

Nov 29, 2013

Jubilant Foodworks Ltd

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NSE Code: JUBLFOOD

Reuters Code:

JUBLNS

Bloomberg Code: JUBI:IN

Jubilant Foodworks Ltd (JFL) is part of Jubilant Bhartia group and India's largest food service company, with a network of 650 Domino's Pizza restaurants (as of 31 October 2013) across 137 cities. JFL & its subsidiary operate Domino's Pizza brand with the exclusive rights for India, Sri Lanka, Bangladesh and Nepal. The Company is the market leader in the organized pizza market with a 67% market share in India (as per Euromonitor report 2013). The Company also has exclusive rights for developing and operating Dunkin' Donuts restaurants for India and has launched 19 Dunkin' Donuts restaurants in India (as of 31 October 2013).

Investor's Rationale

Topline grew by 27.60% YoY on growth in Domino' Pizza restaurants chain— JFL, registered modest growth in topline by 27.6% at ₹4,366 mn for the second quarter ended September 30, 2013 as against ₹ 3,420mn during the same period of previous fiscal on standalone basis driven by the growth in Domino's Pizza's restaurant count as well as geographic penetration along with new menu additions which have garnered positive response from the customers. JFL reported a Same Restaurant (store) Sales growth of 6.6% in Q2 reflecting the underlying pressure associated with consumer discretionary spends.

EBITDA margin contracted 220bps YoY on increased cost— The EBITDA of the company grew 11.3% YoY at ₹658.2 mn on the back of top line growth. On the flip side, margins contracted due to the rise in cost incidence pertaining to an adverse economic environment which is characterized by higher prices and lower consumer propensity to spend. Thus, OPM contracted 220bps YoY at 15.0% against 17.2%.

Bottom-line growth of 2.7% YoY on Improved sales growth - JFL, registered a modest growth in bottom-line by 2.7% at ₹332.3 mn Profitability was driven by the sustained growth momentum witnessed in the Company's topline along with continuous cost containment initiatives undertaken across each level of the organization. Further, higher depreciation and tax, which rose by 29.7% and 14.2% at ₹179.1 mn and ₹165.3 mn, respectively dented the bottom line. Accordingly, NPM contracted by 183.4bps at 7.6% against 9.4%.

Focused towards network expansion – JFL is focusing on enhancing restaurant coverage in new and existing cities for both Domino's Pizza and Dunkin' Donuts by offering Innovate menus. The company is targeting to open 135 Domino's Pizza restaurants in FY14 as compared to 125 earlier in order to cater wider range of customers.

Market Data

Rating	BUY
CMP (₹)	1313
Target Price	1640
Stop Loss	1200
Duration	Short-term
52-week High-Low (₹)	1391.9/927.1
Rise from 52WL (%)	41.8
Correction from 52WH (%)	5.4
Beta	0.31
1 year Average Volume (mn)	0.34
	3M-
	26.2
Stock Return (%)	6M-
	19.7
	1Y-
	5.8
Market Cap (₹bn)	79.52
Book Value (₹)	97.57

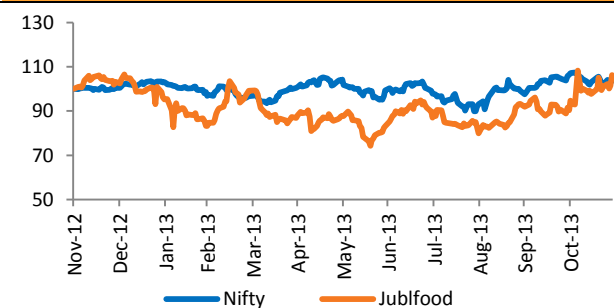
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	51.73	51.73	0.00
FII (%)	45.35	44.02	1.33
DII (%)	0.06	0.39	(0.33)
Public & Others (%)	2.86	3.86	(1.00)

Quarterly Performance (Standalone)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	4,366.0	3,420.3	3,964.2	27.6	10.1
Op. exp	3,713.9	2,834.1	3,298.0	31.0	12.6
EBITDA	652.8	586.8	666.9	11.3	(2.1)
OPM (%)	15.0	17.2	16.8	(220)bps	(187.0)bps
Net profit	332.3	323.5	340.0	2.7	(2.3)
NPM (%)	7.6	9.4	8.5	(183.4)bps	(95.8)bps
EPS (₹)	5.1	5.2	4.9	-2.	2.

One Year Price Chart





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