,472)	(2,793)	(4,329)	(5,645)
Net change in cash	225	4,156	5,967	7,623
Free Cash Flow	2,697	6,949	10,296	13,267

Source: Company Data, PL Research

Key Financial Metrics

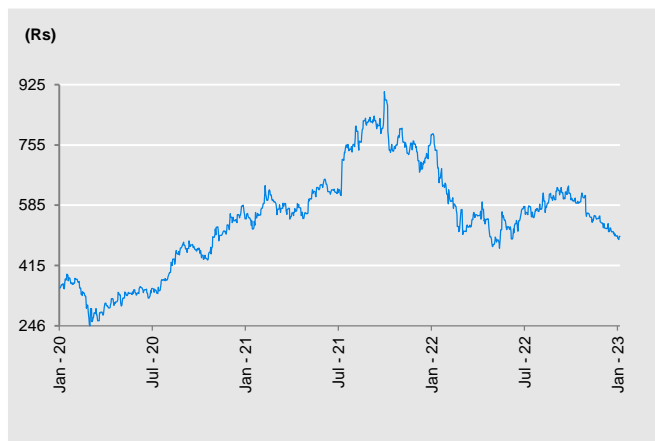
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	6.7	7.4	10.6	13.6
CEPS	12.5	14.4	18.7	22.6
BVPS	31.9	38.1	45.5	54.1
FCF	4.1	10.5	15.6	20.1
DPS	1.2	3.2	5.0	6.5
Return Ratio(%)				
RoCE	40.1	34.1	38.3	38.6
ROIC	17.4	17.1	21.5	25.2
RoE	24.7	21.1	25.4	27.4
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.5)	(0.6)	(0.8)
Net Working Capital (Days)	(30)	(27)	(24)	(24)
Valuation(x)				
PER	74.7	68.3	47.4	37.0
P/B	15.8	13.2	11.1	9.3
P/CEPS	40.2	34.9	26.9	22.3
EV/EBITDA	29.5	25.6	19.8	16.4
EV/Sales	7.5	6.2	5.0	4.1
Dividend Yield (%)	0.2	0.6	1.0	1.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23E
Net Revenue	11,579	12,403	12,868	13,129
YoY gr. (%)	12.9	41.1	16.9	10.0
Raw Material Expenses	2,674	2,888	3,056	3,216
Gross Profit	8,905	9,514	9,811	9,913
Margin (%)	76.9	76.7	76.2	75.5
EBITDA	2,897	3,045	3,125	3,073
YoY gr. (%)	16.2	44.0	9.2	(3.2)
Margin (%)	25.0	24.6	24.3	23.4
Depreciation / Depletion	1,031	1,050	1,123	1,190
EBIT	1,865	1,995	2,002	1,883
Margin (%)	16.1	16.1	15.6	14.3
Net Interest	450	459	485	515
Other Income	124	106	103	160
Profit before Tax	1,539	1,642	1,619	1,528
Margin (%)	13.3	13.2	12.6	11.6
Total Tax	374	366	428	382
Effective tax rate (%)	24.3	22.3	26.4	25.0
Profit after Tax	1,165	1,276	1,192	1,146
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,165	1,276	1,192	1,146
YoY gr. (%)	11.7	87.3	(3.0)	(16.6)
Margin (%)	10.1	10.3	9.3	8.7
Extra Ord. Income / (Exp)	(4)	(266)	-	-
Reported PAT	1,161	1,010	1,192	1,146
YoY gr. (%)	11.3	61.4	(2.0)	(16.6)
Margin (%)	10.0	8.1	9.3	8.7
Other Comprehensive Income	(589)	(551)	65	-
Total Comprehensive Income	572	459	1,257	1,146
Avg. Shares O/s (m)	14	14	14	14
EPS (Rs)	83.2	91.1	85.1	81.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	610	500
2	28-Dec-22	BUY	610	515
3	08-Nov-22	BUY	685	613
4	04-Oct-22	BUY	688	615
5	28-Jul-22	BUY	700	565
6	07-Jul-22	BUY	710	571
7	30-May-22	BUY	708	567
8	08-Apr-22	Accumulate	3,230	2,792
9	02-Feb-22	Accumulate	3,600	3,302

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,326	2,978
2	Avenue Supermarts	BUY	4,675	3,864
3	Britannia Industries	Hold	4,297	4,359
4	Colgate Palmolive	Hold	1,639	1,517
5	Dabur India	Accumulate	609	553
6	Emami	Accumulate	521	420
7	Hindustan Unilever	Accumulate	2,798	2,580
8	ITC	Accumulate	365	335
9	Jubilant FoodWorks	BUY	610	500
10	Kansai Nerolac Paints	Accumulate	563	419
11	Marico	Hold	531	513
12	Mold-tek Packaging	Hold	940	983
13	Nestle India	Accumulate	20,201	19,890
14	Pidilite Industries	Hold	2,679	2,522
15	Restaurant Brands Asia	Accumulate	156	111
16	Titan Company	Accumulate	2,875	2,538
17	Westlife Foodworld	BUY	854	769

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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