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Jubilant FoodWorks Ltd (JFL) is one of India's leading quick-service restaurant (QSR) company. JFL holds the master franchise for Domino's Pizza and Dunkin' Donuts brands in India. JFL commands nearly 72% market share in the organised Indian pizza market. As of May 2016, JFL was operating 1,039 Domino's Pizza outlets across 240 cities and 74 Dunkin' Donuts restaurants across 24 cities in India.

## Key Developments

### Strong brand franchise:

JFL, a master franchisee for Domino's pizza (global brand), has a prominent presence across 1,039 stores in 240 cities. The pizza store network has expanded from 130 in FY07 to 1,026 in FY16. Currently, all 1,039 stores are managed by the company with no subfranchise. It has a dominant market share of 72% in the organised Indian pizza market. More importantly, outside US, India is one of the largest market for Domino's Pizza. Domino's, is now more than double the size of McDonald's with 16% share in India's chained food service industry.

### Asset light business model:

JFL has a debt free balance sheet with high asset turnover (~3x). JFL also enjoys a negative working capital cycle as it procures on credit & requires low inventory and sells its services to the consumers for cash. All the stores by the company are operated on a rental basis.

### Slowdown in SSSG (Same store sales):

Backed by higher volumes and new product launches coupled with price hike & favourable macro-economic indicators, JFL witnessed very high SSSG growth of 37.2% and 29.6% in FY11 and FY12 respectively. With overall slowdown in the past three years impacting the consumer discretionary spend, JFL posted dismal SSSG numbers. SSSG has fallen from 16.2% in FY13 to 0.05% in FY15. However, JFL reported improvement in SSSG to 3.2% in FY16.

### Dunkin' Donuts & More – gaining traction:

In 2012, JFL launched its first Dunkin' Donuts outlet in India. JFL has 74 Dunkin' Donuts restaurants across 24 cities in India (as of May 28, 2016).

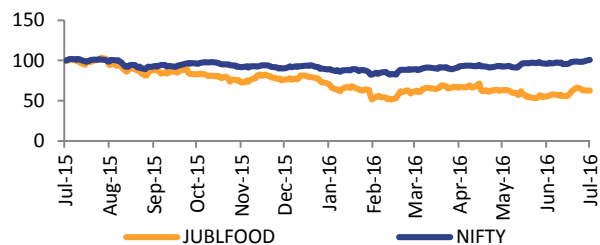
## Market Data

<b>CMP (Rs.)</b>	<b>1,194</b>
Face Value	10.0
52 week H/L (Rs.)	1,948/887
Adj. all time High (Rs.)	1,984
Decline from 52WH (%)	38.7
Rise from 52WL (%)	34.5
Beta	1.2
Mkt. Cap (Rs.Cr)	7,854
Enterprise Value(Rs. Cr)	7,751

## Fiscal Year Ended

	FY14	FY15	FY16
<b>Total revenue (Rs.cr)</b>	1,723	2,074	2,410
<b>Profit (Rs.cr)</b>	126	123	115
<b>Share Capital (Rs.Cr)</b>	65	66	66
<b>EPS (Rs.)</b>	19.2	18.8	17.4
<b>P/E (x)</b>	62.1	63.5	68.5
<b>P/BV (x)</b>	13.9	11.7	10.2
<b>ROE (%)</b>	25.2	20.0	15.9

## One year Price Chart



Shareholding	Mar16	Dec15	Diff.
<b>Promoters (%)</b>	48.7	48.7	0.0
<b>Public (%)</b>	43.2	43.4	(0.2)
<b>Others (%)</b>	8.1	7.9	0.2

JFL commands nearly 72% market share in the organised Indian pizza market.

Domino's Pizza has an almost 16% market share in the chained consumer food service industry.

## Jubilant Foodworks Ltd.: Business overview

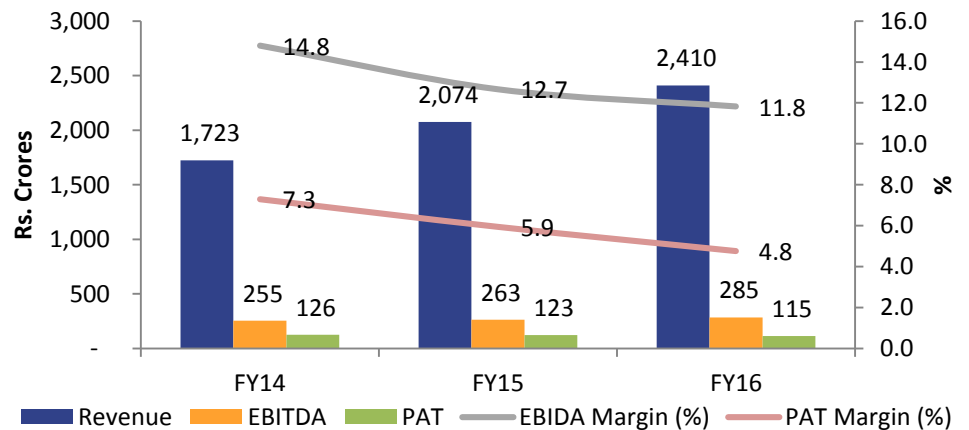
Jubilant FoodWorks Limited (JFL), part of the Jubilant Bhartia Group, is one of India's leading QSR company. JFL holds the master franchise for Domino's Pizza and Dunkin' Donuts brands in India.

Overall, Domino's Pizza has an almost 16% market share in the chained consumer food service industry. JFL commands nearly 72% market share in the organised Indian pizza market. As of May, 2016, JFL has 1,039 pizza stores across 240 cities. Likewise, there are 74 Dunkin' Donuts restaurants across 24 cities in India. JFL focuses on a home delivery and take-away oriented business model, which offers its customers the convenience of eating in the comfort of their own homes and workspaces.

### Brands at JFL

Particular	Domino's Pizza	Dunkin' Donuts
Year of launch in US	Founded in 1960	Founded in 1950
Presence across countries	More than 12,100 franchised and Company-owned restaurants in more than 80 international markets	More than 11,500 Restaurants in more than 40 countries
Beginning of Restaurants in India	1st Restaurant operated in India in Mar'96	1st Restaurant operated in India in Apr'12 (branded in India as Dunkin' Donuts & More)
Presence in India	1,039 restaurants across 240 cities*	74 restaurants across 24 cities*
Contract details	<ul style="list-style-type: none"> <li>Exclusive right to open Domino's Pizza restaurants in India, Sri Lanka, Bangladesh and Nepal</li> <li>Current franchising agreement till December 2024 with right of renewal for another 10 years</li> </ul>	<ul style="list-style-type: none"> <li>Exclusive right to operate and develop Dunkin' Donuts restaurants in India</li> <li>The agreement is for a period of 15 yrs, till February 2026 with the option of renewal for 10 yrs, with first right of refusal for Sri Lanka, Nepal &amp; Bangladesh</li> </ul>

### Financial snapshot of Jubilant FoodWorks

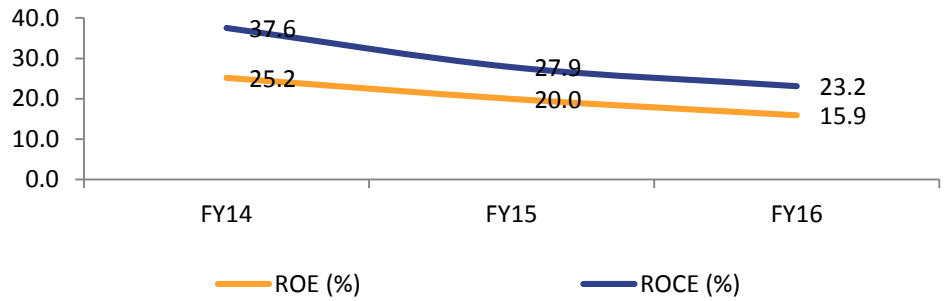


Source: Company, In-house research

JFL reported improvement in SSSG to 3.2% in FY16.

The contribution of OLO has increased from 29% in Q4FY15 to 41% in Q4FY16.

### Return Ratios Trend



Source: Company, In-house research

### Domino's strong Brand Equity in India

India, after the US, is one of the largest market for Domino's Pizza. The first pizza store was opened in 1996 and it currently has 1,039 pizza stores across 240 cities. The pizza store network has expanded from 130 in FY07 to 1,026 in FY16. Currently, all 1,039 stores are managed by the company with no subfranchise. For the past three fiscals, it has been adding ~150 stores every year.

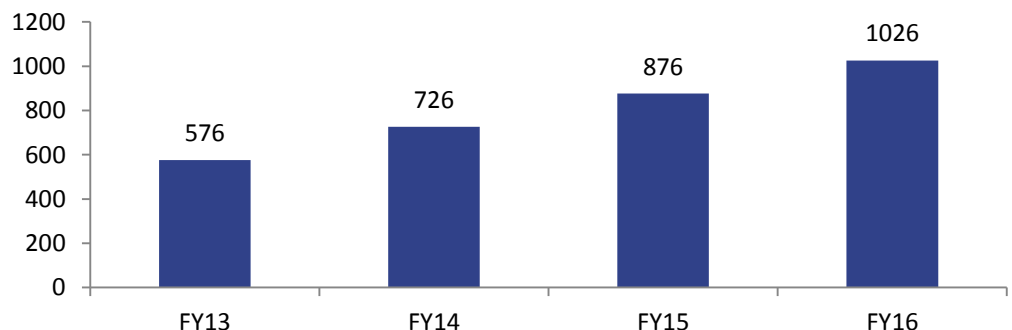
### Revival in SSSG

Backed by higher volumes & new product launches coupled with price hike & favourable macro-economic indicators, JFL witnessed very high SSSG growth of 37.2% & 29.6% in FY11 & FY12 respectively. With overall slowdown in the past three years impacting the consumer discretionary spend, JFL posted dismal SSSG numbers. SSSG has fallen from 16.2% in FY13 to 0.05% in FY15. JFL reported improvement in SSSG to 3.2% in FY16.

### Online ordering (OLO) service of the company

Online ordering has become a very important source of business generation for JFL and is growing at a fast pace. The contribution of OLO has increased from 29% in Q4FY15 to 41% in Q4FY16. Interestingly, in key developed markets, online ordering constitutes around 70% of the total delivery business. Interestingly, with focus on a home delivery and takeaway oriented business model, JFL has a right mix of temporary & permanent staff.

### Number of pizza stores over the years



Source: Company, In-house research

## Dunkin' Donuts & More

In 2012, JFL launched its first Dunkin' Donuts outlet in India. JFL has 74 Dunkin' Donuts restaurants across 24 cities in India (as of May 28, 2016). Dunkin' Donuts is positioned in a sweet spot i.e. between a QSR (Quick Service Restaurant) and a café, and offers a variety of all-day part food menu that includes burgers, sandwiches, coffee, salads etc. The positioning of Dunkin' Donuts in India is "all day dining" as against strong "breakfast" positioning in the US. This business is still in an investment phase and impacted the FY16 EBITDA margin negatively by 200 bps.

*JFL has 74 Dunkin' Donuts restaurants across 24 cities in India (as of May 28, 2016).*

### History of innovations over the last two years

FY15	Q1	Q2	Q3	Q4
	The Tough Guy Brute Veg Burger, New range of Dunkaccino, Mocha Chip, Dunkaccino, The Tough Guy Brute Chicken Burger	Jamaican Rum & Almonds Dunkaccino Coffee	Naughty Lucy Burger, New Donuts Range	Crunchy Joe Burger
FY16	Q1	Q2	Q3	Q4
	Voodoo Wraps (Veg & Non Veg), Virgin Mojito Coolatta, Salty Jamoonade, Classic Lemonade Coolatta	Donut Cakes & Alliance with Grofers	Double cheese crunch pizza, Custard Bliss Dessert	Pizza Mania Extremes

*Source: Company, In-house research*

## Healthy balance sheet with an asset light model

JFL has a debt free balance sheet with high asset turnover (~3x). JFL also enjoys a negative working capital cycle as it procures on credit & requires low inventory and sells its services to the consumers for cash.

## Balance Sheet (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Share Capital	65	66	66
Reserve and surplus	498	606	702
<b>Net Worth</b>	<b>563</b>	<b>671</b>	<b>768</b>
Minority Interest	-	-	-
Total Debt	-	-	-
Other non-current liabilities	9	13	16
<b>Total Equity &amp; Liabilities</b>	<b>572</b>	<b>684</b>	<b>785</b>
Net Fixed Assets	529	716	811
Capital WIP	18	18	20
Goodwill	-	-	-
Investments	129	130	152
Net current assets	(173)	(252)	(280)
Deferred tax assets (net)	(37)	(56)	(68)
Other non-current assets	106	127	149
<b>Total Assets</b>	<b>572</b>	<b>684</b>	<b>785</b>

## Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
<b>Net profit/loss before tax&amp; extraordinary items</b>	<b>188</b>	<b>172</b>	<b>167</b>
Net cashflow from operating activities	231	283	262
Net cash used in investing activities	(240)	(277)	(243)
Net cash used from financing activities	1	1	(18)
<b>Net inc/dec in cash and cash equivalents</b>	<b>(8)</b>	<b>8</b>	<b>1</b>

## Financial performance snapshot

Net sales of the company stood at Rs. 2,410 Crores in FY16, a growth of 16.2% as compared to Rs. 2,074 Crores in FY15. The operating expenses of the company increased by 17.3% YoY to Rs. 2,125 Crores from Rs. 1,812 Crores during the year. The company's EBITDA grew by 8.5% YoY to Rs. 285 Crores in FY16 from Rs. 263 Crores in FY15. EBITDA margins contracted by 84bps to 11.8% in FY16 from 12.7% in FY15. Net profit decreased by 7.1% to Rs. 115 Crores in FY16 from Rs. 123 Crores in FY15. The NPM contracted by 119 bps to 4.8% from 5.9% during the above period.

## Profit & Loss Account (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
<b>Net revenue</b>	<b>1,723</b>	<b>2,074</b>	<b>2,410</b>
Expenses	1,468	1,812	2,125
<b>EBITDA</b>	<b>255</b>	<b>263</b>	<b>285</b>
Depreciation	77	98	124
<b>EBIT</b>	<b>178</b>	<b>165</b>	<b>161</b>
Interest cost	-	-	-
Other Income	9	7	6
<b>Profit Before Tax</b>	<b>188</b>	<b>172</b>	<b>167</b>
Tax	62	49	52
<b>Profit After Tax</b>	<b>126</b>	<b>123</b>	<b>115</b>
Minority Interest	-	-	-
P/L from Associates	-	-	-
<b>Adjusted PAT</b>	<b>126</b>	<b>123</b>	<b>115</b>
E/o expense / (income)	-	-	-
<b>Reported Profit</b>	<b>126</b>	<b>123</b>	<b>115</b>

## Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	14.8	12.7	11.8
EBIT Margin (%)	10.4	7.9	6.7
NPM (%)	7.3	5.9	4.8
ROCE (%)	37.6	27.9	23.2
ROE (%)	25.2	20.0	15.9
EPS (Rs.)	19.2	18.8	17.4
P/E (x)	62.1	63.5	68.5
BVPS(Rs.)	86.1	102.4	116.7
P/BVPS (x)	13.9	11.7	10.2
EV/EBITDA (x)	30.5	29.7	27.4



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