

Jubilant FoodWorks

03 February, 2022

Reuters: JUBI.BO; Bloomberg: JUBI IN

Revenue misses estimate; Pricing action to support margins in near term

Jubilant Foodworks' (JUBI) 3QFY22 standalone topline performance was lower than our estimate. Starting 3QFY22, the company would now only disclose Like-for-Like (LFL) growth and not SSSG as it believes that LFL (i.e., same store growth for non-split stores) is a far accurate indicator of their underlying growth, as it will be strongly implementing 'fortressing', which is a deliberate strategy going forward. Due to successful implementation of the 'fortressing' strategy, the company is now able to deliver significant proportion (~60%) of delivery orders in 20 minutes. LFL in 3QFY22 stood at 7.5% (vs our est. 12%). Based on our calculation, SSSG could be in the range of 4-5% YoY (vs est. 10%). Restrictions due to the third covid wave at the end of 3QFY22 (peak period for restaurant industry) had an impact on the recovery in the dine-in business, bringing down the overall growth rate for the quarter for JUBI. Input costs increased YoY and QoQ, but despite that the company delivered EBITDA margin expansion on the back of productivity measures and pricing action taken in Dec'21. Going forward, at an industry level we do expect delivery business to moderate slightly with dine-in coming back, it will still remain at a significantly elevated level compared to the pre-covid period. JUBI does not expect to see any demand contraction going ahead even after the recent pricing action. We are building a strong ~29% revenue CAGR over FY21-24 (~16% over FY20-24E), led by - [1] Domestic Dominos business: (a) Continuous expansion of its network for the core domestic Dominos' business (as per a recent assessment, management continues to see potential for 3,000 stores in India; stood at 1,495 stores in 3QFY22) (b) Investment in technology & data science to stay competitive against aggregators and new-age players by driving demand via targeted offerings. This will help gain some market share, especially when discounts/promotions are taken off and delivery charges are normalized by aggregators. (c) With a pan-India reach, it will continue to be a big beneficiary of gradual conversion towards organized food service players, especially in tier-2 & tier-3 cities [2] Its recent aggression in diversifying its cuisine/format portfolio will serve as pillars for maintaining its dominant position in the overall QSR space beyond next 1-2 years and help it in achieving its ambition of transforming itself into a food-tech powerhouse. Scale-up of JUBI's international operations in Sri Lanka & Bangladesh, home-grown brand *Hong's Kitchen*, Biryani foray *Ekdum!* and attainment of exclusive franchise rights for *Popeyes* provide runway for growth over the medium to long term. While the company's efforts in diversifying the business is much appreciated, we believe that the newer brands/formats will only gradually scale-up. Post the recent correction (down ~17% after 2QFY22 results), the stock is now trading at 61.4x/41.8x on our FY23E/FY24E EPS. Changes to model have led to -2.4%/-3.2%/-1% change in our FY22/FY23/FY24 PAT estimate. We now arrive at a revised target price of Rs3,600 (Rs3,970 earlier) through DCF, implying a P/E multiple of ~54x on Sept'23E EPS and EV/EBITDA multiple of ~27x on Sept'23E EBITDA. We maintain our Accumulate rating on the stock.

3QFY22 headline performance: JUBI's standalone topline was up 12.9% YoY at Rs11.9bn, lower than our estimate of Rs12.6bn. Gross margin was down 70bps YoY at 77.6% (-60bps QoQ; est. 77.7%). EBITDA margin came in at 26.6%, up by ~20bps YoY (+60bps QoQ; est. of 26%) as lower employee cost (down 440bps YoY) as a % of revenue was partially offset by higher other operating cost (+340bps YoY) quarter. EBITDA grew by 13.9% YoY to Rs3.2bn (est. Rs3.3bn). Adjusted PAT (APAT) grew by 9.8% YoY to Rs1.4bn (est. Rs1.5bn).

9MFY22 standalone performance: Sales, EBITDA and APAT grew by 41.5%, 57.5% and 152.5% YoY, respectively. Gross margin was down 70bps YoY at 77.7% while EBITDA margin was up 260bps YoY at 25.7%.

Key highlights from the earnings call and ppt: (1) JUBI has revised its store opening guidance to 175-200 for the domestic Dominos business (on gross basis) for FY22 from 150-175 stores. (2) There was strong inflation in commodities and other input costs in 3QFY22. The company stated that pricing intervention in the latter half of Dec'21 should cover a large part of the inflationary headwinds that are visible in 4QFY22 as well. The company remains committed in delivering healthy margins. (3) Promotional intensity has moderated across industry due to inflationary pressure. Hence, the company will opt for targeted discounting rather than blanket discounts. (4) The Board has approved split of existing equity share in 1:5 ratio.

ACCUMULATE

Sector: Restaurants

CMP: Rs3,302

Target Price: Rs3,600

Upside: 9%

Vishal Punmiya

Research Analyst

vishal.punmiya@nirmalbang.com

+91-22-6273 8064

Videesha Sheth

Research Associate

videesha.sheth@nirmalbang.com

+91-22-6273 8188

Key Data

Current Shares O/S (mn)	132.0
Mkt Cap (Rsbn/US\$bn)	435.7/5.8
52 Wk H / L (Rs)	4590/2596
Daily Vol. (3M NSE Avg.)	576,725

Price Performance (%)

	1 M	6 M	1 Yr
Jubilant FoodWorks	(9.7)	(12.8)	24.8
Nifty Index	0.9	10.2	20.2

Source: Bloomberg

[FY21 Annual Report](#)

[3QFY22 Results & Investor presentation](#)

Y/E March (Rsmn)	3QFY21	2QFY22	3QFY22	YoY (%)	QoQ (%)	3QFY20 v. 3Q20 (%)	9MFY21	9MFY22	YoY (%)	
Net sales	10,572	11,007	11,935	12.9	8.4	10,596	12.6	22,430	31,732	41.5
COGS	2,294	2,394	2,673	16.5	11.6	2,659	0.5	4,838	7,069	46.1
Gross margin %	78.3	78.2	77.6	-0.7	-0.6	74.9	2.7	78.4	77.7	-0.7
Employee costs	2,196	1,915	1,957	-10.9	2.2	2,072	-5.6	5,360	5,521	3.0
% of sales	20.8	17.4	16.4	-4.4	-1.0	19.6	-3.2	23.9	17.4	-6.5
Other expenses	3,296	3,838	4,132	25.3	7.6	3,330	24.1	7,160	10,694	49.4
% of sales	31.2	34.9	34.6	3.4	-0.3	31.4	3.2	31.9	33.7	1.8
EBITDA	2,786	2,860	3,174	13.9	11.0	2,536	25.2	5,174	8,149	57.5
EBITDA margin %	26.4	26.0	26.6	0.2	0.6	23.9	2.7	23.1	25.7	2.6
Depreciation	876	902	1,006	14.8	11.5	880	14.4	2,814	2,798	-0.5
EBIT	1,910	1,958	2,168	13.5	10.7	1,656	30.9	2,360	5,351	126.7
EBIT margin %	18.1	17.8	18.2	0.1	0.4	15.6	2.5	10.5	16.9	6.3
Interest expenses	405	416	446	10.1	7.1	426	4.7	1,236	1,280	3.6
Other income	156	93	109	-29.8	17.7	159	-31.3	424	1,086	156.2
PBT	1,661	1,635	1,831	10.3	12.0	1,389	31.8	1,718	4,353	153.4
Tax	410	410	457	11.6	11.5	352	29.8	424	1,086	156.2
Effective tax rate %	24.7	25.1	25.0	0.3	-0.1	25.4	-0.4	24.7	24.9	0.3
PAT	1,251	1,225	1,374	9.8	12.2	1,037	32.5	1,294	3,267	152.5
PAT margin %	11.8	11.1	11.5	-0.3	0.4	9.8	1.7	5.8	10.3	4.5
EPS	9.5	9.3	10.4	9.8	12.2	7.9	32.5	9.8	24.8	152.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 1: Financial summary (Consolidated)

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Net revenues	39,273	33,119	43,831	55,285	70,974
YoY growth (%)	10.2	-15.7	32.3	26.1	28.4
SSSG (%)	3.2	-17.7	26.0	15.0	7.0
EBITDA	8,756	7,712	11,199	14,662	19,503
EBITDA margin (%)	22.3	23.3	25.6	26.5	27.5
PAT	3,049	2,317	4,663	7,100	10,430
EPS (Rs)	23.1	17.6	35.3	53.8	79.0
YoY growth (%)	-4.7	-24.0	101.3	52.3	46.9
RoCE (%)*	49.8	36.8	49.6	57.0	62.9
RoE (%)	27.2	16.2	27.1	33.2	38.0
RoIC (%)*	39.8	19.6	34.4	46.4	64.2
P/E (x)	142.9	188.1	93.4	61.4	41.8
P/BV (x)	38.8	30.5	25.3	20.4	15.9
EV/EBITDA (x)	49.0	55.1	38.0	28.8	21.4

Source: Company, Nirmal Bang Institutional Equities Research

*Pre-tax

Exhibit 2: Our estimates versus actual performance

Y/E March (Rsmn)	3QFY21	2QFY22	3QFY22	YoY (%)	QoQ (%)	NBIE estimate	Variation (%)
Net sales	10,572	11,007	11,935	12.9	8.4	12,581	-5.1
EBITDA	2,786	2,860	3,174	13.9	11.0	3,271	-3.0
EBITDA margin (%)	26.4	26.0	26.6	0.2	0.6	26.0	0.6
Adj. PAT	1,251	1,225	1,374	9.8	12.2	1,490	-7.8

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Change in our estimates

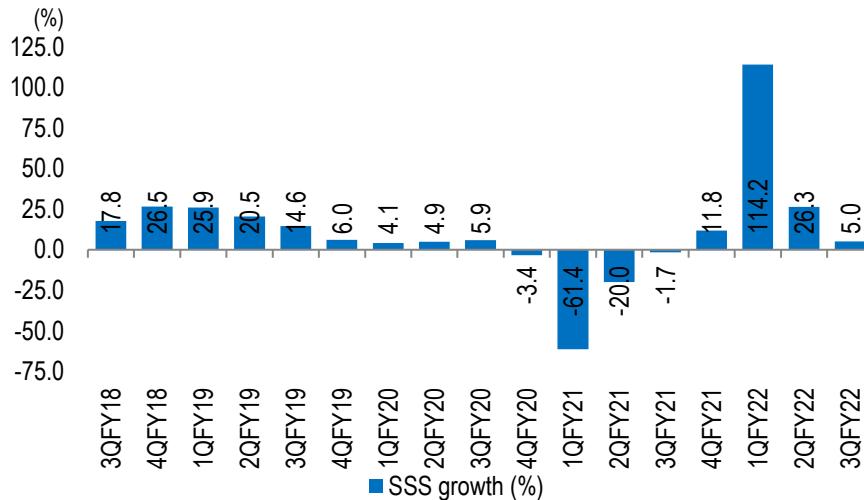
Y/E March	Earlier Estimates			New Estimates			Change (%)		
	(Rs mn)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E
Net Sales	44,336	55,376	71,696	43,831	55,285	70,974	-1.1	-0.2	-1.0
EBITDA	11,338	14,909	20,048	11,199	14,662	19,503	-1.2	-1.7	-2.7
EBITDA margin (%)	25.6	26.9	28.0	25.6	26.5	27.5	0.0	-0.4	-0.5
Adj PAT	4,778	7,338	10,537	4,663	7,100	10,430	-2.4	-3.2	-1.0

Source: Company, Nirmal Bang Institutional Equities Research

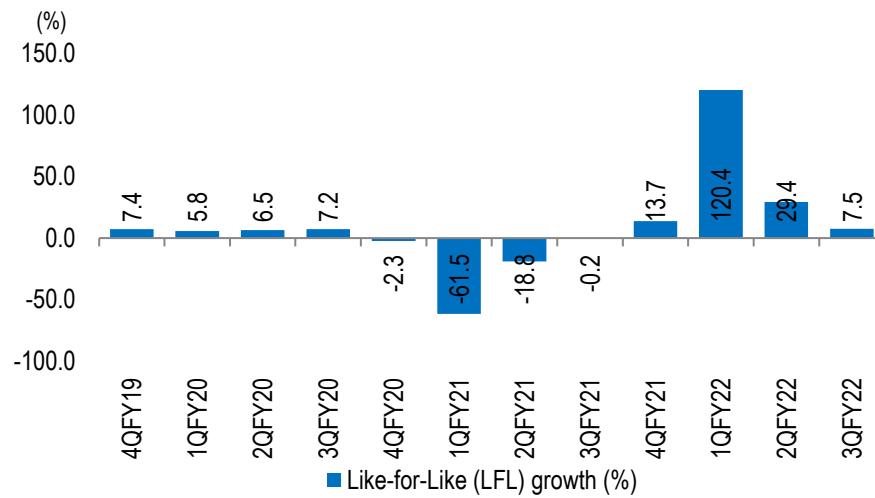
Exhibit 4: Common-size P&L over the quarters

Particulars (%)	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Gross margin	74.9	74.4	78.0	78.8	78.3	77.5	77.2	78.2	77.6
Staff Cost	19.6	21.8	39.4	20.7	20.8	19.5	18.8	17.4	16.4
Other expenses	31.4	33.7	32.3	31.5	31.2	33.7	34.4	34.9	34.6
EBITDA	23.9	18.9	6.3	26.7	26.4	24.3	24.1	26.0	26.6
EBIT	15.6	8.7	-17.5	13.9	18.1	15.9	13.9	17.8	18.2
PBT	13.1	6.4	-25.2	12.6	15.7	13.4	10.1	14.9	15.3
Adjusted PAT	9.8	5.0	-19.1	9.5	11.8	10.2	7.6	11.1	11.5

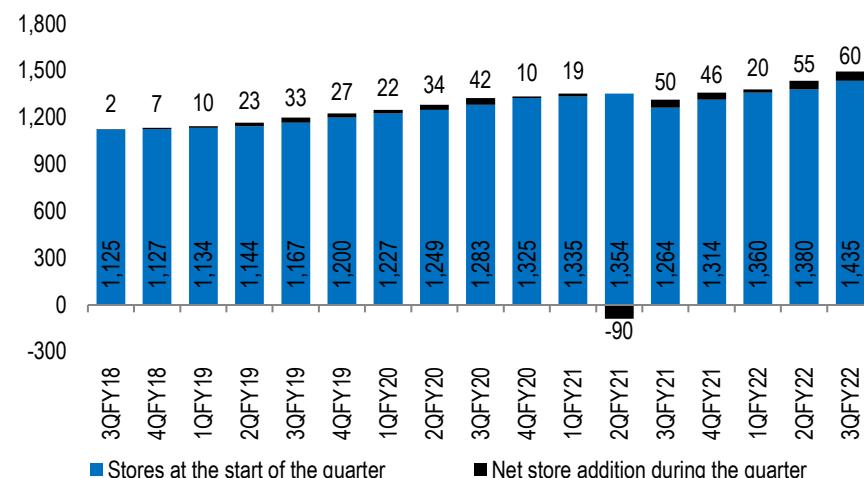
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: We believe Domino's to have clocked SSSG of 4-5% in 3QFY22 on a base of 1.7% SSS decline


Source: Company, Nirmal Bang Institutional Equities Research; Note: SSSG refers to the YoY growth in sales for restaurants opened before previous financial year

Exhibit 6: Like for like (LFL) growth stood at 7.5%


Source: Company, Nirmal Bang Institutional Equities Research; Note: LFL growth refers to the YoY growth in sales for non-split restaurants opened before previous financial year

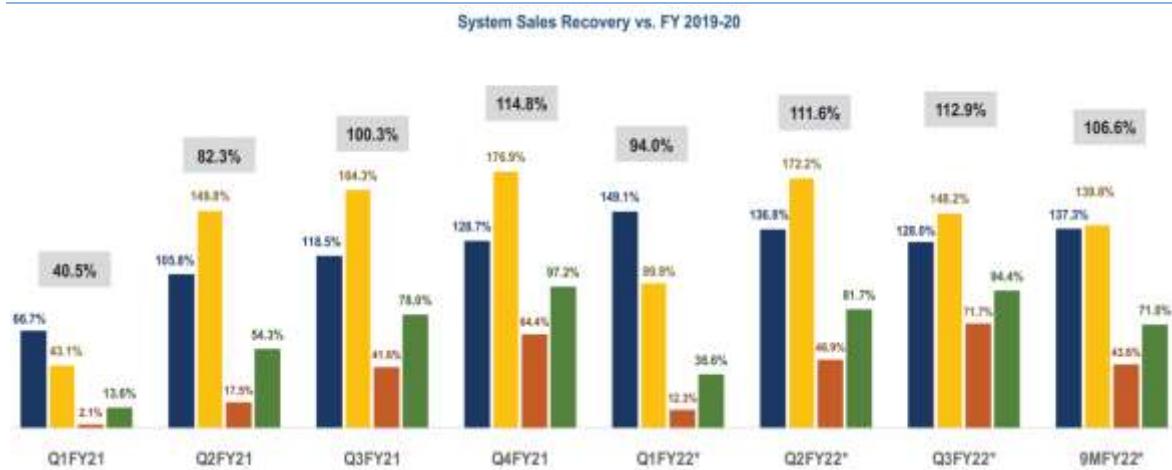
Exhibit 7: JUBI opened 75 new Domino's stores (15 closures) in 2QFY22


Source: Company, Nirmal Bang Institutional Equities Research

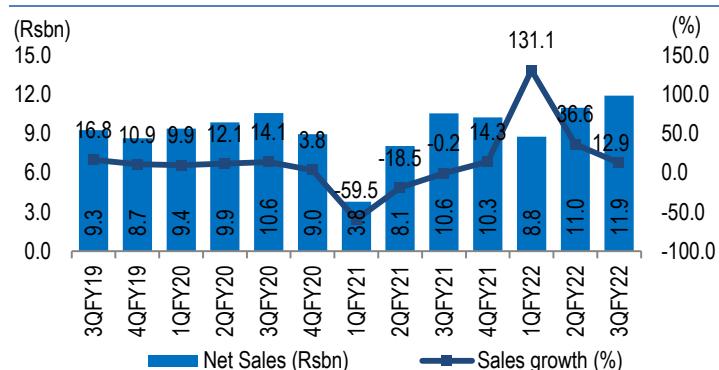
Exhibit 8: Store trajectory of other brands & geographies during recent quarters as per available data

	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Dunkin' Donuts	32	34	30	26	27	24	27	28	29
Hong's Kitchen	2	4	4	5	7	8	11	13	14
Ekdum					3	4	7	8	8
Domino's Sri Lanka		21	22	22	23	26	28	31	32
Domino's Bangladesh					4	5	7	7	8

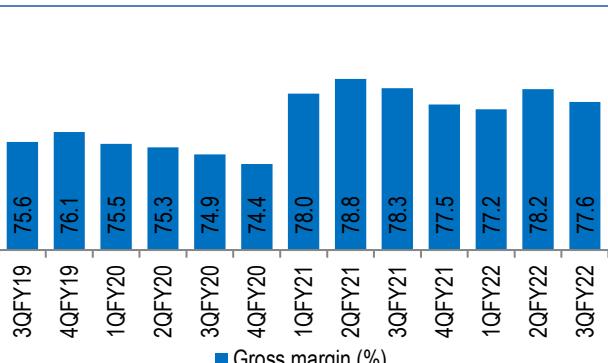
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Compared to 3QFY20, Domino's system sales grew by 12.9%, led by strong momentum in Delivery (28% growth) and Takeaway (48.2% growth) channels


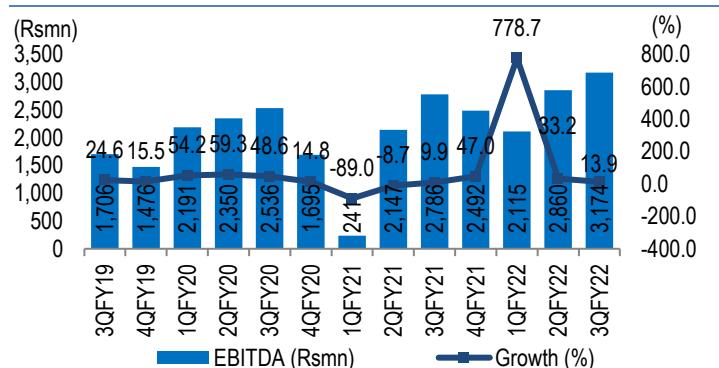
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Standalone net sales grew by 12.9% YoY to ~Rs11.9bn


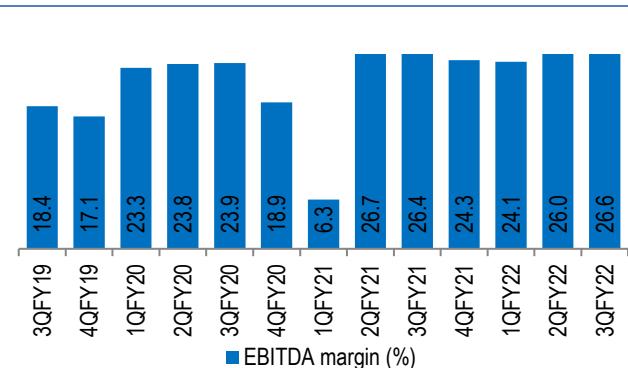
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Gross margin contracted by ~70bps YoY to 77.6% in 3QFY22


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: EBITDA grew 13.9% YoY to ~Rs3.2bn


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: EBITDA margin expanded by ~20bps YoY to 26.6%


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Highlights of international operations – JUBI opened 1 new store in Sri Lanka and Bangladesh each during the quarter

Domino's Sri Lanka

(32 stores)



- Overall system sales growth in Q3: 95.9%
 - Delivery sales growth: 85.6%
 - Takeaway sales growth: 119.1%
- Opened 1 new store
- Average OLO contribution to delivery sales(%):

Q2 FY22	Q3 FY22
63.9%	63.7%

Domino's Bangladesh

(8 stores)



- Overall system sales growth in Q3: 38.0%
 - Delivery sales growth: 82.1%
 - Takeaway sales growth: 4.5%
- Opened 1 new store
- Average OLO contribution to delivery sales(%):

Q2 FY22	Q3 FY22
63.8%	64.8%

Source: Company, Nirmal Bang Institutional Equities Research

Jubilant Foodworks (JUBI) 3QFY22 results concall and presentation highlights

Business environment and performance

- On-ground covid situation improved significantly in 3QFY22, although dine-in remained affected due to restrictions. Delivery and takeaway channels grew well compared to 3QFY21 as well as pre-covid period. Revenue from owned assets grew faster than aggregators.
- Input costs increased YoY and QoQ, but despite that, the company delivered EBITDA expansion, led by productivity and pricing action taken in Dec'21. The management believes that despite the price increase taken, *Domino's* remains the most affordable Pizza brand by far and continues to deliver unmatched value for money to its customers. The brand has not seen any pushback from consumers after price increase.
- In 3QFY22 as well as going forward, the company would disclose only Like-for- Like (LFL) growth and not SSSG as the management believes that LFL (i.e., same store growth for non-split store) is a far more accurate indicator of underlying growth. Other comments relating to the same:
 - LFL is a metric reported by the Dominos franchise across the world.
 - The company will strongly & consciously implement the 'fortressing' strategy.
 - The difference between LFL growth and SSSG is not significant since the base is not very different. For example, in 3QFY22, LFL was calculated on a base of 1,052 stores and for SSSG there was a difference of only 100 stores.
 - The ratio of split stores to the overall new stores opened in the last 7 quarters was 46%.
 - New stores (including split stores) payback is 3 years. The mother store gets back to pre-split revenue in 3 years and at times within 2 years. Operational costs like logistics, supply chain etc. also fall, which aid faster payback.
 - New split store takes 24 months to mature and is included in the base for LFL calculation after that period gets over.
 - The management stated that any store that is in the delivery area of an existing store and eats into the revenue of the existing store is considered to be a split store.
- Due to successful implementation of the 'fortressing' strategy, the company is able to complete significant proportion (60%) of delivery orders in 20 minutes.
- Comments on slower recovery in dine-in was lower due to:
 - Operational hours were 5% lower than previous periods (QoQ no reduction in operating hours)

- Dine-in cap of 50% continued in 3QFY22.
- Spike in covid cases in the second half of Dec'21 led to stringent restrictions & curfews
- Demand was not a challenge to the relatively slower pace of recovery in dine-in
- For the restaurant industry, December is a very important month where sales & orders spike in the 2nd half of the month. Hence, the management believes that the company's performance would have been significantly higher had the last 10-15 days not been hit by the third covid wave.
- The relevance of dine-in occasion remains high even as delivery consumption grows.
- The management stated that *Domino's* has the best NPS in the QSR industry and the NPS has moved up for dine-in, delivery and takeaway operations over the last 2 years.
- Majority of new bikes purchased for *Domino's* are e-bikes.
- To enhance the liquidity of the company's equity shares and encourage the participation of small investors, the Board has approved split of one existing equity share having face value of Rs10 each into five equity shares having face value of Rs2 each.

Store openings and closures

- The quarter saw record new store openings with a landmark 75 new *Domino's* stores being opened by any *Domino's* franchisee across the world in any quarter. This reflects hypergrowth potential of the category as per the management.
- Store closures:
 - The management stated that the 15 store closures done in 3QFY22 for *Domino's* were for very specific reasons.
 - Closures were in tech parks, transit locations and some high-street areas (due to local issues). Only 2 out of 15 closures were in malls.
- New store addition is and will be driven by opportunities in new towns, new areas in existing markets and fortressing.
- JUBI has revised its store opening guidance to 175-200 for the domestic *Domino's* business (on gross basis) for FY22 from 150-175 stores.

Other portfolio brands

- *Hong's Kitchen*:
 - The brand has become the largest Chinese QSR chain in Delhi-NCR region (on the basis on number of stores).
 - The brand has made progress since inception on the back quality of food, menu and value-for-money pricing.
 - The company is working closely with the central manufacturing kitchen to ease operations further.
- Since *Ekdum!* was launched recently, the company is still working on refining the model, post which it will scale up.
- *Popeyes*:
 - The company recently opened its first two Popeyes restaurants in Bengaluru in Jan'22, with one more scheduled to open shortly.
 - The early customer response and feedback has been extremely encouraging.
 - *Popeyes* is expected to become one of the key drivers of profitable growth in the coming years.
 - To execute delivery, the brand has built its own delivery fleet, which executes orders via e-bikes.

Financial performance

- There was strong inflation in commodities and other input costs in 3QFY22. The company believes that pricing intervention taken in the second half of Dec'21 should cover a large part of inflationary headwinds that are visible in 4QFY22. Despite visible inflation, JUBI remains committed in delivering healthy margin in the near term.
- Employee cost as a % of revenue declined in 3QFY22 due to increased variabilization of costs, which get captured under other operating expenses. Even after normalizing for the adjustment, there is a QoQ and YoY reduction in employee cost, led by improved productivity, reduction in wastage and operating leverage.

- While promotional intensity has moderated across industry due to inflationary pressure, JUBI remains competitive in promotions. However, the company will opt for targeted discounting rather than blanket discounting.

Exhibit 15: DCF Valuation

Particulars (Rsmn)	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
	Mar-21	Mar-22	Sep-22	Sep-23	Sep-24	Sep-25	Sep-26	Sep-27	Sep-28	Sep-29	Sep-30	Sep-31
Profit/(loss) before Tax	3,062	6,259	9,529	13,978	18,659	23,658	29,529	35,982	41,641	47,336	52,936	58,532
Depreciation	3,754	4,067	4,640	5,225	6,097	7,194	8,354	9,574	10,879	12,278	13,795	15,445
Net interest	1,213	1,546	1,468	1,379	1,433	1,488	1,546	1,606	1,668	1,732	1,799	1,867
Others	-162	-672	-975	-1,079	-1,514	-1,972	-2,616	-3,461	-4,489	-5,636	-6,826	-8,090
Direct Taxes Paid	-869	-1,575	-2,398	-3,518	-4,696	-5,955	-7,433	-9,057	-10,481	-11,914	-13,324	-14,732
Change in WC	509	-576	696	718	2,098	1,305	2,239	1,622	2,231	2,160	1,644	2,821
Cash flow from Operations	7,506	9,048	12,960	16,703	22,076	25,719	31,619	36,267	41,450	45,956	50,024	55,843
Less: Capex	-2,427	-5,089	-4,788	-7,017	-10,528	-11,553	-11,782	-12,798	-13,496	-14,709	-15,883	-17,421
FCF	5,080	3,959	8,172	9,686	11,549	14,166	19,838	23,468	27,954	31,247	34,141	38,422
Discounting Period	0	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	
Discounting Factor	1.00	0.95	0.86	0.78	0.71	0.64	0.58	0.53	0.48	0.43	0.39	
PV of Free cash flow	3,959	7,778	8,350	9,018	10,020	12,710	13,619	14,694	14,878	14,724	15,010	

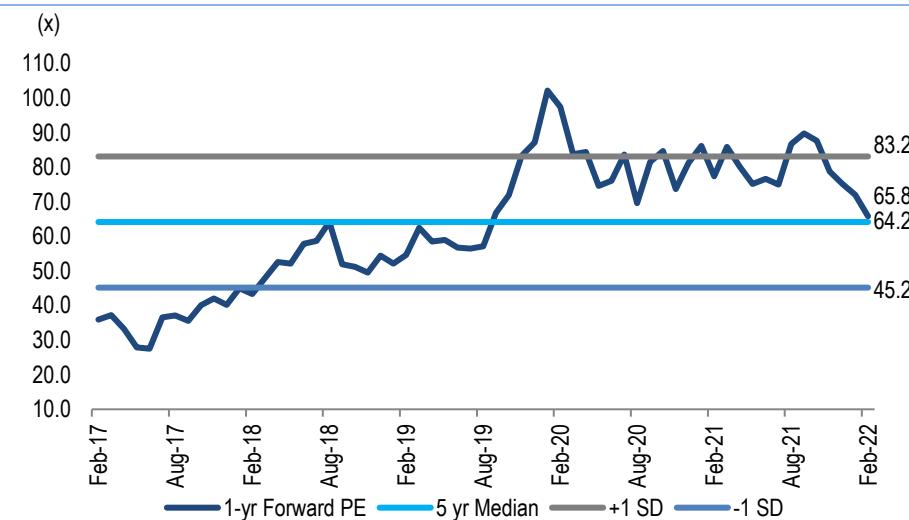
FV sensitivity to change in WACC and terminal growth rate

DCF Valuation	Rsmn	%	Terminal Growth Rate						
			5.7	5.8	5.9	6.0	6.1	6.2	6.3
WACC	9.8	9.8	3,973	4,047	4,125	4,207	4,293	4,384	4,480
		10.0	3,775	3,841	3,910	3,983	4,059	4,140	4,224
		10.2	3,595	3,654	3,716	3,781	3,849	3,920	3,995
		10.4	3,431	3,484	3,539	3,600	3,658	3,721	3,788
		10.6	3,280	3,328	3,378	3,430	3,484	3,541	3,601
		10.8	3,141	3,184	3,229	3,276	3,325	3,377	3,430
		11.0	3,012	3,052	3,093	3,135	3,180	3,226	3,274

Upside/downside

	%	Terminal Growth Rate						
		5.7	5.8	5.9	6.0	6.1	6.2	6.3
WACC	9.8	20.3	22.6	24.9	27.4	30.0	32.8	35.7
		10.0	14.4	16.3	18.4	20.6	22.9	25.4
		10.2	8.9	10.7	12.6	14.5	16.6	18.7
		10.4	3.9	5.5	7.2	9.0	10.8	12.7
		10.6	-0.7	0.8	2.3	3.9	5.5	7.3
		10.8	-4.9	-3.6	-2.2	-0.8	0.7	2.3
		11.0	-8.8	-7.6	-6.3	-5.0	-3.7	-2.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: One-year forward P/E


Source: Company, Nirmal Bang Institutional Equities Research

Financials (Consolidated)

Exhibit 17: Income statement

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	39,273	33,119	43,831	55,285	70,974
% Growth	10.2	-15.7	32.3	26.1	28.4
COGS	9,835	7,262	9,827	11,916	14,874
Staff costs	7,964	7,469	9,116	11,041	14,103
Other expenses	12,718	10,676	13,689	17,666	22,495
Total expenses	30,517	25,407	32,632	40,623	51,471
EBITDA	8,756	7,712	11,199	14,662	19,503
% growth	46.0	-11.9	45.2	30.9	33.0
EBITDA margin (%)	22.3	23.3	25.6	26.5	27.5
Other income	696	731	672	975	1,079
Interest costs	1,652	1,627	1,546	1,468	1,379
Depreciation	3,523	3,754	4,067	4,640	5,225
PBT (before excp. items)	4,277	3,062	6,259	9,529	13,978
Exceptional items	-249	0	0	0	0
Tax	1,240	757	1,575	2,398	3,518
Minority interest	-12	-11	20	30	30
Reported PAT	2,800	2,317	4,663	7,100	10,430
Adjusted PAT	3,049	2,317	4,663	7,100	10,430
PAT margin (%)	7.6	6.8	10.5	12.6	14.5
% Growth	-4.7	-24.0	101.3	52.3	46.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Balance sheet

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Share capital	1,320	1,320	1,320	1,320	1,320
Reserves	9,901	12,949	15,886	20,074	26,139
Net worth	11,220	14,268	17,206	21,393	27,458
Minority interest	107	94	124	164	204
Financial liability	16,701	16,200	15,066	14,011	14,712
Total debt	0	0	0	0	0
Total liabilities	28,028	30,562	32,396	35,568	42,374
Gross block	37,512	38,977	44,027	48,769	55,734
Depreciation	15,619	17,499	21,566	26,206	31,431
Net block	21,892	21,478	22,461	22,563	24,303
Capital work-in-progress	407	263	302	347	399
Lease deposits	1,719	2,086	2,496	2,917	3,329
Investments	512	5167	5738	7122	7344
Deferred tax liability	751	831	831	831	831
Inventories	947	1,331	1,361	1,773	1,976
Debtors	166	168	238	308	394
Cash	6,559	5,392	4,647	6,562	11,660
Others	745	952	1,346	1,480	1,694
Total current assets	8,417	7,843	7,592	10,123	15,724
Creditors	4,470	5,330	5,170	6,256	7,191
Other current liabilities & provisions	1,201	1,776	1,853	2,079	2,365
Total current liabilities	5,671	7,106	7,023	8,335	9,556
Net current assets	2,746	738	569	1,788	6,168
Total assets	28,028	30,562	32,396	35,568	42,374

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Cash flow

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
PAT	2,626	2,193	4,683	7,130	10,460
Depreciation	3,523	3,754	4,067	4,640	5,225
Other income	13	-162	-672	-975	-1,079
Interest paid	1,198	1,213	1,546	1,468	1,379
(Inc.)/dec. in working capital	-82	509	-576	696	718
Cash flow from operations	7,278	7,506	9,048	12,960	16,703
Capital expenditure (-)	-2,883	-2,427	-5,089	-4,788	-7,017
Net cash after capex	4,395	5,080	3,959	8,172	9,686
Inc./(dec.) in investments and other assets	1,836	-3,360	-1,367	-1,812	1,221
Cash from investing activities	-1,047	-5,786	-6,456	-6,600	-5,797
Dividends paid (-)	-1,747	-0	-1,716	-2,903	-4,355
Inc./(dec.) in total borrowings	-1,323	-2,843	0	0	0
Others	-1,544	-45	-1,620	-1,543	-1,453
Cash from financial activities	-4,614	-2,887	-3,335	-4,446	-5,808
Opening cash balance	4,943	6,559	5,392	4,647	6,562
Closing cash balance	6,559	5,392	4,647	6,562	11,660
Change in cash balance	1,616	-1,167	-745	1,915	5,098

Source: Company, Nirmal Bang Institutional Equities Research;

Exhibit 20: Key ratios

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Per share (Rs)					
EPS	23.1	17.6	35.3	53.8	79.0
Book value	85.0	108.1	130.4	162.1	208.1
DPS	6.0	6.0	13.0	22.0	33.0
Valuation (x)					
EV/sales	10.9	12.8	9.7	7.6	5.9
EV/EBITDA	49.0	55.1	38.0	28.8	21.4
P/E	142.9	188.1	93.4	61.4	41.8
P/BV	38.8	30.5	25.3	20.4	15.9
Return ratios (%)					
RoCE*	49.8	36.8	49.6	57.0	62.9
RoE	27.2	16.2	27.1	33.2	38.0
RoIC*	39.8	19.6	34.4	46.4	64.2
Profitability ratios (%)					
Gross margin	75.0	78.1	77.6	78.4	79.0
EBITDA margin	22.3	23.3	25.6	26.5	27.5
EBIT margin	13.3	12.0	16.3	18.1	20.1
PAT margin	7.6	6.8	10.5	12.6	14.5
Liquidity ratios (%)					
Current ratio	1.5	1.1	1.1	1.2	1.6
Quick ratio	1.3	0.9	0.9	1.0	1.4
Solvency ratio (%)					
Debt to Equity ratio	0.0	0.0	0.0	0.0	0.0
Turnover ratios					
Total asset turnover ratio (x)	1.4	1.1	1.4	1.6	1.7
Fixed asset turnover ratio (x)	1.8	1.5	2.0	2.5	2.9
Debtor days	2	2	2	2	2
Inventory days	32	57	50	48	46
Creditor days	161	246	195	175	165

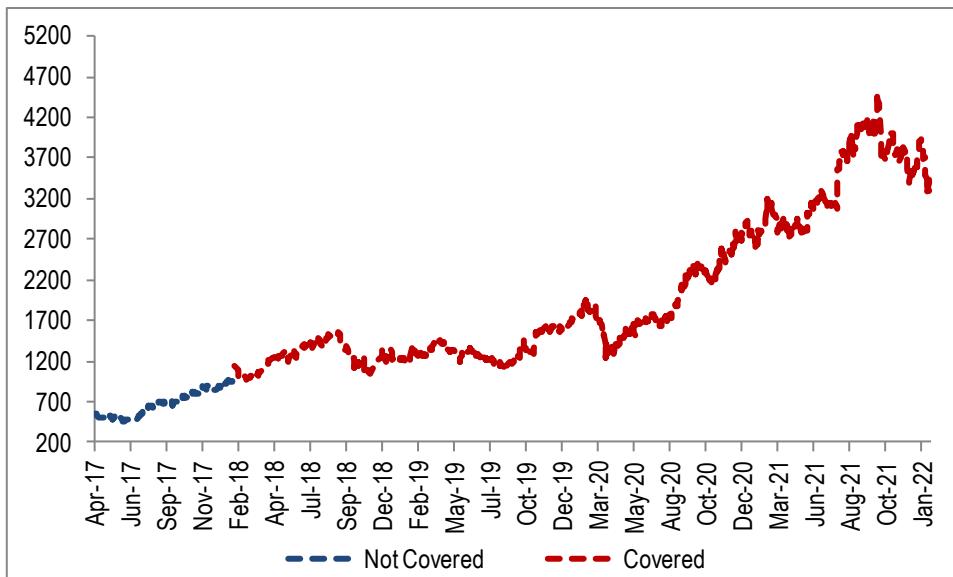
Source: Company, Nirmal Bang Institutional Equities Research

*Pre-tax

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
10 December 2014	Buy	671	869
6 February 2015	Buy	716	869
23 February 2015	Buy	809	946
9 April 2015	Buy	803	946
15 May 2015	Buy	783	962
17 August 2015	Accumulate	916	930
8 September 2015	Buy	760	930
November 2015	Buy	691	814
0 November 2015	Accumulate	759	814
2 February 2016	Buy	531	759
1 May 2016	Buy	512	644
7 September 2016	Accumulate	534	508
22 January 2018	Buy	1,047	1,310
9 May 2018	Buy	1,280	1,485
26 July 2018	Buy	1,400	1,620
7 September 2018	Buy	1,417	1,630
25 October 2018	Buy	1,195	1,575
31 January 2019	Buy	1,200	1,550
9 April 2019	Buy	1,422	1,680
16 May 2019	Buy	1,242	1,620
25 July 2019	Buy	1,157	1,480
23 October 2019	Buy	1,429	1,685
30 January 2020	Accumulate	1,745	1,755
30 March 2020	Buy	1,422	1,705
21 May 2020	Accumulate	1,530	1,625
3 September 2020	Accumulate	2,251	2,250
23 September 2020	Accumulate	2,307	2,255
13 November 2020	Accumulate	2,339	2,260
8 January 2021	Accumulate	2,867	2,870
4 February 2021	Accumulate	2,646	2,930
9 April 2021	Accumulate	2,869	2,930
7 June 2021	Accumulate	3,175	3,110
16 June 2021	Accumulate	3,176	3,120
22 July 2021	Accumulate	3,065	3,130
23 September 2021	Accumulate	4,153	3,950
21 October 2021	Accumulate	3,965	3,970
3 February 2022	Accumulate	3,302	3,600

*Coverage transferred to Vishal Punmiya w.e.f. 19th August 2019

Rating track graph


DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as "NBEPL") for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I/We, Mr. Vishal Punmiya, the research analyst and Ms. Videesha Sheth, the research associate, the author(s) of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name	Email Id	Direct Line	
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
Nr. Peninsula Corporate Park,
Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010