

Jubilant FoodWorks

BUY

INDUSTRY	FMCG
CMP (as on 13 Mar 19)	Rs 1,326
Target Price	Rs 1,750
Nifty	11,342
Sensex	37,752
KEY STOCK DATA	
Bloomberg	JUBI IN
No. of Shares (mn)	132
MCap (Rs bn)/(US\$ mn)	175/2,515
6m avg traded value (Rs mn)	2,824
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 1,578 / 977
	3M 6M 12M
Absolute (%)	6.0 (1.4) 28.7
Relative (%)	0.9 (1.5) 17.2
SHAREHOLDING PATTERN (%)	
Promoters	44.94
FIs & Local MFs	6.79
FPIs	39.41
Public & Others	6.95
Source : BSE As on 31-Dec-18	

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A new lever of growth

JFL announced its entry in Chinese cuisine with a home grown brand 'Hong's Kitchen'. It will be a fast casual Chinese restaurant with focus on dine-in and delivery. Chinese is the 2nd largest cuisine in India (after North India). The brand will address the vast gap between street vendors and fine dining. The first store (1,400 sq. ft) is launched in Eros Mall, Gurugram. JFL will initially look to expand stores in the NCR region. Although there are limited details available (like store opening guidance and store economics), we are bullish as it expands JFL's addressable opportunity by >2x.

We are excited about this new venture as (1) It gives an entry in a large category, (2) Untapped opportunity in 'fast casual' Chinese, (3) Chinese commands a high margin profile as it is difficult to replicate at home, (4) Scope to leverage back-end infrastructure (like Commissary, mgt. expertise, technology etc). In this venture, we believe the management will execute its learnings from (a) Domino's Success i.e. Value for money, Industry leading delivery model, Product innovation etc and (b) Dunkin' Donuts failure i.e. Entry in niche segment, Large stores for limited menu etc.

Other Recent Developments

Launch of EDV Combo Offer in Domino's

- Domino's recently launched EDV Combo Offer in 9 variants post a year of launching 99 EDV. The new offer fills the gap in its flagship EDV offer by also benefiting single consumers. The original Rs 99/199 EDV offer required a consumer to order 2 pizzas to avail the offer. Instead, the all new EDV combo offer also serves

a single pizza (regular/medium) at a discounted price along with beverages/sides.

- The new offer is 12-25% cheaper ([link to table](#)) for a single consumer vs. A la Carte.

Dunkin' Donuts parent drops 'Donuts' from its name

- Dunkin' Donuts parent has dropped 'Donuts' (effective from Jan-19) from its name – its flagship product. The co. stated that the brand has evolved and Donuts is no longer a driver of the business. Beverage contributes ~60% of revenue in the U.S. and hence the management wants to reflect that in their communication. Although, Donuts will still be a part of the menu, the company's focus has shifted towards beverages (primarily Coffee). Dunkin' India is in the transition phase with focus on smaller stores and launch of beverages (like Tea). Post achieving break-even in Dunkin' India, JFL is identifying the winning strategy. We would be closely tracking the progress.

Outlook and Valuation

- We believe JFL has enough levers to sustain healthy performance in FY20/21E given (1) Return to store expansion (focus on splitting stores in metros and expansion in smaller towns), (2) Filling gaps in the Menu, (3) Focus on new customer acquisition and driving frequency, (4) Benefits from sporting events (Cricket World Cup 2019 and reschedule in IPL will support 1HCY19 performance), (5) Turnaround of Dunkin' and Launch of Hong's Kitchen. **We model 18/11/10% SSG growth during FY19E/FY20E/FY21E. We value JFL at 46x on Mar-21 EPS, arriving at a TP of Rs 1,750. Reiterate BUY.**

Table of contents

JFL's new venture: Hong's Kitchen	3
Combo offer in EDV to fill the gaps	6
Dunkin' Donuts: Focus on Beverages	10
Assumptions	11
Peer Set Valuations	13
Financials	14

JFL's communication includes the co's other QSR brands

Our-story

About Hong's Kitchen

After Dominos and Dunkin' Donuts, Jubilant FoodWorks has brought to you a first of its kind Chinese Quick-Service Restaurant chain. Here, you'll find an especially curated menu that features the best of Chinese food inspired from the streets of Asia, made even better by taking inspiration from local ingredients for a more flavourful experience. Not only the food, every aspect of the restaurant has been designed with attention to detail and tasteful choices. From a live and open

Source: Company website

(A) JFL's new venture: Hong's Kitchen

- JFL announced their official entry in Chinese cuisine via a fast-casual restaurant called 'Hong's Kitchen'. The new store was launched in Eros Mall, Gurugram. The co. was running a pilot on Chinese cuisine since Oct-18 under the working name of 'The Chinese Kitchen' in Delhi.
- Shivam Puri (ex-HUL, joined JFL in May-17) is heading Dunkin' Donuts and the new business unit. In his short tenure, he was able to turn around Dunkin' Donuts business (also been successful for Pureit in HUL).

Restaurant Ambience

- The newly launched restaurant has a young international-looking and trendy design that is inspired by the colors and hustle of Asian Street Market. The restaurant has an open kitchen (similar to Domino's) which makes it transparent, lively and engaging for consumers. Similar to Subway, JFL has been conscious of its vegetarian consumers by separating the section with non-vegetarian food (concern higher in Chinese cuisine).

Store Images: Hong's Kitchen



Hong's Kitchen Menu: Wide range at value for money

- As compared to its pilot menu (The Chinese Kitchen), Hong's Kitchen has a wider menu.
- As per our estimates, an average meal for two persons would range between Rs 500-600. This is similar to Domino's model where the focus is on driving volumes via offering value, thereby creating a virtuous cycle to boost SSG & Margins.
- The menu also offers Combos that serve one person with Veg. priced at Rs 199/249/299 and Non-veg. at Rs 219/269/319.

Item	Variants	Price Range (Rs)
Soups	3	129-139
Sides	8	129-279
Momos & Spring Rolls	20	99-199
Main Dishes	12	299-399
Rice & Noodles	16	199-259
Beverages	7	69-99
Desserts	3	79-99
Combos (Veg)	3	199/259/319
Combos (Non-Veg)	3	249/309/369

In India, 19% (2nd highest) consumers opt for Chinese cuisine while eating out

Currently, there is no national brand in Chinese cuisine with a fast-casual model

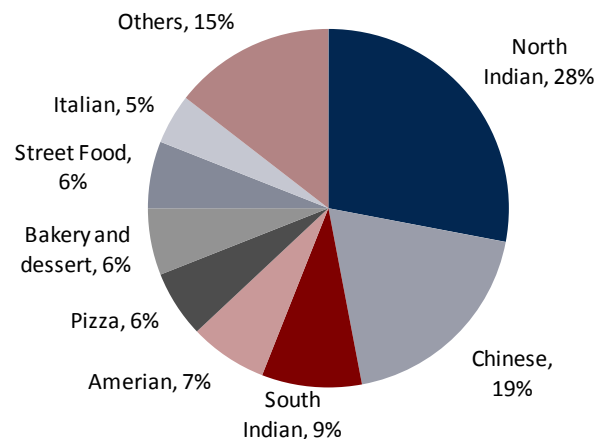
Dine-In + Delivery Model

- Hong’s Kitchen will focus on dine-in plus deliveries (Domino’s key competency). To drive deliveries, the co. has launched their official website and app (4mb vs. 6mb for Domino’s).
- Considering the co. has launched their own app, we believe the last mile delivery will be handled by JFL team and hence won’t be dependent on aggregators. This is vital as the co. will be able to track rich data which helps in decision making.

Chinese is the second most preferred cuisine in India

- Chinese is the second most preferred cuisine (after North Indian) in India with 19% consumers opting for it when they eat out.

What cuisines do Indians prefer when they eat out?



Source: India Food Services Report 2016, NRAI and Technopak

Why do we like the new venture?

(1) Entry in a large category: Chinese is a larger category vs. Pizza/Donuts hence the co. does not need to invest significantly to develop the category. JFL’s addressable opportunity has now increased by >2x.

(2) Untapped opportunity in ‘fast casual’ Chinese: In Chinese cuisine, there is a vast gap between street vendors and fine dining brands which JFL is looking to target. Currently, there is no national brand serving this untapped opportunity.

Chinese Restaurant Chains

Brand	Stores	Geography	Avg. cost for 2 (Rs)	Type	Zomato Rating (Avg.)
Mainland China	35	Pan-India	1,800	Casual Dining	4.2
Wok Express	31	Mumbai and Pune	700	QSR	3.9
Berco’s	28	Delhi NCR	1,100	Casual Dining	3.9
China Box Co	12	Mumbai	500	Cloud Kitchen	3.4
5 Spice	11	Mumbai	1,100	Casual Dining	3.7
Yo China!	10	Delhi NCR	1,150	Casual Dining	3.5
Big Wong	8	Delhi NCR	1,200	Casual Dining	4.2
Asia Kitchen by Mainland China	7	Metros	1,500	Casual Dining	4.2
Happy Hakka	7	Delhi NCR	650	Casual Dining	3.9
Hong’s Kitchen	1	Gurugram	600*	Fast-casual	Na

* Avg. Cost for 2 as per our estimates

What is Wok Express?

It is a fledgling QSR Chinese brand with 31 stores in Mumbai and Pune. We believe it is the closest comparable to Hong's Kitchen.

The brand is owned by Lenexis FoodWorks which is promoted by second generation entrepreneurs coming from Ajanta Pharma Ltd.

The brand targets youth in the age group of 15-30 years who are looking beyond burgers and pizzas

With early success, the brand is looking to expand to 150 outlets over the next 5 years.

(3) Healthy Margin Profile: Similar to Pizza, Chinese also commands a high gross margin profile as it is difficult to replicate at home. Its closest comparable brand, 'Wok Express' (Mainland is more into premium fine dining) has a gross margin of ~68% in FY18.

(4) Scope to leverage back-end infrastructure: In the initial years, every new brand requires investments which are ahead of profits. However, Hong's Kitchen will enjoy the benefits from JFL's existing supply chain, management team, infrastructure etc. The co's contract with Domino's and Dunkin' Donuts does not restrict it from sharing its back end infrastructure (like commissary).

Wok Express (Lenexis FoodWorks) Financials

Particulars (Rs mn)	FY16	FY17	FY18
No. of stores	na	12	21
Revenue	37	91	147
Growth		145%	61%
Raw Material	24	38	48
Gross Profit	13	53	99
Gross Margin	35%	59%	68%
Employee expense	24	52	100
Other expenses	47	71	113
Rent		4	6
ASP		21.3	17.9
EBITDA	(58)	(95)	(138)
EBITDAM	-156%	-104%	-94%
Other Income	0	1	2
Depreciation	4	7	12
Interest	-	-	-
PBT	(62)	(101)	(148)
Per store economics (Rs mn)			
Revenue		7.6	7.0
Gross Profit		4.4	4.7
Employee expense		4.3	4.7
Other expenses		5.9	5.4
Rent		0.3	0.3
ASP		1.8	0.9
EBITDA		(7.9)	(6.6)

Source: MCA, HDFC sec Inst Research

All New EDV Combo Offer



Source: Company website

(B) Combo offer in EDV to fill the gaps

- Domino's recently launched 'EDV combo offer' in 9 variants. This offer is launched exactly a year after the launch of Rs 99 EDV for regular pizza (2 regular pizzas at Rs 99 each). The new offer fills the gap in its flagship EDV offer by also benefiting single consumers. The original Rs 99/199 EDV offer required a consumer to order 2 pizzas to avail the offer. Instead, the all new EDV combo offer also serves a single pizza (regular/medium) at a discounted price along with beverages/sides.
- The new offer is 12-25% cheaper for a single consumer vs. A La Carte. However, for larger orders (i.e. Pizza feast variant) it is 5% more expensive vs combining EDV and A La Carte (i.e. 2 Pizza's via EDV + Beverage + Sides). This is contrary to the prevailing combo/happy meal offers in the QSR industry. Domino's is charging a 5% premium in its large size combo offers, as it increases the convenience in placing an order.
- We note that this offer is very similar to 'Swiggy Pop' – a service launched by Swiggy in May-18 to target single-serve meals that save time, priced in the range of Rs 99-200. The service is targeted at young working professionals who desire quick ordering functionality. Burger King has witnessed a spike in orders after curating pre-set meals listed under Swiggy Pop for quick ordering.

What we like about EDV Combo?

- (1) JFL's focus on driving SSG by increasing penetration and frequency (offer now targets single serve)
- (2) Driving higher avg. ticket sales by adding beverages and sides (both are GM accretive) to the offer
- (3) The timing of the launch – combos can work well during sporting events (IPL + ICC Cricket World Cup 2019)
- (4) An opportunity to create a new advertisement campaign
- (5) It increases the convenience in placing an order

What we don't like about EDV Combo?

- (1) Absence of customization limits the opportunity to premiumise. A consumer does not have the option to upgrade the base of the pizza (i.e. to a cheese burst) which is priced at a premium
- (2) Consumers can't select their preferred beverage – by default Pepsi is bundled in the offer. Based on our discussion with a store manager, they are open to substitute it with another beverage, if requested verbally
- (3) Are the offers getting too complicated at the cost of offering value? Based on the recent execution and Domino's culture to acknowledge consumer feedback, we believe the co. will modify its EDV Combo offer with the ability to customize

New EDV Combo Offer: Delivering value to a single consumer and convenience to larger orders

EDV Combo's	(A) New EDV Combo Offer (Rs)	(B) A la Carte (Rs)	% Discount (A) vs (B)	(C) EDV + Sides + Beverage (Rs)	% Premium (A) vs (C)	Comments
Classic Combo - veg 1 Reg. cheese & corn pizza + 1 Pepsi	199	225	12%	na	na	- EDV 99 offer requires a consumer to purchase min. of 2 regular sized pizzas which serves 2 consumers - Instead, combo offer serves 1 consumer - Helps in driving penetration
Classic Combo - Non-veg 1 Reg. Pepper BBQ chicken pizza +1 Pepsi	199	265	25%	na	na	
Meal for 1 - veg 1 Reg. Fresh Veggie Pizza + 1 Garlic Bread + 1 Pepsi	269	320	16%	na	na	-Consumer can also add garlic bread in his combo offer driving avg. ticket price
Meal for 1 - Non-veg 1 Reg. Pepper BBQ chicken pizza + 1 Garlic bread +1 Pepsi	269	360	25%	na	na	
Meal for 2- veg - Farmhouse 1 Med farmhouse pizza + 1 Garlic bread + 1 Pepsi	449	540	17%	na	na	- No incremental benefit for the consumer - A consumer can order 2 regular pizzas @ Rs 139 each (2 regular = 1 medium) instead of this combo - Helps JFL in driving avg. ticket price
Meal for 2- veg - Peppy Paneer 1 Med peppy paneer pizza + 1 Garlic bread + 1 Pepsi	449	540	17%	na	na	
Meal for 2- non-veg 1 Med pepper BBQ chicken Pizza + 1 Garlic bread + 1 Pepsi	449	540	17%	na	na	
Pizza feast - veg 2 Med pizzas (Farmhouse + Peppy paneer) + 2 each (Garlic Bread + Pepsi)	849	1080	21%	808	5%	- No incremental savings for the consumer. Instead prices are 5% higher - Only adds to the convenience while placing a vanilla offer (no modification available) - Helps JFL in driving avg. ticket price
Pizza Feast - Non-Veg 2 Med pizzas (Pepper BBQ + Peri Peri chicken) + 2 each (Garlic Bread + Pepsi)	849	1080	21%	808	5%	

The new offer is 12-25% cheaper for a single consumer vs. A La Carte

For larger orders (i.e. Pizza feast variant) it is 5% more expensive vs combining EDV and A la Carte (i.e. 2 Pizza's via EDV + Beverage + Sides).

Domino's EDV Range (Rs 99-399): Pricing is not the only tool to mitigate cost inflation
Regular EDV Menu

4 buckets of Everyday Value (EDV) offer for regular pizza						Scope for premiumisation				
EDV (Rs)	Regular Hand Tossed Pizza	Regular Pizza (units)	Total EDV bill	Total A La Carte bill	Discount	Default EDV base - New Hand Tossed	Fresh Pan Pizza	Classic Hand Tossed	Multigrain	Cheese Bust
99	DOUBLE CHEESE MARGHERITA	2	198	330	-40%	99	124	99	na	174
	CHEESE N CORN						25%	0%	na	76%
	FRESH VEGGIE									
	PEPPER BARBECUE CHICKEN									
	CHICKEN SAUSAGE									
139	FARMHOUSE	2	278	410	-32%	139	164	139	na	214
	PEPPY PANEER						18%	0%	na	54%
	MEXICAN GREEN WAVE									
	VEGGIE PARADISE									
	PANEER MAKHANI									
	PEPPER BARBECUE & ONION									
179	PERI-PERI CHICKEN									
	DELUXE VEGGIE	2	358	470	-24%	179	204	179	na	254
	VEG EXTRAVAGANZA						14%	0%	na	42%
	5 PEPPER									
	CHICKEN GOLDEN DELIGHT									
	CHICKEN FIESTA									
219	CHICKEN TIKKA									
	NON VEG SUPREME	2	438	590	-26%	219	244	219	na	294
	CHICKEN PEPPERONI						11%	0%	na	34%
	CHICKEN DOMINATOR									

JFL has created a wide range of pizza base for a consumer to upgrade. The co. advertises the pizza base (like cheese burst TVC) to drive premiumisation

A consumer can upgrade his regular pizza with a premium base in a price range of 11-76%

With benefits of food disinflation now behind, we don't believe that pricing is the only tool to mitigate cost inflation

All New Multigrain Crust @ Rs 60 extra



Source: Company website

A consumer can upgrade his medium pizza with a premium base in a price range of 9-50%

Medium EDV Menu

4 buckets of Everyday Value (EDV) offer for medium pizza							Scope for premiumisation →				
EDV (Rs)	Medium Hand Tossed Pizza	Medium Pizza (units)	Total EDV bill	Total A La Carte bill	Discount	Default EDV base - New Hand Tossed	Fresh Pan Pizza	Classic Hand Tossed	Multigrain (NEW)	Cheese Bust	
199	DOUBLE CHEESE MARGHERITA	2	398	610	-35%	199	234	249	259	298	
	CHEESE N CORN						18%	25%	30%	50%	
	FRESH VEGGIE										
	PEPPER BARBECUE CHICKEN CHICKEN SAUSAGE										
249	FARMHOUSE	2	498	770	-35%	249	284	299	309	348	
	PEPPY PANEER						14%	20%	24%	40%	
	MEXICAN GREEN WAVE										
	VEGGIE PARADISE PANEER MAKHANI										
299	DELUXE VEGGIE	2	598	900	-34%	299	334	349	359	398	
	VEG EXTRAVAGANZA						12%	17%	20%	33%	
	5 PEPPER										
	CHICKEN GOLDEN DELIGHT										
	CHICKEN FIESTA CHICKEN TIKKA										
399	NON VEG SUPREME	2	798	1,110	-28%	399	434	449	459	498	
	CHICKEN PEPPERONI						9%	13%	15%	25%	
	CHICKEN DOMINATOR										

Dunkin' U.S. is competing with Starbucks on speed + price



Source: Company website

Recent launch of Tea in India (@ Rs 50/cup)



Source: Company website

(C) Dunkin' Donuts: Focus on Beverages

- Dunkin' Donuts parent has dropped 'Donuts' (effective from Jan-19) from its name – its flagship product. The co. stated that the brand has evolved and Donuts is no longer a driver of the business. Beverage contributes ~60% of revenue in the U.S. and hence the management wants to reflect that in their communication. Although, Donuts will still be a part of the menu, the company's focus has shifted towards beverages (primarily Coffee). It aspires to compete with Starbucks on pricing and quick service (on-the-go orders).

What's the new blueprint for growth in the U.S.?

New blueprint: **Beverage-Led On-The-Go Brand**

- (1) **Menu Innovation:** Grow and protect the core (food & coffee), Expand product innovation (innovate in beverages), Offer Value (promos to drive volume)
- (2) **Focus on Convenience:** Driving growth in packaged goods channel (retailed >5bn cups of coffee in 2018 in CPG & restaurants), placing On-the-go orders, Expanding 3rd party delivery partnership
- (3) **Restaurant Expansion:** Rebranding stores with NextGen design
- (4) **Restaurant Excellence:** Focus on speed of service

Dunkin' Donuts footing in India

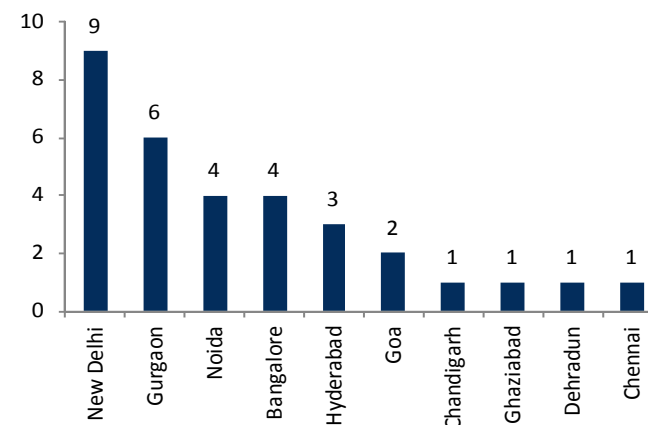
- JFL still hasn't announced any change in the business model. Although, it is evident that the co. has struggled to make dough from donuts
- **Why it has struggled in India?** Indian's like to eat traditional breakfast at home. They don't eat on the go – unlike U.S. Indian's don't desire starting their day with donuts. In India, Donuts are an impulse purchase. Stores were too large to justify impulse purchase.
- We expect the co. to transform its menu with a higher focus on beverages. This is evident from the recently launched 'Chai' (Tea) in India

- Dunkin' Donuts India is now focusing on smaller stores (kiosks like) and will return to store expansion only after driving healthy store unit economics
- Beverage QSR category has witnessed entry of multiple players over the last few years. The industry is growing at a fast clip driven by penetration and transition to organised formats. Existing players are optimistic about future store expansion.
- We believe there is an immense opportunity for Dunkin' India to run small stores/kiosks with focus on Beverages & Food at airports, malls, large office complex etc.

Beverage QSR industry: Bullish on future outlook

Brands	Founded	Stores	Store guidance
CCD	1996	1,751	2,500 – FY25
Barista	2001	200	500 – FY23
Starbucks	2012	136	na
Chai Point	2010	115	na
Costa Coffee	2008	70	na
Mad over Donuts	2007	57	na
Chaayos	2012	50	300 – FY23
Dunkin' Donuts	2012	32	na
Tpot Cafe	2013	31	200 – FY20

Dunkin' Store Network (32 stores)



Source: Company website

Assumptions

Particulars	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenue										
Stores at beginning	378	465	576	726	876	1,026	1,117	1,134	1,214	1,299
Additions	87	111	150	150	150	91	17	80	85	85
Stores at the end	465	576	726	876	1,026	1,117	1,134	1,214	1,299	1,384
Revenue Growth (%)	50.0%	38.4%	22.4%	20.4%	16.2%	5.6%	17.1%	19.4%	16.3%	15.7%
SSG (%)	30.0%	16.2%	1.6%	0.1%	3.2%	-2.4%	13.9%	18.0%	11.0%	10.0%
Margin										
Gross Margin (%)	74.3%	73.9%	74.0%	74.9%	76.3%	75.8%	74.8%	75.0%	74.7%	74.4%
Employee (% of sales)	19.3%	19.1%	19.5%	21.2%	23.6%	23.0%	20.3%	18.5%	18.3%	18.1%
Rent (% of sales)	7.6%	8.3%	9.0%	9.9%	10.5%	11.7%	10.6%	9.8%	9.6%	9.4%
ASP (% of sales)	4.0%	4.5%	5.1%	5.5%	5.2%	5.6%	4.8%	5.2%	5.3%	5.3%
Power & Fuel (% of sales)	4.7%	5.2%	5.9%	5.8%	5.7%	5.6%	5.3%	5.3%	5.2%	5.2%
Franchisee Fee (% of sales)	3.3%	3.4%	3.2%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Others (% of sales)	16.8%	16.1%	16.4%	16.6%	16.8%	16.9%	15.6%	15.5%	14.9%	14.7%
Margin Breakup										
Domino's EBITDA Margin (%)	na	na	na	na	na	12.2%	16.0%	17.8%	18.0%	18.3%
Impact from Dunkin (%)	na	na	na	na	na	-2.5%	-1.0%	-0.3%	0.1%	0.1%
EBITDA Margin (%)	18.7%	17.4%	14.8%	12.7%	11.3%	9.7%	15.0%	17.5%	18.0%	18.4%
Employee (No)	14,626	19,734	24,969	27,108	27,719	27,640	28,765	30,439	32,113	33,146
Employee/store (No)	34.7	37.9	38.4	33.8	29.1	25.8	25.6	25.9	25.7	25.1
Tax Rate	32%	32%	33%	28%	33%	31%	34%	34%	34%	34%
NPM (%)	10.4%	9.3%	6.8%	5.3%	4.0%	2.6%	6.4%	9.3%	9.9%	10.3%
Unit Level Economics										
Net Sales/Store	24.1	27.0	26.5	25.9	25.3	23.8	26.5	30.3	33.1	36.3
Gross Profit/Store	17.9	20.0	19.6	19.4	19.3	18.0	19.8	22.7	24.8	27.0
Employee/Store	4.7	5.2	5.2	5.5	6.0	5.5	5.4	5.6	6.1	6.6
Rent/Store	1.8	2.2	2.4	2.6	2.7	2.8	2.8	3.0	3.2	3.4
ASP/Store	1.0	1.2	1.3	1.4	1.3	1.3	1.3	1.6	1.8	1.9
Franchise/Store	0.8	0.9	0.9	0.8	0.8	0.8	0.9	1.0	1.1	1.2
Packaging material/Store	1.0	1.1	1.1	1.0	0.9	0.8	0.8	1.0	1.1	1.2
Freight/Store	0.8	0.8	0.8	0.8	0.7	0.7	0.8	0.9	0.9	1.0
EBITDA/Store	4.5	4.7	3.9	3.3	2.9	2.3	4.0	5.3	6.0	6.7
Depreciation/Store	0.9	1.1	1.2	1.2	1.3	1.4	1.4	1.3	1.3	1.4
PAT/Store	2.6	2.6	1.9	1.5	1.1	0.7	1.8	2.9	3.3	3.7

Source: Company, HDFC sec Inst Research

Key Operating Metrics

Particulars (Rs mn)	Q1FY17	2QFY17	3QFY17	4QFY17	Q1FY18	2QFY18	3QFY18	4QFY18	Q1FY19	2QFY19	3QFY19
Net Sales	6,089	6,655	6,588	6,128	6,788	7,266	7,952	7,798	8,551	8,814	9,291
EBITDA	577	643	641	605	796	1,022	1,369	1,278	1,421	1,475	1,706
APAT	190	216	200	152	239	443	660	681	747	777	965
YoY Growth (%)											
Revenue	6.7	13.3	3.9	(0.9)	11.5	9.2	20.7	27.3	26.0	21.3	16.8
Employee Cost	9.9	5.9	(0.9)	(2.5)	5.0	4.1	4.3	(0.2)	5.1	8.8	11.7
Rent Cost	19.0	19.7	12.8	19.3	10.0	(0.2)	7.0	6.1	6.5	14.2	10.4
SGA Cost	11.8	14.2	3.8	(0.2)	7.5	(1.5)	7.0	19.5	20.6	23.8	22.4
EBITDA	(14.2)	6.4	(11.9)	(15.2)	37.8	59.0	113.7	111.1	78.5	44.4	24.6
APAT	(31.1)	(1.5)	(31.9)	(45.2)	25.6	105.5	230.4	346.4	213.1	75.2	46.2
Margin (%)											
Gross Margin (%)	77	75	75	77	76	74	75	74	75	75	76
Change (bps)	108	(134)	(203)	35	(42)	(66)	(43)	(256)	(183)	46	103
EBITDA Margin (%)	9.5	9.7	9.7	9.9	11.7	14.1	17.2	16.4	16.6	16.7	18.4
Change (bps)	(231)	(62)	(175)	(166)	224	441	749	651	489	268	115
Domino's											
SSG (%)	(3)	4	(3)	(8)	7	6	18	27	26	21	15
New stores added	23	32	26	10	8	-	2	7	10	23	33
Total stores at the end	1,049	1,081	1,107	1,117	1,125	1,125	1,127	1,134	1,144	1,167	1,200
Number of cities	248	251	260	264	264	264	265	266	266	267	271
Dunkin' Donuts											
Total stores at the end	77	73	73	63	55	52	44	37	37	32	32
Addition (Net)	6	(4)	-	(10)	(8)	(3)	(8)	(7)	-	(5)	-
Cities Covered	23	23	23	16	15	13	12	10	10	10	10
Online KPIs											
OLO to Delivery Sales (%)	41	47	47	51	51	57	60	63	65	68	73
Mobile Ordering sales to OLO (%)	38	54	56	68	69	69	71	78	83	85	85
App Download Count (mn)	4	5	5	6	8	8	9	10	11	13	15

Source: Company, HDFC sec Inst Research

Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
HUL	3,711	1,748	NEU	1,855	28.7	35.2	43.2	61.0	49.7	40.4	41.0	37.4	28.6	70.1	29.7	22.9
ITC	3,599	295	BUY	383	10.2	11.3	12.4	28.8	26.2	23.7	18.1	16.2	14.5	38.1	38.6	40.1
Nestle	1,034	10,723	NR*	11,225	176.3	210.5	249.4	60.8	51.0	43.0	35.4	30.3	26.0	78.0	100.1	136.7
Dabur	776	440	BUY	482	8.8	11.1	13.1	50.0	39.8	33.7	40.7	33.7	28.1	49.2	55.1	62.2
Britannia	751	3,127	NEU	3,115	49.1	59.6	72.4	63.6	52.5	43.2	41.7	34.2	28.1	42.8	46.4	50.6
Marico	431	334	BUY	394	7.5	9.9	11.7	44.6	33.8	28.5	32.5	24.9	21.3	42.7	54.3	61.1
Colgate	347	1,276	NEU	1,254	27.9	32.0	37.1	45.8	39.8	34.4	27.2	23.6	20.5	68.8	77.7	89.4
Emami	185	400	BUY	528	12.2	14.8	17.3	32.9	27.1	23.1	23.4	19.5	16.8	24.5	31.7	38.7
Jub. Food	175	1,326	BUY	1,750	25.5	31.3	38.0	52.1	42.3	34.8	27.2	22.1	18.2	48.6	59.1	71.4

Source: HDFC sec Inst Research * Fair Value

Income Statement (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenues	25,834	30,184	36,041	41,951	48,565
Growth (%)	6.0%	16.8%	19.4%	16.4%	15.8%
Material Expenses	6,308	7,660	8,885	10,480	12,246
Employee Expense	5,948	6,140	6,599	7,578	8,675
A&P Expense	1,437	1,428	1,850	2,194	2,539
Rent	2,986	3,157	3,485	3,971	4,513
Other Expenses	6,744	7,399	9,052	10,284	11,775
EBITDA	2,411	4,401	6,170	7,443	8,817
EBITDA Growth (%)	-8.6%	82.5%	40.2%	20.6%	18.5%
EBITDA Margin (%)	9.3%	14.6%	17.1%	17.7%	18.2%
Depreciation	1,554	1,601	1,528	1,672	1,807
EBIT	857	2,800	4,643	5,771	7,010
Other Income (Including EO Items)	147	231	456	507	609
Interest	-	-	-	-	-
PBT	1,004	3,031	5,099	6,278	7,619
Total Tax	305	1,068	1,739	2,141	2,599
RPAT	578	1,962	3,360	4,137	5,020
Exceptional Gain/(loss) - net of taxes	(85)	44	-	-	-
Adjusted PAT	663	1,918	3,360	4,137	5,020
APAT Growth (%)	-31.6%	189.3%	75.2%	23.1%	21.4%
Adjusted EPS (Rs)	5.0	14.5	25.5	31.3	38.0
EPS Growth (%)	-31.7%	189.2%	75.2%	23.1%	21.4%

Source: Company, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	659	660	1,320	1,320	1,320
Reserves	7,394	9,017	11,320	14,797	18,959
Total Shareholders Funds	8,053	9,677	12,640	16,117	20,279
Long Term Debt	-	-	-	-	-
Short Term Debt	-	-	-	-	-
Total Debt	-	-	-	-	-
Net Deferred Taxes	693	550	550	550	550
Other Non-current Liabilities & Provns	4	5	5	5	5
TOTAL SOURCES OF FUNDS	8,750	10,232	13,195	16,671	20,834
APPLICATION OF FUNDS					
Net Block	7,550	7,527	7,499	7,327	7,020
CWIP	608	124	124	124	124
Other Non Current Assets	1,904	1,881	2,225	2,573	2,962
Intangible Assets	451	383	383	383	383
Total Non-current Assets	10,513	9,915	10,232	10,407	10,489
Inventories	607	642	767	892	1,033
Debtors	161	157	187	218	252
Other Current Assets	336	333	373	412	457
Cash & Equivalents	1,290	3,921	7,092	10,902	15,661
Total Current Assets	2,394	5,053	8,419	12,425	17,403
Creditors	3,142	3,890	4,542	5,172	5,987
Other Current Liabilities & Provns	1,014	845	914	989	1,071
Total Current Liabilities	4,157	4,735	5,456	6,161	7,058
Net Current Assets	(1,763)	318	2,963	6,264	10,345
TOTAL APPLICATION OF FUNDS	8,750	10,232	13,195	16,671	20,834

Source: Company, HDFC sec Inst Research

Cash Flow Statement

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	883	3,031	5,099	6,278	7,619
Non-operating & EO Items	49	(25)	-	-	-
Interest Expenses	(141)	(166)	(456)	(507)	(609)
Depreciation	1,554	1,601	1,528	1,672	1,807
Working Capital Change	57	912	526	508	678
Tax Paid	(366)	(1,262)	(1,739)	(2,141)	(2,599)
OPERATING CASH FLOW (a)	2,036	4,091	4,957	5,811	6,896
Capex	(1,996)	(1,160)	(1,500)	(1,500)	(1,500)
Free Cash Flow (FCF)	40	2,931	3,457	4,311	5,396
Investments	26	(2,258)	(545)	(548)	(589)
Non-operating Income	86	99	456	507	609
INVESTING CASH FLOW (b)	(1,883)	(3,319)	(1,588)	(1,541)	(1,480)
Debt Issuance/(Repaid)					
Interest Expenses					
FCFE	40	2,931	3,457	4,311	5,396
Share Capital Issuance	50	(150)	-	-	-
Dividend	(198)	(198)	(398)	(660)	(858)
Others					
FINANCING CASH FLOW (c)	(148)	(347)	(398)	(660)	(858)
NET CASH FLOW (a+b+c)	5	424	2,971	3,610	4,559
EO Items, Others	(18)	(512)	(0)	-	-
Closing Cash & Equivalents	354	1,290	4,261	7,871	12,430

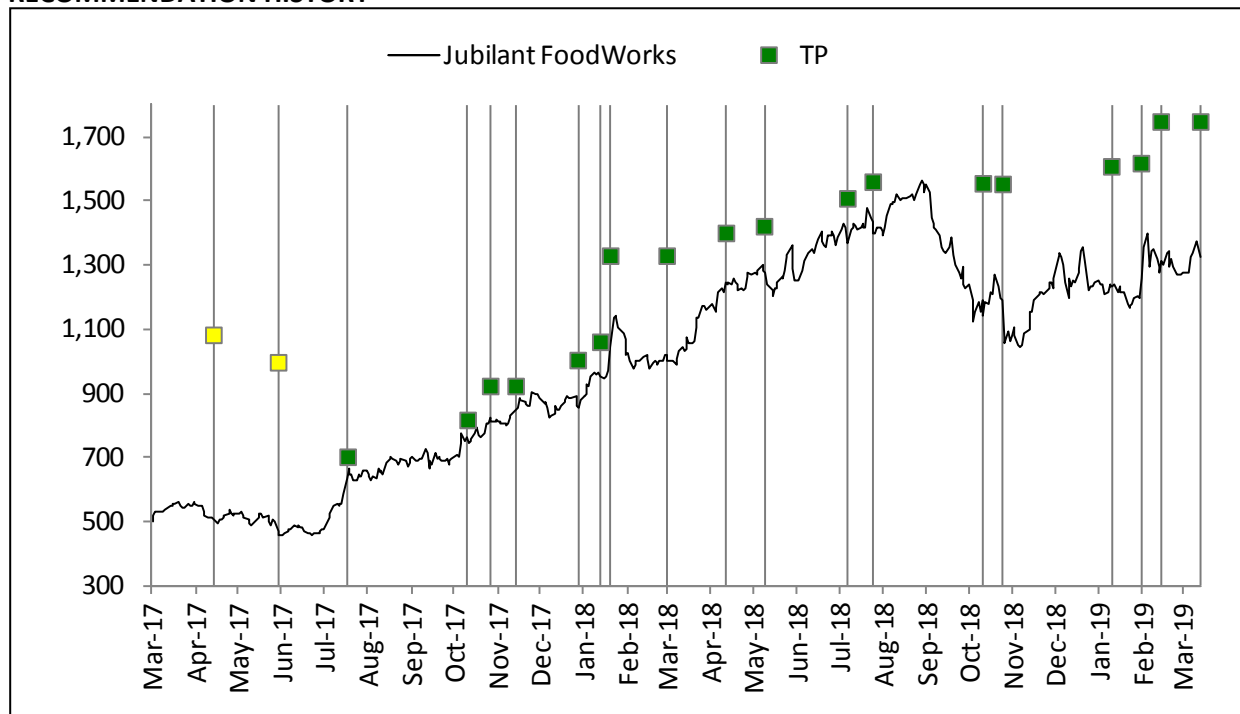
Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY (%)					
GPM	75.6	74.6	75.3	75.0	74.8
EBITDA Margin	9.3	14.6	17.1	17.7	18.2
EBIT Margin	3.3	9.3	12.9	13.8	14.4
APAT Margin	2.6	6.4	9.3	9.9	10.3
RoE	8.5	21.6	30.1	28.8	27.6
RoIC (or Core RoCE)	8.2	26.5	49.6	64.1	84.4
RoCE	7.8	20.2	28.7	27.7	26.8
EFFICIENCY					
Tax Rate (%)	30.4	35.3	34.1	34.1	34.1
Fixed Asset Turnover (x)	3.2	3.9	4.7	5.6	6.8
Inventory (days)	8.6	7.8	7.8	7.8	7.8
Debtors (days)	2.3	1.9	1.9	1.9	1.9
Other Current Assets (days)	4.7	4.0	3.8	3.6	3.4
Payables (days)	44.4	47.0	46.0	45.0	45.0
Other Current Liab & Provns (days)	14.3	10.2	9.3	8.6	8.0
Cash Conversion Cycle (days)	(43.1)	(43.6)	(41.8)	(40.4)	(40.0)
PER SHARE DATA (Rs)					
EPS	5.0	14.5	25.5	31.3	38.0
CEPS	16.8	26.7	37.0	44.0	51.7
Dividend	1.5	3.0	5.0	6.5	8.0
Book Value	61.1	73.3	95.8	122.1	153.7
VALUATION					
P/E (x)	263.8	91.2	52.1	42.3	34.8
P/BV (x)	21.7	18.1	13.8	10.9	8.6
EV/EBITDA (x)	72.0	38.9	27.2	22.0	18.1
EV/Revenues (x)	6.7	5.7	4.7	3.9	3.3
OCF/EV (%)	1.2	2.4	3.0	3.5	4.3
FCF/EV (%)	0.0	1.7	2.1	2.6	3.4
FCFE/Mkt Cap (%)	0.0	1.7	2.0	2.5	3.1
Dividend Yield (%)	0.1	0.2	0.4	0.5	0.6

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
14-Apr-17	504	NEU	540
30-May-17	470	NEU	498
18-Jul-17	637	BUY	703
10-Oct-17	740	BUY	818
27-Oct-17	822	BUY	924
13-Nov-17	816	BUY	924
27-Dec-17	891	BUY	1,005
12-Jan-18	964	BUY	1,062
20-Jan-18	1,048	BUY	1,331
28-Feb-18	1,022	BUY	1,331
11-Apr-18	1,215	BUY	1,402
9-May-18	1,280	BUY	1,423
9-Jul-18	1,366	BUY	1,510
25-Jul-18	1,400	BUY	1,562
10-Oct-18	1,156	BUY	1,557
24-Oct-18	1,193	BUY	1,555
9-Jan-19	1,240	BUY	1,610
31-Jan-19	1,200	BUY	1,620
13-Feb-19	1,276	BUY	1,750
14-Mar-19	1,326	BUY	1,750

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- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH

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