

# Jubilant Foodworks Limited (JFL)



Initiating Coverage

Bloomberg Code: JUBI:IN | Reuters Code: JUBI.NS

## “The QSR Master Chef maintains its ground on the back of strong demand outlook and excellent execution capabilities”

**Jubilant FoodWorks Limited (JFL)**, a Food-tech giant, has one of the most effective and far-reaching delivery models in the country, having the master franchise rights for Domino’s Pizza, Dunkin’ Donuts and Popeyes. The QSR industry (₹ 31,27,200 lakhs) comprises of Chained outlets (₹ 17,67,700 lakhs) and Standalone outlets (₹ 13,59,500 lakhs). JFL makes a strong pick owing to its powerful position as the market leader with **25% share (Chained) and 14% (Chained + Standalone)**, its focus on Digital and Tech development, its carefully articulated growth strategies for value creation, its foray into new brands, thus, resulting in geographical expansion (58 new stores added during Q1 FY23 with an aim of 3,000 stores in the medium term). JFL’s Like-For-Like growth stood at 28.3% for Q1 FY23 indicating compelling demand growth going forward.

We are positive on JFL on the back of strong numbers in **Revenue/EBITDA/PAT CAGR of 10%/26%/21% respectively from FY18-22, which we expect to increase to 28%/27%/37% during FY22-25E respectively**, along with maintaining its **EBITDA/PAT margins at 26%/11% as of FY24E**.

### Investment Rationale

- **Maintaining its Leadership status in the QSR industry:** JFL is the largest food service brand in the QSR industry with the benefit of being the first mover. The company leads far ahead of its competitors in terms of No. of stores (1,625 in Q1 FY23), market presence (14% market share) and robust delivery model, which further aims to grow up to **3,000 stores** in the medium term. While its closest peer – Devyani International has a market share of 7% with a store presence of 1,008 as of Q1 FY23.
- **Continued investment and focus on Tech development:** The Company’s focus remains clear on developing its Digital strengths, as it remains unbeatable in areas of online presence and Digital dominance through its in-house Domino’s Pizza Mobile App (30.2 Mn App downloads in FY22). The mobile ordering contribution to OLO sales has jumped from 38% at the end of FY16 to a staggering 97% by FY22.
- **Providing Value to customers by creating sought out growth strategies:** JFL has never failed to impress as it has created its place in the market by emphasizing on ‘Value for Money’ philosophy and has strived hard in providing the best quality Pizza’s at affordable prices, thus, highlighting its ‘Every Day Value’ (EDV) strategy.
- **Diversifying into new brands and development of own brands:** The company is well placed to leverage its position to promote its new brands portfolio of home grown brands in the market–Hong’s Kitchen (14 stores), Ekdum! (6 stores) and ChefBoss, along with Dunkin (25 stores) and Popeyes (6 stores) as of Q1 FY23.
- **International expansion and growth:** With its dynamic expansion strategies, the company has made ripples in the international geographies of Sri Lanka and Bangladesh along with DP Eurasia despite the headwinds of deteriorating economic conditions and rising inflation amidst COVID. (Total no. of Stores in Sri Lanka and Bangladesh touched 46 and DP Eurasia standing at 842 as of Q1 FY23).

### Initiate Coverage with Buy - TP of ₹ 891

Strong cost control and management focus on aggressive store additions along with thrust on digital & tech initiatives were key positives providing strong growth outlook. The resultant robust performance in Q1 FY23 led by strong Revenue growth, recovery in LFL growth and positive expectations from the new brands portfolio makes JFL a hot pick. Sustained delivery demand is also here to stay as we expect a further growth of **Revenue/PAT CAGR at 28%/37% respectively as of FY22-25E and ROE/ROCE at 28%/41% FY24E**. We initiate coverage with a **BUY** valuing the stock at **76x** (10yr avg. P/E of JFL) **CY24E EPS of ₹ 11.8** to arrive at our **Target Price of ₹ 891** with a potential upside of **41%**.

### Key Financials

Particulars	2019	2020	2021	2022	2023E	2024E	2025E
Net Sales (Mn)	35,631	39,273	33,119	43,961	55,650	72,057	93,344
EBITDA (Mn)	6,471	9,452	8,443	11,501	13,906	18,411	23,453
EBITDAM (%)	18%	24%	26%	26%	25%	26%	25%
PAT (Mn)	3,180	2,788	2,305	4,181	5,181	7,775	10,745
ROCE (%)	39%	46%	30%	33%	34%	39%	41%
P/E (x)	125x	142x	172x	95x	77x	51x	37x

Source: Company, Bonanza Research

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### Quick Service Restaurants

Current Price:	633
Target Price:	891
Expected Upside (%)	41%

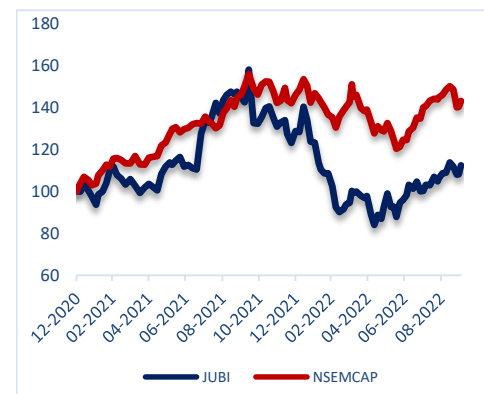
### Stock Details

Bloomberg Code	JUBI:IN
Reuters Code	JUBI.NS
Shares o/s (Mn)	659.84
M Cap (₹. In Mn)	4,17,682
52 week H/L (₹.)	915 / 451

### Shareholding Pattern (%)

Promoter Group	41.94
FII	29.80
DII	17.20
Government	0.14
Public	10.71
Others	0.21

### Stock Performance Chart



### Stock Performance

Return (%)	1 Month	6 Month	1 Year
Absolute	3%	12%	-22%
Relative	-2%	-5%	-2%

### Analyst

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## Index

### Jubilant in a Nutshell

- Introduction and Business Model.....	3
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### A peek into the QSR Industry

- QSR Industry – Huge scope for growth.....	4
- Peer Comparison.....	5

### Investment Arguments

- JFL to maintain its leadership position in the QSR space in the future .....	6
- Focus on Digitization provides a competitive edge, enhancing scalability.....	8
- Innovation and Value creation to accelerate demand growth.....	9
- Popeyes to be the Game-Changer in JFL’s new brands portfolio.....	12
- Renewed focus on International expansion to drive future profitability.....	14

Key Drivers to Growth.....	15
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Strong Financial Performance.....	17
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Risks / Challenges.....	18
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Valuations & Outlook.....	19
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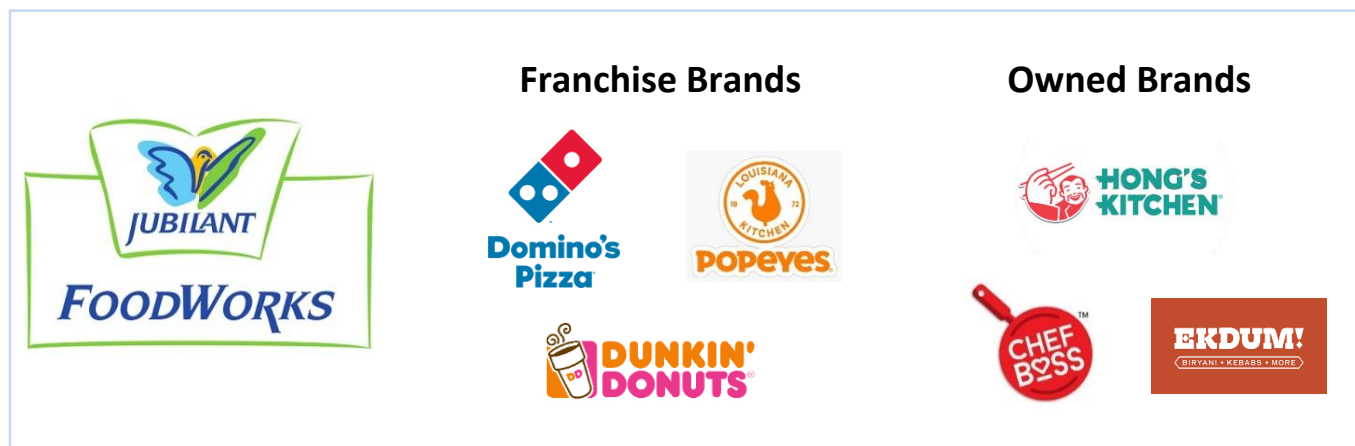
Financial Summary.....	20
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## Jubilant in a Nutshell

### Introduction

- Jubilant FoodWorks Limited (JFL) is part of the Jubilant Bhartia Group and is one of India's largest food service companies. JFL holds the master franchise rights for Domino's Pizza and Dunkin' Donuts, along with Popeyes which was added in the previous fiscal. The company has launched its first home-grown brand – Hong's Kitchen in Chinese cuisine segment in India.

Exhibit 1: JFL Brand Portfolio



### Business Model

- JFL has a focussed delivery and takeaway business model, which has shown consistent growth since the past 5 years. (11.22% CAGR from FY17-22).
- JFL has signed a Master Franchise Agreement with Domino's International which provides the company with the exclusive right to develop and operate Domino's pizza delivery stores in India, Nepal, Bangladesh and Sri Lanka. The term of the Master Franchise Agreement continues until December 31, 2024 and is renewable for a period 10 years.
- JFL has always remained aggressive in terms of expansion and growth. The no. of split stores being opened during a year has increased significantly from 5 new split stores in FY18 to 90 new split stores in FY22. Hence, Like-for-Like (LFL) growth, which is the Same Store Sales Growth of non-split stores, is a more relevant comparator for the business as the Company intends to continue executing its fortressing strategy. Domino's LFL stood at 26.4% for FY22 which has further gone up to 28.3% in Q1 FY23.
- The company has added 230 new stores and entered 48 new cities in FY22, which topped at 58 new stores and 12 new cities in Q1 FY23. It aims to achieve a milestone of 3,000 stores in the country in the medium term from the current level of 1,625 stores. The speed of delivering quality service to consumers is a key metric for the company. Increasing reach has helped JFL reduce its Average Delivery Time (70% of its orders are now delivered in under 20 minutes).
- In the world of tech - savvy start-ups, JFL remains unbeatable in areas of online presence and Digital dominance through its in-house Domino's Pizza Mobile App. The mobile ordering contribution to online order sales has jumped from 38% at the end of FY16 to a staggering 97% by FY22. Domino's app continues to be the highest-rated app in India within the FSI on both Playstore and Appstore.
- The Company has also signed an exclusive Master Franchise and Development Agreement (MFDA) with PLK APAC Pte. Ltd., subsidiary of Restaurant Brands International Inc. (RBI), to own and operate Popeyes® restaurants in India, Bangladesh, Nepal and Bhutan (6 stores in Bangalore with an aim to expand to 250-300 Popeyes stores in the medium term).

*No. of split stores has gone up significantly from 5 to 90 new split stores during FY18-FY22*

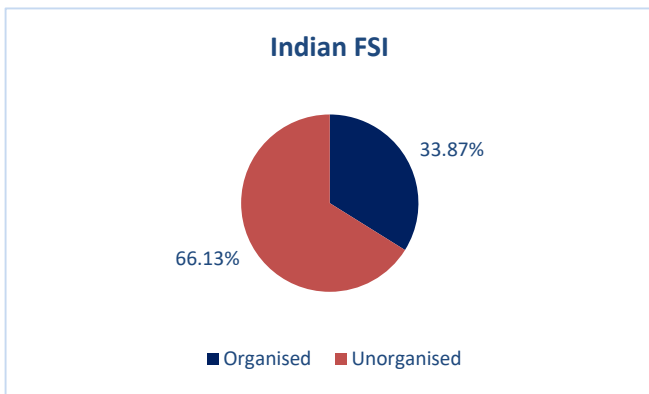
## A peek into the QSR Industry

### The QSR Industry

- The Indian Food Service Industry (FSI) is very young and unorganized, thus, carries a wide variety of growth opportunities and a huge scope for penetration. The industry is currently a ₹ 32,740 Cr market, wherein majority of it is unorganized (66%), with the organized segment comprising of just 34%.
- Pre-Covid, the Industry that was estimated at ₹ 42,360 Cr in FY20, grew by CAGR of 9% over the last decade, which declined to ₹ 32,740 Cr in CY21. We expect the Dine-in and On-Premise consumption to get back to normalcy, while the growth in the online segment are also expected to remain constant.

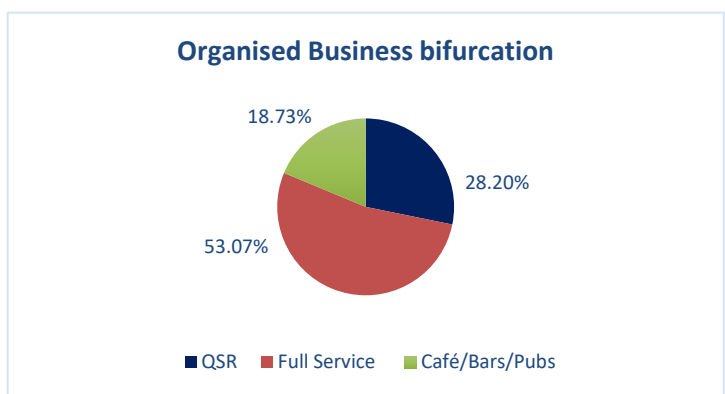
*The Indian FSI is estimated to be a ₹ 32,740 Cr industry as of FY22 of which only 34% is organized*

Exhibit 2: Organized v/s Unorganized Structure



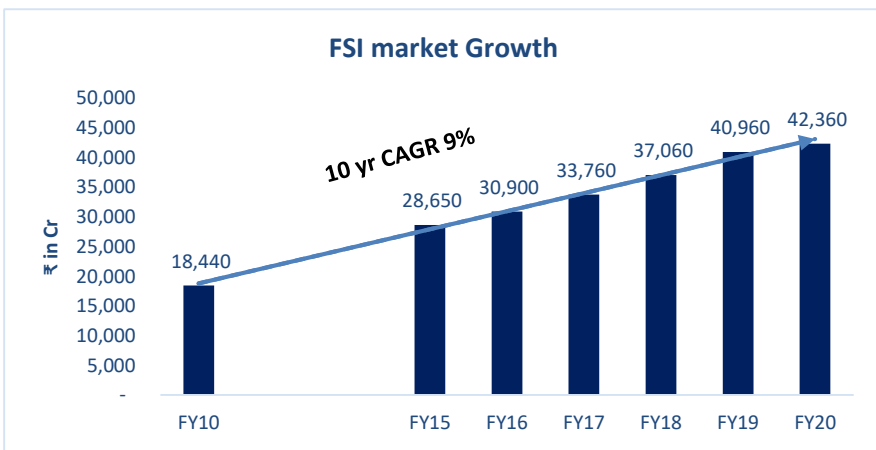
Source: Annual Report and Industry Report, Bonanza Research

Exhibit 3: Organized business segment, with QSR comprising the highest portion



Source: Annual Report, Bonanza Research

Exhibit 4: Foodservice market growth 10 years statistics show huge potential



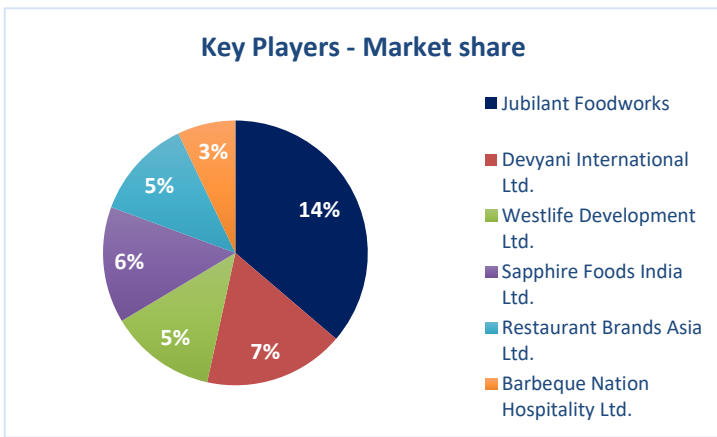
Source: Annual Report, Bonanza Research

### Peer Comparison

- The Quick Service Restaurant (QSR) industry is a large part of the organized business in the FSI comprising almost 28% of the pie, and JFL owns a sizable 14% market share of the total QSR segment (Chained + Standalone outlets).
- Devyani International, the closest competitor to JFL has a Market share of 7% of the total QSR segment with a store presence of 1,008 stores as of Q1 FY23. It is the largest franchisee of Yum Brands in India operating franchisees of Pizza Hut, KFC and Costa Coffee, and owned brands – Vanngo and The Food Street.
- The next two close competitors for JFL are 1) Sapphire Foods (6% market share), one of the YUM’s franchisee operators in the Indian Subcontinent with 3 of YUM’s leading brands, namely, KFC, Pizza Hut, and Taco Bell with a store count of 616 outlets across India, Sri Lanka & Maldives as of Q1 FY23. 2) Westlife Development Limited (WDL) (5% Market Share) carries out its business in the operation through its wholly owned subsidiary Hardcastle Restaurants Pvt. Ltd (HRPL) which operates McDonald’s restaurants (331 restaurants as of Q1 FY23) in West and South India through its master franchise arrangement with McDonald’s Corporation.
- The other competitors include, Restaurant Brands Asia (5% Market share), incorporated as Burger King India Ltd who has the national master franchisee of the BURGER KING brand in India (328 restaurants as of Q1 FY23), and Barbeque Nation Hospitality (3% Market share) who owns and operates Barbeque Nation Restaurants (195 restaurants as of Q1 FY23)- one of India’s leading casual dining restaurant chains.
- JFL has shown strongest Profitability with PAT margins at a decent 10%, best amongst its peers, and ROE/ROCE at 26%/43% respectively as at FY22. The peers pose a tough competition with PAT numbers - Devyani/Westlife/Sapphire/RBA/Barbeque stand at PATM% of 7%/-0.11%/3%/-16%/-3%.

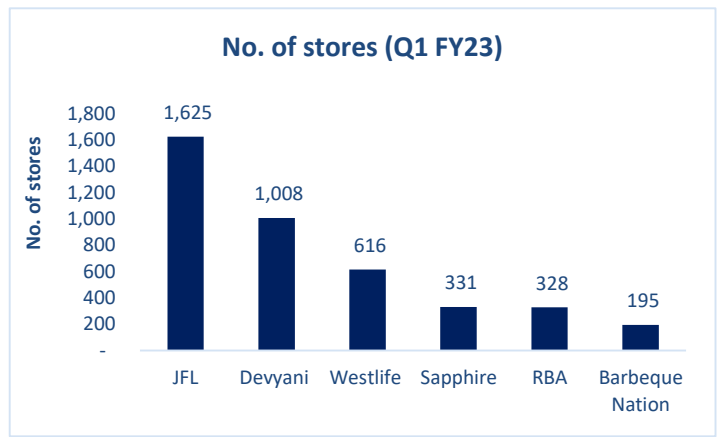
**JFL is the market leader with 14% market share (Chained+Standalone), whereas Devyani International, the closest competitor owns 7% of the market share**

Exhibit 5: Market Share of Key players (Chained + Standalone Outlets)



Source: Annual Report of various companies, Bonanza Research

Exhibit 6: JFL way ahead of its peers in terms of No. of stores



Source: Investor Presentation of peer companies, Bonanza Research

Exhibit 7: Key Ratios of Competitors in QSR Business

Company	Revenue	EBITDA	EBITDAM%	PATM%	ROE%	ROCE%
Jubilant Foodworks	4,39,612	1,15,013	26%	10%	26%	43%
Devyani International	2,08,401	49,031	24%	7%	39%	36%
Westlife Development	1,57,649	21,696	14%	-0.11%	-0.36%	12%
Sapphire Foods	1,72,157	34,300	20%	3%	6%	16%
Restaurant Brands Asia	94,371	11,070	8%	-16%	-43%	-18%
Barbeque Nation Hospitality	86,055	16,001	19%	-3%	-10%	8%

Source: Annual Report of various companies, Bonanza Research

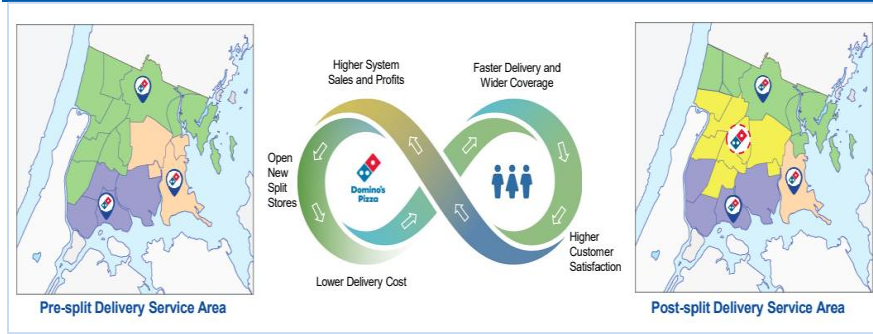
## Investment Arguments

### 1. JFL to maintain its leadership position in the QSR space in the future

- As India’s largest food service company in the Quick Service Restaurant (QSR) industry, with a Revenue growth of 41% YoY in Q1 FY23, has a strong sequential growth in Dine-in and Takeaway channel while continued momentum in Delivery channel. Rightly so, they remain to be the largest player in the industry with 14% market share, whereas the closest competitor Devyani International Ltd. is at 7%.
- JFL has very well leveraged the early mover advantage in the Pizza delivery business spreading its roots from the urban cities to other Tier 2 & 3 cities of India, maintaining its growth momentum and acquiring new customers. During the year, JFL crossed the milestone of opening its 1,500<sup>th</sup> store. JFL has high probability of opening more stores successfully due to 1) its learning curve of expanding aggressively (>1,600 stores) and 2) JFL’s own delivery capability (either through own app or food aggregators) allowing it to own and manage customer data.
- The company has added record of 230 new stores and entered 48 new cities in FY22 and aims to open around 3,000 stores in the medium term. Almost 70% of Domino’s delivery orders are now delivered within 20 minutes.
- Fortressing is a strategy that has been successfully implemented by JFL where its mother store and the new split store in its area, (a massive increase of new split stores from 5 in FY18 to 90 in FY22) together are able to generate stronger revenue growth, stronger EBITDA growth, better customer experience with higher efficiencies and lower costs. Domino’s India Like-For-Like (LFL) growth stood at 28.3% for Q1 FY23.

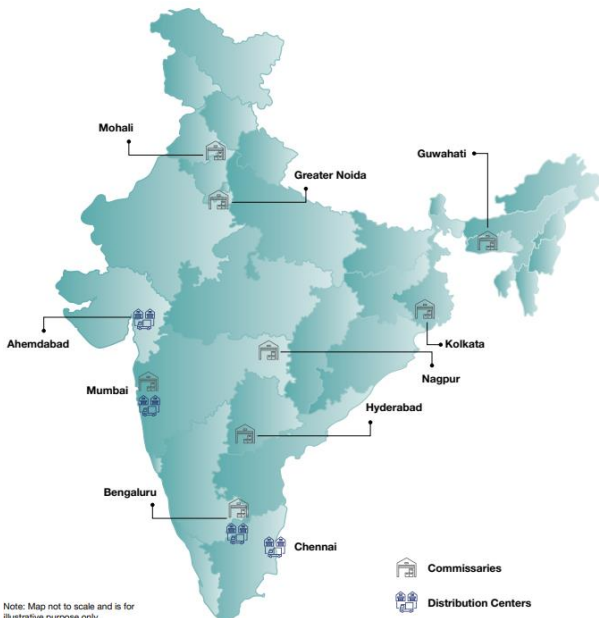
**JFL has added record of 230 new stores and entered 48 new cities in FY22, and aims to reach at a level of 3,000 stores in total by the medium term**

**Exhibit 8: JFL’s successful fortressing strategy**



Source: Annual Report of JFL FY22, Bonanza Research

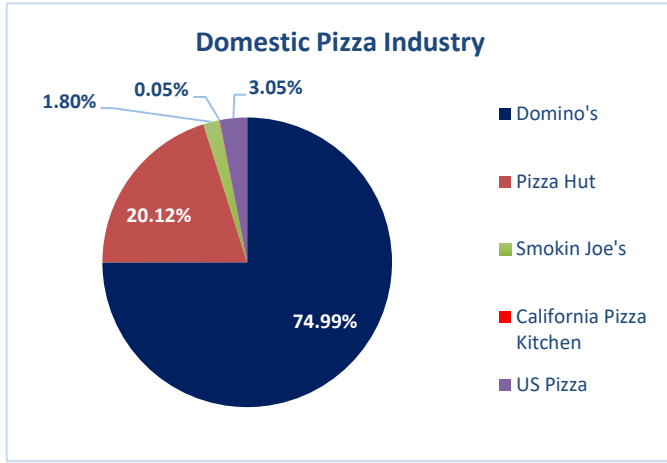
**Exhibit 9: Powerful Pan-India Integrated Supply Chain Network**



Note: Map not to scale and is for illustrative purpose only.

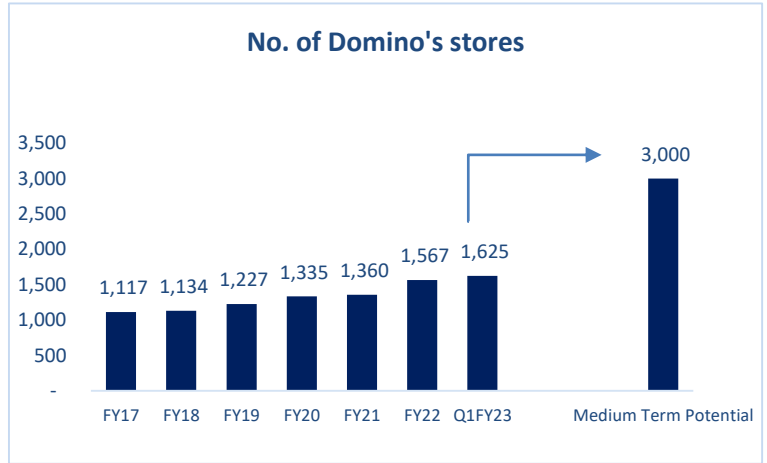
Source: Annual Report FY22, Bonanza Research

Exhibit 10: Domestic Pizza Industry



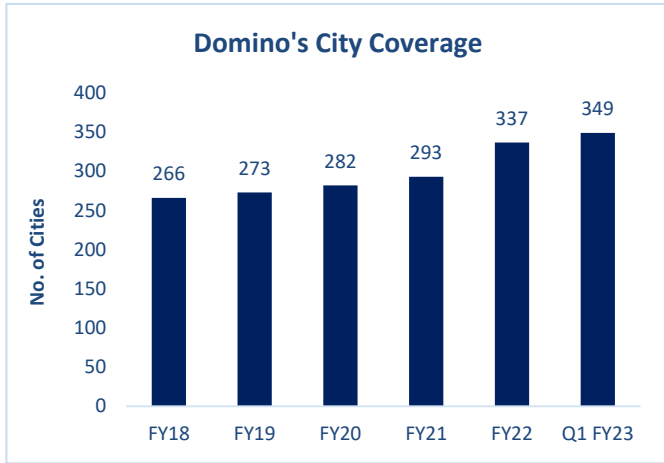
Source: Annual Report FY22 and various company websites, Bonanza Research

Exhibit 11: The Pizza Network of Domino's



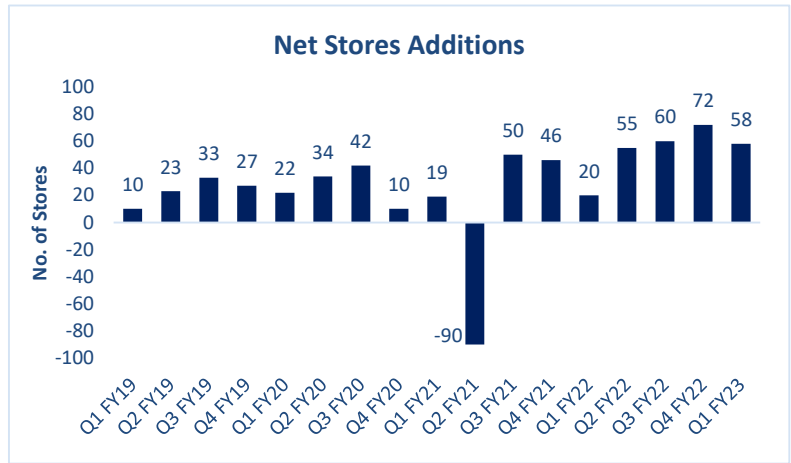
Source: Annual Report FY22 and Investor Presentation Q1 FY23, Bonanza Research

Exhibit 12: City Coverage



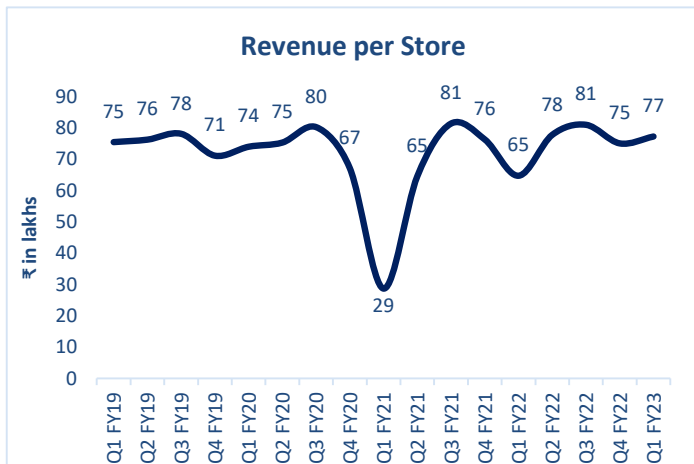
Source: Annual Report FY22 and various company websites, Bonanza Research

Exhibit 13: Net Store Additions (Domino's)



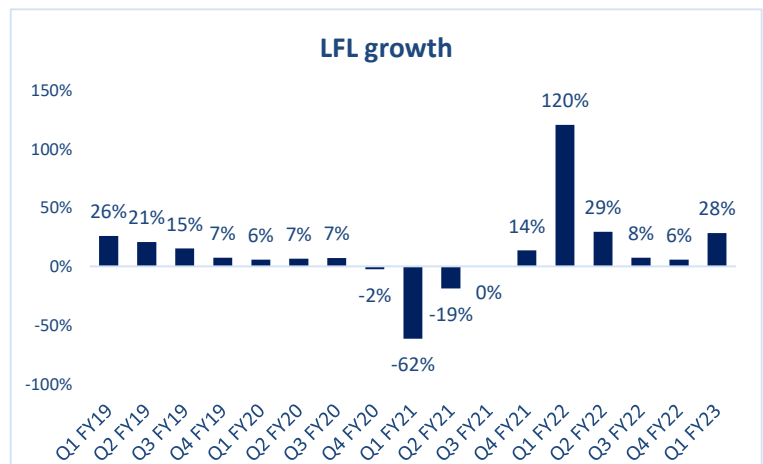
Source: Annual Report and Investor Presentation, Bonanza Research

Exhibit 14: Impressive Recovery in Revenue per store



Source: Annual Report JFL, Bonanza Research

Exhibit 15: LFL growth sees robust recovery back to pre-COVID levels



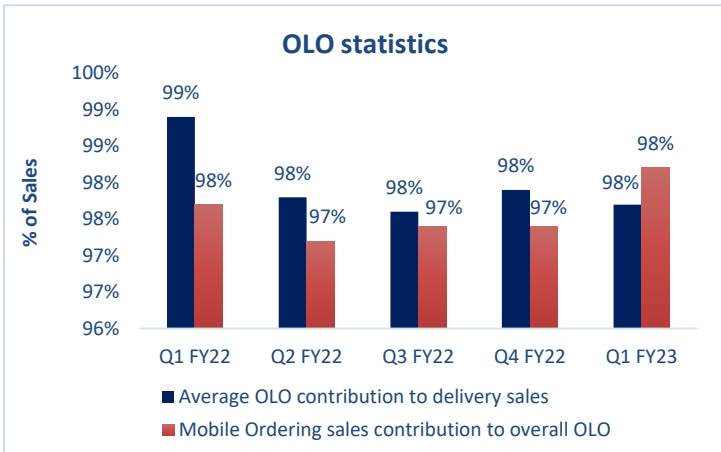
Source: Annual Report and Investor Presentations, Bonanza Research

## 2. Focus on Digitization provides a competitive edge, enhancing scalability

- JFL focused its efforts on developing a robust Digital technology that has aided in providing convenience and transparency in the OLO channel contributing a massive 98% of the delivery sales and Mobile ordering sales contribution to overall OLO also at 98% during Q1 FY23, driven by steady improvisations in the Domino’s App.
- The company is continuously working on providing a customer-centric, personalized, and more intuitive experience on the Mobile app for online ordering, thus, resulting in a strong number of Domino’s App installs at 30.2 Mn during FY22. The Domino’s Pizza App continues to be among the highest-rated food apps on Google Play Store as well as Apple Play Store in India. JFL has also launched a mobile app and Progressive Web Application (PWA) for Hong’s Kitchen.
- The company has also launched a Hindi version of the Domino’s App which will be a game changer in the online ordering through mobile app space as it will help the company to penetrate into the rural areas covering Tier 4 & 5 cities.
- JFL has developed a 1-Step on boarding solution which will help reduce the number of steps in boarding a customer from 5 to 1. This is currently in Pilot mode and will be gradually rolled out to everyone. The 1-Step on boarding is the first step of the company’s planned UX overhaul.

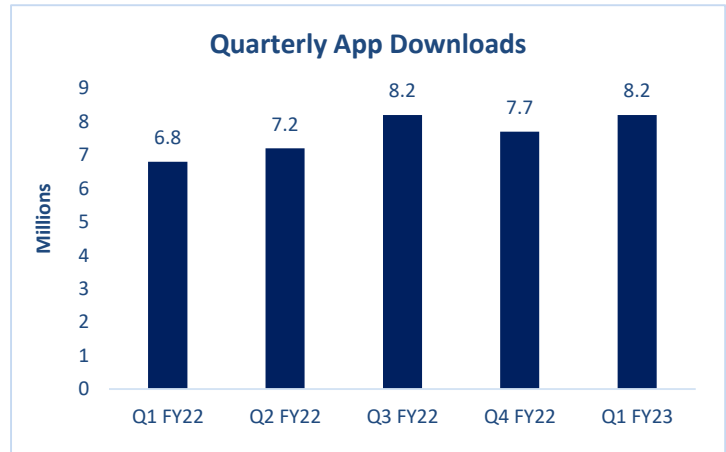
*JFL’s focus remains strong on Digital and Tech development, resulting into OLO contribution to Delivery Sales at a notable 97.7% in Q1 FY23, and Mobile Ordering contribution to overall OLO sales stood at 98.2% during the same period.*

Exhibit 16: Robust Tech investments translate into higher OLO contribution



Source: Investor Presentation Q1 FY23, Bonanza Research

Exhibit 17: Quarterly app downloads at all time high



Source: Investor Presentation Q1 FY23, Bonanza Research



### 3. Innovation and Value creation to accelerate demand growth

- The company continually evaluates its business strategies in an endeavour to try and surpass customer expectations. JFL focusses on three main parameters of growth and superior value creation – **Product, Promotion and Services**.

**Product:**

- The key to scaling up of business is to cater to the diverse food palate of Indian consumers by offering value. Domino’s India offers 40+ range of Pizzas, 30+ sides, desserts and beverages. The Innovation in product offerings is unbeatable with introduction of Unthinkable Pizza, Pizza Mania, Overloaded Pizzas, Indian flavours and International Pizzas, and much more.
- Dunkin Donuts offers wide selection of Donuts, Hot and Iced beverages and other baked goods. The brand has specially developed beverages for delivery, ‘Dunkin Cold Coffee at Home’, which added to the variety available to consumers during COVID lockdowns.
- The addition of ‘Popeyes’ (Currently operates 6 stores in Bangalore) in the portfolio where JFL has taken a master franchise from PLK APAC Pte. Ltd., a subsidiary of Restaurant Brands International poses as a new growth driver.

*JFL provides a wide range of Pizza’s, Sides, deserts and beverages which constitute a total of 95% of the Revenue*

**Exhibit 18: Unbeatable Product Innovation in Domino’s**

Core Menu	Sides/Beverages
FY’17 <ul style="list-style-type: none"> <li>4 Pizza Mania extremes: (Herby, Spicy, Cheesy and Loaded)</li> <li>Navratra Pizza combo</li> <li>Quattro Formaggi Burst Pizza</li> <li>Choco Pizza</li> </ul>	<ul style="list-style-type: none"> <li>Burger Pizza</li> </ul>
FY’18 <ul style="list-style-type: none"> <li>Paneer Makhani and Chicken Tikka Pizza</li> </ul>	<ul style="list-style-type: none"> <li>Roasted Chicken Wings in Peri-Peri Seasoning &amp; Classic Hot Sauce</li> <li>Boneless Chicken Wings in Peri-Peri &amp; Lemon Pepper Seasoning</li> <li>Chicken Meatballs in Peri-Peri Seasoning &amp; Sriracha Sauce</li> </ul>
FY’19 <ul style="list-style-type: none"> <li>Introduced ‘Multigrain Crust’</li> <li>5 new international flavours</li> </ul>	<ul style="list-style-type: none"> <li>Taco Mexicana</li> <li>Crinkle Fries</li> <li>Crunchy Strips</li> <li>Potato Cheese Shots and</li> <li>Brownie Fantasy</li> </ul>
FY’20 <ul style="list-style-type: none"> <li>10 international flavours with ‘World Pizza League’</li> <li>6 new pizzas under the ‘All New Masala Pizzas’ range</li> </ul>	<ul style="list-style-type: none"> <li>3 value-added beverages (Cola Twist, Lime Twist and Jamun Twist flavours)</li> </ul>
FY’21 <ul style="list-style-type: none"> <li>Pasta Pizza Range</li> <li>The Unthinkable Pizza(India’s first plant-based protein pizza)</li> </ul>	<ul style="list-style-type: none"> <li>New range of Pastas</li> </ul>
FY’22 <ul style="list-style-type: none"> <li>Overloaded Cheese Pizza Range</li> <li>Overloaded Chicken Pizza Range</li> </ul>	<ul style="list-style-type: none"> <li>Range of two new Stuffed Garlic Breads, the Paneer Tikka Stuffed Garlic Bread and the Chicken Pepperoni Stuffed Garlic Bread</li> <li>Lavalicious Red Velvet</li> </ul>

Source: Annual Report FY22, Bonanza Research

**Exhibit 19: Addition of Popeyes in JFL’s portfolio marks a vital move**

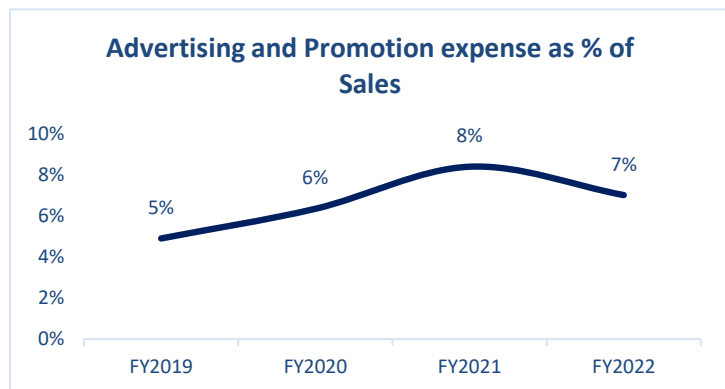


Source: Investor Presentation, Bonanza Research

**Promotion:**

- The company has developed the Everyday Value (EDV) proposition for Domino’s and has also launched its First ever Loyalty Program – Domino’s Cheesy Rewards which aims at driving up the recurrence of existing customers and attracting new customers.
- They have developed a robust CRM tool which has enhanced the targeted discounts, based on three parameters: 1) Discount Affinity, 2) Purchase Propensity, and 3) Responsiveness to Discounts.
- The company was well placed to cater to consumers during the COVID period with various campaigns, - #DominosBackToCricket in September 2020 and crafted an innovative campaign ‘Order Karna Safe Hai’, as COVID-19 safety response.

Exhibit 20: An increasing trend in the Advertising Exp to boost demand



Source: Annual Report, Bonanza Research

Exhibit 21: JFL shows a healthy spent in Advertising Exp among peers

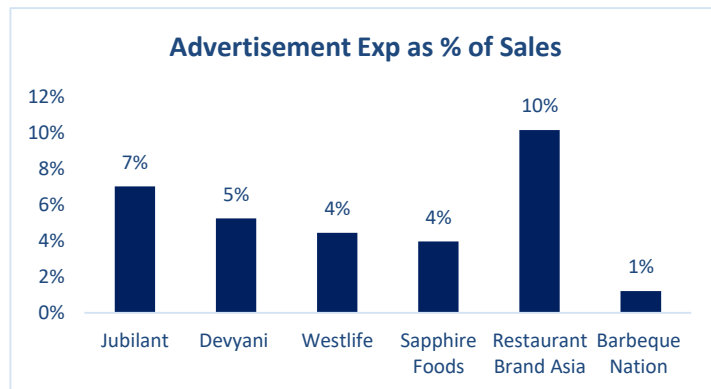


Exhibit 22: Loyalty Program – Domino’s Cheesy Rewards

A DELIGHTFUL PROGRAM FOR YOU!

FREE PIZZA

GET A FREE PIZZA AFTER EVERY 6 ORDERS

**Simple Construct:**

- Earn 100 points for every eligible order
- Get a free pizza on accumulation of 600 points

**Free For All, More Value to All:**

- The loyalty points are awarded over and above the other prevailing offers

**The program is aimed at:**

- Driving frequency of existing customers
- Welcoming new customers to our assets

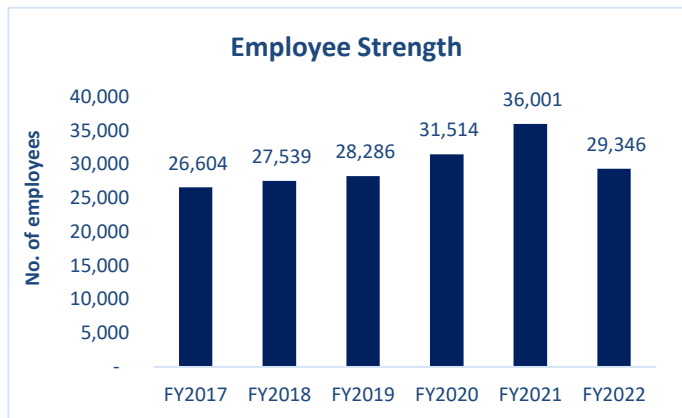
Source: Investor Presentation Q1 FY23, Bonanza Research

**Services:**

- During the year, the Company achieved a remarkable feat of delivering more than 70% of delivery orders in less than 20 minutes. Immense focus and efforts were made on the entire process of preparing the Pizza to delivering it to end consumer and reducing the time taken for it.
- The company’s essence lies in Guest Centricity, for which the company has launched various training programmes like ‘Atithi Devo Bhava’ (27,760 No. of employees trained under the program), Company’s guest service programme that focuses on training the store employees on developing a customer-first attitude and service behaviour in various scenarios towards providing customer delight to all our customers.
- JFL has decreased the Number of employees (6,655 reduced in FY22), but on the other hand, the cost per employee has increased in FY22 (Up from 2.011 lakhs in FY18 to 2.618 lakhs in FY22). This indicates that the company is hiring better quality employees which is in-turn resulting in higher productivity in servicing orders.

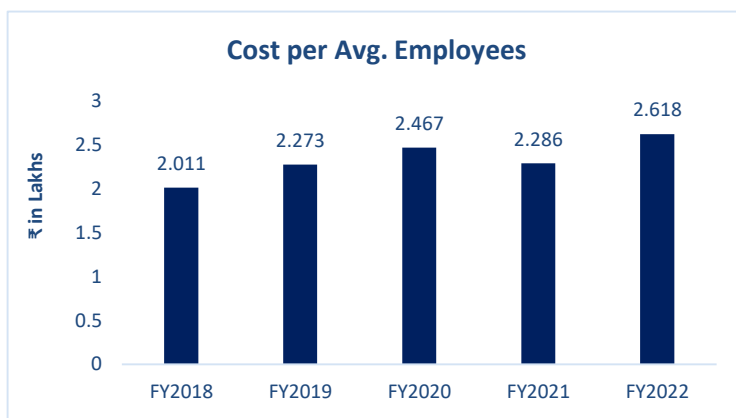
**JFL has launched a Guest centric training program – ‘Atithi Devo Bhava’ under which it has trained 27,760 employees as of FY22**

Exhibit 23: JFL's employee Strength



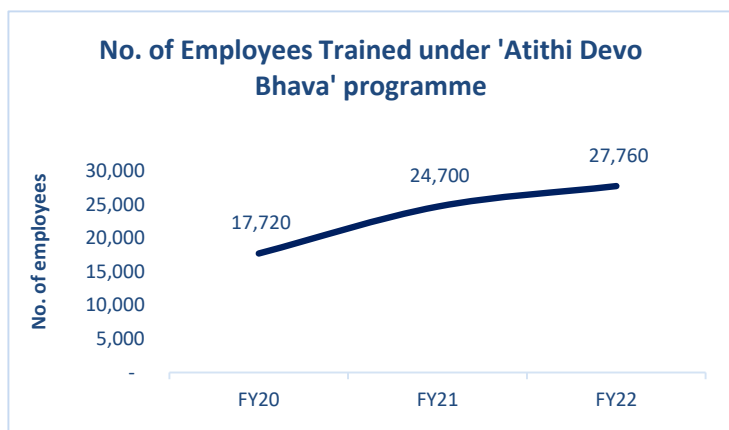
Source: Annual Report, Bonanza Research

Exhibit 24: Cost per Avg. Employees increases as JFL focuses on quality of staff



Source: Annual Report FY22, Bonanza Research

Exhibit 25: JFL's guest centric 'Atithi Devo Bhava' Programme Training employees



Source: Annual Report, Bonanza Research

#### 4. Popeyes to be the Game-Changer in JFL’s new brands portfolio

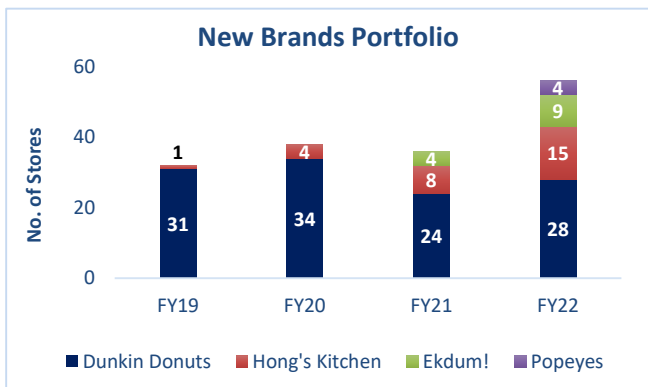
- The company has excelled in its flagship offering – Domino’s Pizza which is the largest QSR Brand in India. JFL’s next largest franchised brands is Dunkin’ Donuts that was launched in April 2012 in India. It has a renowned focus on donuts, hot and iced beverages and other baked goods (Currently operates 25 restaurants across India).
- The company has forayed into Chinese cuisine through its home-grown brand – Hong’s Kitchen in FY19 in a quest to fill the gap between Street-Style Chinese and Fine Dine (14 Restaurants across 4 cities in Q1 FY23).
- In 2020, the company has made an entry in one of India’s favourite cuisine, Biryani, though it’s home-grown Brand – Ek dum! Offering extensive range of Biryanis (Local flavours), Kebabs, Starters Curries, Breads, Deserts and Beverages (6 Restaurants across 3 cities). It has also made a bold move by setting foot in the FMCG industry with the launch of ready-to-cook range under the brand – ChefBoss.
- The previous fiscal has marked the company’s addition of another Master franchise brand into its portfolio by signing an exclusive Master Franchise and Development Agreement (MFDA) with PLK APAC Pte. Ltd., subsidiary of Restaurant Brands International Inc. (RBI), to own and operate Popeyes® stores in India, Bangladesh, Nepal and Bhutan.

**JFL owns Domino’s Pizza, Dunkin and Popeyes brands franchisees and has launched Ek dum!, Hong’s Kitchen and ready-to-cook range brand ChefBoss under its owned brands**

#### Popeyes – New Growth Driver

- A global QSR chain of US origin – Popeyes, was founded in New Orleans, Louisiana in 1972, distinguishing itself with a unique New Orleans style menu featuring the iconic Chicken Sandwich, Spicy Chicken, Chicken Tenders, Fried Shrimp, and other regional items. In Mar’17, Restaurant Brands International (RBI) acquired PLK for USD1.8b.
- Popeyes is present in 25 countries with 3,300 stores worldwide and is further expanding into other geographies. JFL launched the Popeyes brand in India in January 2022, and now operates 6 stores in Bengaluru. It has also introduced E-bikes for their Popeyes delivery with 100% E-bikes in the fleet (3,822 bikes in FY22).
- Being a Dine-in focuses brand, the store size compared to Domino’s is large and hence, requires higher CAPEX per store. The management’s positive outlook of prospective scalability and profitability is evident in its guidance for 250 – 300 stores in the medium term with 20-30 stores in FY23E.

Exhibit 26: JFL’s brand expansion strategy



Source: Annual Report, Bonanza Research

Exhibit 27: Dunkin’s Network presence in India

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
<i>Restaurants at the beginning of the period</i>	24	27	28	29	28
<i>New Restaurants</i>	3	2	1	1	0
<i>Closed restaurants</i>	0	1	0	2	3
<b><i>Restaurants at the end of the period</i></b>	<b>27</b>	<b>28</b>	<b>29</b>	<b>28</b>	<b>25</b>

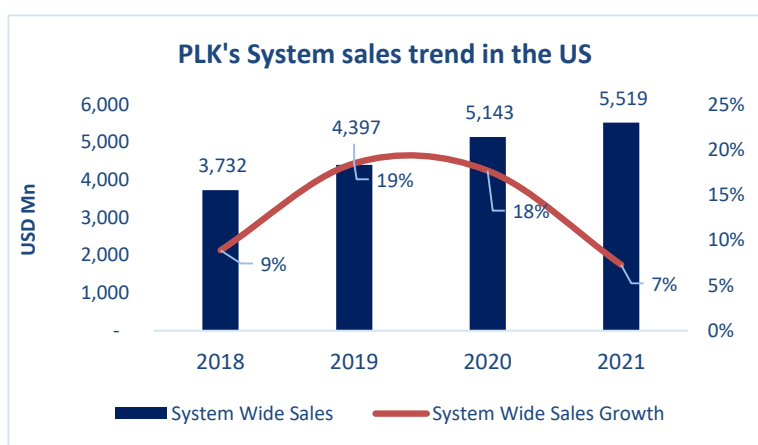
Source: Investor Presentation Q1 FY23, Bonanza Research

Exhibit 28: Hong's Kitchen and Ekdum! Network in India

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
Restaurants at the beginning of the period	12	18	21	22	24
New Restaurants	6	3	1	2	2
Closed restaurants	0	0	0	0	6
<b>Restaurants at the end of the period</b>	<b>18</b>	<b>21</b>	<b>22</b>	<b>24</b>	<b>20</b>

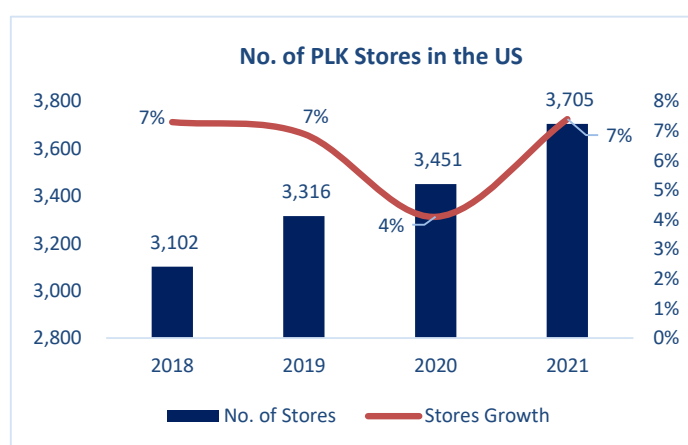
Source: Investor Presentation Q1 FY23, Bonanza Research

Exhibit 29: PLK's System Sales growth sees a stable trend in the US markets



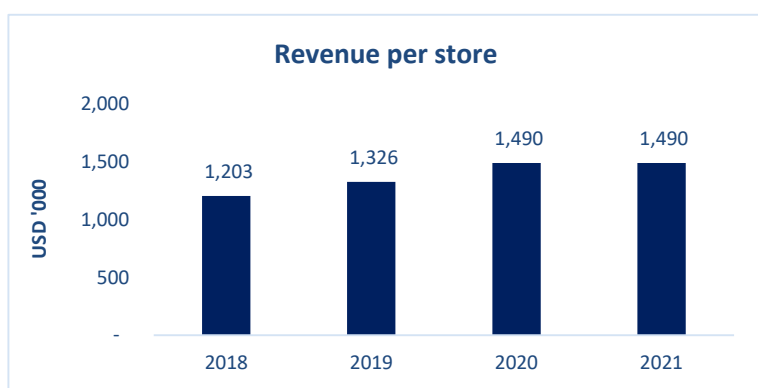
Source: Investor Presentation FY23, Bonanza Research

Exhibit 30: While great recovery is seen in store expansion of PLK



Source: PLK Annual Reports, Bonanza Research

Exhibit 31: The Revenue per store of PLK US



Source: Investor Presentation FY23, Bonanza Research

### 5. Renewed focus on International expansion to drive future profitability

- JFL makes a mark in its international markets of Sri Lanka with highest ever System sales growth of 80.9% as on FY22 which increased to 83% in Q1 FY23 despite inflationary and political headwinds. The company remains confident with its scaling up strategy with 9 new stores of Domino’s, taking the total to 35 stores.
- The delivery business in Bangladesh was favourable despite the market being dine-in centric in the last 2 years, recording an overall system sales growth of 49% in Q1FY23 with Delivery sales growth of 26% and Takeaway sales growth of 11%. The company is fully acquired the Bangladesh subsidiary as this is a major growth market which is vastly underpenetrated.
- The average OLO contribution to delivery sales in Sri Lanka has grown from 51% in Q1 FY22 to 66% in Q1 FY23, and the same has increased from 68% in Q1 FY22 to 72% Q1 FY23 in Bangladesh.

**Sri Lanka and Bangladesh mark a System Sales growth of 83% and 49% respectively as of Q1 FY23**

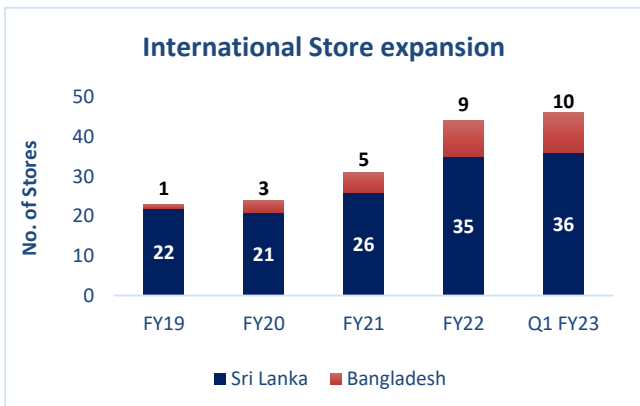
Exhibit 32: JFL leaves its imprints in the International Markets



Restaurants at the end of June 30, 2022	India	Sri Lanka & Bangladesh	DP Eurasia		Total
			Turkey, Azerbaijan and Georgia	Russia	
Domino's Pizza	1,625	46	643	184	2,498
Other Brands	51	-	15	-	66
<b>All Brands</b>	<b>1,676</b>	<b>46</b>	<b>658</b>	<b>184</b>	<b>2,564</b>

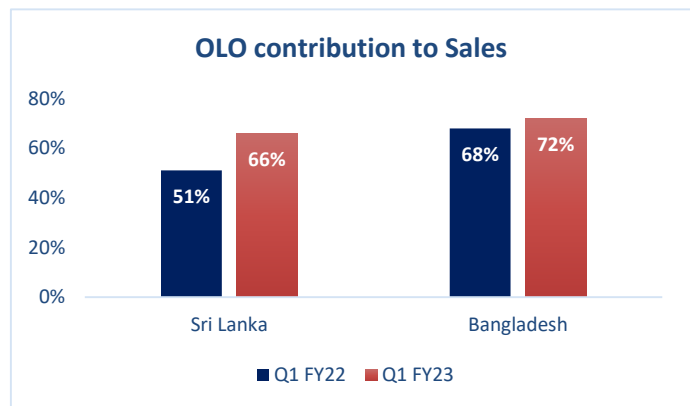
Source: Annual Report FY22, Bonanza Research

Exhibit 33: International Store expansion at its peak



Source: Annual Report FY22, Bonanza Research

Exhibit 34: Encouraging OLO contribution in International markets

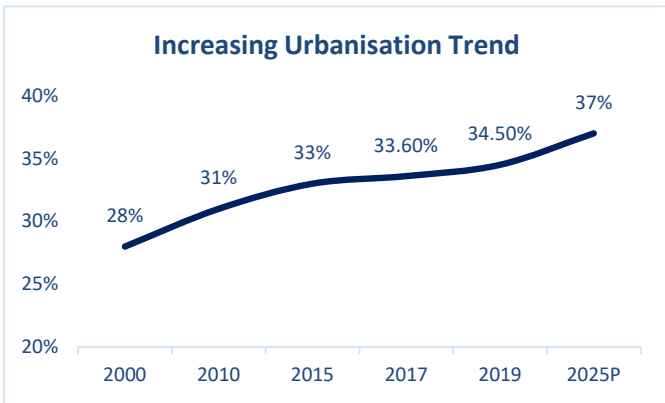


Source: Investor Presentation Q1FY23, Bonanza Research

## Key Drivers of Growth

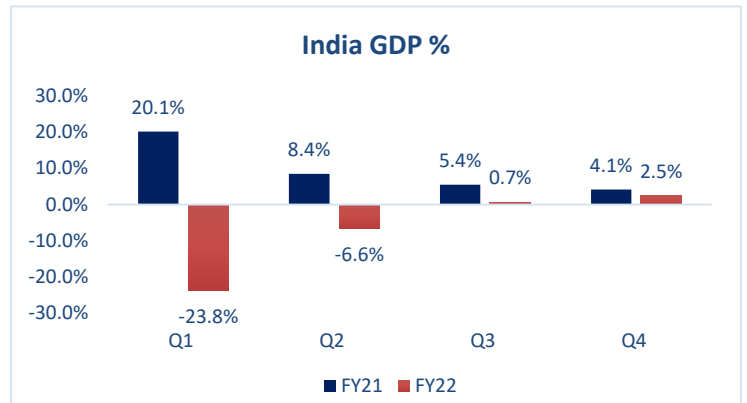
- Demographic Tailwinds:** Discretionary spending has seen an upward growth on the back of growing number of households with annual income between \$5,000 to \$10,000, reaching 132 Mn households with a CAGR of 12.5% between FY09 and FY20, and an income in the range of \$10,000 to \$50,000 has grown at CAGR 21.7% during the same period. India has the second-largest urban population in the world in absolute terms at 482 million in 2020. The economic growth in India has various driving factors, among which Urbanization is the key factor. This is likely to increase to approximately 37% by 2025, as per United Nations Population Division estimates. Currently, the urban population contributes 63% of India’s GDP. The urban population is expected to contribute 75% of India’s GDP in FY30.

Exhibit 35: Growing urbanisation in India



Source: Annual Report FY22, Bonanza Research

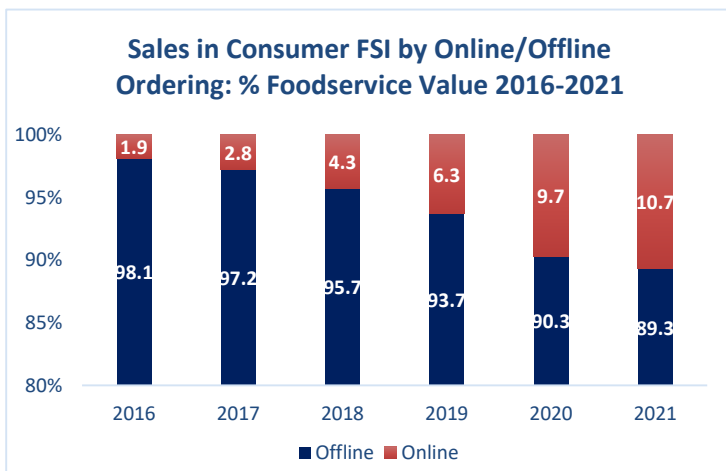
Exhibit 36: GDP growth - Aids spending power of consumers



Source: Annual Report FY22, Bonanza Research

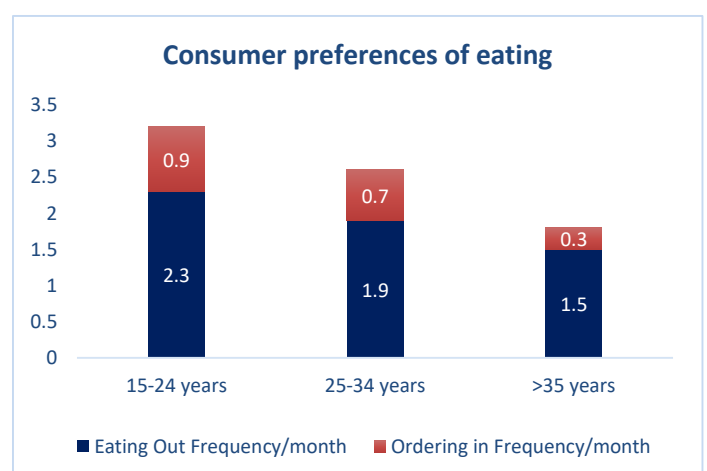
- Accelerated Online Sales:** In recent years, the 4G network in India has seen a massive build-up, resulting to over 700 Mn subscribers for Network operators, thus, increasing Mobile internet penetration. A very interesting factor which has turned out to be a growth driver is rise in the number of working Women, as this has resulted in contribution to growth in the Online food ordering in Metro cities.

Exhibit 37: Boost in Online Ordering aids business growth



Source: Annual Report FY22, Bonanza Research

Exhibit 38: Eating-out and ordering-in frequency



Source: Annual Report FY22, Bonanza Research

- Strong Restaurant Network:** The Domino’s store network is one of the core competencies of JFL which translates in its superior Brand name and highest market share in India. During the year, the company has achieved its milestone of opening its 1,500<sup>th</sup> store in India. It has added 230 new stores and entered into 48 new cities in FY22 and 58 new stores and 12 cities in Q1 FY23.

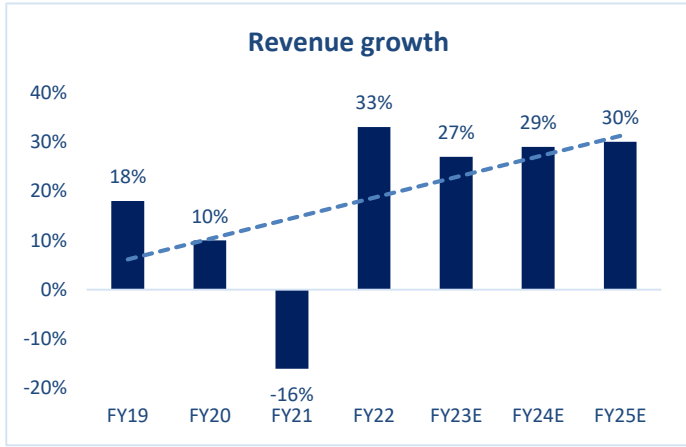
Having said that, the company further aims to reach 3,000 stores in the medium term. JFL follows a process which comprises of three key enablers: **1) Predictive Modelling and data-driven site selection approach, 2) Strong execution capabilities, and 3) Continuous performance monitoring.** The company increases its reach primarily by entering into new cities and fortressing its existing markets.

- **Excellent Services:** JFL has been on the forefront when it comes to customer service. It strives at enhancing its Technological and Digital capabilities which focus on improving customer experience in Pre-Order and Post-Order stage (Mobile App). Apart from the online experience, the company is also committed on delivering quality food in the least possible time. During the year, the Company achieved a remarkable feat of delivering more than 70% of delivery orders in less than 20 minutes.



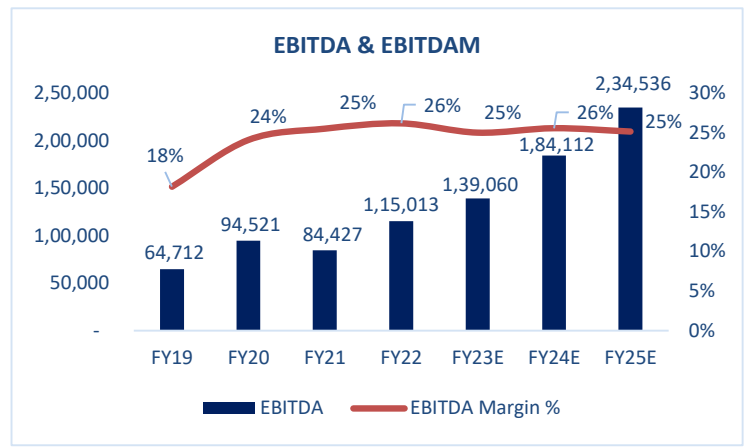
## Strong Financial Performance:

Exhibit 39: Strong Revenue growth maintaining its market position



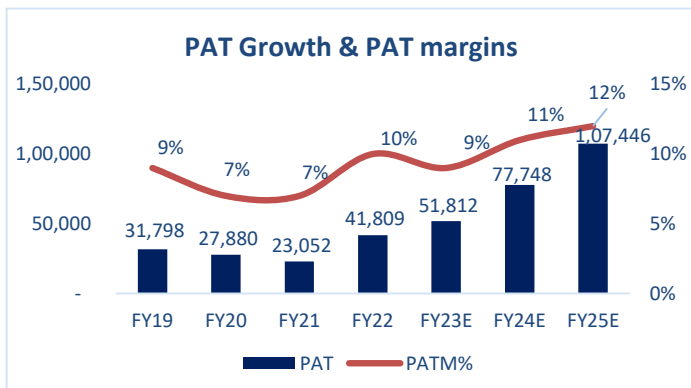
Source: Annual Report FY22, Bonanza Research

Exhibit 40: Along with EBITDA showing strong recovery post COVID



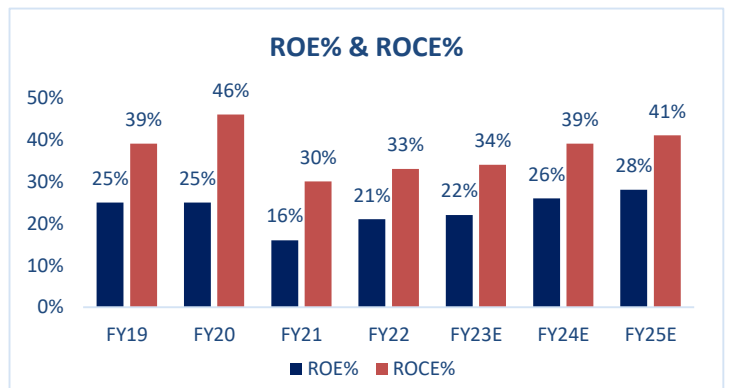
Source: Annual Report FY22, Bonanza Research

Exhibit 41: PAT growth to see stability in near future



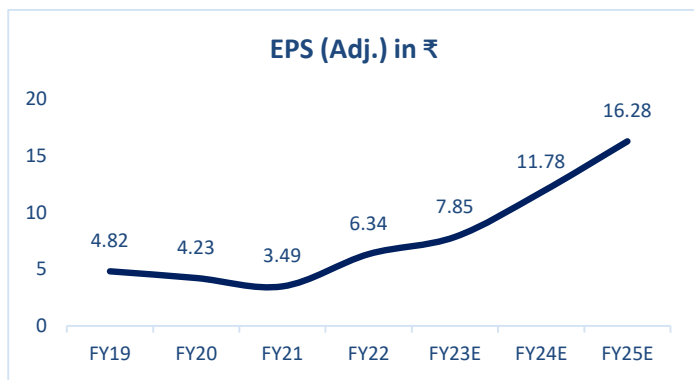
Source: Annual Report FY22, Bonanza Research

Exhibit 42: Improved Return Ratios boost growth



Source: Annual Report FY22, Bonanza Research

Exhibit 43: EPS (Adj.) to sustain decent level of growth



Source: Annual Report FY22, Bonanza Research

## Risks/Challenges:

- **Significant reliance on Domino's Brand:** JFL significantly relies on its Master Franchise with Domino's which forms the major part of its revenue. The term of the Master Franchise Agreement continues until December 31, 2024 and is renewable for a period 10 years, subject to the fulfilment of certain conditions. The other brands of JFL are still at a very nascent stage in the market, and they are trying to develop and expand them in the Indian market as well.
- **Competitive Intensity:** The QSR industry is a fast growing industry with many large players like Devyani International, Sapphire Foods, Westlife Development Limited, Restaurant Brands Asia and Barbeque Nation Hospitality along with smaller players with Standalone outlets given the huge opportunity. This has given rise to a cut-throat competition in the organised market segment which may lead to downward pressure on prices, lower demand, and reduced margins. Although, JFL has always been on top of its game, the company will have to formulate its strategies in such a way as to maintain its market share and margins.
- **Weak performance of Dunkin Donuts division:** The Company had forayed into the baked goods and coffee space through its Dunkin Donuts brand in 2012. With tough competition from other brand competitors in the similar space, the brand has seen stagnant growth in terms of store expansion. The store count stood at 31 during FY19 which has now come down to 25 stores as of Q1 FY23 with 3 store closures during the quarter. With the major chunk of revenue coming from Domino's, it only adds on to the dependence on one brand.
- **Susceptibility of Raw Material prices:** The Raw Materials accounts for 23% of the total revenue. A significant increase in key raw-material prices would impact the operating costs, thus profitability. Furthermore, any shortage of raw materials in the market generally could impact the prices imposed by the suppliers, making the cost of raw materials more expensive which could result in an increase in prices to the end customer leading to a reduce in demand.

*Intense competition in the QSR segment with JFL's reliance on Domino's brand for majority of its revenue, Dunkin Donuts failing to make an impact and volatility in Raw material prices pose as key risks to the business*

## Valuations & Outlook

- The return ratios portray strong potential in business growth and provide a huge scope for the Revenue and PAT given the strong comeback of demand post COVID for Dine-in, whilst sustained delivery demand is here to stay as we expect a further growth of **EBITDA/PAT Margins at 26%/11% respectively and ROE/ROCE at 28%/41% as of FY24E.**
- The new brands portfolio shows strong potential for expansion in the market on the back of powerful position of JFL having first-hand experience in the QSR space and well-built customer data.
- JFL’s aggressive expansion, capacity utilization and superb execution capabilities make a strong impact in the market due to which we expect the company to deliver **Revenue/EBITDA/PAT CAGR of 28%/27%/37% respectively during FY22-25E.** We initiate coverage with a **BUY** and value the stock at **P/E of 76x (10yr avg. P/E of JFL) CY24E EPS of ₹ 11.8** to arrive at our **Target Price of ₹ 891** with a potential upside of **41%.**

*Strong Return ratios and margins make a comeback post COVID, along with aggressive expansion strategy*

Exhibit 44: Valuation Snapshot

Valuation	TP
Target P/E multiple (x)	76
CY24 Forward EPS (₹)	11.8
Target price per share (₹)	891
No. of shares (mn)	660
Target Mkt. cap (₹ mn)	5,87,778
Current Mkt. cap (₹ mn)	4,17,682
Upside (%)	41%

Exhibit 45: Financials

<b>INCOME STATEMENT</b>						
Fiscal year (₹ in Lakh except per share)	2020A	2021A	2022A	2023A	2024E	2025E
Revenue from Operations	3,92,727	3,31,187	4,39,612	5,56,501	7,20,565	9,33,442
Other Income	6,962	7,308	4,135	5,500	7,025	8,700
<b>Total Income</b>	<b>3,99,689</b>	<b>3,38,495</b>	<b>4,43,748</b>	<b>5,62,001</b>	<b>7,27,590</b>	<b>9,42,142</b>
Cost of Goods Sold	-98,347	-72,624	-98,990	-1,33,560	-1,66,950	-2,12,027
Employee Benefit Expenses	-79,644	-74,688	-76,838	-1,00,170	-1,19,202	-1,43,043
Other Expenses	-1,27,177	-1,06,756	-1,52,907	-1,89,210	-2,57,326	-3,52,536
<b>EBITDA</b>	<b>94,521</b>	<b>84,427</b>	<b>1,15,013</b>	<b>1,39,060</b>	<b>1,84,112</b>	<b>2,34,536</b>
Depreciation and Amortization Exp.	-35,228	-37,540	-39,305	-46,088	-54,088	-62,088
<b>EBIT</b>	<b>59,293</b>	<b>46,887</b>	<b>75,708</b>	<b>92,972</b>	<b>1,30,024</b>	<b>1,72,449</b>
Finance Costs	-16,524	-16,270	-17,609	-18,955	-18,955	-18,955
<b>EBT &amp; Exceptional Items</b>	<b>42,770</b>	<b>30,617</b>	<b>58,099</b>	<b>74,018</b>	<b>1,11,069</b>	<b>1,53,494</b>
<b>EBT</b>	<b>40,279</b>	<b>30,617</b>	<b>56,326</b>	<b>74,018</b>	<b>1,11,069</b>	<b>1,53,494</b>
Tax Expense	-12,399	-7,565	-14,517	-22,205	-33,321	-46,048
<b>PAT</b>	<b>27,880</b>	<b>23,052</b>	<b>41,809</b>	<b>51,812</b>	<b>77,748</b>	<b>1,07,446</b>
EPS (Adj.)	4.23	3.49	6.34	7.85	11.78	16.28

<b>BALANCE SHEET</b>						
Fiscal year ₹ in Lakhs	2020A	2021A	2022A	2023A	2024E	2025E
<b>I. ASSETS</b>						
<b>Non-Current Assets</b>						
PPE	81,962.65	84,128.50	1,04,524.34	98,436.61	84,348.88	62,261.14
Right to use Asset	1,33,098.17	1,26,768.50	1,63,459.75	1,63,459.75	1,63,459.75	1,63,459.75
Capital WIP	4,066.68	2,625.36	3,968.60	3,968.60	3,968.60	3,968.60
Intangible assets	3,807.55	3,649.94	5,672.25	5,672.25	5,672.25	5,672.25
(i) Investments	-	43,528.43	82,709.97	82,709.97	82,709.97	82,709.97
(ii) Others financial assets	10,690.45	10,942.97	11,545.92	11,545.92	11,545.92	11,545.92
Deferred tax assets(Net)	7,598.26	8,307.36	5,257.70	5,257.70	5,257.70	5,257.70
Assets for current tax (Net)	3,381.52	2,757.44	2,363.56	2,363.56	2,363.56	2,363.56
Other non-current assets	6,502.92	9,914.56	5,739.79	5,739.79	5,739.79	5,739.79
<b>TOTAL (A)</b>	<b>2,51,161.64</b>	<b>2,92,856.32</b>	<b>3,85,931.22</b>	<b>3,79,843.49</b>	<b>3,65,755.76</b>	<b>3,43,668.02</b>
<b>Current assets</b>						
Inventories	9,472.03	13,313.06	16,117.62	21,369.62	25,042.52	33,924.27
(i) Investments	5,117.66	8,145.41	9,967.86	9,967.86	9,967.86	9,967.86
(ii) Trade receivables	1,664.07	1,679.87	2,204.88	3,060.75	4,323.39	5,133.93
<b>(iii) CC&amp;E</b>	<b>65,588.29</b>	<b>53,918.37</b>	<b>56,336.02</b>	<b>1,11,886.48</b>	<b>2,01,487.41</b>	<b>3,24,526.60</b>
Other current Assets	3,854.99	6,651.80	7,462.85	7,462.85	7,462.85	7,462.85
<b>TOTAL (B)</b>	<b>85,911.00</b>	<b>83,821.69</b>	<b>92,235.83</b>	<b>1,53,894.17</b>	<b>2,48,430.63</b>	<b>3,81,162.12</b>
<b>TOTAL ASSETS = (A + B)</b>	<b>3,37,072.64</b>	<b>3,76,678.01</b>	<b>4,78,167.05</b>	<b>5,33,737.65</b>	<b>6,14,186.39</b>	<b>7,24,830.14</b>
<b>II. EQUITY AND LIABILITIES</b>						
Equity share capital	13,196.90	13,196.90	13,196.90	13,196.90	13,196.90	13,196.90
Other equity	99,005.67	1,29,485.78	1,81,299.93	2,23,786.00	2,87,539.72	3,75,645.20
<b>Equity attributable to equity holders of parent company</b>	<b>1,12,202.57</b>	<b>1,42,682.68</b>	<b>1,94,496.83</b>	<b>2,36,982.90</b>	<b>3,00,736.62</b>	<b>3,88,842.10</b>
<b>TOTAL EQUITY (A)</b>	<b>1,13,271.79</b>	<b>1,43,621.77</b>	<b>1,95,507.34</b>	<b>2,37,993.41</b>	<b>3,01,747.13</b>	<b>3,89,852.61</b>
(i) Borrowings	-	-	11,983.13	11,983.13	11,983.13	11,983.13
(ii) Lease liabilities	1,52,471.79	1,46,879.86	1,78,715.36	1,78,715.36	1,78,715.36	1,78,715.36
<b>TOTAL (B)</b>	<b>1,52,605.95</b>	<b>1,46,929.86</b>	<b>1,90,748.49</b>	<b>1,90,748.49</b>	<b>1,90,748.49</b>	<b>1,90,748.49</b>
<b>Current liabilities</b>						
Total Trade Payables	44,702.39	53,302.38	53,695.53	66,780.07	83,475.08	1,06,013.35
(ii) Other payables	468.49	480.29	582.91	582.91	582.91	582.91
(iii) Lease liabilities	14,534.41	15,117.80	19,911.04	19,911.04	19,911.04	19,911.04
(iv) Other financial liabilities	4,296.65	6,259.01	6,604.33	6,604.33	6,604.33	6,604.33
Short-term provisions	2,793.35	4,225.25	4,109.17	4,109.17	4,109.17	4,109.17
Other current liabilities	4,399.61	6,741.65	6,983.71	6,983.71	6,983.71	6,983.71
<b>TOTAL (C)</b>	<b>71,194.90</b>	<b>86,126.38</b>	<b>91,911.22</b>	<b>1,04,995.76</b>	<b>1,21,690.77</b>	<b>1,44,229.04</b>

<b>TOTAL EQUITY AND LIABILITIES = (A+B+C)</b>	<b>3,37,072.64</b>	<b>3,76,678.01</b>	<b>4,78,167.05</b>	<b>5,33,737.65</b>	<b>6,14,186.39</b>	<b>7,24,830.14</b>
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<b>CASHFLOW STATEMENT</b>						
Fiscal year In INR Lakhs	2020A	2021A	2022A	2023A	2024E	2025E
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit before tax	40,278.62	30,617.41	56,326.04	74,017.54	1,11,069.20	1,53,493.87
Depreciation and amortisation expense	35,227.72	37,539.82	39,305.19	46,087.73	54,087.73	62,087.73
Gain on sale/ mark to market of current investments (net) designated at FVTPL	-1,459.91	-532.86	-560.39	-	-	-
Liability no longer required written back	-781.62	-2,333.98	-407.12	-	-	-
Loss on disposal/ discard of property, plant and equipment (net)	713.01	885.29	798.03	-	-	-
Finance costs	16,523.50	16,269.78	17,608.94	18,954.86	18,954.86	18,954.86
Interest income on bank deposits	-3,947.28	-3,561.65	-2,361.73	-	-	-
<b>OP before WC changes</b>	<b>87,617.22</b>	<b>78,662.27</b>	<b>1,11,206.94</b>	<b>1,39,060.13</b>	<b>1,84,111.79</b>	<b>2,34,536.46</b>
Adjustments for :						
(Increase) in trade receivables	1,065.04	-168.43	-566.36	-855.87	-1,262.64	-810.54
(Increase) in other assets	-2,035.42	-3,099.76	-1,098.66	-	-	-
(Increase) in inventories	-1,764.52	-3,831.13	-2,734.09	-5,252.00	-3,672.90	-8,881.75
Increase in trade payables	1,833.67	8,599.99	393.15	13,084.54	16,695.02	22,538.27
Increase/ (decrease) in other liabilities	82.31	3,589.99	-96.31	-	-	-
<b>Cash generated from operating activities</b>	<b>86,798.30</b>	<b>83,752.93</b>	<b>1,07,104.67</b>	<b>1,46,036.79</b>	<b>1,95,871.26</b>	<b>2,47,382.44</b>
Income tax paid (net of refunds)	-14,019.30	-8,689.17	-14,102.96	-22,205.26	-33,320.76	-46,048.16
<b>A) Net cash from operating activities</b>	<b>72,779.00</b>	<b>75,063.76</b>	<b>93,001.71</b>	<b>1,23,831.53</b>	<b>1,62,550.50</b>	<b>2,01,334.28</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	-28,413.24	-21,859.41	-39,127.20	-40,000.00	-40,000.00	-40,000.00
Payment for acquiring right-of-use of assets	-526.75	-2,458.93	-6,711.18	-	-	-
Interest received on bank deposit	3,943.12	3,662.43	2,328.31	-	-	-
Investment in bank deposits not held as cash and cash equivalents	594.00	-2,602.86	-5,502.19	-	-	-
Investment in mutual funds (net)	14,421.98	-2,494.89	-1,262.06	-	-	-
Cash outflow on investment in associates	-	-25,274.46	-14,698.73	-	-	-
Cash outflow on other investments	-	-9,237.04	-655.22	-	-	-
<b>B) Net cash used in investing activities</b>	<b>-9,870.50</b>	<b>-60,213.60</b>	<b>-65,415.56</b>	<b>-40,000.00</b>	<b>-40,000.00</b>	<b>-40,000.00</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from long term borrowings	-	-	11,983.13	-	-	-
Repayment of lease liabilities	-13,231.15	-28,426.80	-31,005.60	-	-	-
Dividend paid on equity shares	-14,484.47	-1.45	-7,900.80	-9,326.21	-13,994.72	-19,340.23
Finance cost paid	-16,523.50	-12.12	-42.06	-18,954.86	-18,954.86	-18,954.86
<b>C) Net cash used in financing activities</b>	<b>-46,143.16</b>	<b>-28,874.19</b>	<b>-30,661.70</b>	<b>-28,281.07</b>	<b>-32,949.58</b>	<b>-38,295.09</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>-16,765.34</b>	<b>-14,024.03</b>	<b>-3,075.55</b>	<b>55,550.46</b>	<b>89,600.92</b>	<b>1,23,039.20</b>
<b>Add: Cash and cash equivalents as at beginning of the period</b>	<b>2,834.67</b>	<b>19,600.01</b>	<b>5,575.98</b>	<b>56,336.02</b>	<b>1,11,886.48</b>	<b>2,01,487.41</b>
<b>Cash and cash equivalents as at end of the period</b>	<b>19,600.01</b>	<b>5,575.98</b>	<b>2,500.43</b>	<b>1,11,886.48</b>	<b>2,01,487.41</b>	<b>3,24,526.60</b>

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**RATINGS, VIEWS AND RELATED RATIONALES**

Buy - More than 15% return for time period of 12 - 18 months

Sell - More than 10 downside for time period of 12 - 18 months

Hold - Between 5-15% return for time period of 12 - 18 months



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