

BONANZA WEALTH MANAGEMENT RESEARCH



19th March 2025

Jubilant Foodworks Ltd. – BUY

CMP : Rs. 642
Target Price : Rs. 785
Upside : 22.3%
Stop Loss : Rs. 545 (Closing basis)

Investment Thesis

- Jubilant Foodwork Ltd. (JUBL)** is a market leader in the pizza segment through its exclusive rights to operate Domino's Pizza outlets in India, Sri Lanka, Bangladesh, Nepal, Turkey, Azerbaijan, and Georgia. During 3QFY25, JUBL expanded its Domino's India footprint with 60 new stores, entering 19 additional cities, bringing the total network to 2,139 stores across 466 cities as of December 2024. Additionally, four new Popeyes stores were opened, increasing the total count to 58 stores across 22 cities.
- JUBL operates through a unique commissary model, which provides it with a distinct competitive advantage. As its purchase function is centralized and it buys large volumes of ingredients (such as cheese, sauce, and pizza boxes), JUBL can leverage its scale and negotiate better prices with suppliers. Furthermore, centralized sourcing, warehousing, and distribution of raw materials, as well as the production of dough balls at commissaries reduce the storage space, thereby enabling the company to minimize store operating costs. Working capital management has remained efficient with a traditionally negative working capital cycle, thus reducing the dependence on external debt.
- DP Eurasia (Turkey, Azerbaijan, and Georgia) reported system sales of Rs. 7,544mn, with Revenue from Operations at Rs. 5,044mn, marking a 9.5% QoQ increase and reaching a new peak. EBITDA margin stood at 18.3%, while PAT margin was 2.4%. Sri Lanka delivered a record Q3 performance, with revenue surging 65.4% YoY, driven exclusively by SSSG. Meanwhile, Domino's Bangladesh generated Rs. 173mn in revenue, up 38.6% YoY. Across international markets, 63 net stores were added, bringing the total store count to 994 stores by the end of the period.

Financials

- JUBL reported 56.1% YoY revenue growth, though gross margins declined; management expects a 100bps recovery in three quarters. LFL growth stood at 12.5%, driven by Delivery LFL growth of 24.7%.

Consol. (Rs. Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	43,961	51,582	56,541	80,172	85,433
EBITDA	11,501	12,020	11,854	18,508	19,665
EBITDA Margin (%)	26.2	23.3	21.0	23.1	23.0
PAT	4,181	3,792	4,008	6,758	6,727
EPS (Rs.)	6.34	5.75	6.07	10.24	10.20
P/E (x)	80	89	84	50	50
RoE (%)	21	19	19	29	27

Stock Data

Market Cap (Rs. Mn)	4,26,458
Market Cap (\$ Mn)	4,928.6
Shares O/S (in Mn)	660
Avg. Volume (3 month)	22,24,110
52-Week Range (Rs.)	797 / 430

Shareholding Pattern

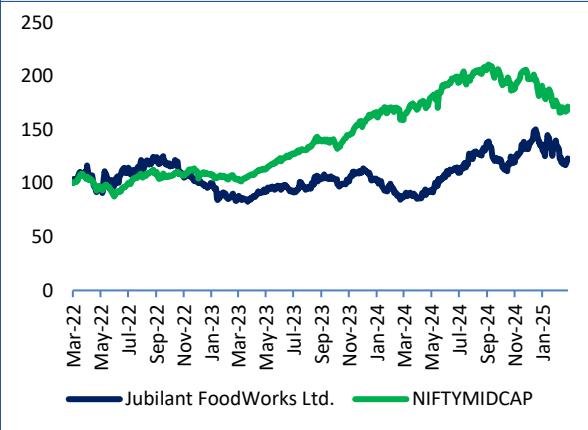
Promoters	41.94%
FIIs	21.26%
Institutions	30.18%
Others (incl. body corporate)	6.62%

Key Ratios

Div Yield	0.19%
TTM PE	106x
ROE	19%
TTM EPS (Rs.)	5.61

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	(9.4%)	(7.1%)	42.5%
NIFTY MIDCAP 100	(0.5%)	(17.1%)	6.5%



- LFL growth stood at 12.5%, primarily led by Delivery LFL growth of 24.7%. Strong order growth further fueled revenue expansion, reflected in an EBITDA increase of 47.5% YoY. Notably, DPEU revenue surpassed Rs. 5bn for the first time, registering a solid 9.5% QoQ growth.
- The Delivery channel revenue rose by 29.7%, with the delivery channel mix reaching 71.4% (+6.2 bps YoY). Meanwhile, mature store ADS stood at Rs. 85,959.
- The management reaffirmed its medium-term target of 250 stores. As of 3QFY25, Dunkin' operates 34 cafés across 14 cities, with the recent launch of Dunkin' Brownies in six new flavors. Hong's Kitchen expanded to 35 restaurants across 7 cities.

Key Business Highlights

- Jubilant FoodWorks Limited (JUBL)** is part of the Jubilant Bhartia Group and is one of the India's largest food service Company. JUBL holds the master franchise rights for two international brands, Domino's Pizza and Dunkin' Donuts addressing two different food market segments and now has Popeyes in its food segment. JUBL also launched its first homegrown brand – Hong's Kitchen in Chinese cuisine segment.
- Since 1996, the company holds exclusive master franchise rights from Domino's Pizza Inc. to operate the Domino's Pizza brand in India, Bangladesh, Nepal and Bhutan. It is the largest franchisee of Domino's brand outside the USA. It has also been granted exclusive rights of domino's brand for Sri Lanka, Bangladesh & Nepal.
- In Sri Lanka and Bangladesh, the company operates 50 and 26 stores respectively.
- DP Eurasia is a public company listed on the London Stock Exchange and is the exclusive master franchisee of Domino's Pizza brand in Turkey, Azerbaijan and Georgia. DP Eurasia offers pizza delivery and takeaway/eat-in facilities at 694 stores (678 in Turkey, 10 in Azerbaijan and 6 in Georgia as of Oct,23) and operates an asset-light model through franchised stores contributing to 88% of stores.
- In Feb,24, JUBL acquired 93.92% equity stake in DP Eurasia for Rs. ~1,195 crs. for Turkey, Azerbaijan and Georgia business and ~Rs. 34 crs. for Bangladesh Buisness. It also has a homegrown brand Coffy.

Valuation

- JUBL plans to expand all key brands in FY25, but details on Popeyes India and DP Eurasia remain unclear, creating uncertainty about their profitability trajectory.
- A number of management initiatives (like waiver of delivery fees, value for money offerings, 20 mins delivery, etc.) should lead to growth in volume.
- We are assigning a **BUY** rating to **Jubilant Foodworks (JUBL)**, valuing it at 77x FY26E EPS of Rs. 10.2 to arrive at a **Target Price of Rs. 785, an upside of 22.3%**.

Risk & Concern

- Key downside risks are raw material costs turning inflationary and higher-than-expected increase in competitive intensity.

Graphs & Charts

Figure 1: Revenue Trend (Rs. In Mn)

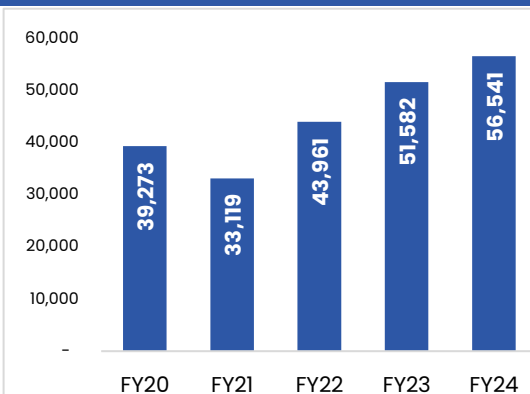


Figure 2: EBITDA & EBITDA Margin Trend

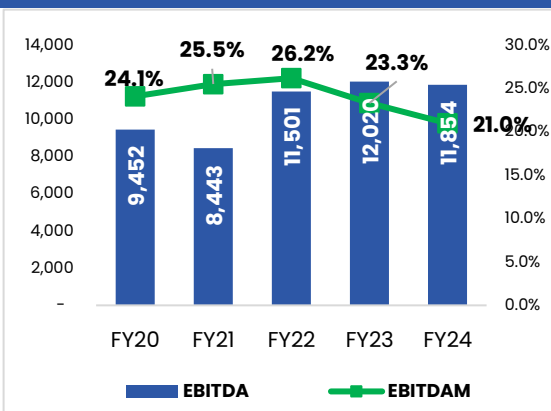


Figure 3: PAT 5 year Trend

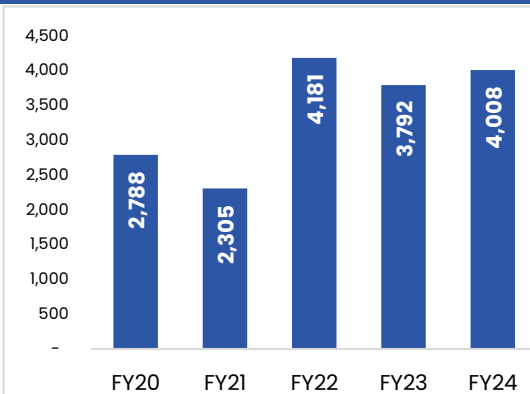
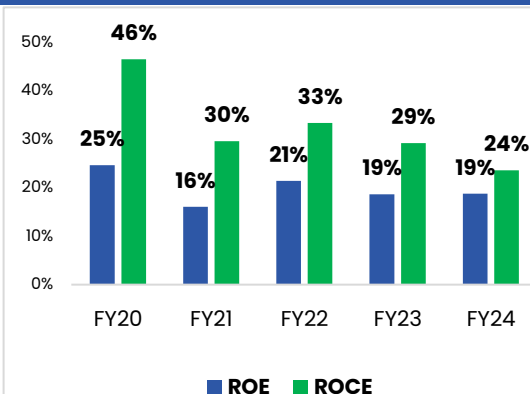


Figure 4: ROE & ROCE Trend



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