

November 3, 2011

Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs 815	Rs 900
EPS change FY12E/13E (%)	-20 /-12
Target price change (%)	NA
Nifty	5,266
Sensex	17,482

### Price Performance

(%)	1M	3M	6M	12M
Absolute	22	(2)	20	48
Rel. to Nifty	11	0	24	73

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Consumers
Bloomberg	JUBI@IN
Equity Capital (Rs mn)	649
Face Value(Rs)	10
No of shares o/s (mn)	65
52 Week H/L	1,022/461
Market Cap (Rs bn/USD mn)	53/1,075
Daily Avg Volume (No of sh)	1751768
Daily Avg Turnover (US\$m)	30.5

### Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	58.0	58.9	60.2
FII/NRI	35.9	33.5	24.6
Institutions	1.3	1.8	7.7
Private Corp	2.1	2.1	2.9
Public	2.8	3.7	4.6

Source: Capitaline

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- **Q2FY12 performance on expected lines - sales growth of 47% yoy to Rs 2.4 bn is driven by strong 27% same store growth. APAT growth of 33% yoy to Rs 246 mn**
- **Moderation in SSG to 27% in Q2FY12... but remains on expected lines... attributed to base effects with no visible signs of consumer spending being curtailed**
- **Incurred expenditure of Rs9 mn on Dunkin Donuts. Process of formalizing the food menu, supply chain, store location, etc - reiterates to open its first Dunkin Donuts outlet in H1CY12E**
- **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**

### Barring one-offs, delivers performance on expected lines Q2FY12

Sales registered a growth of 47% to Rs 2.4 bn, driven by strong 27% same store sales growth (SSG) and addition of 19 stores during this quarter. Operating margins retained at 18.1%, though down 100 bps qoq – led by 100 bps qoq reduction in gross margins. EBITDA recorded growth of 47% yoy to Rs 436 mn and APAT registered a growth of 33% to Rs 246 mn. But including extra-ordinary of Rs9 mn (pre-operative expenditure on Dunkin Donuts), RPAT of Rs237 mn was below expectations.

### Moderation in same-store growth, but remains on expected lines...

Jubilant FoodWorks (JFL) reported SSG of 27% in Q2FY12... on expected lines. But, it reported moderation in SSG versus run-rate in last six quarters. The SSG of 27% is lowest in last six quarters with highest SSG of 43% in Q2FY11 and lowest SSG of 33% in Q4FY11. JFL attributed moderation in SSG to high base-effect. It continues to see buoyancy and continuation of healthy SSG, despite the general fears of decline in discretionary spending on rising inflation. We retain our assumptions of SSG at 20% for FY13E.

### Progressing on Dunkin Donut's, Reiterates roll-out in H1CY12E

JFL incurred pre-operative expenditure of Rs9 mn on Dunkin Donuts, which was classified as exceptional expenditure in the quarter. It is in the process of formalizing the food menu, supply chain, store location, etc. Further, the company reiterated its plans to open its first Dunkin Donuts outlet in H1CY12E and add 100 outlets over a 5-year period to cater to all-day meal segment.

### Opens 1<sup>st</sup> Dominos outlet in Sri Lanka

Moreover, it opened its first Dominos store in Sri Lanka in August 2011. JFL plans to operate 20 store network in next 5 years in the island nation. We have not built upsides from this geography in our estimates.

### Financial Snapshot

YE-	Rs Mn									
	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E (x)	EV/ EBITDA (x)	P/BV (x)
FY10	4,239	669	15.8	330	5.3	289.1	48.1	154.7	77.5	44.4
FY11	6,781	1,213	17.9	720	11.2	110.4	46.6	73.5	43.3	27.6
FY12E	9,628	1,795	18.6	1025	15.9	42.4	43.1	51.6	28.3	18.6
FY13E	13,624	2,743	20.1	1659	25.7	61.8	47.3	31.9	18.0	12.7

## Quarterly Results

In Rs Mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY Growth	QoQ Growth
Net Revenues	1,634	1,857	1,936	2,169	2,404	47.1	10.8
Expenditure	1,337	1,535	1,606	1,755	1,968	47.2	12.1
Material Cost	405	474	495	552	635	56.8	15.0
% of Sales	24.8%	25.5%	25.6%	25.5%	26.4%	160 bps	90 bps
Employee Expenses	325	384	396	421	475	46.1	12.9
% of Sales	19.9%	20.7%	20.4%	19.4%	19.8%	-10 bps	40 bps
Other Expenses	606	677	716	782	857	41.4	9.6
% of Sales	37.1%	36.5%	37.0%	36.1%	35.7%	-150 bps	-40 bps
EBIDTA	297	323	330	413	436	46.8	5.5
Depreciation	69	78	83	87	93	34.1	7.2
EBIT	228	245	247	327	343	50.6	5.1
Other Income	3	6	9	13	14	438.3	9.0
Interest	1	0	0	0	0	NA	NA
PBT	229	251	256	339	357	55.6	5.2
Tax	45	61	64	108	111	146.6	3.2
Adjusted PAT	184	190	193	232	246	33.4	6.2
Extra Ordinary Items	0	0	0	0	9	NA	NA
Reported PAT	184	190	193	232	237	28.4	2.2
Reported EPS	2.9	2.9	3.0	3.6	3.7	28.0	2.2

Margins (%)						(bps)	(bps)
EBIDTA	18.2	17.4	17.0	19.1	18.1	0 bps	-90 bps
EBIT	13.9	13.2	12.8	15.1	14.3	30 bps	-80 bps
EBT	14.0	13.5	13.2	15.7	14.9	80 bps	-80 bps
PAT	11.3	10.2	10.0	10.7	10.2	-110 bps	-50 bps
Effective Tax rate	19.7	24.4	24.8	31.7	31.1	1150 bps	-60 bps

## Maintain ACCUMULATE with target price of Rs 900/share

JFL continues to progress on expansion of Dominos franchisee and introduce Dunkin Donut's franchisee. We continue to maintain our positive bias, considering the robust business model and strong growth potential of QSR segment in India. Further, we expect JFL to continue its robust earnings growth momentum for next 5-7 years – capitalizing the untapped market potential. We maintain our ACCUMULATE rating on the stock with a target price of Rs 900/share.

## Earnings Change

Y/E, Mar (Rs. mn)	FY12E			FY13E		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	11353	9628	-15.2	16090	13624	-15.3
EBITDA	2173	1795	-17.4	3130	2743	-12.4
EBITDA Margin (%)	19.1	18.6	-50 bps	19.5	20.1	70 bps
APAT	1277	1025	-19.7	1881	1659	-11.8
EPS	19.8	15.9	-19.7	29.1	25.7	-11.8

## Financials

## Income Statement

Y/E, Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>4,239</b>	<b>6,781</b>	<b>9,628</b>	<b>13,624</b>
Growth (%)	51.1	59.9	42.0	41.5
<b>Expenses</b>	<b>3,570</b>	<b>5,568</b>	<b>7,833</b>	<b>10,881</b>
Growth (%)	45.5	56.0	40.7	38.9
Raw Materials	1,050	1,706	2,466	3,426
% Of Sales	24.8	25.2	25.6	25.1
Employee Cost	805	1,355	1,873	2,521
% Of Sales	19.0	20.0	19.5	18.5
Manufacturing Exps	1,330	1,962	2,760	3,912
% Of Sales	31.4	28.9	28.7	28.7
Admin Expenses	215	267	289	312
% Of Sales	5.1	3.9	3.0	2.3
Selling & Distribn Exp	171	278	445	711
% Of Sales	4.0	4.1	4.6	5.2
<b>Ebidta</b>	<b>669</b>	<b>1,213</b>	<b>1,795</b>	<b>2,743</b>
Growth (%)	90.2	81.2	48.0	52.8
Ebidta%	15.8	17.9	18.6	20.1
Other Income	4	22	62	112
Interest	91	3	0	0
Depreciation	243	293	369	448
PBT	338	924	1,488	2,407
Tax	1	204	463	749
<b>PAT (Before EO Item)</b>	<b>337</b>	<b>720</b>	<b>1,025</b>	<b>1,659</b>
Growth (%)	325.6	113.4	42.4	61.8
Net Margin%	8.0	10.6	10.6	12.2
E/O Item	8	0	0	0
Reported PAT	330	720	1,025	1,659

## CashFlow

Y/E, Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
<b>Pre-Tax Profit</b>	<b>335</b>	<b>924</b>	<b>1,488</b>	<b>2,407</b>
Depreciation	243	293	369	448
Non Cash	1	30	0	0
Chg in Working Cap	157	263	21	251
Tax Paid	-42	-201	-463	-749
<b>Operating Cash Flow</b>	<b>695</b>	<b>1,309</b>	<b>1,415</b>	<b>2,358</b>
Capex	-521	-709	-841	-761
<b>Free Cash Flow</b>	<b>174</b>	<b>600</b>	<b>574</b>	<b>1,597</b>
Investments	-3	-512	-200	0
Equity Capital	605	22	0	0
Loans	-739	-89	0	0
Dividend	0	0	-102	-332
Others	0	0	0	0
<b>Net Change in Cash</b>	<b>37</b>	<b>21</b>	<b>271</b>	<b>1,265</b>
<b>Opening Cash Position</b>	<b>28</b>	<b>65</b>	<b>89</b>	<b>360</b>
<b>Closing Cash Position</b>	<b>65</b>	<b>86</b>	<b>360</b>	<b>1,625</b>

## Balance Sheet

Y/E, Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
Equity Share Capital	636	645	645	645
Reserves	538	1,272	2,194	3,521
<b>Networth</b>	<b>1,174</b>	<b>1,917</b>	<b>2,839</b>	<b>4,166</b>
Secured Loans	86	0	0	0
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>	<b>86</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Deferred Tax	0	30	30	30
<b>Capital Employed</b>	<b>1,260</b>	<b>1,917</b>	<b>2,839</b>	<b>4,166</b>
Gross Block	2,276	2,904	3,745	4,506
Less: Depreciation	872	1,103	1,472	1,920
<b>Net Block</b>	<b>1,403</b>	<b>1,801</b>	<b>2,273</b>	<b>2,586</b>
Capital Work In Progress	26	36	36	36
Goodwill	0	0	0	0
<b>Investments</b>	<b>0</b>	<b>216</b>	<b>416</b>	<b>416</b>
<b>Current Assets</b>	<b>533</b>	<b>982</b>	<b>1,476</b>	<b>3,006</b>
Inventories	71	143	214	303
Debtors	29	45	45	64
Cash & Bank	70	89	360	1,625
Loans & Advances	362	697	848	1,005
Other cur assets	0	9	9	9
<b>Current Liabilities &amp; Prov</b>	<b>702</b>	<b>1,149</b>	<b>1,392</b>	<b>1,909</b>
<b>Net Current Assets</b>	<b>-169</b>	<b>-167</b>	<b>84</b>	<b>1,097</b>
Miscellaneous Expenditure	0	0	0	0
<b>Capital Deployed</b>	<b>1,260</b>	<b>1,917</b>	<b>2,839</b>	<b>4,166</b>

## Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
<b>Profitability %</b>				
Ebidta Mgn	15.8	17.9	18.6	20.1
PAT Mgn	8.0	10.6	10.6	12.2
ROCE	37.1	58.4	62.6	68.7
ROE	48.1	46.6	43.1	47.3
<b>Per Share Data</b>				
EPS	5.3	11.2	15.9	25.7
CEPS	9.1	14.9	19.8	30.5
OCFPS	10.9	20.3	21.9	36.5
BVPS	18.5	29.7	44.0	64.6
DVPS	0.0	0.0	1.6	5.1
<b>Valuations (X)</b>				
PER	154.7	73.5	51.6	31.9
POCF	75.1	40.4	37.4	22.4
P/BV	44.4	27.6	18.6	12.7
Ev/Sales	12.3	7.8	5.5	3.8
Ev/Ebidta	77.5	43.3	28.3	18.0
Dividend Yield (%)	0.0	0.0	0.1	0.4
<b>Turnover (X Days)</b>				
Debtor TO Days	1.5	1.5	1.5	1.5
Inventory TO Days	7.2	7.2	7.2	7.2
<b>Gearing Ratio</b>				
Net Debt/Equity	0.0	-0.1	-0.6	-2.5
Total Debt/Equity	1.2	0.0	0.0	0.0

**Recommendation History: Jubilant FoodWorks – JUBI IN**

Date	Reports	Reco	CMP	Target
15/09/2011	<a href="#">Consumers Sector Sector Update</a>			
12/08/2011	<a href="#">Jubilant Foodworks Q1FY12 Result Update</a>	Accumulate	852	900
13/05/2011	<a href="#">Jubilant FoodWorks Q4FY11 Result Update</a>	Accumulate	708	725
07/04/2011	<a href="#">Jubilant Foodworks Company Update (Consumer Sector Report)</a>	Accumulate	601	645

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
31/10/2011	<a href="#">Colgate Palmolive Q2FY12 Result Update</a>	Reduce	1,003	826
31/10/2011	<a href="#">Hindustan Unilever Q2FY12 Result Update</a>	Hold	375	347
24/10/2011	<a href="#">Titan Industries Q2FY12 Result Update</a>	Hold	226	225
24/10/2011	<a href="#">GCPL Q2FY12 Result Update</a>	Accumulate	404	446

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