

## WEEKLY WEALTH

Feb 20, 2023



## Week Gone

- In the week that ended on Friday, 17 February 2023, the Sensex rose 319.87 points or 0.53% to settle at 60,002.57. The Nifty 50 index added 87.70 points or 0.49% to settle at 17,944.20
- The BSE Mid-Cap index fell 0.82% to settle at 24,685.27
- The BSE Small-Cap declined 0.77% to settle at 28,046.40

## Week Ahead

- China will announce Loan Prime Rate for 1 year and 5 years on 20<sup>th</sup> February 2023
- Japan will announce the Inflation rate for January 2023 on 24 February 2023
- US will announce Durable Goods order data for January 2023 on 27 February 2023

## Technical View

The pattern analysis on the 50 index shows that it witnessed a failed breakout from a tight consolidation range defined on the budget announcement trading day in the week gone by. Currently, the index has seen multiple resistance points on the daily and weekly chart that are in close proximity and has seen multiple rejections from the levels near 18100 making it a crucial resistance to surpass to attract further bullish momentum. The low level of VIX is a cause of concern and a continuation of this trend can be harmful to the markets. All in all the index is anticipated to continue its pullback direction on crossing above 18100 levels with some spike in volatility.



Source: Falcon, BP Equities Research

## DOMESTIC INDICES

Index	17-Feb-23	10-Feb-23	Weekly % Chg
Nifty 50	17,944.2	17,856.5	0.5
Nifty Next 50	38,439.4	38,735.4	-0.8
Nifty 100	17,721.1	17,685.5	0.2
Nifty 500	15,004.0	15,015.9	-0.1
NIFTY MIDCAP 100	30,642.1	31,029.5	-1.2
S&P BSE SENSEX	61,002.6	60,682.7	0.5
S&P BSE 100	18,165.5	18,105.4	0.3
S&P BSE 200	7,607.5	7,606.8	0.0
S&P BSE 500	23,863.4	23,880.0	-0.1
S&P BSE MidCap	24,685.3	24,890.4	-0.8
S&P BSE SmallCap	28,046.4	28,263.1	-0.8

## WORLD INDICES

Index	17-Feb-23	10-Feb-23	Weekly % Chg
Nikkei Index	27,513.1	27,671.0	-0.6
Hang Seng Index	20,719.8	21,190.4	-2.2
Kospi Index	2,451.2	2,469.7	-0.7
Shanghai SE Composite	3,224.0	3,260.7	-1.1
Strait Times Index	3,384.3	3,384.3	0.0
Dow Jones	33,926.0	33,926.0	0.0
NASDAQ	12,007.0	12,007.0	0.0
FTSE	8,004.4	7,882.5	1.5

## FOREX

Currency	17-Feb-23	10-Feb-23	Weekly % Chg
US\$ (Rs.)	82.8	82.5	0.3
GBP (Rs.)	99.43	99.5	-0.1
Euro (Rs.)	88.4	88.0	0.4
Yen (Rs.) 100 Units	61.7	62.7	-1.7

## NIFTY TOP GAINERS (WEEKLY)

Scrp	13-Jan-23	06-Jan-23	Weekly % Chg
Tech Mahindra	1,129.2	1,017.35	11.0%
ONGC	156.6	146.7	6.7%
UPL	770.15	726.9	5.9%
Reliance Industries	2,440.2	2,336.65	4.4%
ITC	383.4	371.35	3.2%

## FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
17-Feb-23	4,809.7	5,434.3	-624.6
16-Feb-23	8,580.5	7,009.9	1,570.6
15-Feb-23	8,547.9	8,115.7	432.2
14-Feb-23	8,418.3	7,113.0	1,305.3
13-Feb-23	7,386.6	6,064.2	1,322.4
<u>MTD</u>	37,743.1	33,737.2	4,005.9

## NIFTY TOP LOSERS (WEEKLY)

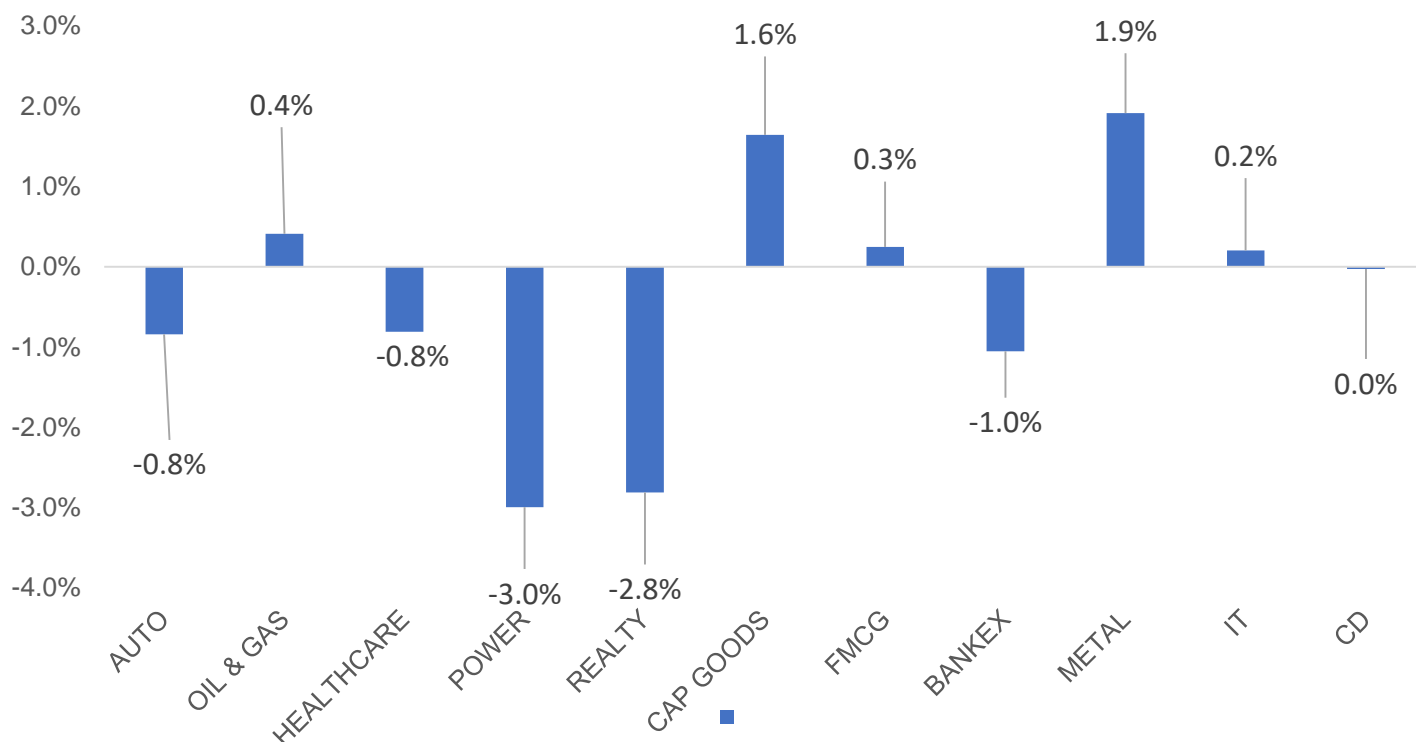
Scrp	13-Jan-23	06-Jan-23	Weekly % Chg
Yes Bank	16.1	17.05	-5.6%
Zee Entertainment	215.25	226.35	-4.9%
Indusind Bank	1,114.7	1,161.2	-4.0%
SBI	531	553.05	-4.0%
Indiabulls Housing	113.05	117.75	-4.0%

## DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
17-Feb-23	5,540.8	5,626.1	-85.3
16-Feb-23	7,759.7	6,182.4	1,577.3
15-Feb-23	5,880.4	5,363.8	516.6
14-Feb-23	5,042.5	4,837.7	204.8
13-Feb-23	5,361.5	4,839.8	521.7
<u>MTD</u>	29,584.9	26,849.8	2,735.1

## BSE WEEKLY SECTORAL PERFORMANCE



## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	17/02/23 Share Price (Rs.)	10/02/23 Share Price (Rs.)	Weekly % Chg	17/02/23 Open Interest	10/02/23 Open Interest	Weekly % Chg
CROMPTON	298.05	319.35	-6.7	5557500	3672000	51.3
INDIGO	1,882.7	2,036.05	-7.5	4007700	3206700	25.0
AARTIIND	541.9	545.45	-0.7	4687750	3946550	18.8
TORNTPOWER	508.3	453.5	12.1	3702000	3222000	14.9
COFORGE	4,206.75	4,337.65	-3.0	1147650	1006200	14.1

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	17/02/23 Share Price (Rs.)	10/02/23 Share Price (Rs.)	Weekly % Chg	17/02/23 Open Interest	10/02/23 Open Interest	Weekly % Chg
GRASIM	1,646	1,640.4	0.3	4943325	8957550	-44.8
IDEA	7.25	7.9	-8.2	351960000	530040000	-33.6
ADANIENT	1,724.05	1,852.35	-6.9	6614750	9890750	-33.1
RELIANCE	2,438.45	2,342.8	4.1	31372500	44832500	-30.0
ABB	3,133.35	3,176.1	-1.3	1404500	1927500	-27.1

## Company Background

Incorporated in 1995, Jubilant Foodworks Ltd. (part of the Jubilant Bhartia group) is an Indian food service company that holds exclusive master franchise rights to three international brands- Domino's Pizza, Dunkin' Donuts, and Popeyes. The company's flagship brand - Domino's Pizza has expanded its domestic presence through 1,760 Domino's restaurants across 387 cities and extended its operations in Sri Lanka, Bangladesh, and Nepal as well. In India, the company also operates 24 Dunkin's restaurants across 8 cities and 12 Popeyes restaurants in Bengaluru. Along with this, Jubilant Foodworks ventured into the Chinese cuisine segment and biryani segment through its two home-grown brand restaurants – 'Hong's Kitchen' and 'Ek dum!'. Moreover, the company launched ChefBoss (providing a range of sauces, gravies, and pastes), marking its entry into the FMCG - ready to cook vertical. As of 31st December 2022, the business has a strong integrated supply chain network of 8 Food-tech parks and 4 distribution centers.

## Investment Rationale

### Focused on improving LFL growth of the Domino's Pizza business

In Q3FY23, Jubilant Foodworks Ltd. reported a flat LFL growth of 0.3% on account of a slowdown in demand. Moving forward, the company has set an LFL target in the range of 6%-8%. To accomplish this, the business aims to accelerate its dine-in orders by focusing on a high value-for-money quotient. Thus, to cater to this objective, the business has launched EDV (Everyday Value Offer) at Rs.49 each which is believed to be one of the lowest in the QSR industry and also not very margin dilutive (as per the management). Additionally, the business is adopting several customer-centric innovation strategies which include a redesign of the company's tenured stores, launching a 20-minute delivery proposition, and localizing its menu as per the region to attract new customers and improve the overall volume growth of the brand.

### Potential scale-up of Popeyes to augment business growth in an underpenetrated category

Jubilant Foodworks' foray into the fast-growing chicken category began by launching its first Popeyes store in Bengaluru in January 2022. During the third quarter ended 31st December 2022, the company added 4 new stores, expanding its total network to 12 stores in Bengaluru, and in January 2023, it also extended its presence in Chennai by opening a store there as well. This rapid scaling strategy falls well under the company's medium-term objective of adding 250-300 Popeyes stores. Moreover, the brand is now live on Swiggy and also partnered with Coca-Cola for Cricket World Cup. There are a limited number of brands in this space which makes this industry comparatively underpenetrated and thus provides a huge opportunity for a well-established brand like Popeyes to grow further. The key to the brand's network expansion strategy in South India remains the new state-of-the-art food factory in Bengaluru which is expected to be operational by Q1FY24. Also, it is interesting to note that this brand is the only Chicken-QSR player in India to move chicken marination to a centralized facility to ensure higher fill rates to the store and offer consistent quality for a better customer experience.

### Stock Rating

BUY	HOLD	SELL
>15%	-5% to 15%	<-5%

### Stock Details

<b>CMP (INR)</b>	457
<b>Target Price (INR)</b>	527
<b>NSE Symbol</b>	JUBLFOOD
<b>BSE Code</b>	533155
<b>Bloomberg</b>	JUBI IN
<b>Reuters</b>	JUBI.BO

### Key Data

<b>NIFTY</b>	17,944
<b>52Week H/L (INR)</b>	652/419
<b>O/s shares (mn)</b>	660
<b>Market Cap (INR bn)</b>	301
<b>Face Value (INR)</b>	2

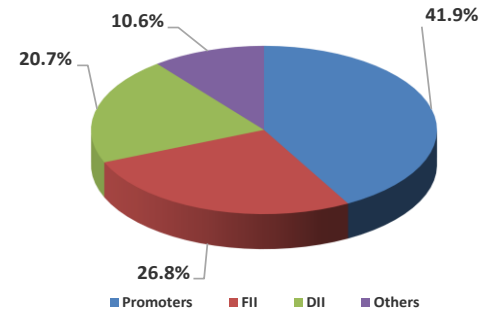
### Average Volume

<b>3 months</b>	22,87,740
<b>6 months</b>	30,01,150
<b>12 months</b>	29,94,930

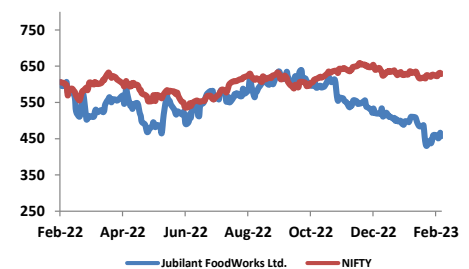
## Valuation and Outlook

Jubilant Foodworks Ltd. is one of the leading food service companies in India and enjoys being the market leader in the pizza segment through its flagship brand Domino's Pizza. However, a slowdown in consumer demand in November and elevated input prices of key ingredients like cheese and flour due to inflation resulted in an adverse impact on the company's margins and LFL growth. To combat this and bring back growth, the business renewed priorities include 'Customer first, Data and technology forward, Operational excellence and Foundation of people and culture'. The company reiterated that it does not intend to raise prices in response to the increasing commodity prices as it is more focused on gaining volume growth at this stage. In the near term, the business also focuses on raising its dine-in share to around 40% (at present 1/3 dine-in, 2/3 delivery share) to reduce the burden of splitting its stores. Another positive for the business is its strong response to the loyalty program (Domino's Cheesy Rewards) wherein the cumulative enrolments crossed 10.6 million, taking the order contribution to 39% in December 2022. On the valuation front, we have assigned a PE multiple of about 54x to arrive at a target of INR 527 which is an upside of 15% from the current levels.

### Shareholding Pattern (%)



### Relative Price Chart



## Key Financials

YE March (INR. Mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Revenue</b>	<b>24,379.8</b>	<b>25,833.9</b>	<b>30,184.0</b>	<b>35,631.4</b>	<b>39,272.7</b>	<b>33,118.7</b>	<b>43,961.2</b>	<b>52,533.7</b>	<b>63,145.5</b>
<i>Revenue Growth (Y-o-Y)</i>		6.0%	16.8%	18.0%	10.2%	(15.7%)	32.7%	19.5%	20.2%
<b>EBIDTA</b>	<b>2,636.9</b>	<b>2,411.3</b>	<b>4,400.9</b>	<b>5,997.6</b>	<b>8,755.9</b>	<b>7,711.9</b>	<b>11,087.8</b>	<b>12,765.7</b>	<b>15,634.8</b>
<i>EBIDTA Growth (Y-o-Y)</i>		(8.6%)	82.5%	36.3%	46.0%	11.9%	(43.8%)	15.1%	22.5%
<b>Net Profit</b>	<b>968.9</b>	<b>577.7</b>	<b>1,962.3</b>	<b>3,197.9</b>	<b>2,799.8</b>	<b>2,316.7</b>	<b>4,203.9</b>	<b>5,568.6</b>	<b>6,440.8</b>
<i>Net Profit Growth (Y-o-Y)</i>		(40.4%)	239.6%	63.0%	(12.4%)	(17.3%)	81.5%	32.5%	15.7%
<b>Diluted EPS</b>	<b>1.5</b>	<b>0.9</b>	<b>3.0</b>	<b>4.8</b>	<b>4.2</b>	<b>3.5</b>	<b>6.4</b>	<b>8.4</b>	<b>9.8</b>
<i>Diluted EPS Growth (Y-o-Y)</i>		(40.4%)	239.6%	63.0%	(12.4%)	(17.3%)	81.5%	32.5%	15.7%

## Key Ratios

<b>EBIDTA margin (%)</b>	<b>10.8%</b>	<b>9.3%</b>	<b>14.6%</b>	<b>16.8%</b>	<b>22.3%</b>	<b>23.3%</b>	<b>25.2%</b>	<b>24.3%</b>	<b>24.8%</b>
<b>NPM (%)</b>	<b>4.0%</b>	<b>2.2%</b>	<b>6.5%</b>	<b>9.0%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>9.6%</b>	<b>10.6%</b>	<b>10.2%</b>
<b>RoE (%)</b>	<b>12.7%</b>	<b>7.2%</b>	<b>20.3%</b>	<b>25.3%</b>	<b>24.7%</b>	<b>16.1%</b>	<b>21.5%</b>	<b>22.2%</b>	<b>20.4%</b>
<b>RoCE (%)</b>	<b>34.6%</b>	<b>29.9%</b>	<b>45.5%</b>	<b>47.5%</b>	<b>77.3%</b>	<b>53.7%</b>	<b>53.4%</b>	<b>48.4%</b>	<b>47.3%</b>

## Valuation Ratios

<b>P/E (x)</b>	<b>311.1x</b>	<b>521.7x</b>	<b>153.6x</b>	<b>94.2x</b>	<b>107.6x</b>	<b>130.1x</b>	<b>71.7x</b>	<b>54.1x</b>	<b>46.8x</b>
<b>EV/EBITDA</b>	<b>114.2x</b>	<b>124.8x</b>	<b>68.2x</b>	<b>49.4x</b>	<b>33.7x</b>	<b>38.4x</b>	<b>26.8x</b>	<b>23.3x</b>	<b>18.9x</b>
<b>P/BV (x)</b>	<b>39.6x</b>	<b>37.4x</b>	<b>31.1x</b>	<b>23.9x</b>	<b>26.6x</b>	<b>21.0x</b>	<b>15.4x</b>	<b>12.0x</b>	<b>9.5x</b>
<b>Market Cap. / Sales (x)</b>	<b>12.4x</b>	<b>11.7x</b>	<b>10.0x</b>	<b>8.5x</b>	<b>7.7x</b>	<b>9.1x</b>	<b>6.9x</b>	<b>5.7x</b>	<b>4.8x</b>

Source: Ace Equity, Stoxbox Research



## Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

### Analyst (s) Certification :

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