

November 4, 2010

Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs 552	Rs 600
EPS change FY11E/12E (%)	12 / 27
Target Price change (%)	50
Nifty	6,282
Sensex	20,894

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	37	69	-
Rel. to Nifty	11	19	37	-

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Retail
Bloomberg	JUBI@IN
Equity Capital (Rs mn)	644
Face Value(Rs)	10
No of shares o/s (mn)	64
52 Week H/L	565/145
Market Cap (Rs bn/USD mn)	36/813
Daily Avg Volume (No of sh)	2548254
Daily Avg Turnover (US\$m)	26.1

Shareholding Pattern (%)

	S'10	J'10	M'10
Promoters	61.4	61.8	62.1
FII/NRI	20.9	17.5	21.1
Institutions	7.4	10.7	8.8
Private Corp	4.6	4.2	3.6
Public	5.8	5.9	4.5

Source: Capitaline

Pritesh Chheda, CFA

pritesh.chheda@emkayglobal.com

+91 22 6612 1273

- **Jubilant FoodWorks (JFL) stellar performance continues – revenue growth of 67.1% yoy to Rs1633 mn and adjusted net profit growth doubled to Rs184 mn**
- **3rd consecutive quarter of positive surprise - same store sales growth at 43% yoy – demand buoyancy and acceptance of new SKU (Pasta, Wraps & Deserts) are key contributors**
- **Revised our assumptions on same store sales growth from 16% to 25% in FY11E**
- **Upgrade earnings by 12% (Rs11.3/Share) and 27% (Rs15.4/Share) for FY11E and FY12E -Maintain 'ACCUMULATE' rating and revised price target to Rs600/Share**

Stellar performance continues- reports APAT of Rs184 mn – 17% ahead of expectation

Stellar performance of JFL continues, supported by healthy same store sales growth of 43% and addition of 18 new stores in the quarter. Key highlights are (1) 67.1% yoy growth in revenues to Rs1633 mn (2) Ebitda growth at 95.3% yoy to Rs297 mn and (3) APAT growth of 137.5% yoy to Rs184 mn. Ebitda margins expanded by 260 bps yoy to 18.2% - gaining from operating leverage in the business.

Same store sales growth continues to surprise - recorded 43% growth in Q2FY11

Same store sales growth continues positive surprises – 3rd consecutive quarter of strong growth. Same store sales growth stood at 43% in Q2FY11 – versus 37% in Q1FY11 and 38% in Q4FY10. Demand buoyancy and acceptance of new SKU 's like Mexican Wrap, Choco Lava Cake and Pasta are contributors to same store sales growth. Considering H1FY11 performance, we have revised our same store-sales growth assumptions from 16% to 25% in FY11E.

Testing incremental avenues to augment growth – franchisee route at airports and Sri Lanka operations

JFL is straddling for geographic expansion and new distribution formats for growth. Consequently, JFL has 2 franchisee stores opened in last 2 quarters at Delhi and Mumbai airport. Further, JFL presence in Sri Lanka will further strengthen with expansion from 5 stores to 7 stores in FY11E.

18 new stores in Q2FY11 with total store tally of 320 Nos and presence in 79 cities

JFL added 18 new stores in Q2FY11 versus 14 new stores in Q1FY11. JFL continues to expand store network - 24 in Q1FY10, 15 in Q2FY10, 16 in Q3FY10, 10 in Q4FY10 and 14 in Q1FY11. In addition, JFL has increased its reach from 56 cities in Q1FY10 to 79 cities in Q2FY11. JFL has reiterated its expansion plans- add 65-70 stores in FY11E.

Financial Snapshot

Rs Mn

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY09	2,806	352	12.5	73	1.4	-10.2	34.7	396.3	90.5	137.7
FY10	4,239	669	15.8	330	5.3	289.0	48.1	101.9	51.1	29.3
FY11E	6,348	1,173	18.5	720	11.3	113.6	48.4	47.7	28.8	19.1
FY12E	9,231	1,814	19.7	979	15.4	35.9	44.5	35.1	18.3	13.2

Quarterly Results

	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	YoY Gr	QoQ Gr	YTD'11	YTD'10	Gr (%)
Net Sales	977.5	1,173.6	1,240.6	1,355.5	1,633.8	67.1	20.5	6348.4	4239.3	49.8
Expenditure	825.3	976.4	1047.9	1104.1	1336.6	62.0	21.1	5175.2	3570.0	45.0
Material Cost	241.2	289.9	312.0	332.1	405.0	67.9	21.9	1526.3	1049.6	45.4
% of Sales	24.7	24.7	25.2	24.5	24.8	10 bps	30 bps	24.0	24.8	-70 bps
Employee Expenses	186.8	215.7	245.0	251.0	325.2	74.0	29.6	1128.7	804.6	40.3
% of Sales	19.1	18.4	19.7	18.5	19.9	80 bps	140 bps	17.8	19.0	-120 bps
Other Expenses	293.8	369.4	379.9	401.1	479.7	63.3	19.6	2520.1	1715.8	46.9
% of Sales	30.1	31.5	30.6	29.6	29.4	-70 bps	-20 bps	39.7	40.5	-80 bps
Operating Profit	152.2	197.2	192.7	251.4	297.2	95.3	18.2	1173.2	669.3	75.3
EBIDTA (%)	15.6	16.8	15.5	18.5	18.2	260 bps	-40 bps	18.5	15.8	270 bps
Other Income	0.3	0.3	0.6	1.0	2.6	760.7	155.4	7.4	3.7	100.0
Interest	18.8	20.8	19.9	2.4	0.9	-95.1	-60.6	12.1	91.5	-86.7
Depreciation	58.4	62.3	69.2	63.0	69.5	19.0	10.3	297.9	243.5	22.4
PBT	75.3	114.3	104.1	187.1	229.4	204.8	22.6	870.5	338.1	157.5
Tax	-2.4	0.6	0.1	34.3	45.1	Na	31.5	150.0	0.8	18773
APAT (Before EI)	77.6	113.7	104.0	152.8	184.4	137.5	20.6	720.5	337.3	113.6
APAT (%)	7.9	9.7	8.4	11.3	11.3	330 bps	0 bps	11.3	8.0	340 bps
EPS (Before Exceptional Items)	1.3	1.9	1.7	2.4	2.9	120.1	19.3	11.3	5.3	113.6
EPS (After Exceptional Items)	1.3	1.9	1.7	2.4	2.9	120.1	19.3	11.3	5.3	113.6

Margins (%)	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	(bps)	(bps)	YTD'11	YTD'10	(bps)
EBIDTA	15.6	16.8	15.5	18.5	18.2	260	-40	18.5	15.8	270
EBIT	9.6	11.5	10.0	14.0	14.1	450	10	13.9	10.1	380
EBT	7.7	9.7	8.4	13.8	14.0	630	20	13.7	8.0	570
PAT	7.9	9.7	8.4	11.3	11.3	330	0	11.3	8.0	340
Effective Tax rate	-3.1	0.5	0.1	18.3	19.7	2280	130	17.2	0.2	1700

Upgrade FY11E and FY12E earnings by 12% and 27% respectively

Considering strong performance in H1FY11 – we have fine tuned our assumptions on same store sales growth. We have revised assumptions on same store sales growth from 16% to 25% in FY11E. Consequently, we upgrade our FY11E and FY12E earnings by 12% (Rs11.3/Share) and 27% (Rs15.4/Share) respectively.

Maintain positive bias with 'ACUMULATE' rating and price target revised to Rs600/Share

We continue to remain positive on growth prospects of QSR segment in India and Domino's well entrenched business model. Further, we reiterate that JFL will continue to witness robust earnings growth momentum for next 5-7 years – considering untapped market potential. We have revised our OCF/Share estimates from Rs16.2/Share to Rs18.0/Share for FY11E and from Rs20.0/Share to Rs24.0/Share for FY12E. Being only listed option in the F&B, we roll the valuations to average of FY12E and FY13E average OCF and revise price target from Rs400/Share to Rs600/Share. We maintain ACCUMULATE rating.

Financials

Income Statement

Y/E, Mar (Rs. Mn)	FY09	FY10E	FY11E	FY12E
Net Sales	2,806	4,239	6,348	9,231
Growth (%)	32.9	51.1	49.8	45.4
Expenses	2,454	3,570	5,175	7,417
Growth (%)	33.2	45.5	45.0	43.3
Raw Materials	718	1,050	1,526	2,168
% Of Sales	25.6	24.8	24.0	23.5
Employee Cost	556	805	1,129	1,625
% Of Sales	19.8	19.0	17.8	17.6
Manufacturing Exps	906	1,330	1,883	2,679
% Of Sales	32.3	31.4	29.7	29.0
Admin Expenses	141	215	279	363
% Of Sales	5.0	5.1	4.4	3.9
Selling & Distribn Exp	133	171	358	582
% Of Sales	4.7	4.0	5.6	6.3
Ebidta	352	669	1,173	1,814
Growth (%)	31.1	90.2	75.3	54.7
Ebidta%	12.5	15.8	18.5	19.7
Other Income	4	4	7	7
Interest	99	91	12	12
Depreciation	169	243	298	365
PBT	87	338	871	1,445
Tax	8	1	150	466
PAT (Before EO Item)	79	337	720	979
Growth (%)	-10.3	325.6	113.6	35.9
Net Margin%	2.8	8.0	11.3	10.6
E/O Item	6	8	0	0
Reported PAT	73	330	720	979

Cash Flow

Y/E, Mar (Rs. Mn)	FY09	FY10E	FY11E	FY12E
Pre-Tax Profit	81	335	871	1,445
Depreciation	169	243	298	365
Non Cash	6	1	0	0
Chg in Working Cap	-10	157	127	209
Tax Paid	-8	-42	-150	-466
Operating Cash Flow	238	695	1,146	1,553
Capex	-541	-521	-631	-676
Free Cash Flow	-303	174	515	877
Investments	-2	-3	0	0
Equity Capital	0	605	0	0
Loans	311	-739	-80	0
Dividend	0	0	-92	-187
Others	0	0	0	0
Net Change in Cash	7	37	343	690
Opening Cash Position	21	28	70	414
Closing Cash Position	28	65	414	1,104

Balance Sheet

Y/E, Mar (Rs. Mn)	FY09	FY10E	FY11E	FY12E
Equity Share Capital	582	636	636	636
Reserves	-354	538	1,167	1,959
Networth	228	1,174	1,803	2,595
Secured Loans	825	86	6	6
Unsecured Loans	0	0	0	0
Loan Funds	825	86	6	6
Net Deferred Tax	0	0	0	0
Capital Employed	1,053	1,260	1,809	2,601
Gross Block	1,710	2,276	2,907	3,583
Less: Depreciation	651	872	1,170	1,535
Net Block	1,059	1,403	1,736	2,047
Capital Work In Progress	89	26	26	26
Goodwill	2	3	4	5
Investments	0	0	0	0
Current Assets	336	533	1,054	1,954
Inventories	55	71	140	203
Debtors	12	29	30	43
Cash & Bank	30	70	414	1,104
Loans & Advances	239	362	470	604
Other cur assets	0	0	0	0
Current Liabilities & Prov	431	702	1,007	1,426
Net Current Assets	-95	-169	47	528
Miscellaneous Expenditure	0	0	0	0
Capital Deployed	1,053	1,260	1,809	2,601

Key Ratios

Y/E, Mar	FY09	FY10E	FY11E	FY12E
Profitability %				
Ebidta Mgn	12.5	15.8	18.5	19.7
PAT Mgn	2.8	8.0	11.3	10.6
ROCE	17.7	37.1	57.5	66.1
ROE	34.7	48.1	48.4	44.5
Per Share Data				
EPS	1.4	5.3	11.3	15.4
CEPS	4.0	9.1	15.2	19.3
OCFPS	4.1	10.9	18.0	24.4
BVPS	3.9	18.5	28.3	40.8
DVPS	0.0	0.0	0.0	0.0
Valuations (X)				
PER	396.3	101.9	47.7	35.1
POCF	132.0	49.5	30.0	22.1
P/BV	137.7	29.3	19.1	13.2
Ev/Sales	11.5	8.1	5.3	3.6
Ev/Ebidta	90.5	51.1	28.8	18.3
Dividend Yield (%)	0.0	0.0	0.3	0.5
Turnover (X Days)				
Debtor TO Days	1.5	1.5	1.5	1.5
Inventory TO Days	7.2	7.2	7.2	7.2
Gearing Ratio				
Net Debt/Equity	1.4	0.0	-0.6	-1.7
Total Debt/Equity	27.4	1.2	0.0	0.0

Recommendation History: Jubilant FoodWorks – JUBI IN

Date	Reports	Reco	CMP	Target
02/08/2010	Jubilant FoodWork Q1FY11 Result Update	Accumulate	370	400
13/05/2010	Jubilant FoodWorks Q4FY10 Result Update	Accumulate	321	350
10/02/2010	Jubilant Foodworks Ltd - Initiating Coverage	Buy	245	298

Recent Research Reports

Date	Reports	Reco	CMP	Target
26/10/2010	Titan Industries Q2FY11 Result Update	Accumulate	3,287	3,762

Emkay Global Financial Services Ltd.

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

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