

Jubilant FoodWorks

BUY

Anti-fragile to competition; cloud of cloud-kitchens to pass

Summary

We initiate coverage on Jubilant Foodworks (JUBI) with a BUY rating and target price of Rs 1,836 based on 40X FY22E EPS. We have done survey of 5k brands/restaurants (both online and offline) in the top 16 cities (represents 65% of Dominos revenue in India) and note that; (i) optically, cloud kitchen retailers are posing competitive threat to JUBI by expanding aggressively in cities where Dominos has maximum presence (ii) in reality, JUBI outperforms competition at menu level (product, price and variety) (iii) benefit of economy-of-scale and control over entire value chain enables JUBI to remain anti-fragile to competition. Foray into Chinese cuisine with high focus on value pricing (40% of the menu is priced between Rs 100-200) under the brand Hong's Kitchen is a next Rs150bn opportunity (3x the size of pizza market). We expect revenue/EBITDA/EPS to grow at 14%/19%/23% CAGR over FY19-22E.

Key Highlights and Investment Rationale

- Competitive intensity at peak; JUBI strongly positioned to outperform**
 Competitive landscape has changed massively for Dominos. Cloud kitchen brands have expanded very aggressively. Ovenstory is now present in 14 of the top 16 cities where Dominos is present. In offline space; especially in quick bite category (where Dominos belong), regional brands like LaPinoz Pizza and Oyalo have now expanded to multi cities. However, Dominos with 77% market share in pizza QSR category is likely to outperform competition with superior value-offering and robust supply chain.
- Extremely tough to beat Dominos on customization and value proposition**
 Ability to be flexible (offering more customization through innovation) despite gaining scale (now 1,283 stores) is the strongest competitive moat of JUBI. As per our research done at menu level, Dominos offers more variety (w.r.t size and types of pizza) at lower price compared to pizza chains emerging as national competition to JUBI.
- EPS to grow at 23% CAGR; not baked-in optionality in HK and DUNKIN**
 During FY17-19 revenue, EBITDA and PAT grew at 18%, 57% and 119% primarily led by significant improvement in SSSG (from -2% in FY17 to 16.4% in FY19). Factoring in the consumption slow down, we expect SSSG to be in the range of 11-14% during FY20-22E. We expect Revenue, EBITDA and PAT to grow at 14%, 19% and 23% respectively. Any positive developments on HK and Dunkin Donuts are likely to be value accretive going forward.

TP	Rs1,836		
CMP	Rs1,575		
Potential upside / downside	+17%		
V/s Consensus			
EPS (Rs)	FY20E	FY21E	FY22E
IDBI Capital	30.1	37.4	45.9
Consensus	29.5	36.7	45.5
% difference	2.1	1.8	0.9

Shareholding Pattern (%)	
Promoters	41.9
FII	34.5
DII	16.8
Public	6.8

Price Performance (%)			
	-1m	-3m	-12m
Absolute	(0.8)	26.6	22.4
Rel to Sensex	(3.9)	12.9	8.0

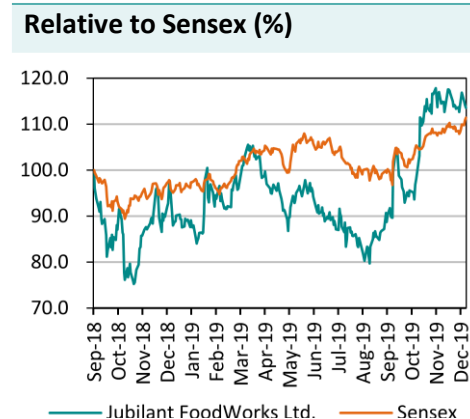
Financial snapshot

	(Rs mn)				
Year	FY18	FY19	FY20E	FY21E	FY22E
Revenue	29,804	35,307	39,353	46,024	51,862
EBITDA	4,691	6,547	7,185	8,603	10,337
EBITDA (%)	15.7	18.5	18.3	18.7	19.9
Adj. PAT	2,064	3,228	3,966	4,942	6,059
EPS (Rs)	31.3	24.5	30.1	37.4	45.9
EPS Growth (%)	206.5	(21.8)	22.8	24.6	22.6
PE (x)	50.3	64.4	52.4	42.1	34.3
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	21.9	31.0	28.8	24.1	20.0
RoE (%)	21.8	27.3	26.3	25.8	24.9
RoCE (%)	30.9	40.5	34.8	33.5	32.5

Source: Company; IDBI Capital Research

Initiating Coverage

Key Stock Data	
Bloomberg / Reuters	JUBI IN / JUBI.BO
Sector	Restaurants
Shares o/s (mn)	132
Market cap. (Rs mn)	207,792
Market cap. (US\$ mn)	3,000
3-m daily average value (Rs mn)	850.6
52-week high / low	Rs1,650 / 1,078
Nifty / Sensex	41,559 / 12,222



Competitive landscape has changed massively; JUBI strongly positioned to outperform

We have analyzed the competitive landscape in top 16 cities which represents 65% of Dominos' geographical presence in India. Following are our main observations;

- There are two kinds of competition emerging for Dominos; (i) like to like competition from Brick and Mortar retailers in Quick Bite Category who have now enrolled on food tech apps to offer convenience-driven-delivery of their products (especially pizza) (ii) more efficient and highly-scalable "cloud-kitchens" who are present on food tech apps and are competing only on their product identity (no focus on so called dine-in customer-experience)
- Optically, cloud kitchen is competitive threat to Dominos as the competition is narrow (just 15 brands/companies competing with 500 stores) compared to Quick Bite category (43 brands/companies competing with a total 469 stores). Further, cloud-kitchen brands have heavily penetrated in cities where Dominos has maximum presence.
- However, based on our research at menu (product) and service levels, we believe JUBI is strongly positioned to outperform.

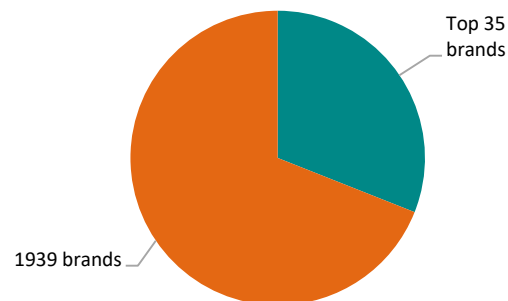
Exhibit 1: Quick bite category pizza retailers vs cloud kitchen

Quick Bites				Cloud Kitchen			
Type	Count of stores			Type	Count of stores		
	> 5 chained-stores				> 5 chained-stores		
City	Distinct Brand	No. of stores	No. of Dominos	City	Distinct Brand	No. of stores	No. of Dominos
Delhi, NCR	15	171	193	Bengaluru	6	161	135
Ahmedabad	10	91	30	Mumbai	6	109	127
Chennai	4	86	66	Delhi, NCR	10	104	193
Mumbai	7	49	127	Pune	2	49	65
Pune	3	25	65	Chennai	1	32	66
Hyderabad	3	21	69	Hyderabad	1	24	69
Bengaluru	3	20	135	Ahmedabad	2	15	30
Kolkata	1	6	60	Kolkata	1	6	60
Grand Total	43	469	745	Grand Total	15	500	745

Source: Industry, IDBI Capital Market Research

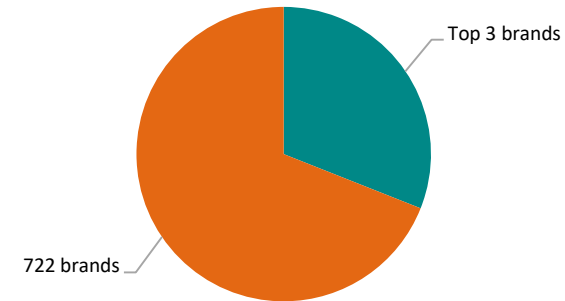
Market share dominance: In quick bite category; 31% market share is held by top 35 brands while in cloud-kitchen category top 3 brands control 31% market share in its respective category.

Exhibit 2: % market share Quick Bite Category



Source: Industry; IDBI Capital Research

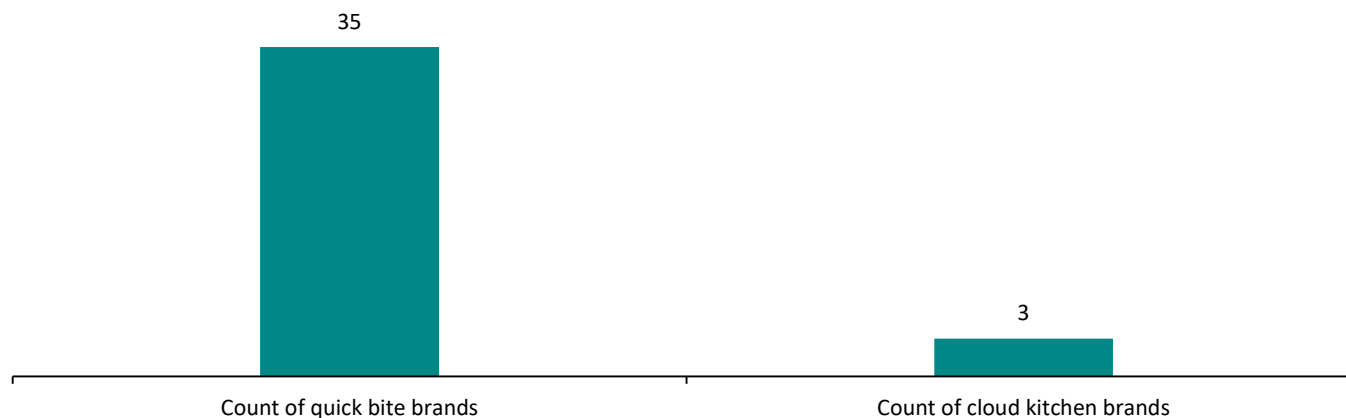
Exhibit 3: % market share Cloud Kitchen Category



Source: Industry; IDBI Capital Research

No. of brands having presence in >3 cities: 35 quick bite brands/restaurants (out of 1,974 brands) have scaled up their presence in more than 3 cities while in cloud kitchen its only 3 brands.

Exhibit 4: No. of brands/restaurants having presence in >3 cities



Source: Industry; IDBI Capital Research

No. of brands having presence in >3 cities: only 6 brands have scaled up their presence in more than 3 cities.

Exhibit 5: Quick bite; top 10 restaurants geographical spread

Brands/Restaurants	Total No. of Stores	Distinct city count
Domino's Pizza	842	16
OYALO	62	4
Chicago Pizza Express	45	1
Pizza Square	32	2
La Pino'z Pizza	31	6
Pizza Point	24	6
Real Paprika	22	1
Laziz Pizza	22	7
Roms Pizza	21	1
Chicago Pizza	18	8
Top 10 brands (total no. of stores)	1,119	
Total Stores in Quick Bite Category	3,765	
Top 10 brands market share (% of total stores)	30%	

Source: Industry; IDBI Capital Research

Exhibit 6: Cloud kitchen; top 10 restaurants geographical spread

Brands/Restaurants	Total No. of Stores	Distinct City Count
Ovenstory Pizza	218	13
Mojo Pizza - 2X Toppings	118	4
FreshMenu	41	4
WanderCrust Pizzas	39	3
Yumlane Pizza	27	1
Instacrave	11	2
Crunch Pizzas	11	1
Isabellas Pizzas	10	2
Pizza Yum	8	1
Round O Clock	7	1
Top 10 brands (total no. of stores)	490	
Total Stores in Quick Bite Category	1,332	
Top 10 brands market share (% of total stores)	37%	

Source: Industry; IDBI Capital Research

Which are the key companies emerging as formidable competitive threat in Quick Bite category?

- In Quick Bite category most of the competition is regional than national (companies having presence in >3 cities).

We note that there are 6 retailers (out of top 10; based on number of stores) who are present in more than 3 cities. Oyalo emerges as the second biggest brand with 62 outlets in 4 cities (Chennai, Mumbai, Bengaluru and Hyderabad). La Pinoz Pizza is the 3rd biggest brand with 55 outlets in 7 cities (Delhi, Ahemdabad, Mumbai, Bengaluru, Hyderabad, Lucknow and Indore).

Exhibit 7: Geographical presence of key quick bite pizza retailers vs Dominos (city wise count of number of stores)

City	Domino's Pizza	OYALO	La Pino'z Pizza	Pizza Point	Laziz Pizza	Chicago Pizza	Grand Total
Delhi, NCR	183		24	11	2	5	225
Mumbai	136	8	9		3	1	157
Bengaluru	135	8	3		5	1	152
Hyderabad	69	3	1	1			74
Chennai	66	43				5	114
Pune	65			1	5		71
Kolkata	60						60
Ahmedabad	30		13	9		1	53
Lucknow	17		3	1		2	23
Patna	16				1	1	18
Surat	15			1	6		22
Jaipur	14		2				16
Indore	13					2	15
Nagpur	11						11
Bhopal	11						11
Grand Total	842	62	55	24	22	18	1022

Source: Industry, IDBI Capital Market Research

Exhibit 8: Brand-wise competition in quick-bite category in key cities (brands having established >5 chained restaurants in each city)

City	Brand (> 5 stores)	Store count	City	Brand (> 5 stores)	Store count	City	Brand (> 5 stores)	Store count	City	Brand (> 5 stores)	Store count
Delhi, NCR	Chicago Pizza Express	45	Ahmedabad	Real Paprika	22	Mumbai	La Pino'z Pizza	9	Bengaluru	OYALO	8
	Roms Pizza	21		William John's Pizza	13		OYALO	8		Slice of Heaven	6
	La Pino'z Pizza	24		La Pino'z Pizza	13		Pizza Caprina	8		Pizza Stop	6
	Slice of Italy	15		Pizza Point	9		Charcoal Eats	7	Bengaluru Total		20
	Da Pizza Makers	13		Pizza Zone	8		Bombay Burger's	6	Kolkata	Hungru Pizza	6
	Nirula's	11		Choice Snack Bar	6		Cheelizza - India Ka Pizza	6	Grand Total		493
	Instapizza	10		Shree Charbhuj	5		Food Box	5			
	Your's Pizza	9		Woody Jhone's Pizza	5	Mumbai Total		49			
	Lost in Pizza	8		Buddy's Pizza	5	Pune	Cheesiano Pizza	14			
	The Pizza Pie	7		Pizza Tune	5		KNS	6			
	NYC.PIE PIZZA	6	Ahmedabad Total		91		Largo Pizzeria	5			
	Pizza Bite Burger	6	Chennai	OYALO	43	Pune Total		25			
	Halal Pizza Fun	5		Pizza Square	29	Hyderabad	Eagle Boys Pizza	10			
	Pizza King	5		Long Live Pizza	9		US Pizza	6			
	S.P.W Pizza	5		Chicago Pizza	5		Pietza Pizza	5			
	Pizza Day	5									
Delhi, NCR Total		195	Chennai Total		86	Hyderabad Total		21			

Source: Industry, IDBI Capital Market Research

Which are the key companies emerging as formidable competitive threat in cloud kitchen category?

- Amongst cloud kitchen retailers; Ovenstory has scaled up aggressively (in most of the cities where Dominos is present) and emerges as the biggest cloud kitchen brand in terms of number of stores and number of cities.
- In the cities that we surveyed, except Lucknow and Patna, Ovenstory is present in all other cities. Mojo Pizza is the second biggest player with 118 stores. However, store presence of Mojo Pizza is concentrated in just 4 cities; Mumbai (44 stores), Bengaluru (35 stores), Pune (33 stores) and Delhi (16 stores).

Exhibit 9: Geographical presence of key cloud-kitchen pizza retailers vs Dominos

City	Domino's Pizza	Ovenstory Pizza	Mojo Pizza	FreshMenu	WanderCrust Pizzas	Grand Total
Bengaluru	136	41	35	23	24	259
Delhi, NCR	183	41	16	8	7	255
Mumbai	136	32	44	9	8	229
Pune	65	26	23	1		115
Chennai	66	32				98
Hyderabad	69	24				93
Kolkata	60	6				66
Ahmedabad	30	9				39
Lucknow	17	-				17
Patna	16	-				16
Surat	15	1				16
Indore	13	2				15
Jaipur	14	1				15
Nagpur	11	2				13
Bhopal	11	1				12
Grand Total	842	218	118	41	39	1,258

Source: Industry, IDBI Capital Market Research

Ovenstory scaled up aggressively in cities where Dominos has penetrated the most...

Mojo Pizza is using fortressing strategy (similar to Dominos) of exhausting existing market first and then moving to next

Exhibit 10: Brand-wise competition in cloud-kitchen space in key cities (Brands having >5 stores in each cities)

City	Brand	Store count	City	Brand	Store count	City	Brand	Store count
Bengaluru	Ovenstory Pizza	41	Delhi, NCR	Ovenstory Pizza	38	Chennai	Ovenstory Pizza	32
	Mojo Pizza - 2X Toppings	35		Mojo Pizza - 2X Toppings	16	Hyderabad	Ovenstory Pizza	24
	Yumlane Pizza	27		Pizza Yum	8	Ahmedabad	Ovenstory Pizza	9
	WanderCrust Pizzas	24		FreshMenu	8		Munching Room	6
	FreshMenu	23		Round O Clock	7	Ahmedabad Total		15
	Crunch Pizzas	11		WanderCrust Pizzas	7	Kolkata	Ovenstory Pizza	6
Bengaluru Total		161		Pizzasia	5	Grand Total		500
Mumbai	Mojo Pizza - 2X Toppings	44		ZZZ Pizza	5			
	Ovenstory Pizza	32		Baking Bad	5			
	FreshMenu	9		Pizza Pizza	5			
	Isabellas Pizzas	9	Delhi, NCR Total		104			
	WanderCrust Pizzas	8	Pune	Ovenstory Pizza	26			
	Instacrave	7		Mojo Pizza - 2X Toppings	23			
Mumbai Total		109	Pune Total		49			

Source: Industry, IDBI Capital Market Research

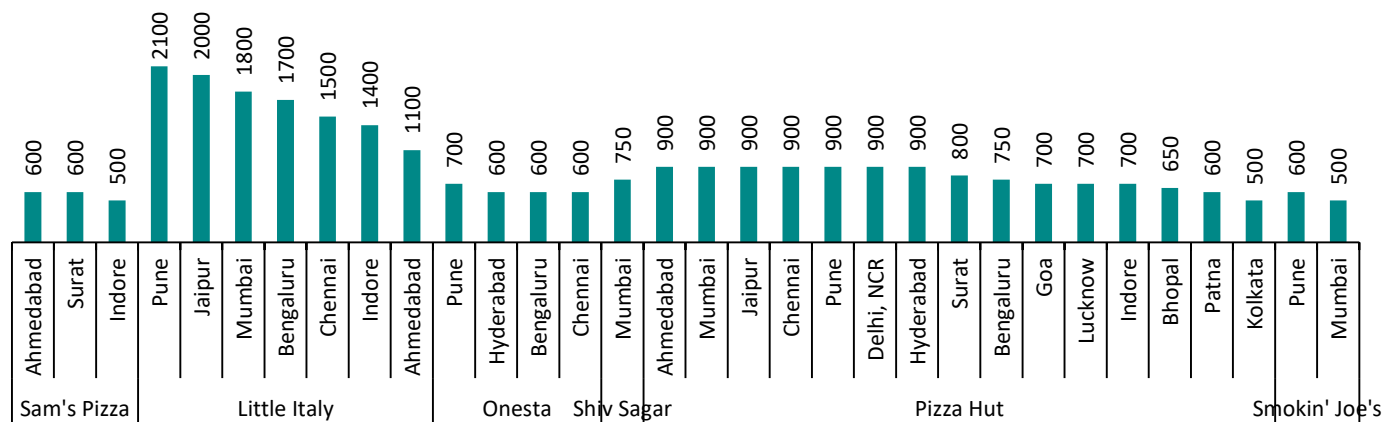
In casual dining category; regional brands are spreading their wings to become non-regional

- As per our survey of the top 16 cities; Pizza Hut dominates the casual dining category with a total of 317 stores followed by Smokin Joe with a total of 43 outlets (29 in Mumbai and 14 in Pune) and Onesta Pizza (22 stores, 4 cities).
- We note that most of the regional brands like Onesta, Little Italy, Sam's Pizza and Pizza Express have now expanded from their dominating regions to other cities.
- We don't expect casual dining category to be a major competitive threat to JUBI as (i) it's more difficult to scale up casual dining restaurants due to heavy capex (bigger store size, high rentals due to better store location, incremental investments required for cutlery, furniture etc.) (ii) in-ability of retailers to be disruptive on pricing due to high cost store level operating expenses.

Exhibit 11: Brand-wise competition in casual dining category in key cities

Type	Casual Dining								
count of stores	>9 chained outlets								
No. of stores	Brand								
City	Pizza Hut	Smokin' Joe's	Onesta	Shiv Sagar	Little Italy	Sam's Pizza	Pizza Express	US Pizza	Grand Total
Delhi, NCR	91						4		95
Mumbai	38	29		18	1		8		94
Bengaluru	56		16		4				76
Pune	21	14	4		4				43
Hyderabad	32		1						33
Chennai	25		1		4				30
Ahmedabad	8				1	10		10	29
Kolkata	15								15
Lucknow	9								9
Jaipur	7				1				8
Indore	4				1	1			6
Bhopal	5								5
Surat	3					1			4
Patna	3								3
Grand Total	317	43	22	18	16	12	12	10	450

Source: Industry, IDBI Capital Market Research

Exhibit 12: Casual dining restaurants; cost for two comparison (in Rs)


Source: Industry, IDBI Capital Market Research

What's un-common in product positioning of JUBI vs new-competitions

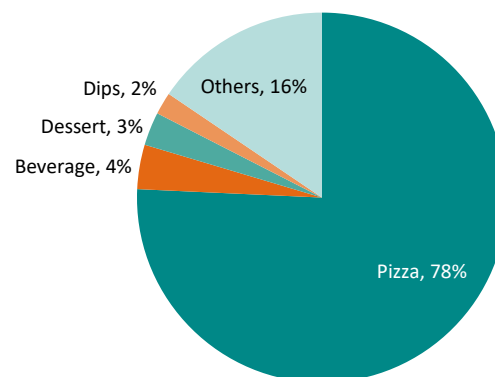
We have done product level research for the competing brands to find out how strongly is the competition placed to win-away customers from Dominos. We note that;

- In Pizza, which contributes 78% to JUBI's total revenue, Dominos offer maximum variety (15 different pizzas) in veg-category while in non-veg category Ovenstory leads with 13 different pizzas.
- Dominos follows concentrated MRP-strategy; it retails 5 different types of non-veg pizza at one price point (Rs 570) and 6 different types of veg-pizza at Rs 395. Based on our industry interaction we understand that, offering more variety with fewer price points is a better strategy (vs strategy of selling different products at different MRPs) as it simplifies customer-decision-making.
- Mojo's pricing strategy is similar to Dominos while Ovenstory's strategy is exactly reverse of both (Dominos and Mojo); it charges different price for different products.

Product diversity: Dominos provides maximum variety in veg category with 15 different options while Ovenstory leads in non-veg category with 13 different options

Size diversity: Dominos offer maximum size-options compared to competition

Exhibit 13: Jubilant revenue contribution (% , FY19)



Source: Company; IDBI Capital Research

Exhibit 14: Pizza and size variety

Company	Type	Pizza variety	Size
Dominos	Non Veg	11 types	7 inch, 10 inch, 13 inch
	Veg	15 types	7 inch, 10 inch, 13 inch
Mojo	Non Veg	11 types	7inch, 10 inch
	Veg	11 types	7inch, 10 inch
Ovenstory	Non Veg	13 types	11 inch
	Veg	10 types	11 inch
Wandercrust	Non Veg	2 types	9 inch
	Veg	10 types	9 inch

Source: Industry; IDBI Capital Research

Pricing Strategy: Dominos and Mojo offers more variety at particular price point....Ovenstory charges different price for different variety ...fewer price points and more variety enable better customer-decision-making

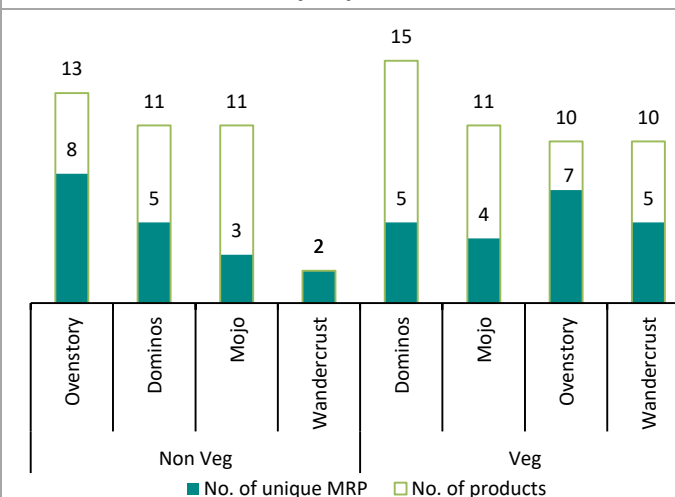
Non-Veg: Dominos, Mojo and Wandercrust competes strongly in value price range (Rs 300-400) while Ovenstory is prominently present at higher price points (>Rs 400)

Veg: Dominos positioned as a prominent value focused player (sells 12 out of 15 pizzas below Rs 400) compared to competition.

Exhibit 15: Product variety at different price points

Veg/Non Veg	Dominos	Mojo	Ovenstory	Wandercrust
Pizza size	10 inch	10 inch	11 inch	9 inch
Non Veg	11	11	13	2
299-398	4	4	1	2
399-498	2	7	4	
499-598	5		5	
599-698			2	
699-798			1	
Veg	15	11	10	10
199-298	1	2	1	
299-398	11	5	1	10
399-498	3	4	4	
499-598			4	
Grand Total	26	22	23	12

Source: Industry; IDBI Capital Research

Exhibit 16: Does variety in products comes at a cost?


Source: Industry; IDBI Capital Research

Customization at what cost??

- The level of customization offered by Dominos in pizza is un-matchable compared to competition in terms of variety. In the regular size (**7 inch**) segment, Dominos is the **only company** which offers four different base-options; Hand tossed crust (default), Fresh pan (at Rs 30) and Cheese burst (at Rs 75).
- In medium size (10 inch) segment; Dominos offer 4 different variety of crust (Fresh Pan, Wheat thin crust, and Cheese burst) compared to two options available in Mojo (Cheese blast and Thin crust cheese blast).

The base: Dominos outperforms competition by offering 4 types of base as customization option for customers in 7" and 10" pizza.

The toppings: Dominos offers 16 different types of toppings (the highest across competition) as an option to choose from

Exhibit 17: Customization of pizza base (a.k.a crust)

Pizza size	Company	Name of the crust	MRP (Rs)
7 inch	Dominos	Classic hand tossed (Default)	-
		New hand tossed (Default)	-
		Fresh pan pizza	30
		Cheese burst	75
	Mojo	Pan Tossed (Default)	-
	Ovenstory	NA	NA
	Wander Crust	NA	NA
10 inch	Dominos	New Handtossed crust (Default)	-
		Fresh pan pizza	40
		Wheat thin crust	50
		Cheese burst	99
	Mojo	Pan Tossed (Default)	-
		Cheese blast	79
		Thin crust cheese blast	89
11 inch	Ovenstory	Handtossed crust (Default)	-

Source: Industry; IDBI Capital Research

Exhibit 18: Customization of toppings

Figures in Rs, Pizza size in inch					
Toppings	Dominos			Mojo	
	7'	10'	13'	10'	11'
Chicken tikka	50	75	95		
Grilled chicken rashers	50	75	95		
Peri peri chicken	50	75	95		
Chicken keema	50	75	95		
Chicken sausage	50	75	95		
Pepper barbeque chicken	50	75	95		
Mushrooms	35	60	80	89	
crisp capsicum	35	60	80		
Onion	35	60	80		30
Paneer Cubes	35	60	80	89	55
Jalapenos	35	60	80	69	
Fresh tomato	35	60	80		
Red paprika	35	60	80		
Black Olives	35	60	80	79	55
Golden corn	35	60	80		
Chicken meatballs					55

Source: Industry; IDBI Capital Research

Synergy benefits of operating through shared-kitchen helps Ovenstory outperforms in Dessert, Beverages and Dips

- Ovenstory strongly competes on variety in both products and pricing because of its competitive edge of operating through shared kitchen (shared with 8 different brands of the parent company Rebel Foods including Fassos, Lunch Box, Behrouz Biryani etc.). Having common kitchen helps to be able to sell same products, especially in non-core segments like desserts and beverages, under different brand names (synergy!).
- Dominos and Mojo sells concentrated variety of products (2-5 types of desserts & beverages) primarily in the price range of Rs60-100. We note that, value pricing (Rs 60-100) has been the primary focus by both these companies.

Dessert: In Desserts, Ovenstory leads in terms of variety this is primarily due to the advantages of shared kitchen with 8 other brands....However, in case of pricing, Domino's and Mojo are the value focused players selling most of their desserts in Rs50-100

Exhibit 19: Dessert: mapping variety and price				Exhibit 20: Dips: mapping variety and price			
			#No. of products				Figures in Rs
MRP Range	Dominos	Mojo	Ovenstory	Product Name	Domino's	Mojo Pizza	Ovenstory
0-49			2	Cheese Dip	25	18	25
50-99	3	4	4	Cheesy Jalapeno Dip	25		
100-149			3	Chipotle Cheese Dip			25
150-199			3	Peri Peri Cheese Dip			25
200-249			1	4 Cheese Dips Combo			90
250-299			3				
300-349			3				
450-499			1				
Source: Industry; IDBI Capital Research				Source: Industry; IDBI Capital Research			

Exhibit 21: Desserts: comparing product and pricing across competition

(Figures in Rs)			
Product Name	Dominos	Mojo	Ovenstory
Chocolate brownie	59	79	100
Choco Lava Cake	99	79	
Butterscotch Mousse Cake	99		
Butterscotch Blizzard		79	
Sinful Choco Coffee		79	
Gulab Jamun			25
Chocolate Shot			45
Rose Phirni			80
Hazelnut Brownie			90
Molten Lava Cake			90
Orange Chocolate Brownie			90
Chocolate Truffle Pastry			145
Rich Red Velvet Pastry			145
New York Cheesecake			160
Hazelnut Brownie (Pack of 2)			175
Orange Chocolate Brownie (Pack of 2)			175
Valentine Chocolate Jar			200
Chocolate Truffle Pastry (Pack of 2)			280
Rich Red Velvet Pastry (Pack of 2)			280
Rich red velvet pastry and chocolate truffle pastry			280
Chocolate truffle pastry and New York Cheesecake			300
Rich red velvet pastry and New York cheesecake			300
New York Cheesecake (Pack of 2)			315
Almond Pie			499

Source: Industry, IDBI Capital Market Research

Exhibit 22: Beverage; comparing product and pricing across competition

(Figures in Rs)			
Product Name	Domino's	Mojo	Ovenstory
Aereated drink			
7Up (500 ml)	60		
Mirinda (500 ml)	60		
Pepsi (500 ml)	60	60	
Coca-Cola Can (300 ml)			60
Sprite Can (300 ml)			60
Coffee			
Classic Cold Coffee (Cold)			120
Hazelnut Latte Love (Hot)			110
Iced Long Black Java (Cold)			75
Latte Love (Hot)			90
Long Black Java (Hot)			80
Madras Mud (Hot)			85
Water			
Bailley Premium Water	20		
Kinley Mineral Water		10	
Others			
Lipton Ice Tea (250 ml)	50		
SWIG Green apple			40
SWIG Jeera Masala			40

Source: Industry, IDBI Capital Market Research

Exhibit 23: Sides; menu comparison (figures in Rs)

Product Range	Dominos	Mojo	Ovenstory
Chicken Range			
Chicken Meatballs Peri-Peri	109		
Roasted Chicken Wings - Classic Hot Sauce	119		
Roasted Chicken Wings Peri-Peri	119		
Boneless Chicken Wings Peri-Peri	149		
Americano BBQ Chicken Wings		179	
Smoked Tandoori Chicken Wings		179	
Garlic Bread			
Garlic Bread	99	89	
Stuffed Garlic Breadsticks	145		
Cheese Garlic Bread		119	
Garlic Breadsticks + Cheesy Dip [Free]		119	
Exotic Cheese Garlic Bread		139	
Chicken Cheese Garlic Bread		149	
Cheese Infused Garlic Bread (Single Box)			130
Others			
Veg Parcel	39		
Chicken Parcel	45		
Crinkle Fries	59		
Crunchy Strips	59		
Potato Cheese Shots	59		
Taco Mexicana-Veg (Single)	59		
Burger Pizza - Classic Veg	105		
Taco Mexicana Veg	118		
Burger Pizza - Premium Veg	135		
Taco Mexicana Non Veg	135		
Burger Pizza - Classic Non Veg	145		
Pasta			
White Pasta Italiano Veg	135		
White Pasta Italiano Non-Veg	145		
Meatball Mac N Cheese			120
Corn & Olives Mac N Cheese			130
Chicken Sausage Mac N Cheese			140

Source: Industry; IDBI Capital Research

Exhibit 24: Sides; pricing strategy analysis

#No. of products			
Product Range/ MRP	Dominos	Mojo	Ovenstory
Chicken Range			
100-149	4		
150-199		2	
Garlic Bread			
50-99	1	1	
100-149	1	4	1
Others			
0-49	2		
50-99	4		
100-149	5		
Pasta			
100-149	2		3

#No. of products			
Overall; pricing strategy (in Rs.)	Dominos	Mojo	Ovenstory
0-49	2		
50-99	5	1	
100-149	12	4	4
150-199		2	
Grand Total	19	7	4

Source: Industry; IDBI Capital Research

Exhibit 25: All vegies pizza comparison on price per inch basis

Company	Product Name	Size (in inch)	Price	No. of Toppings	Price per inch ¹	Name of toppings
Dominos	Veggie Paradise	10	395	4	6.2	Golden corn, black olives, capsicum and red paprika
	Deluxe Veggie	10	450	5	7.1	Onion, capsicum, grilled mushroom , golden corn & paneer
	Veg Extravaganza	10	450	8	7.1	Black olives, onion, capsicum, grilled mushroom, tomato, golden corn, jalapeno and extra cheese
Mojo	All-Veggies Madness	10	445	7	7.0	Mushrooms , Spicy Jalapenos, Black Olives , Golden Corn , Baby Corn , Onions , Tomato
Ovenstory	Corn Veggie Delight Pizza	11	360	4	4.6	Mozzarella Cheese , American Corn , Red Green Bellpeppers , Onion
	Maharaja Veg Pizza	11	530	6	6.8	Mozzarella Cheese , Paneer Tikka , Jalapeno , Bellpeppers , Olives , Onion
Wandercrust	Veggie Paneer Delight Pizza	9	329	5	6.5	Herbed paneer, mozzarella cheese, tomatoes, onion, bell peppers
	Vegelicious Pizza	9	349	5	6.9	Zucchini , sundried tomato, olives, broccoli, mozzarella cheese

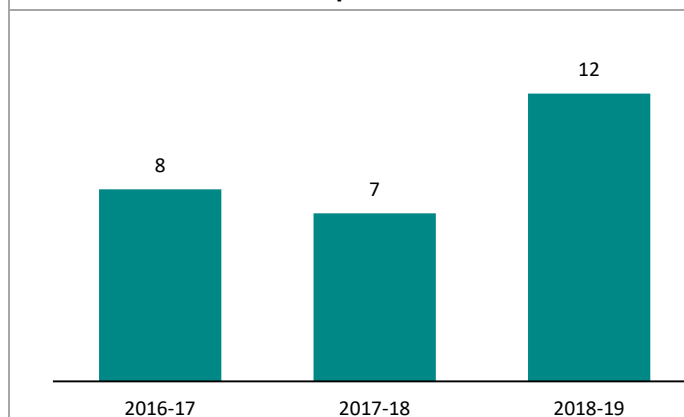
Source: Industry, IDBI Capital Market Research

¹ Assuming 1 inch wastage (no-toppings area on pizza)

Despite gaining scale, ability to be flexible through product innovations is JUBI'S strongest moat

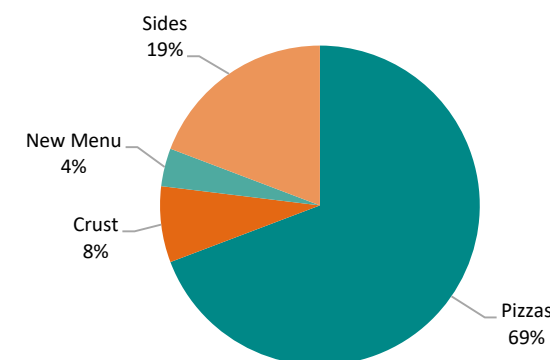
- Ability to constantly innovate products and be flexible in terms of offering (Dominos has different menu for different store-formats/small-towns) differentiates Dominos from competition.
- During FY17-19, JUBI has launched or upgraded around 27 products including 18 were new Pizza variants, 2 new variants of crusts and 4 new sides.
- Ability to innovate and scale has helped JUBI to take advantage of mega events like World cup and IPLs to enhance its visibility through eye-catching advertisements/marketing and contests. JUBI launched 10 new international flavors inspired by top teams participating in the last World cup and ran a contest to win an opportunity for international travel.

Exhibit 26: Count of new products launched



Source: Company, IDBI Capital Market Research

Exhibit 27: Areas of Innovation



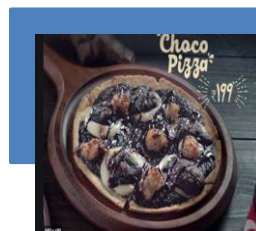
Source: Company, IDBI Capital Market Research

Exhibit 28: Product innovation by JUBI in FY2017

Launched all-veg menu (using ingredients like water chestnut flour, white millet flour, sabudana etc) during Navratri.



Choco Pizza is dessert pizza, with chocolate topping (starting Rs 199)



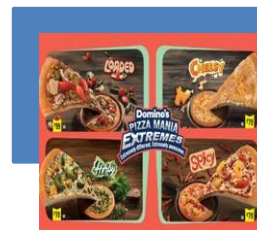
Launched Quattro Formaggi Burst Crust (mix of four cheese flavours)



Burger sized but with a pizza style crust bun with melted cheese. (Rs 105-145)



Launched pizza mania extreme range (Rs 60-155)

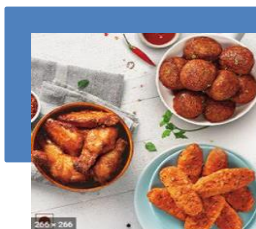


FY2017

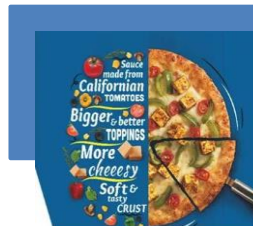
Source: Company, IDBI Capital Market Research

Exhibit 29: Product innovation by JUBI during FY18-19

Introduced specialty chicken range in sides category; chicken wings and Chicken meatballs. (Rs 109-149)



Made changes to the core product by offering softer crust, new tomato sauce and more cheese topping



Launched 5 Add-ons : Taco Mexicana, Crinkle fries, Crunchy strips, Potato cheese shots and Brownie Fantasy. (Rs 59-155)



As a healthier food option, Multigrain crust made of five seed grains and four super seeds was launched.



Launched 5 new international flavours inspired by the top teams participating in the World Cup. Each flavour represented different international cricket playing country.



→

FY2018

←

→

FY2019

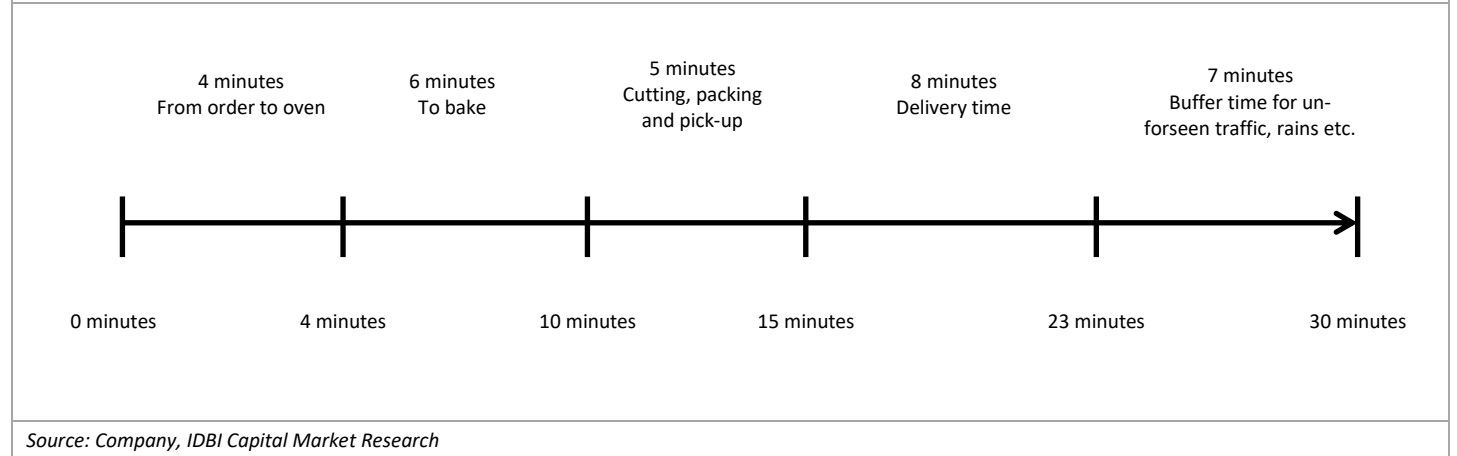
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Source: Company, IDBI Capital Market Research

Superior control on supply chain enable JUBI to outperform food aggregators

- JUBI has been the pioneer in disrupting the food delivery space by offering 30-min or free delivery service to customer since FY12 (two years before Swiggy launched in India). JUBI is looking to further reduce its delivery time by 26% from 30 minutes to 22 minutes. This reflects the efficiency built by JUBI over a period of time despite gaining scale. Average time taken by food aggregator to deliver products is higher than JUBI by 4-5 mins.
- Late night delivery (from 11pm to 3 am), train delivery, advance ordering (scheduling of order) and one-click ordering are additional services rolled out by JUBI to tap latent demand and thereby win customers from other food categories.

Exhibit 30: Delivery time line of Dominos



- In Australia, Dominos has implemented 20 mins delivery at an extra cost of AUD 3. In India, 30 minute delivery is not just free-of-cost but also compensates (if unable to deliver within 30 mins) the customers by reimbursing up-to Rs300.

Exhibit 31: Domino's Australia 20 Minute delivery for a fee



Source: Company, IDBI Capital Market Research

Exhibit 32: Domino's India's 30 minute or free delivery promise

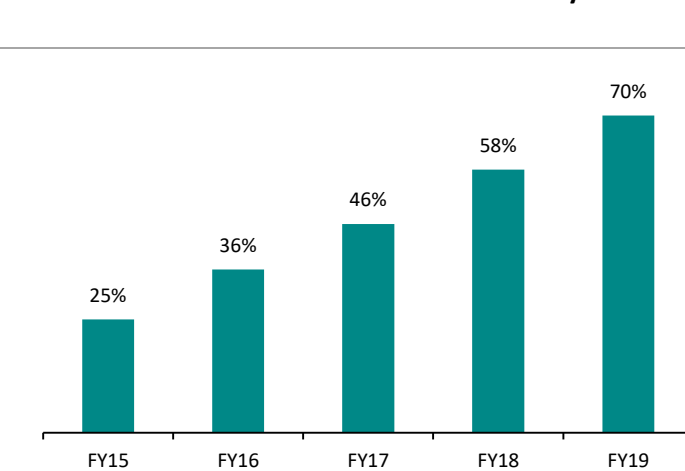


Source: Company, IDBI Capital Market Research

Not just a product company; a food-tech company

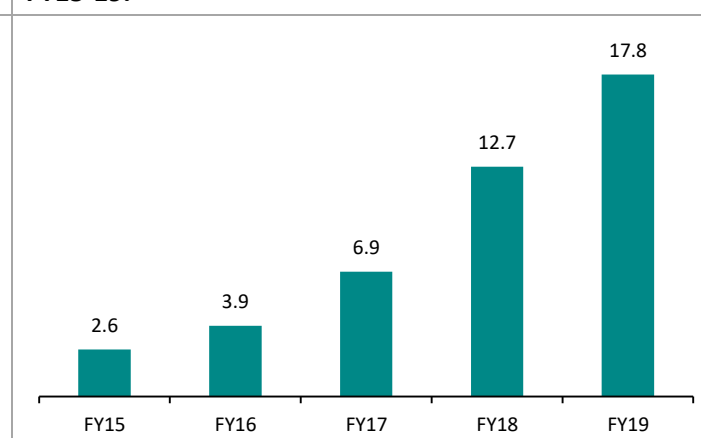
- We note that; over last 4-5 years JUBI has invested heavily in technology to strengthen both the front end (mobile app, live tracking of delivery) as well as back end (live tracking of food trucks and monitoring of temperature to keep raw materials afresh).
- **In FY18, JUBI re-launched its Dominos App (size 6MB) with upgraded features like advance ordering, late night ordering, and one-click reorder, track your order etc. to improve the overall customer experience.**
- With an improved interface and upgraded features, the app has seen a surge in the number of downloads by 2.5x during FY17-19 to 17.8mn.
- Also, in FY19 JUBI has (i) implemented GPS rider tracking for live order tracking on the app, and (ii) launched mobile platform for automated delivery route planning, real-time tracking of supply trucks and temperature monitoring.
- With its own app and delivery system, JUBI is well equipped to manage the challenge posed from food aggregators in terms of distribution and customer interaction.

Exhibit 33: Trend of % online order to delivery sales



Source: Company; IDBI Capital Research

Exhibit 34: App downloads grew at 62% CAGR during FY15-19.



Source: Company; IDBI Capital Research

Largest and most diversified (geographically) QSR in India

- Since IPO (FY11-19), JUBI has been able to grow number of Domino's store network at 16% CAGR which is the highest as compared to Subway (13%), McDonald's (8%) and KFC (12%).
- With a total of 1,249 stores as on June '19 and 276 cities, Dominos is the largest and most diversified (in terms of geographical presence) QSR in India.
- JUBI has used fortressing strategy for expansion in India. Under this strategy, JUBI splits stores in existing catchment (which are outperforming) so that it becomes easier for the company to be nearer to customers. This helps in capturing latent demand (customers seeking to visit a new Dominos store opened in nearby vicinity) as well as aid faster delivery.
- Currently, 65% of the total number of Domino's outlets is present in 16 cities. We believe there is significant scope of expansion in the other 260 cities where Domino's is already present.
- We note that c. 51% of Domino's outlets is in tier 3-5 cities. We understand that Domino's has built-up value focus menu for smaller cities. Ability to be successful in smaller cities opens gate of big market opportunity for JUBI.
- Zomato and Swiggy has expanded very aggressively in most of the cities where Domino's is present. Rapid on-boarding of un-organized retailers on these platforms led to shifting of the supply curve rightwards. Consequently putting pressure on pricing (reducing the ability of Domino's to hike price).

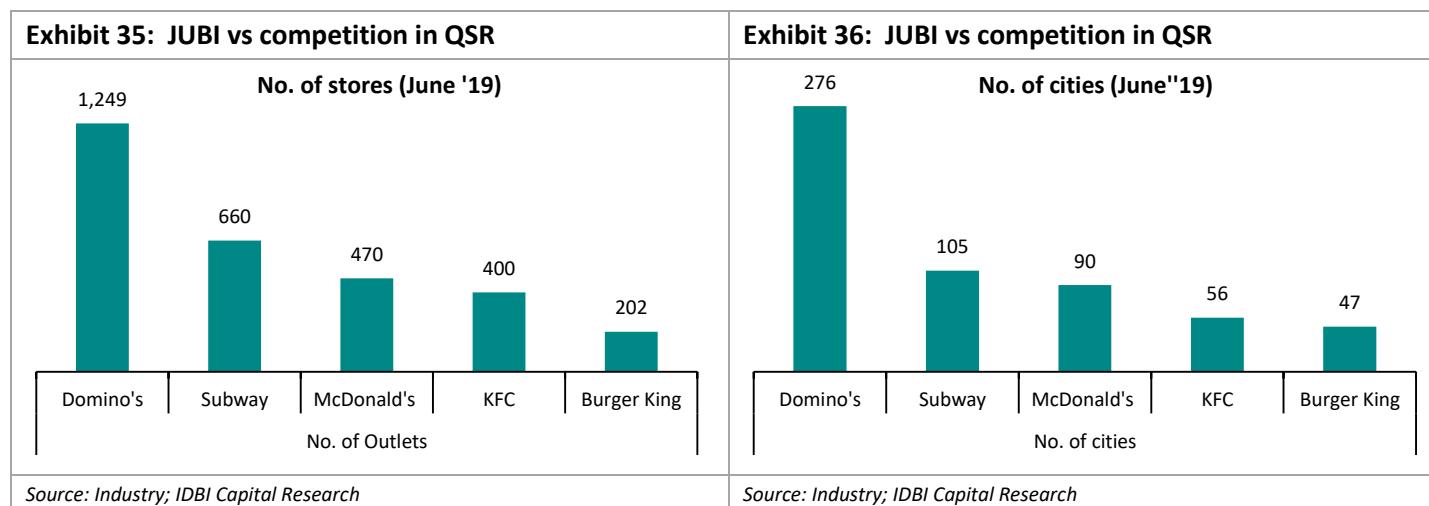
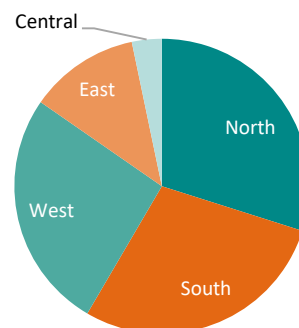
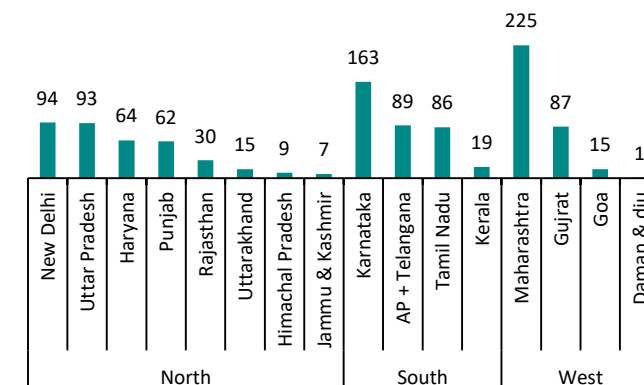


Exhibit 37: Domino's: region wise break-up of % total stores



Source: Company; IDBI Capital Research

Exhibit 38: Domino's: no. of stores in North, South and West India



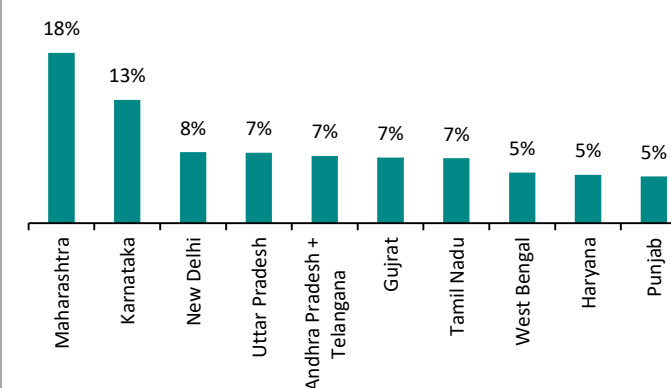
Source: Company; IDBI Capital Research

Exhibit 39: Dominos: no. of stores in East and Central India



Source: Company; IDBI Capital Research

Exhibit 40: Domino's: top 10 states in terms of % total stores







Source: Company; IDBI Capital Research

Distribution of Domino's vs Zomato and Swiggy

Dominos has expanded more in Tier 1 and 2 cities compared to Swiggy and Zomato.





Eastern and North Eastern part of India is less penetrated similar to other retail companies

Exhibit 41: Geographical spread : % of total stores/sales point

Region	Dominos	Swiggy	Zomato	Grand Total
North	30%	30%	36%	34%
South	29%	30%	29%	27%
West	26%	23%	22%	23%
East	12%	14%	12%	13%
North East	3%	2%	2%	2%
Grand Total	100%	100%	100%	100%
Trend				

Source: Industry; IDBI Capital Research

Exhibit 42: Tier wise spread; % of total stores/sales point

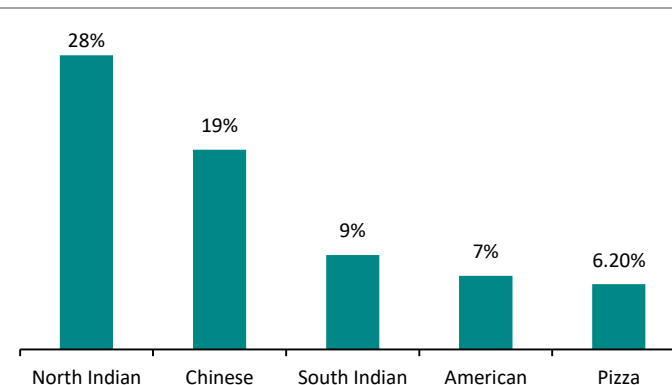
City	Dominos	Swiggy	Zomato	Grand Total
Tier 1 and 2	49%	31%	33%	36%
Tier 3	25%	22%	22%	22%
Tier 4	20%	39%	37%	34%
Tier 5	6%	9%	8%	8%
Grand Total	100%	100%	100%	100%
Trend				

Source: Industry; IDBI Capital Research

Hong's Kitchen; rightly positioned to drive aggressive growth

- JUBI forayed into Chinese cuisine in FY19 with the launch of 'Hong's Kitchen' (HK) in Gurugram (management aiming to add a total of 10 stores in FY20). The company has positioned HK to fill the gap between street food and fine dining restaurants.
- As per research that we have done at menu-level, we note that HK's product offering is largely dominated by momos, noodles and rice. We note that in most of the categories pricing of HK is superior (value focused) compared to competition. For example; in momos category; 47% of the products in the menu of HK are priced between Rs 100-150 while WOW momos (direct competition to HK) sells 97% products in its menu between Rs 150-250.
- We believe, the benefit of scale (supply chain and technology) that JUBI has achieved for Dominos could be synergistically used while scaling up HK. Consequently, incremental capex for HK would only relate to that of store expansion.
- Positively, unlike Dunkin, JUBI wants to get the unit-profitability of HK right before scaling up the format aggressively. We believe, this is a right strategy as undoing any mistake is not just costly and time consuming from business point of view but also carries the risk of permanently losing customers as well.
- All the expansion of HK would be in Delhi NCR area only.

Exhibit 43: Chinese is the second most preferred cuisine after North Indian



Source: Industry; IDBI Capital Research

Exhibit 44: Hong's Kitchen: separate veg and non-veg counters



Source: Industry; IDBI Capital Research

HK (i) retails 40% products in the menu in a price range of **Rs 100-200** (ii) **Follows concentrated MRP strategy** in most of the categories except sides; offers 5 different variety in main course at a single MRP of Rs 349 in non-veg and at Rs 299 in veg

Exhibit 45: HK: product variety at what MRP?

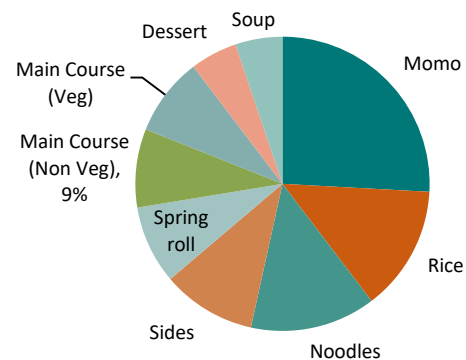
Product category/MRP	Variety of Product
Main Course (Non Veg)	5
349	5
Main Course (Veg)	5
299	5
Momo	15
129	2
139	2
149	3
159	3
179	2
199	3
Noodles and rice	16
199	3
209	2
219	3
249	4
259	4
Sides	6
129	1
159	1
219	1
229	1
259	1
279	1
Soup	3
129	2
139	1
Spring roll	5
99	1
119	4
259	1
279	1
Beverage	7
69	1
79	3
99	3
Dessert	3
79	1
99	2

Source: Company; IDBI Capital Research

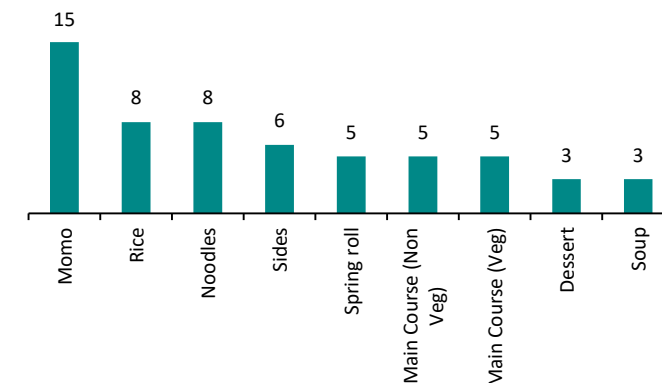
Exhibit 46: HK: product and price positioning

MRP Range (In Rs)	Variety of products
0-99	11
100-199	27
200-299	22
300-399	5
Grand Total	65

Source: Company; IDBI Capital Research

Exhibit 47: Menu break up (% of total products)


Source: Company; IDBI Capital Research

Exhibit 48: Product variety offered by HK in different Chinese categories


Source: Company; IDBI Capital Research

Exhibit 49: Momos: price comparison of HK with competition

Company/ MRP	No. of Products
Hong's Kitchen	15
100-149	7
150-199	8
Wok Express	6
100-149	3
150-199	3
Wow Momo	32
100-149	1
150-199	22
200-249	9

Source: Industry; IDBI Capital Research

Exhibit 50: HK: Average selling price category wise

Average selling price (in Rs)	Non Veg	Veg	% non-veg expensive
Main Course	349	299	17%
Rice	254	207	23%
Noodles	254	212	20%
Sides	232	192	21%
Momo	169	156	9%
Soup	139	129	8%
Spring roll	119	112	6%
Overall	235	166	41%
Beverage	86	86	-
Dessert	92	92	-

Source: Company; IDBI Capital Research

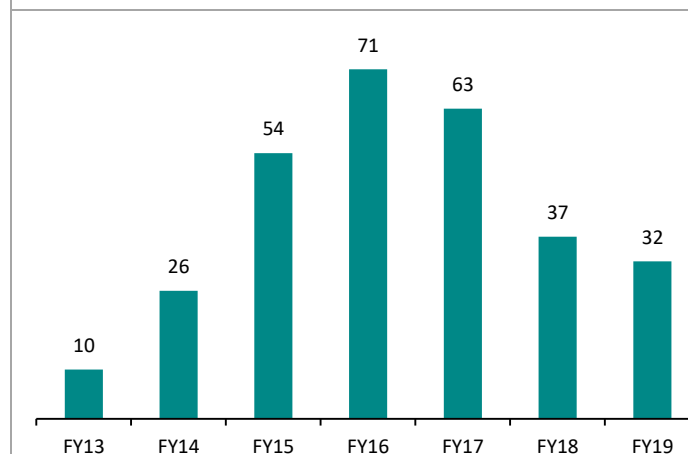
Dunkin Donut: focus on profitability

MOD is a direct competition to Dunkin with an ASP of Rs80.

Dunkin dominates the value equation at **Rs 70 price point** with higher variety compared to competition from MOD and Krispy Kreme

- JUBI entered in a master franchise with Dunkin Donut in FY12 to exclusively operate Dunkin in India. India's donut market is dominated by three players; Dunkin Donuts (32 stores in 10 cities in FY19), Mad over donut (58 stores in 4 cities in FY19) and Krispy Kreme (24 stores in 4 cities in FY18).
- As per our research done at menu level, both Mad Over Donut (MOD) and Dunkin competes at similar ASP of Rs81-82 in donuts. ASP of Krispy Kreme donuts stands at Rs 90 (10-11% expensive than MOD and Dunkin). Dunkin dominates Rs 70 price point with 8 different types of Donuts.
- In FY19 Dunkin achieved breakeven after 7 years of operations. JUBI has done lots of restructuring to achieve break-even. Amongst the initiatives undertaken include; (i) closure of unprofitable stores (ii) reduction in operating cost (by reducing manpower and G&A) (iii) restructuring the core portfolio of donuts and beverages and (iv) launching new products like tea
- Based on management guidance we note that JUBI won't be adding Dunkin stores in FY20 as the focus is more on profitability. Consequently, we have not factored in growth from Dunkin Donuts in our projection. Any significant change in expansion stance will add positively to our forecast for FY21/22.

Exhibit 51: Dunkin store count



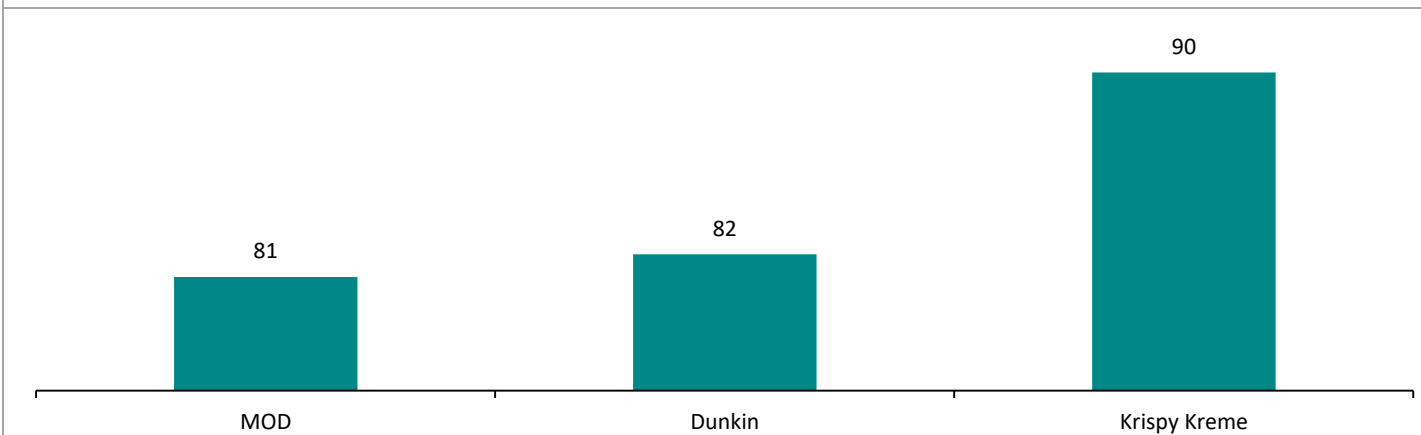
Source: Company; IDBI Capital Research

Exhibit 52: Donut variety and price comparison

Brand/MRP(in Rs.)	No./Types of Product
Dunkin	20
49	2
69	8
99	10
Krispy Kreme	20
71	3
91	14
105	3
MOD	23
56	5
85	11
94	7

Source: Industry; IDBI Capital Research

Exhibit 53: Average selling price of Donuts (in Rs)

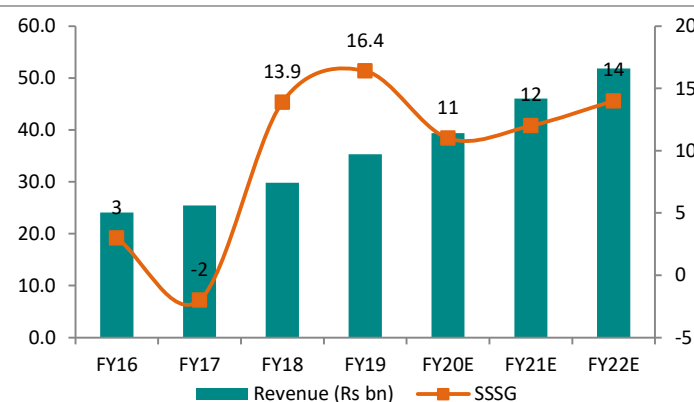


Source: Industry, IDBI Capital Market Research

Financials

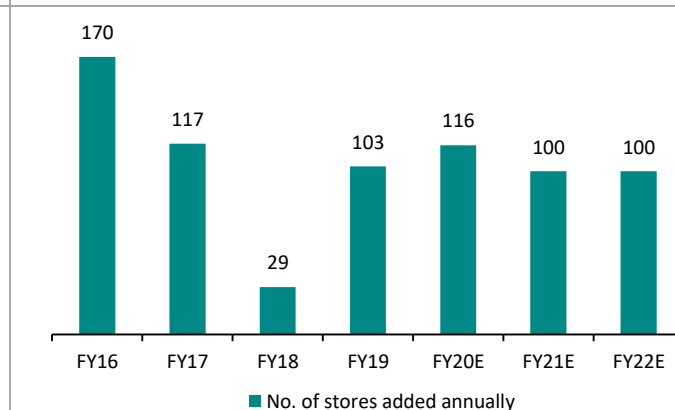
- During FY17-19 revenue, EBITDA and PAT grew at 18%, 57% and 119% primarily led by significant improvement in SSSG (from -2% in FY17 to 16.4% in FY19). This was largely due to the (i) successful restructuring and launch of product portfolio during FY18 (ii) refurbishing/up gradation of existing stores (focus was on creating better ambience for dine-in customers). We expect JUBI to continue to be benefited by success achieved at product and store level.
- However, factoring in the current consumption slow down, we expect SSSG to be in the range of 11-14% during FY20-22E. We expect JUBI to add 100-116 stores during FY20-22E. Consequently, we expect Revenue, EBITDA and PAT to grow at 14%, 19% and 23% respectively during FY20-22E.

Exhibit 54: Revenue (Rs bn) and Same Store Sales growth (%)



Source: Company; IDBI Capital Research

Exhibit 55: Store addition rate per annum



Source: Company; IDBI Capital Research

- Rapid increase in raw material cost (cheese, onions, chicken and flour) is likely to keep gross margin under pressure, as the management has guided for no price hike in FY20. We have assumed moderate decline of 10bp YoY to 75.1% in FY20E. We believe, gradually JUBI should be able to maintain gross margin through a price hike and gradual reduction in the cost pressures. Consequently, we expect moderate increase in gross margin from 75.1% in FY20E to 75.4% in FY22E.

- We forecast EBITDA to grow at 19% CAGR led by 250bp improvement in EBITDA margin to 19.7% over FY19-22e.

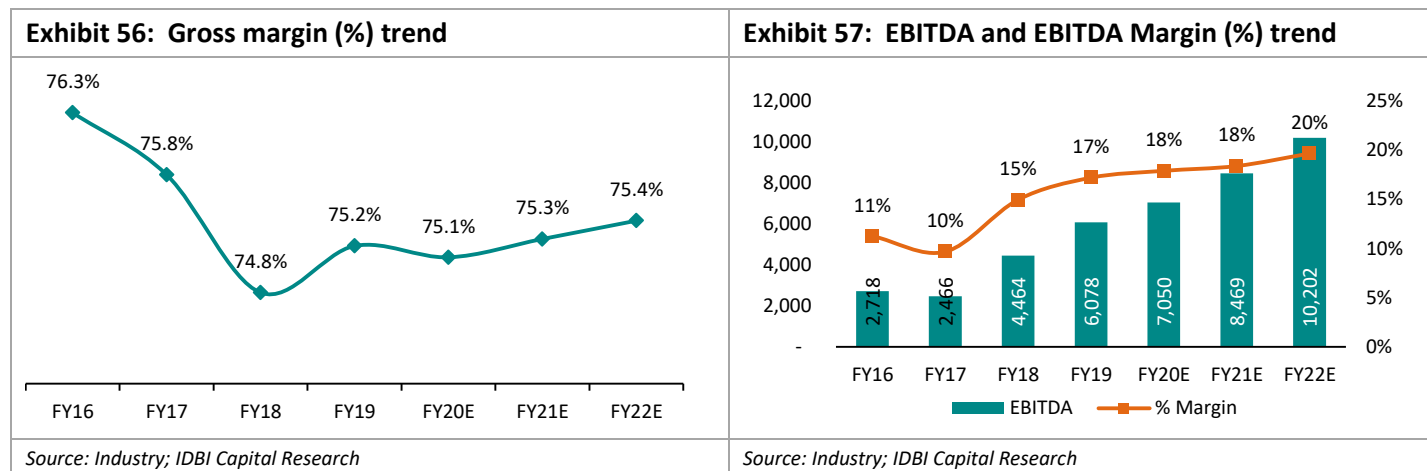
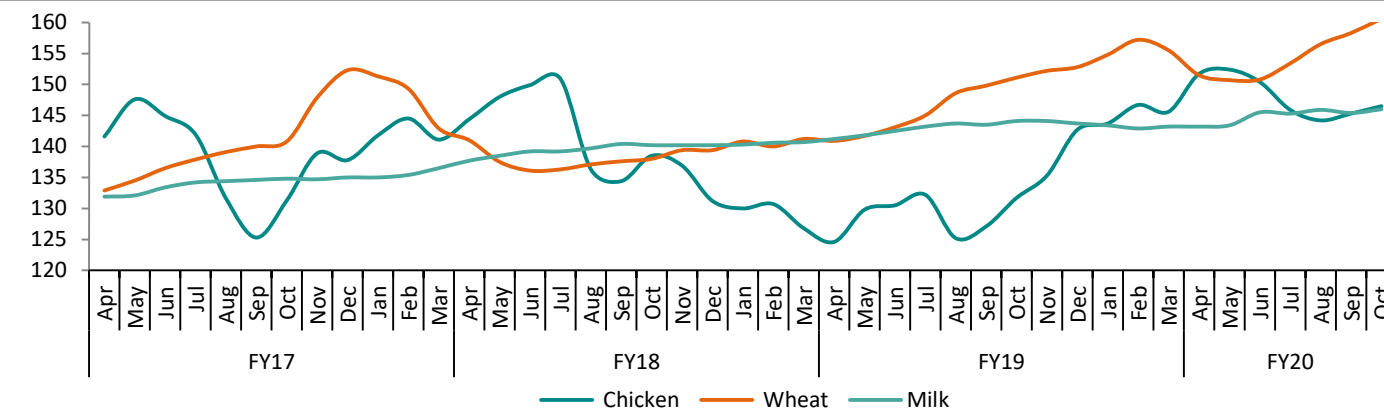


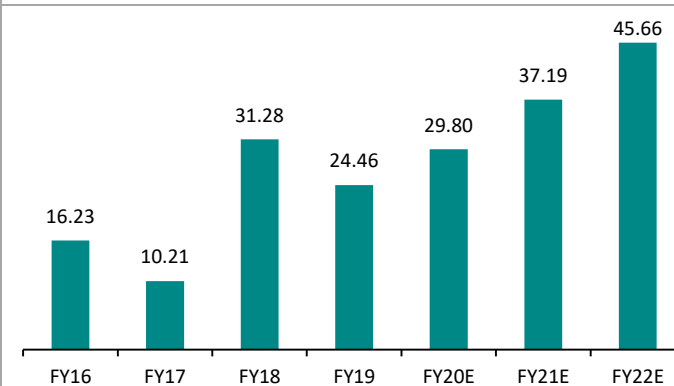
Exhibit 58: Raw material pricing trend over last 8 months (in Rs)												
Parent Category	Categories	Brand	Qty	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	
Grocery	Flours & Grains	Maida	1 kg	84	84	84	82	90	90	92	92	
Dairy	Cheese	Amul Processed Cheese	1 kg	400	400	410	420	420	420	433	433	
		Gowardhan Processed Cheese	1 kg	400	400	400	415	415	430	430	430	
Fresh Vegetables	Fresh Vegetables	Fresh Onion	1 kg	60	60	60	60	60	80	100	200	
		Fresh Tomato	1 kg	70	70	70	70	80	80	80	80	

Source: Industry, IDBI Capital Market Research

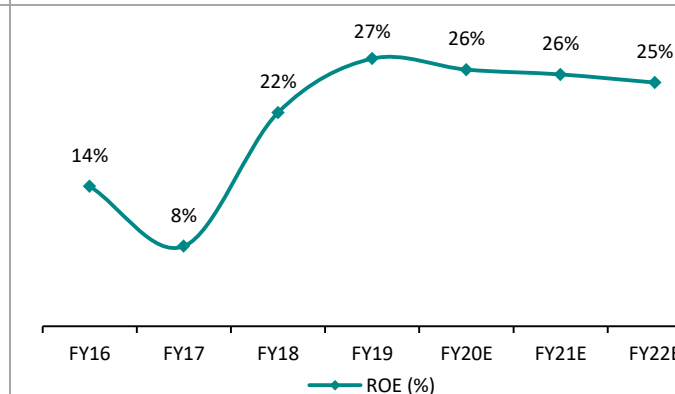
Exhibit 59: Pricing trend of Chicken, Wheat and Milk (base year 2011-12)


Source: CMIE, IDBI Capital Market Research

- We expect EPS to grow at 23% CAGR and ROE to be at 25-26% during FY19-22E.

Exhibit 60: EPS to grow at 23% CAGR during FY19-23E


Source: Company; IDBI Capital Research

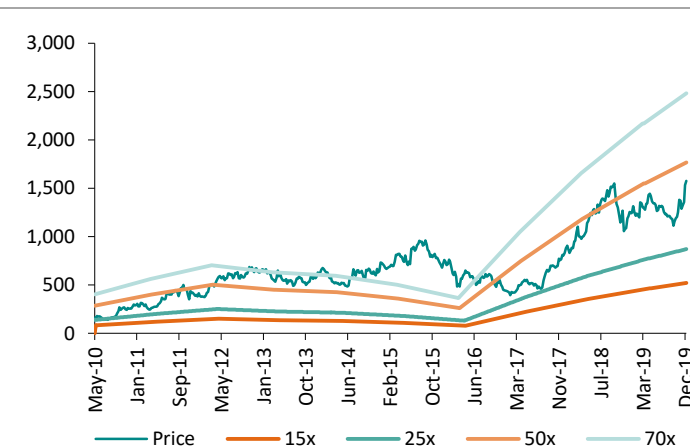
Exhibit 61: ROE to be at 25-26% during FY19-23E


Source: Company; IDBI Capital Research

Valuation

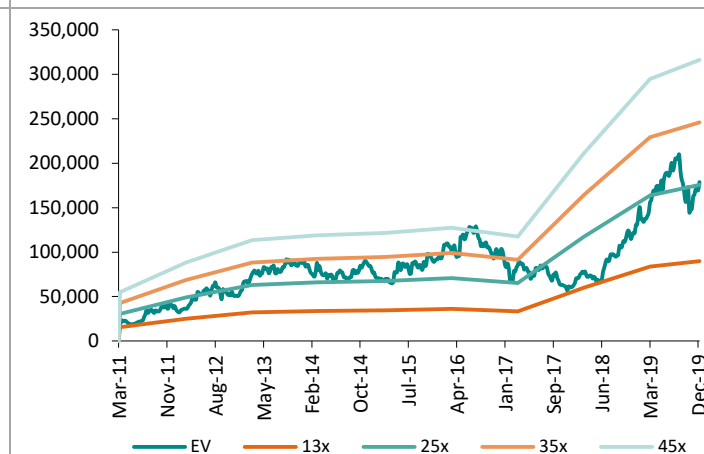
- We value the stock at a P/E multiple of 40x FY22E to arrive at a target price of Rs 1,836. The stock is currently trading 34x FY22E EPS and 20x FY22E EBITDA. The stock has traded on an average one year forward price/EPS multiple of 43x.

Exhibit 62: Price/EPS band chart



Source: Company; IDBI Capital Research

Exhibit 63: EV/EBITDA band chart



Source: Company; IDBI Capital Research

Exhibit 64: Discounted cash flow valuation

FCF Calculation	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY27E	FY32E	FY39E
Free Cash Flow to Firm	311	440	3,200	3,414	3,922	5,559	7,402	18,418	37,045	0
Growth (%)		42	628	7	15	42	33	20	15	(100)
PV of FCF				-5,121	1,617	5,104	6,014	7,087	13,138	39,013

Assumptions	
Average Risk Free Rate	6.8%
Market Premium	5.6%
Beta	1.1
Ke [=Rf+Beta(Rm-Rf)]	13.0%
Kd	10.0%
Tax Rate	34.6%
After Tax Kd	6.5%
Debt to Capital	0.0%
Equity to Capital	100.0%
WACC	13.0%
Terminal Growth	6.0%

Calculation	
PV of Free Cash Flows	1,40,711
Terminal Value	10,99,452
PV of Terminal Value	93,208
Implied TEV	2,33,919
Less: Net Debt	-4,851
Equity Value	2,38,770
# Share	132

Sensitivity Analysis						
Terminal Growth Rate						
		4.0%	5.0%	6.0%	7.0%	8.0%
WACC	11.0%	2,321	2,499	2,749	3,126	3,756
	12.0%	1,933	2,045	2,195	2,405	2,722
	13.0%	1,641	1,715	1,809	1,936	2,113
	14.0%	1,416	1,465	1,527	1,607	1,714
	15.0%	1,238	1,272	1,314	1,366	1,434

FCFF Assumptoin		
Stage	Year	Growth rate
1st Stage	FY23-27	20%
2nd Stage	FY28-32	15%
3rd Stage	FY33-38	10%

Source: Company, IDBI Capital Market Research

Exhibit 65: Peer valuation table

Indian Companies	Market cap. (USD mn)	EV/EBITDA				EV/Sales				P/E				ROE (%)				2019-2020E CAGR (%)		
		2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	Revenue	EBITDA	PAT
Jubilant Food works	2,909	30.9	28.7	24.0	19.9	5.7	5.2	4.5	4.0	64.2	52.3	42.0	34.2	27.3	26.3	25.8	24.9	14	19	23
Westlife Development	782	56.3	31.2	24.1	23.7	4.8	3.5	3.0	2.6	165.5	137.1	75.0	59.8	7.2	6.9	11.3	13.5	14.1	24.4	21.8
Café coffee Day	139	20.4	10.8	9.5	6.5	2.8	1.7	1.6	1.1	48.0	8.3	5.3	3.9	5.2	4.3	5.0	4.9	12.7	20.6	25.3
Average		30.9	28.7	24.0	19.9	4.8	3.5	3.0	2.6	64.2	52.3	42.0	34.2	7.2	6.9	11.3	13.5	14	20.6	23
Global Companies	Market cap. (USD mn)	EV/EBITDA				EV/Sales				P/E				ROE (%)				2019-2022E CAGR (%)		
		2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	Revenue	EBITDA	PAT
Domino's USA	11,933	22.0	22.7	20.7	19.1	4.0	4.3	4.0	3.7	30.0	30.9	27.3	23.8	NA	(13.7)	(14.5)	(16.5)	6.8	9.1	9.8
YUM!	30,131	15.6	19.8	18.6	17.5	6.7	7.3	7.0	6.6	53.9	26.7	24.0	21.5	NA	(14.4)	(15.2)	(14.6)	2.7	(1.5)	(4.3)
McDonald's	1,47,998	16.2	18.0	17.1	16.4	7.9	9.1	8.9	8.7	23.8	25.1	23.1	21.6	NA	(91.5)	303.7	(128.9)	1.8	4.4	3.7
Restaurant Brands	30,286	16.8	18.5	17.2	16.3	6.6	7.6	7.2	6.9	19.4	24.1	22.0	20.1	31.9	56.3	58.6	55.3	4.6	7.2	34.8
WENDY'S	5,146	15.8	20.3	19.5	18.0	3.8	4.9	4.6	4.5	26.1	37.7	35.1	28.2	75.3	23.7	28.9	45.4	5.4	7.4	(27.5)
Chipotle Mexican	23,127	24.5	35.7	27.9	22.9	2.3	4.5	4.0	3.6	50.3	59.9	46.5	36.9	12.6	25.3	26.9	27.6	12.6	33.6	52.4
Jolibee	4,852	23.4	19.9	16.6	14.6	2.0	1.5	1.3	1.1	38.1	39.9	34.4	28.6	18.7	12.5	13.0	14.4	13.8	10.7	0.8
Starbucks	1,04,082	20.5	17.8	16.2	14.9	4.3	4.0	3.7	3.4	30.5	28.9	25.7	23.2	NA	(43.1)	(33.1)	(50.7)	7.5	10.9	6.1
MK Restaurants	2,123	15.4	13.9	12.7	12.3	3.5	3.2	3.0	2.8	26.8	24.4	22.6	21.2	18.4	18.4	19.3	20.3	5.6	5.5	5.7
Average		16.8	19.8	17.2	16.4	4.0	4.5	4.0	3.7	30.0	28.9	25.7	23.2	18.7	12.5	19.3	14.4	5.6	7.4	5.7

Source: Industry, IDBI Capital Market Research

Store Economics of Domino's

Exhibit 66: Store economics

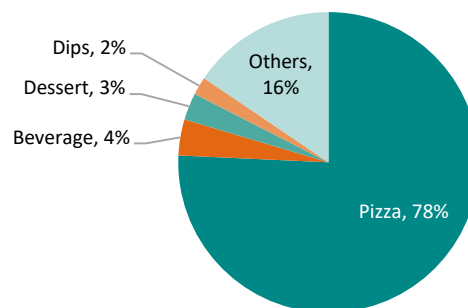
Per store matrix	Amount
Average Store Size (sq. ft.)	1,400
Fixture cost (Rs Mn)	15
Inventory (at inventory turn of 13x, Rs Mn)	1
Capital employed (Rs Mn)	16
Capex per square feet	11,370
Revenue (assuming 3x sales/capital employed, Rs Mn)	48
Gross profit (Rs Mn)	36
Gross margin (%)	75
% of revenue	
Employee Expenses	21
Rent	10
Power and fuel	5
Franchisee fee	3
Packing materials consumed	3
Freight and forwarding charges	3
Total Operating Expense	47
EBITDA (Rs Mn)	14
% margin	28
Depreciation (12% of gross block, Rs Mn)	1.8
EBIT (Rs Mn)	12
Tax rate	25%
ROIC	55%

Source: Company, IDBI Capital Market Research

Company background

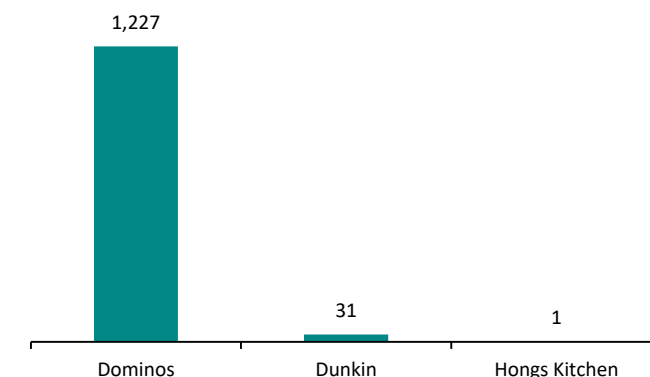
Jubilant Foodworks, (established in 1995) part of the Jubilant Bhartia group, is a food service company operating the brands of Domino's Pizza, Dunkin Donut and Hong's Kitchen. JUBI has acquired exclusive rights to develop and operate Dominos (in India, Sri Lanka, Bangladesh and Nepal) and Dunkin brands (in India) from the parent companies respectively. Domino's Pizza commands 77% market share in pizza category in India. Dunkin Donuts is a café chain offering range of donuts, coffee, burgers and side bites. Hong's Kitchen is an indigenous brand launched by JUBI in India (currently 1 store in Gurugram). Hong's Kitchen is a Chinese fast food restaurant (with similar store size as Dominos) primarily serving momos, noodles and rice.

Exhibit 67: Jubilant revenue break up (% , FY19)



Source: Company; IDBI Capital Research

Exhibit 68: No. of stores under different brand (FY19)



Source: Company; IDBI Capital Research

Exhibit 69: Key Managerial Personnel

Name	Designation	Background
Shyam S. Bhartia	Chairman & Director	Mr. Shyam S. Bhartia holds a Bachelor's degree in commerce from St. Xavier's College, Calcutta University and is also a fellow member of the ICWAI. He along with his brother, Hari Bhartia founded the Jubilant Bhartia Group, which is in sectors like Pharmaceuticals, Life science ingredients, food service, automobile, performance polymers etc.
Hari S. Bhartia	Co-Chairman & Director	Mr. Hari S. Bhartia holds a Bachelor's degree in chemical engineering from the Indian Institute of Technology, Delhi. He was the former President of the Confederation of Indian Industry (CII) (2010-2011) and former chairman of Board of Governors of IIM(Raipur) and IIT (Kanpur).
Pratik R. Pota	CEO and Wholetime Director	Mr. Pratik R. Pota has graduated in Electrical and Electronics Engineering from BITS Pilani and has a PGDM from IIM Kolkata. He has previously worked in companies like PepsiCo India as Chief Operating Officer, Foods & Beverages as well as Bharti Airtel and Hindustan Unilever. He has over twenty four years of experience in FMCG and Telecom Industry. He joined Jubilant Foodworks in April 2017.
Prakash C. Bisht	EVP & Chief Financial Officer	Mr. Prakash Bisht joined Jubilant in 2009, prior to which he worked with Apollo tyres for 15 years. He was appointed as the CFO in January, 2018.
Shamit Bhartia	Non-Executive Directors	Mr. Shamit Bhartia is a graduate in Economics from Dartmouth College, USA. He joined the Board of Director as Non-executive director in May 2017. He is currently the managing director of Hindustan Media Ventures Ltd. and on the board of companies like HT Media Ltd, Jubilant Industries Ltd, The Hindustan Times Ltd, Birla cotton spinning & weaving mills Ltd etc.
Aashti Bhartia	Non-Executive Directors	Ms. Aashti Bhartia holds Bachelors' degree in Anthropology and History from Columbia University, USA and Business Bridge Program from Tuck School of Business, Hanover, New Hampshire. She is an Executive Director at Ogaan India Private Limited and earlier worked as head of Strategy and Business Development for Jubilant First Trust Hospitals.

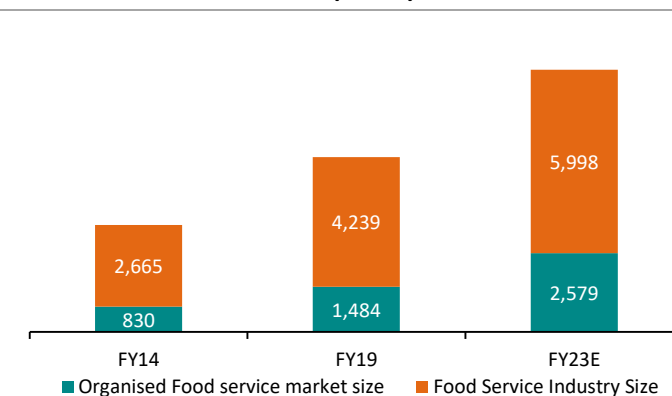
Source: Industry, IDBI Capital Market Research

Exhibhits

Industry overview

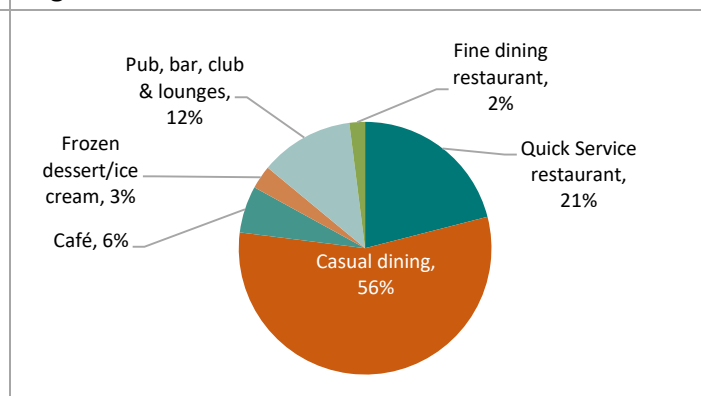
- As per NRAI India Food Services Report 2019, the Indian Food service industry is expected to grow at 9% CAGR during FY19-23E to Rs 5,998 Bn with the market share of organized players expected to increase from 35% in FY19 to 43% in FY23E due to evolving customer preferences and young population.

Exhibit 70: Organized Food service Industry to grow at 17% CAGR from FY19-24E (Rs Bn)



Source: Company; IDBI Capital Research

Exhibit 71: QSR & Casual dining make 77% of the organized food market

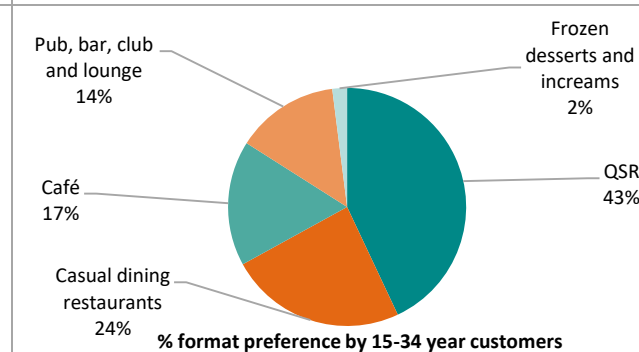


Source: Burger King DRHP; IDBI Capital Research

Exhibit 72: The eating out and ordering frequency is highest in the 15-24 year category

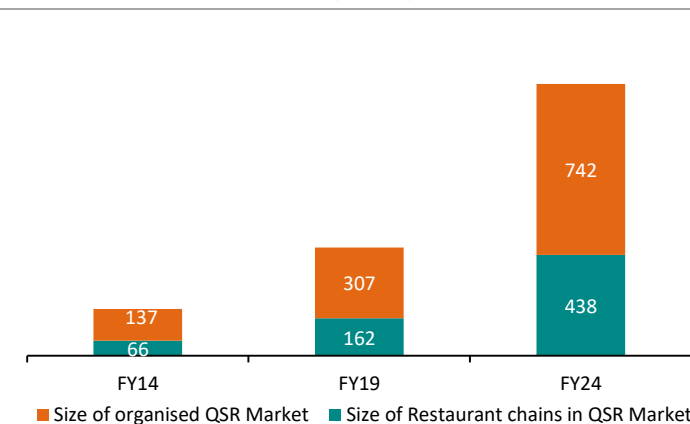
Age group	Eating out frequency/ month	Ordering in frequency/ month	Avg spend per outing (Rs)	Avg spend per order (Rs)
15-24 yrs.	2.3	0.9	225	120
25-34 yrs.	1.9	0.7	220	115
> 35 yrs.	1.5	0.3	300	105

Source: Burger King DRHP; IDBI Capital Research

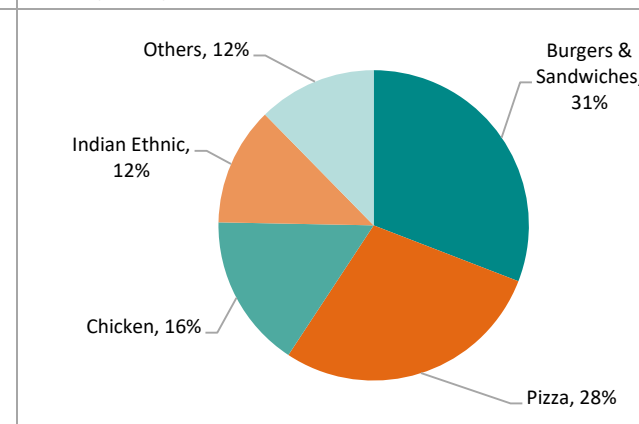
Exhibit 73: 43% customers in the age group 15-34 years prefer to visit QSR


Source: Burger King DRHP; IDBI Capital Research

- The organized QSR industry is estimated to be Rs 307 Bn in FY19 and is projected to grow at 19% CAGR by FY24 to Rs 742 Bn. Around 53% of QSR segment is dominated by restaurant chains like Domino's, Subway, KFC, Burger King Etc. Pizza and Burgers dominate the Organized QSR segment with 59% market share.

Exhibit 74: Organized QSR Restaurant chains to grow at 22% CAGR from FY19-24E (Rs Bn)


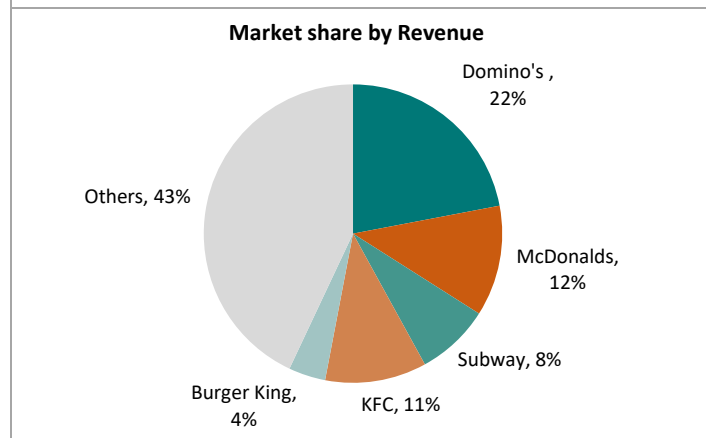
Source: Burger King DRHP; IDBI Capital Market Research

Exhibit 75: Organized Chained QSR break-up category wise (FY19)


Source: Burger King DRHP; IDBI Capital Market Research

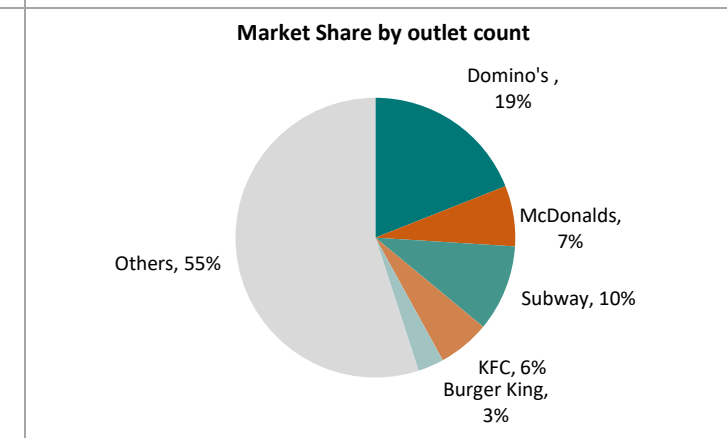
- The Organized QSR Pizza market in India is estimated to be around Rs 46 Bn in 2019. JUBI'S market share in Pizza market has increased from 72% in FY14 to 77% in FY19.

Exhibit 76: Domino's leads in revenue share in QSR Chain restaurants (FY19)...



Source: Burger King DRHP, IDBI Capital Market Research

Exhibit 77: ...and it also leads in terms of no. of outlets (FY19)



Source: Burger King DRHP, IDBI Capital Market Research

Food on Zomato and Swiggy are more expensive than the restaurant

- Ordering food on Zomato and Swiggy is more expensive than ordering from respective restaurant's website. Delivery and packaging are two additional charges levied on customers by food aggregators.
- In case of Swiggy, delivery is not free for any amount of orders (chargeable at Rs 25 for orders above Rs 98 and Rs 35 for orders below Rs 98). Zomato is more aggressive (to attract customers) by providing 100% free delivery for any order size (provided you met the minimum order size rule). We note that; minimum order size for Zomato varies region wise for example- Rs150 in Worli, Rs50 in JB Nagar, Andheri East.
- Packaging charges are a fixed charge levied by both Zomato (Rs 30/order) and Swiggy (Rs 20/order).
- Dominos is able to charge same price (compared to what it charges on its own website/store) on food aggregators website as the cost/execution of last mile delivery is owned by them. Food aggregators only act as food discovery platform for Dominos.
- Cost of last mile delivery along with commission that must be paid to the food aggregators (20-25%) makes the unit-economics for both food-aggregators and cloud-kitchen-retailers more challenging (read it expensive). Consequently, selling from one's own platform is relatively in-expensive as you have to bear only delivery cost.








Exhibit 78: Ovenstory on Zomato	Exhibit 79: Ovenstory on Swiggy	Exhibit 80: Ovenstory on its own website
<p>Your Order</p> <p>  Maharaja Veg Pizza (11 inch) Wrbase - El Classico Cheese (Regular Mozzarella) 1 × ₹504.76 ₹504.76 </p> <hr/> <p> Subtotal ₹504.76 Restaurant Promo - ₹50.48 Taxes ₹22.72 </p> <hr/> <p>Total ₹477.00</p>	<p>  Apply Coupon </p> <hr/> <p>  Save ₹25.0 On This Order Become SUPER & keep saving more! GET SUPER </p> <hr/> <p>Bill Details</p> <p>Item Total ₹523.81</p> <p>Restaurant Charges ⓘ ₹46.19</p> <hr/> <p>Delivery Fee ⓘ ₹25</p> <hr/> <p>TO PAY ₹595</p>	<p> Maharaja Veg Pizza (11 inch)  Rs. 530 El Classico Cheese (Regular Mozzarella) - 1 + Change </p> <hr/> <p> Cart Amount Rs. 505 </p> <p> No Credits Apply Coupon </p> <hr/> <p> Tax Rs. 25 </p> <hr/> <p> Delivery Fee Free </p> <hr/> <p> Pay Amount Rs. 530 </p>
Source: Company; IDBI Capital Research	Source: Company; IDBI Capital Research	Source: Company; IDBI Capital Research

Exhibit 81: Mojo Pizza on Zomato	Exhibit 82: Mojo Pizza on its own website								
<p>Your Order</p> <p>  All-Veggies Madness BIG (10") Choice of Crust - Pan Tossed 1 × ₹445.00 ₹445.00 </p> <table> <tr> <td>Subtotal</td><td>₹445.00</td></tr> <tr> <td>Packaging Charge</td><td>₹29.00</td></tr> <tr> <td>Taxes</td><td>₹23.70</td></tr> <tr> <td>Total</td><td>₹497.70</td></tr> </table>	Subtotal	₹445.00	Packaging Charge	₹29.00	Taxes	₹23.70	Total	₹497.70	<p> ₹ 478 <small>with taxes</small>  varun pr... </p> <p>YOUR CART ADD MORE</p> <div> All-Veggies Madn...  <small>Customize</small> ₹ 445 BIG (10") Pan Tossed - 1 + </div>
Subtotal	₹445.00								
Packaging Charge	₹29.00								
Taxes	₹23.70								
Total	₹497.70								
Source: Company; IDBI Capital Research	Source: Company; IDBI Capital Research								

Business model and store economics

Exhibit 83: Business model and store economics- Domino's v/s competition

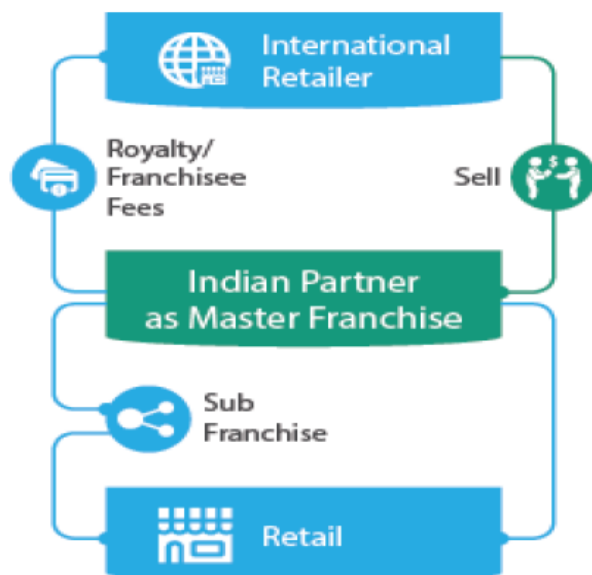
Companies	Domino's	McDonald's*	KFC	Subway	Burger King	Pizza Hut	Chilli's	BBQ Nation	The Great Kebab Factory
Format	QSR	QSR	QSR	QSR	QSR	CDR	CDR	CDR	CDR
Business model	Master Franchisee	Master Franchisee	Multiple Franchisee	Micro Franchisee	Joint Venture	Multiple Franchisee	Regional Franchisee	Own + Franchisee	Own + Franchisee
Outlet Count	1,249	300	400	660	202	432	24	126	20
APC (INR)	200-225	225-250	200-225	175-200	200-225	400-450	600-700	775-800	1,250-1500
Average Ticket Value (INR)	500-550	550-600	500-550	250-300	500-550	1,450-1550	2,750-3000	3,500-3750	6,000-6500
COGS	22-23%	34-36%	34-36%	32-34%	35-36%	25-26%	29-30%	34-35%	31-32%
Gross Margin	77-78%	64-66%	64-66%	66-68%	64-65%	74-75%	70-71%	65-66%	68-69%
Advertisement	4-5%	5-6%	6-7%	4-5%	~5%	4-5%	3-4%	NA	5-6%
Royalty	3-4%	4-5%**	7-8%	7-8%	4-5%	7-8%	5-6%	NA	6-7%
Store EBITDA margin	21-23%	13-15%	14-16%	20-22%	12-14%	17-19%	20-21%	20-21%	16-18%
Capex for Initial Build and Opening	150-200 L	350-400 L	300-350 L	40-50 L	200-250 L	200-250 L	300-350 L	250-300 L	400-500 L
Avg. Store Size (in sq.ft.)	1400-1600	2600-3200	2500-3000	750-1000	1300-1400	2600-3200	3700-4300	4800-5400	4500-5000
Average sales /Day	0.75-0.80 L	1.2-1.3 L	1.2-1.3 L	0.30-0.35 L	1.1-1.2 L	0.7-0.8 L	1.4-1.5 L	1.5-1.6 L	1.9-2.1 L

Source: Industry, IDBI Capital Market Research, * Outlets of McDonald's operated by South & West Franchisee (Westlife Development), ** can contractually increase to 8% from FY25 onwards

Franchise models operational in India

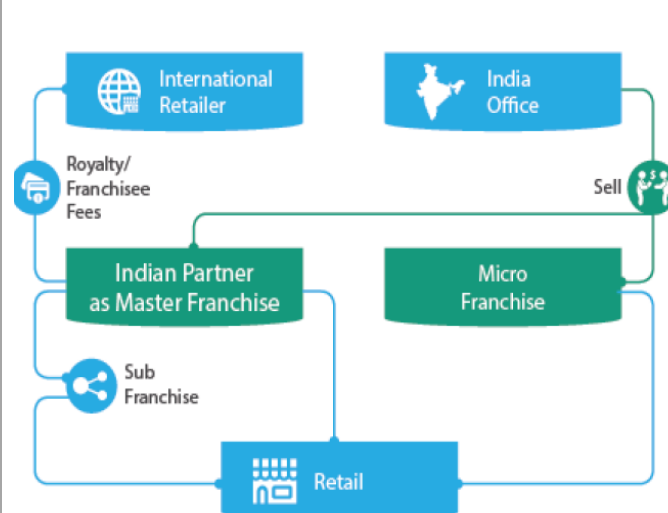
- **Master franchise:** the traditional franchising model remains one of the most attractive operating models for International brands entering the Indian market. Under this model, the international brand helps the franchisee set up the business by sharing its technical knowhow and lending the brand name. The investment is limited to pre-operative expenses such as supplier development, franchisee training, location assessment and consulting expenses. In return, the international brand charges a royalty fee from the franchisee. In certain instances, franchisees are allowed to operate a system of sub-franchises. The master franchisee is also allowed to make small alterations in the size of the format based on availability of real estate and for better unit economics in certain areas such as metro stations, tier II cities, highway locations, etc. Examples of companies operating under this business model in India include Domino's Pizza and Subway
- **Company owned and franchise:** this model is very similar to the master franchise model. The key difference is that the international brand establishes its own representative office in the country and helps the franchisee in setting up its business. In addition to pre-operative expenses typically incurred in the master franchise, this model also requires the international brand to incur expenses related to setting up the representative office. The representative office has a team that is in close relationship with the franchisee and is responsible for creating and maintaining the brand image. Examples of companies operating under this model in India include Pizza Hut and Jumbo King.
- **Joint venture:** under this model, the international brand enters into a joint venture agreement with a local entity to create a new entity which operates as master franchisee for the operation of the international brand in the country. The local partner has deep understanding of the consumer behavior in the country and provides real estate to the international brand, as well as setting up the supply chain, which allows the international brand for a faster scale in the country. Companies operating under the joint venture model are allowed to make small alterations in the size of the format based on availability of real estate and for better unit economics in certain areas such as metro stations, tier II cities, highway locations, etc. Examples of companies operating under this model in India include Starbucks, Burger King and TGI Friday's.

Exhibit 84: Master franchise model



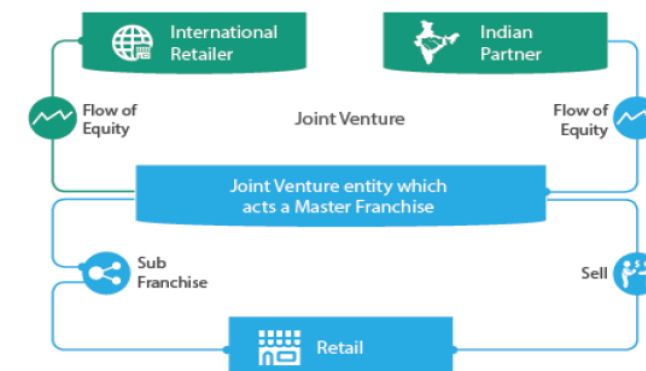
Source: Burger King DRHP; IDBI Capital Research

Exhibit 85: Company owned and franchise model



Source: Burger King DRHP; IDBI Capital Research

Exhibit 86: Joint Venture model



Source: Burger King DRHP; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY18	FY19	FY20E	FY21E	FY22E
Net sales	29,804	35,307	39,353	46,024	51,862
<i>Growth (%)</i>	<i>17.1</i>	<i>18.5</i>	<i>11.5</i>	<i>17.0</i>	<i>12.7</i>
Operating expenses	(25,340)	(29,229)	(32,303)	(37,555)	(41,660)
EBITDA	4,691	6,547	7,185	8,603	10,337
<i>Growth (%)</i>	<i>79.7</i>	<i>39.6</i>	<i>9.7</i>	<i>19.7</i>	<i>20.1</i>
Depreciation	(1,559)	(1,523)	(1,760)	(2,000)	(2,240)
EBIT	3,132	5,024	5,425	6,604	8,097
Interest paid	-	-	-	-	-
Other income	-	-	-	-	-
Pre-tax profit	3,132	5,024	5,425	6,604	8,097
Tax	(1,068)	(1,717)	(1,334)	(1,662)	(2,038)
<i>Effective tax rate (%)</i>	<i>34.1</i>	<i>34.2</i>	<i>24.6</i>	<i>25.2</i>	<i>25.2</i>
Net profit	2,064	3,307	4,091	4,942	6,059
Exceptional items	-	79	125	-	-
Adjusted net profit	2,064	3,228	3,966	4,942	6,059
<i>Growth (%)</i>	<i>206.9</i>	<i>56.4</i>	<i>22.8</i>	<i>24.6</i>	<i>22.6</i>
<i>Shares o/s (mn nos)</i>	<i>66</i>	<i>132</i>	<i>132</i>	<i>132</i>	<i>132</i>

Cash Flow Statement

(Rs mn)

Year-end: March	FY18	FY19	FY20E	FY21E	FY22E
Pre-tax profit	3,132	4,945	5,300	6,604	8,097
Depreciation	1,559	1,523	1,760	2,000	2,240
Tax paid	(1,262)	(1,773)	(1,334)	(1,662)	(2,038)
Chg in working capital	717	179	(6,608)	(4,882)	(5,297)
Other operating activities	3	(535)	(0)	-	-
Cash flow from operations (a)	4,150	4,339	(883)	2,059	3,002
Capital expenditure	(1,140)	(1,595)	(2,320)	(2,000)	(2,000)
Chg in investments	(2,478)	(3,079)	(92)	(80)	(80)
Other investing activities	98	215	-	-	-
Cash flow from investing (b)	(3,521)	(4,459)	(2,412)	(2,080)	(2,080)
Equity raised/(repaid)	19	-	-	(0)	0
Debt raised/(repaid)	(165)	(330)	(330)	(330)	(330)
Dividend (incl. tax)	-	-	-	-	-
Chg in minorities	-	-	-	-	-
Other financing activities	477	4,055	(5)	-	-
Cash flow from financing (c)	331	3,725	(335)	(330)	(330)
Net chg in cash (a+b+c)	961	3,606	(3,630)	(351)	592

Balance Sheet

(Rs mn)

Year-end: March	FY18	FY19	FY20E	FY21E	FY22E
Net fixed assets	7,789	7,999	8,559	8,559	8,320
Investments	822	887	887	887	887
Other non-curr assets	2,038	2,183	2,275	2,355	2,435
Current assets	5,013	8,064	11,520	16,839	23,691
Inventories	626	731	806	936	1,048
Sundry Debtors	151	327	339	377	126
Cash and Bank	1,285	4,891	1,261	910	1,502
Marketable Securities	-	-	-	-	-
Loans and advances	-	-	-	-	-
Total assets	15,661	19,133	23,242	28,640	35,333
Shareholders' funds	10,426	13,237	16,868	21,480	27,209
Share capital	10,439	13,237	16,873	21,485	27,214
Reserves & surplus	(13)	-	(5)	(5)	(5)
Total Debt	61	40	40	40	40
Secured loans	61	40	40	40	40
Unsecured loans	-	-	-	-	-
Other liabilities	550	492	492	492	492
Curr Liab & prov	4,625	5,364	5,841	6,628	7,592
Current liabilities	4,484	5,119	5,596	6,384	7,347
Provisions	140	245	245	245	245
Total liabilities	5,235	5,896	6,373	7,160	8,124
Total equity & liabilities	15,661	19,133	23,242	28,640	35,333
Book Value (Rs)	158	100	128	163	206

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY18	FY19	FY20E	FY21E	FY22E
Adj. EPS (Rs)	31.3	24.5	30.1	37.4	45.9
Adj. EPS growth (%)	206.5	(21.8)	22.8	24.6	22.6
EBITDA margin (%)	15.7	18.5	18.3	18.7	19.9
Pre-tax margin (%)	10.5	14.2	13.8	14.3	15.6
ROE (%)	21.8	27.3	26.3	25.8	24.9
ROCE (%)	30.9	40.5	34.8	33.5	32.5
Turnover & Leverage ratios (x)					
Asset turnover (x)	2.1	2.0	1.9	1.8	1.6
Leverage factor (x)	1.5	1.5	1.4	1.4	1.3
Net margin (%)	6.9	9.1	10.1	10.7	11.7
Net Debt/Equity (x)	(0.1)	(0.4)	(0.1)	(0.0)	(0.1)
Working Capital & Liquidity ratio					
Inventory days	8	8	7	7	7
Receivable days	2	3	3	3	1
Payable days	56	52	52	53	56

Valuation

Year-end: March	FY18	FY19	FY20E	FY21E	FY22E
P/E (x)	50.3	64.4	52.4	42.1	34.3
Price / Book value (x)	10.0	15.7	12.3	9.7	7.6
PCE (x)	28.7	43.7	36.3	29.9	25.0
EV / Net sales (x)	3.4	5.7	5.2	4.5	4.0
EV / EBITDA (x)	21.9	31.0	28.8	24.1	20.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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Key to Ratings Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto $\pm 5\%$; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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