

August 12, 2011

Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs 852	Rs 900
EPS change FY12E/13E (%)	+23 / 24.6
Target price change (%)	+24
Nifty	5,073
Sensex	16,840

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	23	74	87
Rel. to Nifty	8	33	82	100

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Consumers
Bloomberg	JUBI@IN
Equity Capital (Rs mn)	647
Face Value(Rs)	10
No of shares o/s (mn)	65
52 Week H/L	960/431
Market Cap (Rs bn/USD mn)	55/1,211
Daily Avg Volume (No of sh)	927502
Daily Avg Turnover (US\$m)	16.8

Shareholding Pattern (%)

	Jun-11	Mar-11	Dec-10
Promoters	58.9	60.2	61.3
FII/NRI	33.5	24.6	21.1
Institutions	1.8	7.7	9.6
Private Corp	2.1	2.9	3.0
Public	3.7	4.6	5.0

Source: Capitaline

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- Sales growth of 60% yoy to Rs 2.2 bn is driven by strong 37% same store growth. PAT growth of 52% yoy to Rs 232 mn is marginally higher than our expectations
- Impressed with the continued momentum of strong same-store sales growth (SSG) of 30%+ for last six consecutive quarters
- Upgrade our FY12E and FY13E earnings by 23% and 24.6% to Rs 19.8/share and Rs 29.1/share, respectively driven by higher SSG at 27% and 20% for FY12E/13E
- Continue to remain positive on its robust business model with high operating cash flows – Re-iterate our ACCUMULATE rating with a target price of Rs 900/share

Delivers strong performance in 1QFY12

Sales registered a growth of 60% to Rs 2.2 bn, driven by strong 37% same store sales growth (SSG) and addition of 14 stores during this quarter. Operating margins increased 50 bps to 19.1% against our expectation of 18.5%, driven by lower-than-expected other expenditure. EBITDA recorded growth of 64% yoy to Rs 413 mn and APAT registered a growth of 52% to Rs 232 mn, which is marginally higher than our expectations.

Impressive same-store growth continues...

Jubilant FoodWorks (JFL) has delivered strong 30+% SSG over the last six quarters, consistently. We are impressed with this consistent delivery of healthy performance driven by the company's focus and a leadership position in the low-penetrated QSR segment in the domestic market. Hence, we revise our same store sales growth assumption from 18% to 27% for FY12E and 20% for FY13E. Subsequently, we have upgraded our FY12E and FY13E earnings by 23% and 24.6% to Rs 19.8/share and Rs 29.1/share respectively.

Targets 80 Dominos stores in FY12E and 1st Dunkin Donuts by 1HCY12E

JFL added 14 new Dominos stores to its total network of 392 stores now, with a presence across 93 cities. JFL targets to add 80 new stores in FY12E, 11% higher than the 72 stores added in FY11. Further, the company plans to open its first Dunkin Donuts outlet in 1HCY12E and add 100 outlets over a 5-year period to cater to all-day eateries segment. Moreover, it also plans to open its first Dominos store in Sri Lanka in August 2011 and increase it to 30 stores over the next 3 years. We have not built upsides from this geography in our estimates.

Maintain ACCUMULATE with target price of Rs 900/share

We continue to maintain our positive bias on the robust business model of the company in the strong growth potential of QSR segment in India. Further, we expect JFL to continue its robust earnings growth momentum for next 5-7 years – leveraging the untapped market potential of QSR in the domestic markets. Hence, we maintain our ACCUMULATE rating on the stock with a revised target price of Rs 900/share (from Rs 725/share).

Financial Snapshot

	Rs Mn								
YE-	Net	EBITDA		EPS	EPS	RoE	P/E	EV/	P/BV
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	EBITDA (x)	(x)
FY10	4,239	669	15.8	330	5.3	289.1	48.1	132.0	37.9
FY11	6,781	1,213	17.9	720	11.2	110.4	46.6	36.9	23.6
FY12E	11,353	2,173	19.1	1,277	19.8	77.4	51.3	19.6	14.7
FY13E	16,090	3,130	19.5	1,881	29.1	47.3	49.2	13.2	9.9

Quarterly Results

In Rs Mn	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	YoY Growth	QoQ Growth
Net Revenues	1,356	1,634	1,857	1,936	2,169	60.0%	12.0%
Expenditure	1,104	1,337	1,535	1,606	1,755	59.0%	9.3%
Material Cost	332	405	474	495	552	66.3%	11.6%
% of Sales	24.5%	24.8%	25.5%	25.6%	25.5%	100 bps	-10 bps
Employee Expenses	251	325	384	396	421	67.7%	6.4%
% of Sales	18.5%	19.9%	20.7%	20.4%	19.4%	90 bps	-100 bps
Other Expenses	521	606	677	716	782	50.1%	9.2%
% of Sales	38.4%	37.1%	36.5%	37.0%	36.1%	-240 bps	-90 bps
EBIDTA	251	297	323	330	413	64.4%	25.3%
Depreciation	63	69	78	83	87	37.9%	4.6%
EBIT	188	228	245	247	327	73.3%	32.3%
Other Income	1	3	6	9	13	1161.5%	36.9%
Interest	2	1	0	0	0	-100.0%	-
PBT	187	229	251	256	339	81.4%	32.4%
Tax	34	45	61	64	108	214.1%	69.5%
Reported PAT	153	184	190	193	232	51.6%	20.2%
Reported EPS	2.4	2.9	2.9	3.0	3.6	50.3%	20.2%

Margins (%)						(bps)	(bps)
EBIDTA	18.5	18.2	17.4	17.0	19.1	50	200
EBIT	13.9	13.9	13.2	12.8	15.1	120	230
EBT	13.8	14.0	13.5	13.2	15.7	180	240
PAT	11.3	11.3	10.2	10.0	10.7	-60	70
Effective Tax rate	18.3	19.7	24.4	24.8	31.7	1340	690

Earnings Change

Y/E, Mar (Rs. mn)	FY12E			FY13E		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	9,854	11,353	15.2	13,751	16,090	17.0
EBITDA	1,824	2,173	19.1	2,587	3,130	21.0
EBITDA Margin (%)	18.5	19.1	60 bps	18.8	19.5	60 bps
APAT	1,038	1,277	23.0	1,510	1,881	24.6
EPS	16.1	19.8	23.0	23.4	29.1	24.6

Financials

Income Statement

Y/E, Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
Net Sales	4,239	6,781	11,353	16,090
Growth (%)	51.1	59.9	67.4	41.7
Expenses	3,570	5,568	9,180	12,960
Growth (%)	45.5	56.0	64.9	41.2
Raw Materials	1,050	1,706	2,888	4,104
% Of Sales	24.8	25.2	25.4	25.5
Employee Cost	805	1,355	2,193	3,104
% Of Sales	19.0	20.0	19.3	19.3
Manufacturing Exps	1,330	1,962	3,189	4,499
% Of Sales	31.4	28.9	28.1	28.0
Admin Expenses	215	267	321	401
% Of Sales	5.1	3.9	2.8	2.5
Selling & Distribn Exp	171	278	589	851
% Of Sales	4.0	4.1	5.2	5.3
Ebidta	669	1,213	2,173	3,130
Growth (%)	90.2	81.2	79.2	44.1
Ebidta%	15.8	17.9	19.1	19.5
Other Income	4	22	72	72
Interest	91	3	0	0
Depreciation	243	293	364	432
PBT	338	924	1,881	2,770
Tax	1	204	604	889
PAT (Before EO Item)	337	720	1,277	1,881
Growth (%)	325.6	113.4	77.4	47.3
Net Margin%	8.0	10.6	11.2	11.7
E/O Item	8	0	0	0
Reported PAT	330	720	1,277	1,881

CashFlow

Y/E, Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
Pre-Tax Profit	335	924	1,881	2,770
Depreciation	243	293	364	432
Non Cash	1	30	0	0
Chg in Working Cap	157	263	212	378
Tax Paid	-42	-201	-604	-889
Operating Cash Flow	695	1,309	1,853	2,691
Capex	-521	-709	-751	-581
Free Cash Flow	174	600	1,102	2,110
Investments	-3	-512	0	0
Equity Capital	605	22	0	0
Loans	-739	-89	0	0
Dividend	0	0	-128	-376
Others	0	0	0	0
Net Change in Cash	37	21	975	1,734
Opening Cash Position	28	65	89	1,064
Closing Cash Position	65	86	1,064	2,798

Balance Sheet

Y/E, Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
Equity Share Capital	636	645	645	645
Reserves	538	1,272	2,421	3,925
Networth	1,174	1,917	3,066	4,571
Secured Loans	86	0	0	0
Unsecured Loans	0	0	0	0
Loan Funds	86	0	0	0
Net Deferred Tax	0	30	30	30
Capital Employed	1,260	1,917	3,066	4,571
Gross Block	2,276	2,904	3,655	4,236
Less: Depreciation	872	1,103	1,467	1,899
Net Block	1,403	1,801	2,188	2,336
Capital Work In Progress	26	36	36	36
Goodwill	0	0	0	0
Investments	0	216	216	216
Current Assets	533	982	2,216	4,213
Inventories	71	143	252	358
Debtors	29	45	53	76
Cash & Bank	70	89	1,064	2,798
Loans & Advances	362	697	838	973
Other cur assets	0	9	9	9
Current Liabilities & Prov	702	1,149	1,621	2,261
Net Current Assets	-169	-167	596	1,952
Miscellaneous Expenditure	0	0	0	0
Capital Deployed	1,260	1,917	3,066	4,571

Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability %				
Ebidta Mgn	15.8	17.9	19.1	19.5
PAT Mgn	8.0	10.6	11.2	11.7
ROCE	37.1	58.4	75.5	72.5
ROE	48.1	46.6	51.3	49.2
Per Share Data				
EPS	5.3	11.2	19.8	29.1
CEPS	9.1	14.9	23.6	33.7
OCFPS	10.9	20.3	28.7	41.7
BVPS	18.5	29.7	47.5	70.8
DVPS	0.0	0.0	2.0	5.8
Valuations (X)				
PER	132.0	62.8	35.4	24.0
POCF	64.1	34.5	24.4	16.8
P/BV	37.9	23.6	14.7	9.9
Ev/Sales	10.5	6.6	3.9	2.6
Ev/Ebidta	66.2	36.9	19.6	13.2
Dividend Yield (%)	0.0	0.0	0.2	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	0.0	-0.1	-1.6	-4.3
Total Debt/Equity	1.2	0.0	0.0	0.0

Recommendation History: Jubilant FoodWorks – JUBI IN

Date	Reports	Reco	CMP	Target
13/05/2011	Jubilant FoodWorks Q4FY11 Result Update	Accumulate	708	725
07/04/2011	Jubilant Foodworks Company Update (Consumer Sector Report)	Accumulate	601	645
28/02/2011	Jubilant Foodworks Event Update	Accumulate	527	600
08/02/2011	Jubilant Foodworks Q3FY11 Result Update	Accumulate	497	600

Recent Research Reports

Date	Reports	Reco	CMP	Target
03/08/2011	Berger Paints Q1FY12 Result Update	Accumulate	101	109
03/08/2011	GSK Cosnumer Q2CY11 Result Update	Accumulate	2,388	2,547
01/08/2011	Nestle India Q2CY11 Result Update	Accumulate	4,349	4,268
28/07/2011	Titan Industries Q1FY12 Result Update	Hold	228	225

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