Twitter Thread by Darshan Mehta



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MOSL on Jubilant Food

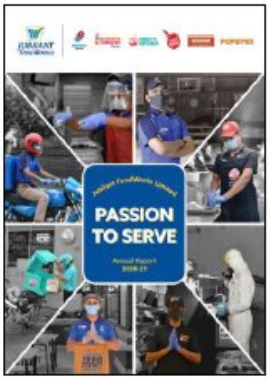
MOTILAL OSWAL

2 September 2021

Annual Report Update | Sector: Consumer

Jubilant Foodworks

BSE SENSEX	S&P CNX
57,853	17,234



Stock Info	
Bloomberg	JUBI IN
Equity Shares (m)	132
M.Cap.(INRb)/(USDb)	542.8 / 7.4
52-Week Range (INR)	4166 / 2100
1, 6, 12 Rel. Per (%)	1/17/35
12M Avg Val (INR M)	2495
Free float (%)	58.1

Financials Snapshot (INR b)			
Y/E March	2021	2022E	2023E
Sales	33.1	44.5	56.9
Sales Gr. (%)	-15.7	34.4	28.0
EBITDA	7.7	11.3	14.6
EBITDA Margin (%)	23.3	25.4	25.7
Adj. PAT	2.3	4.5	6.7
Adj. EPS (INR)	17.5	34.3	50.5
EPS Gr. (%)	-22.5	96.4	47.1
BV/Sh.(INR)	108.1	141.2	173.7
Ratios			
RoE (%)	16.2	24.3	29.1
RoCE (%)	12.1	18.0	22.0
Payout (%)	34.3	35.0	35.7
Valuation			
P/E (x)	235.5	119.9	81.5
P/BV (x)	38.0	29.1	23.7
EV/EBITDA (x)	69.0	46.7	35.8

Shareholding pattern (%)			
As On	Jun-21	Mar-21	Jun-20
Promoter	41.9	41.9	41.9
DII	10.8	11.7	16.1
FII	41.9	41.0	36.4
Others	5.4	5.3	5.6

FII Includes depository receipts

CMP: INR4,113 TP: INR4,830 (+17%) Buy

Building on strengths, growth prospects buoyant

JUBI's FY21 annual report highlights the management's efforts to stay ahead of its peers and reap the tremendous opportunities in the Indian QSR space.

- **Boosting its technological capabilities:** In addition to its delivery and value moat, JUBI is boosting its technological moat to enhance its lead over its QSR peers and aggregators. Improving its pre-order experience, usage of Hindi and regional languages, and setting up of its analytics and insights division are some of the efforts on this front.
- **Macro factors favoring delivery are extremely strong:** Robust growth in urban and rural internet penetration is likely to be boosted further by the launch of 5G technology. Online ordering is growing strongly, even in smaller centers. As a result, delivery and takeaway (a clear focus area going forward) will be the key drivers of SSSG in the next few years, even when dine-in recovers.
- **Sustainable sourcing and food safety** is increasingly becoming a vital focus area to boost its long-term growth potential.
- We maintain our Buy rating on the stock with a TP of INR4,830 per share.

Growing its technological moat

- **Huge app downloads:** The company recorded its highest ever app downloads at 57.2m in FY21.
- **A large part of total orders are from its own app:** Despite aggregators doing well, majority of Domino's online sales are generated on its own platform. This is important as it reduces commissions and builds loyalty.
- **Other benefits of its own app:** Besides driving sales, usage of its own app gives it access to granular consumer behavior, which helps in better decision making via menu curation, marketing enhancements, and store opening choices.
- **App in other languages:** In FY21, the company launched a Hindi version of its app. It is focused on adding support for other languages in its app to personalize the customer experience. The more JUBI expands its store network, greater would be the additional edge.
- **Improving the pre-order experience further**: JUBI introduced a machine learning based model of personalized ranking to substantially enhance the pre-order experience through personalized ranking.
- **Improving efficiency:** Several other improvements were made to JUBI's digital assets to further minimize the time taken to order, enhance the user experience, reduce friction, and target higher conversion.
- **Launch of analytics and insights division in FY21:** JUBI continued its efforts on further strengthening the capabilities of its digital team. In addition to growing its product and engineering teams, it launched another vertical under digital: analytics and insights. Together these three functions form the backbone of JUBI's digital prowess and lead the organization's digital first agenda.