

JFL/NSE-BSE/2020-21/30

August 11, 2020

**BSE Ltd.**  
P.J. Towers  
Dalal Street  
Mumbai - 400001

**National Stock Exchange of India Limited**  
Exchange Plaza, Bandra Kurla Complex  
Bandra(E)  
Mumbai - 400051

**Scrip Code: 533155**

**Symbol: JUBLFOOD**

**Sub: Intimation of Reaffirmation of Credit Rating**

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Regulations"), we wish to inform you that CRISIL Limited ("CRISIL") has reaffirmed its rating on the commercial paper programme of the Company as per below details:

<b>Instrument</b>	<b>Rating</b>
Rs.100 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)
Rs.100 Crore Commercial Paper	CRISIL A1+ (Withdrawn at the company's request)

The Rating Rationale dated August 10, 2020 from CRISIL is enclosed herewith.

This is for your information and records.

Thanking you,

Yours faithfully,  
**For Jubilant FoodWorks Limited**

**Mona Aggarwal**  
**Company Secretary and Compliance Officer**  
Investor E-mail Id: [investor@jublfood.com](mailto:investor@jublfood.com)

Encl: A/a

**A Jubilant Bhartia Company**

**Jubilant FoodWorks Limited**

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Email: [contact@jublfood.com](mailto:contact@jublfood.com)

## Rating Rationale

August 10, 2020 | Mumbai

### Jubilant FoodWorks Limited

*Rating Reaffirmed*

#### Rating Action

Rs.100 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)
Rs.100 Crore Commercial Paper	CRISIL A1+ (Withdrawn)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL A1+' rating on the commercial paper programme of Jubilant Foodworks Ltd (JFL). CRISIL has also **withdrawn** its rating on Rs.100 crore commercial paper programme at the company's request. The rating action is in line with CRISIL's rating withdrawal policy.

The rating continues to reflect an established market position in the quick-service restaurant (QSR) segment, healthy operating efficiency driven by a robust supply-chain network, and a strong financial risk profile. These rating strengths are partially offset by the weaker performance of the donuts division (Dunkin Donuts) and susceptibility of profitability to competitive intensity and cost pressures.

#### Analytical Approach

For arriving at the rating, CRISIL has combined the business and financial risk profiles of JFL and its subsidiaries, together known as JFL, as these companies have considerable operational and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation

## **Key Rating Drivers & Detailed Description**

### **Strengths:**

#### **\* Established market position in the QSR segment**

The company is a market leader in the pizza segment through its exclusive rights to operate Domino's Pizza brand outlets in India, Sri Lanka, Bangladesh, and Nepal. Revenue growth is expected to be muted in fiscal 2021 due to the COVID-19 situation across the country which has temporarily affected the normal operations (including dine-in) of the restaurants. However, strong fundamentals for long term QSR segment growth and established market position of company should see its operations normalising over medium term.

Also, continued association with the Domino's brand with timely renewal of the agreement, as and when due, remains key.

#### **\* Healthy operating efficiency driven by a strong supply-chain network**

The company operates various regional supply chain centres, which source and supply primary raw materials, thus helping to ensure consistent quality and timely delivery of these to its stores. The company also benefits from higher share of home deliveries. In Q4 2020, the share of online orders increased to 89% from 75% in Q4 2019, of which contribution from application-based, mobile phone orders remained high at 96%. The strong operating efficiencies are reflected by EBITDA margin of 22.6% in fiscal 2020.

#### **\* Robust financial risk profile**

The financial risk profile is supported by a debt-free status, a strong net worth, and high financial flexibility. The company has been debt-free since the past three fiscals. The net worth was Rs 1183 crore as on March 31, 2020, and is expected to increase further, backed by healthy accretion to reserves.

### **Weaknesses:**

#### **\* Weak performance of the donuts division**

The Dunkin Donuts division had incurred losses in the past, resulting dilution in overall profitability. The number of Dunkin Donuts stores was brought down to 30 as on June 30, 2019, from 55 as on June 30, 2017. The number of stores as on March 31, 2020 stands at 34. Management was able to achieve a breakeven performance in the last two quarters of 2019. Nevertheless, in the absence of profitable expansion of this division, reliance on the pizza division will remain high, and hence its performance remains a key monitorable.

#### **\* Susceptibility of profitability to competitive intensity and cost pressures**

The Indian QSR market is highly competitive with players in both the organised segment and in the huge unorganised market, which may result in loss of market share and reduced profitability. Fixed costs (mainly lease rentals for store premises, employee cost, and electricity charges) form a significant portion of the operating cost for a QSR, resulting in high operating leverage. Thus, growth in same-store sales is essential to boost profitability. Hence, timely execution of the growth plan without any cost overrun, and improvement in the operating margin with sustained focus on cost optimisation, technology, low leverage, and economies of scale, remain key monitorables.

### **Liquidity Strong**

Liquidity is adequate and is well supported by cash and cash equivalents of around Rs 639.22 crores as on March 31, 2020. The company is expected to have prudent expansion and dividend plans, supported by internal cash accrual and liquid balances. The capital structure should thus remain robust.

## **Rating Sensitivity factors**

### **Downward factors**

\* Substantial decline in operating margin for instance drop by more than 40-45% (post normalization of COVID-19 related disruptions).

\* Any large, debt-funded capex or acquisition, weakening the financial risk profile

## About the Company

JFL is part of the Jubilant Bhartia group and is one of India's leading food service companies, with a network of 1,335 Domino's Pizza restaurants across 282 cities (as of March 31, 2020). The company and its subsidiaries have the exclusive rights to develop and operate the Domino's Pizza brand in India, Sri Lanka, Bangladesh, and Nepal. The company also has exclusive rights for developing and operating Dunkin Donuts restaurants for India and had 34 restaurants under this brand across 10 cities as of March 31, 2020.

## Key Financial Indicators\*

As on/for the period ended March 31	Unit	2020	2019
Revenue	Rs crore	3997	3610
Profit after tax (PAT)	Rs crore	279	318
PAT margin	%	6.9%**	8.8%
Adjusted debt/adjusted net worth <sup>^</sup>	%	NA	NA
Interest coverage <sup>^</sup>	Times	NA	NA

\*CRISIL-adjusted consolidated financials

\*\*With Ind-AS 116 adjustments

<sup>^</sup>The company is debt-free

**Any other information:** Not applicable

## Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating

Rationale. For more details on the CRISIL complexity levels, please visit [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels).



## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Commercial Paper	NA	NA	7-365 Days	100.0	Simple	CRISIL A1+

## Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Commercial Paper	NA	NA	7-365 Days	100.0	Simple	Withdrawn

## Annexure - List of entities consolidated

Name of the Company	Type of Consolidation	Rationale for consolidation
Jubilant FoodWorks Limited	Full consolidation	Common management and significant financial linkages
Jubilant FoodWorks Lanka (Pvt) Limited	Full consolidation	Common management and significant financial linkages
Jubilant Golden Harvest Limited	Full consolidation	Common management and significant financial linkages
JFL Employees Welfare Trust	Full consolidation	Common management and significant financial linkages

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	100.00	CRISIL A1+			20-08-19	CRISIL A1+	28-08-18	CRISIL A1+		--	--

All amounts are in Rs.Cr.

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Bank Loan Ratings](#)

[CRISILs Criteria for Consolidation](#)

[The Rating Process](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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