

## Good times continue

We recently attended 2QFY12 earnings call of **Jubilant Foodworks**. Following are the key takeaways.

### Financial Performance

Rs mn	Q2FY12	Q2FY11	Q1FY12	YoY %	QoQ %	H1FY12	H1FY11	YoY %
Sales	2,403.8	1,633.8	2,169.1	47.1%	10.8%	4,572.9	2,988.1	53.0%
EBITDA	436.2	297.1	420.5	46.8%	3.7%	856.7	548.7	56.1%
PAT	236.7	184.3	231.6	28.4%	2.2%	468.3	337.2	38.9%
EBITDA (%)	18.1%	18.2%	19.4%			18.7%	18.4%	
PAT (%)	9.8%	11.3%	10.7%			10.2%	11.3%	

Jubilant Foodworks (JFL), India's largest & fastest growing food service company, for the quarter ended 30 September 2011 announced.

### Q2FY2010

- Total sales grew by 47% to Rs2,403.8 million
- EBITDA at Rs436.2 million, up by 47%
- Net Profit after tax at Rs236.7 million, up by 28%

### H1FY2012

- Total Income at Rs4,572.9 million, growth of 53%
- EBITDA at Rs856.7 million, growth of 56%
- Net Profit after tax at Rs468.3 million, up by 39%

## Key takeaways

Impressive Growth in sales driven by:-

- Company opened 19 new stores in current quarter, taking total strength to 411 stores. While yoy basis store count has increased of 72 stores.
- Currently present in 96 cities up from 79 in Q2FY11, including successful launch new stores in Dhanbad, Asanol & Ajmer and successfully opening first store in Colombo, Sri Lanka.
- Same store sales growth is 26.7%
- Launch of cold sweet treat 'Butterscotch Mousse Cake' and re-launch of 'Pasta Italiano'
- Total expenditure increased by 47.2% to Rs1967.9million by Year-on-Year basis. Driven by increase in no. of stores, sales volume and inflation.

- Increased no. of stores, no. of orders and level of operations also led to rise in personnel expenses and manufacturing & other expenses by 46.2% (Rs475.2 mn) and 41.4% (Rs857.3 mn).
- Company paid tax at the rate of around 32% in Q2FY12 as it came in a full tax bracket against 20% in Q2FY11.
- Company has accounted Rs9.2million as an exceptional item occurred till now for operationalizing Dunkin' Donut business.

## **Company Outlook**

- Company has planned to open 80 new stores in current fiscal, out of which it has already opened 33 new stores in the first half and has signed contract for opening 29 stores in the second half.
- Dunkin' Donuts launch
  - At present, JFL is progressing well with laying the foundation for Dunkin' Donuts launch in India, which is expected in the first half of the calendar year 2012. The initial focus of store roll out will be on metros, with a phased target of 80-100 stores in the span of 5 years
  - Currently work is underway on designing menu, vendor and supply chain management, equipment requirement, brand management and human resource planning for Dunkin' Donuts in India
- Company has done a price hike in September'2011 and plans another hike to the extent of 3% given the current inflation.

## Valuation

### Profitability

FY	Mar 11	Mar 10	Mar 09	Mar 08	Mar 07
EPS	11.2	5.2	1.3	1.3	1.0
ROE %	37.6	28.4	30.5	-	-
ROCE %	48.6	33.9	16.4	-	-

### Valuations

	Current	Historic Avg	Highest	Lowest
P/E	61.3	60.6	76.5	48.2
P/BV	27.2	21.3	31.9	12.3
EV/EBITDA	34.5	34.3	44.1	28.6
EV/Sales	6.1	5.6	7.0	4.7

- Historic period from March 2010- Nov 2011

Company has been showing healthy growth in its sales, EBITDA and PAT level, it's ROCE has doubled more than what was in March 2009 along with growth in EPS & ROE. Both ROCE & ROE is expected to grow more as company has zero debt in its book.

TTM EPS stands at Rs13.19. Our take on current P/E multiple of JFL is that multiple of 61x is too high for this stock. For the first half of the year company has achieved EPS of Rs7.25. which on annualised basis stands at Rs14.5, an P/E of 55x.

Company's book value per share at present is Rs29.7. If multiplied by historic average, gives us stock valuation of Rs630. Though it is may not be proper to value it by average as time horizon available for average valuation does not give us correct average that should be available.

We believe, the stock price at which company is prevailing is not justified. Though its sales figures, EBITDA & PAT are very well in terms of number. but it's stock price cannot be justified with such a high P/E & P/BV multiple. Therefore, it is not advisable to stay invested in this stock with current stock price. We recommend SELL on Jubilant Foodworks Limited.

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