

# GOLDEN RESEARCH THOUGHTS

## EQUITY AND RESEARCH ANALYSIS OF TRAVEL AND TOURISM INDUSTRY, QUICK SERVICE RESTAURANTS INDUSTRY- A CASE STUDY ON JUBILANT FOODWORKS LTD



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### **Abstract :**

#### **INDUSTRY AND COMPANY ANALYSIS**

Industry analysis is review and assessment of current market situations as well as future trends of companies who are dealing in same product and services. It involves reviewing the political, economical, social, technological conditions, condition of competitors and the likelihood of new entrants.

Whereas company analysis is company specific analysis which is done to compare the performance of the company with other companies according to their specific needs.

**Keywords:** Research Analysis , Tourism Industry , Industry analysis .

## Equity And Research Analysis Of Travel.....

### INTRODUCTION

### SIGNIFICANCE

- i. The financial health of a business is usually a reflection of the health of the industry; therefore, by conducting an industry analysis, business owners can create a strategy that will likely help the business grow and succeed.
- ii. This analysis helps businesses understand various economic pieces of the marketplace and how these various pieces may be used to gain a competitive advantage.
- iii. It provides an investor with an idea of how well a given group of companies are expected to perform as a whole as well as individually.
- iv. It helps firms identify potential opportunities for the business to develop, as well as threats that could prevent company growth.
- v. It provides scenario of an industry which would help an investor, analyst, shareholders and stakeholder to understand the current market situation of that particular industry and take their decisions according to it.

### QUICK SERVICE RESTAURANTS INDUSTRY-

- Quick Service Restaurants industry is growing rapidly due to inflation, consumers cut back on luxuries such as eating out.
- The industry also experienced steady and growing demand from emerging economies, which boosted the industry's overall performance.
- There are about 300,000 restaurant companies and 8 million restaurants in the world
- Despite change in trends in short span, the industry adapted to increasingly health-conscious consumer preferences.
- The global Quick Service Restaurant industry has been forecast to reach a value of \$2.1 trillion by 2015

### JUBILANT FOODWORKS LIMITED

- Jubilant FoodWorks Ltd is an Indian company based in Noida, Uttar Pradesh .The company is a part of the Jubilant Bhartia Group.
- Company is continuously expanding its presence in India. It is opening up stores in new cities as well as adding more stores in existing one.
- At present company operates 749 restaurants of dominos and 29 stores of Dunkin Donuts
- So far there is good growth rate of Dominos Pizza. Whereas Dunkin donuts is just a year old it has shown good start and break-even will take a little time

This research is divided into three different parts

### PART: 1 - TRAVEL AND TOURISM INDUSTRY

The scope of the study is to know the spending by all the sectors directly involved in Travel and Tourism industry, contribution of this industry in employment, environmental impact, social impact and economic impact of the industry, major players of the industry globally as well as domestic and study also provides a detailed information about major tourist destination global and domestic.

The limitations of study is collecting primary information was difficult.

### PART: 2 - QUICK SERVICE RESTAURANTS INDUSTRY

The scope of the study is to provide information about the major players of industry- Global and India. And to study the market shares as well as financials of the respective companies and to give suggestions to the domestic and international players if any

The limitations of study is collecting primary data was difficult

### PART: 3 - JUBILANT FOODWORKS LIMITED

The scope of the study is to know the market share, competitors, financials, working culture and supply chain management, strengths and weakness of Dunkin Donuts and more as well as Domino's Pizza

The limitations of study was less of information on Dunkin Donuts and more because company was started 2 years back there was less data to make any interpretation

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### SCOPE

**Periodical scope-** The data included in the research work is of past 5 years for Travel and Tourism Industry (Global and India) and Quick Service Restaurants (Global and India).

Jubilant Foodworks Limited a company which has to brands under it

Domino's the data of this brand is of previous 5 years but Dunkin Donuts the other brand under this company the data for this is of previous 2 years

**Geographical scope-** The data included in the research work of 2 industries Travel and Tourism Industry it is in respect with global as well as India. Quick Service Restaurants Industry report is also with respect to global and India Whereas the report on Jubilant Foodworks Limited Company is based on Domino's Pizza in India, Nepal, Sri Lanka and Bangladesh, and also for Dunkin' Donuts in India.

**Operational scope-** The research work includes financial aspects of 2 industries as well as the company. Various ratios are used to compare the performance as well as to know the current situation of the industry and the company

### METHODOLOGY

The research work is purely based on secondary research also known as desk research, secondary research is the most common research method employed in the industry today. It involves processing data that has already been collected in the past. With this form, researchers will consult previous studies and findings such as reports, press articles and previous market research projects in order to come to a conclusion. It is relatively low expense in comparison to primary research is the main advantage of this research as no new research needs to be commissioned. However, its main disadvantage is that the data used in the analysis may be out-dated and therefore return inaccurate results. Furthermore, previous studies may not have targeted the exact issue that my report requires. Data which is used in the report work is assembled by government agencies, media sources, industry and trade associations, chambers of commerce, and so on.

Research work includes SWOT Analysis which is a tool to analyze the strengths, weakness, opportunities and threats of an industry and a company so that they can work upon their weakness and grabs the opportunities as well manage to overcome their threats.

Research work includes PEST Analysis which gives an overview of the whole environment A type of situation analysis in which political-legal (government stability, spending, taxation), economic (inflation, interest rates, unemployment), socio-cultural (demographics, education, income distribution), and technological (knowledge generation, conversion of discoveries into products, rates of obsolescence) factors are examined to chart an organization's long-term plans.

### IMPORTANT RATIOS DEFINITION AND FORMULA

**1.Net Profit Margin:** The ratio of net profits to revenues for a company or business segment expressed as a percentage. That shows how much of each dollar earned by the company is translated into profits. Net margins can be calculated as:

$$\text{Net Margins} = \frac{\text{Net Profit}}{\text{Revenue}}$$

, where  $\text{Net Profit} = \text{Revenue} - \text{COGS} - \text{Operating Expenses} - \text{Interest and Taxes}$

**2.Operating Margin-** It is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc. A healthy operating margin is required for a company to be able to pay for its fixed costs, such as interest on debt. Calculated as:

$$\text{Operating Margin} = \frac{\text{Operating Income}}{\text{Net Sales}}$$

**3.EBITD Margin-** A measurement of a company's operating profitability. It is equal to earnings before interest, tax and depreciation (EBITD) divided by total revenue. Because EBITDA excludes depreciation, EBITDA margin can provide an investor with a cleaner view of a company's core profitability.

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$$\text{EBITD Margin} = \frac{\text{EBITD}}{\text{Revenue}}$$

**4.Return on Average Assets-** An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. The formula for return on assets is:

$$\text{Return on Average Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

**5.Return on Equity -** The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

**6.Earnings per share-** The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

Calculated as:

$$= \frac{\text{Net Income} - \text{Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$$

**7.Long term debt-** Long-term debt for a company would include any financing or leasing obligations that are to come due in a greater than 12-month period. Such obligations would include company bond issues or long-term leases that have been capitalized on a firm's balance sheet.

**8.Price- to- sales-** A valuation ratio that compares a company's stock price to its revenues. It can be calculated either by dividing the company's market capitalization by its total sales over a 12-month period, or on a per-share basis by dividing the stock price by sales per share for a 12-month period. A low ratio may indicate possible undervaluation, while a ratio that is significantly above the average may suggest overvaluation.

**9.Price to book ratio -** A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. Calculated as:

$$\text{P/B Ratio} = \frac{\text{Stock Price}}{\text{Total Assets} - \text{Intangible Assets and Liabilities}}$$

**10. Receivable Turnover Ratio-** An accounting measure used to quantify a firm's effectiveness in extending credit as well as collecting debts. The receivables turnover ratio is an activity ratio, measuring how efficiently a firm uses its assets.

Calculated as:

$$\text{Accounts Receivable Turnover} = \frac{\text{Net Credit sales}}{\text{Average Accounts Receivable}}$$

**11.Asset Turnover Ratio-** The Asset Turnover ratio is an indicator of the efficiency with which a company is deploying its assets.

$$\text{Asset Turnover} = \frac{\text{Sales or Revenues}}{\text{Total Assets}}$$

**12.Current ratio-** A liquidity ratio that measures a company's ability to pay short-term obligations. The Current Ratio is calculated as:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**13.Quick ratio -** An indicator of a company's short-term liquidity. The quick ratio measures a company's ability to meet

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its short-term obligations with its most liquid assets. For this reason, the ratio excludes inventories from current assets, and is calculated as follows:

$$\text{Quick ratio} = (\text{current assets} - \text{inventories}) / \text{current liabilities, or} \\ = (\text{cash and equivalents} + \text{marketable securities} + \text{accounts receivable}) / \text{current liabilities}$$

**14.Cash Ratio** - The ratio of a company's total cash and cash equivalents to its current liabilities. The cash ratio is most commonly used as a measure of company liquidity. It can therefore determine if, and how quickly, the company can repay its short-term debt. A strong cash ratio is useful to creditors when deciding how much debt, if any, they would be willing to extend to the asking party.

### FINDINGS

#### Part: 1

#### For Travel and Tourism (Global) the major players and its financials for year 2013 Carnival Corporation and Plc

Net profit margin	6.97%
Operating margin	8.75%
EBITD margin	19.11%
Return on average assets	2.72%
Return on average equity	4.45%

#### TUI Travel Plc

Net profit margin	0.42%
Operating margin	1.97%
EBITD margin	5.38%
Return on average assets	0.69%
Return on average equity	3.98%

#### Marriot International Inc

Net profit margin	4.90%
Operating margin	7.73%
EBITD margin	9.10%
Return on average assets	9.53%

#### United Continental Holdings Inc

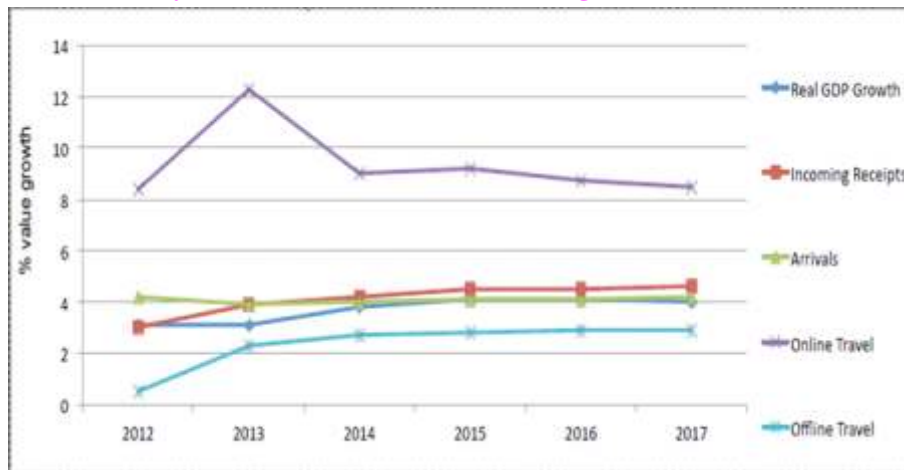
Net profit margin	1.49%
Operating margin	3.26%
EBITD margin	9.03%
Return on average assets	1.53%
Return on average equity	32.84%

#### China Travel International Investment Hong Kong Ltd

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Net profit margin	28.76%
Operating margin	23.62%
EBITD margin	24.43%
Return on average assets	6.85%
Return on average equity	8.24%

**World Economy and Travel Performance Percentage Value Growth 2012-2017**



**For Travel and Tourism (India) the major players and its financials for year 2013  
Make My Trip**

Net profit margin	-15.87%
Operating margin	-12.41%
Return on average assets	-16.68%
Return on average equity	-33.15%

**Thomas Cook**

Net profit margin	5.30%
Operating margin	10.39%
EBITD margin	11.75%
Return on average assets	5.55%
Return on average equity	11.04%

**Cox & Kings**

Net profit margin	8.43%
Operating margin	28.79%
EBITD margin	39.49%
Return on average assets	1.91%
Return on average equity	19.73%

**TAJGVK Hotels & Resorts Ltd**

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Net profit margin	3.45%
Operating margin	14.14%
EBITD margin	24.64%
Return on average assets	1.34%
Return on average equity	2.57%

### Mahindra Holidays & Resorts India Ltd

Net profit margin	12.21%
Operating margin	19.19%
EBITD margin	23.43%
Return on average assets	4.30%
Return on average equity	15.46%

India: Key Performance Indicators 2012-2014			
% growth	2012	2013	2014
Real GDP Growth	3.8	4.2	6.0
Arrivals (Trips)	11	10.7	10.5
Incoming Tourist Receipts Value (US\$)	4.3	11.7	10.1
Air Transport Value(US\$)	5.0	15.6	157
Hotels Value (US\$)	1.4	9.2	8.3
Travel Retail Value (US\$)	2.8	10.4	11.3

### Part: 2-Quick Service Restaurants Industry major players and its financials (Global and India)

	2009	2010	2011	2012	2013
Earnings per share	4.11	4.58	5.27	5.36	5.55
EBITDA	7,774	8,580	9,708	9,850	10,080
Long Term Debt	10,560	11,497	12,134	13,632	14,130

#### Burger King

(Figures in USD Million)

	2009	2010	2011	2012	2013
Earnings per share	1.46	1.36	-	0.33	0.65
EBITDA	440	414	570	639	646
Long Term Debt	821	733	2,681	2,994	2,956

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### Starbucks Coffee

(Figures in USD Million)

	2009	2010	2011	2012	2013
Earnings per share	0.52	1.24	1.62	1.79	0.01
EBITDA	1,345	1,865	2,075	2,367	2,893
Long Term Debt	549	549	550	550	1,299

### Wendy's

(Figures in USD Million)

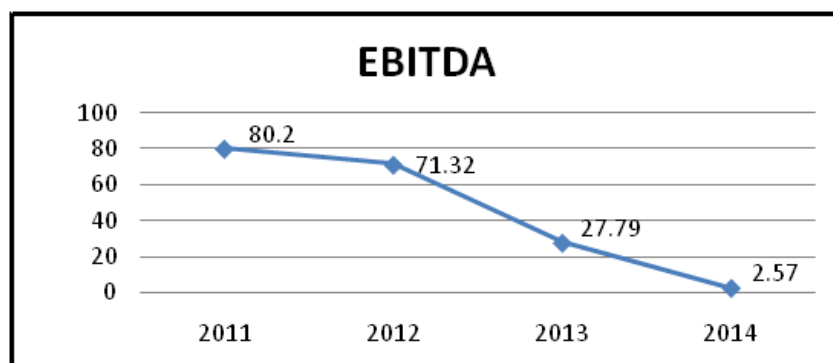
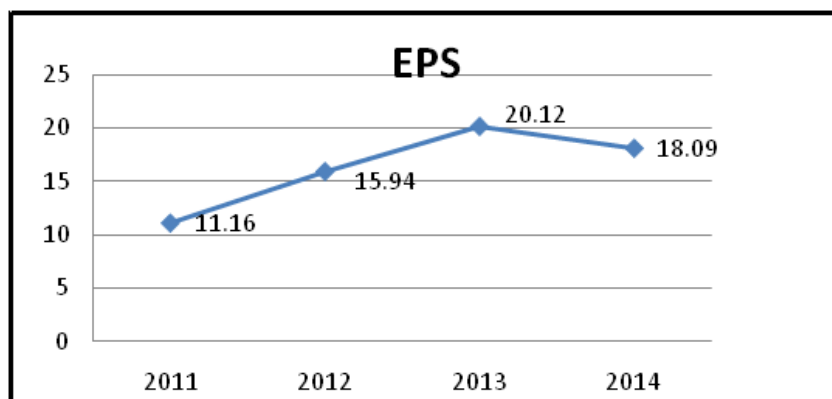
	2009	2010	2011	2012	2013
Earnings per share	0.01	-0.01	0.02	0.02	0.11
EBITDA	387	375	329	324	356
Long Term Debt	1,501	1,554	1,350	1,445	1,425

### Domino's

(Figures in USD Million)

	2009	2010	2011	2012	2013
Earnings per share	5.54	11.16	15.94	20.12	18.09
EBITDA	616	1,110	1,902	2,430	2,493

### Part: 3 - Jubilant Foodworks Limited financials and ratios



### Ratios



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<b>Valuation</b>	
Price to Sales Ratio	4.02
Price to Book Ratio	12.69
EPS(Basic)	18.09

<b>Efficiency</b>	
Receivables Turnover Ratio	133.70
Total Assets Turnover Ratio	2.28

<b>Liquidity</b>	
Current Ratio	0.71
Quick Ratio	0.58
Cash Ratio	0.44

### COUNCLUSION

#### Travel and Tourism Industry

##### Global

- The travel and tourism industry has emerged as one of the largest and fastest growing economic sectors globally.
- This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services).
- Over the last two decades, Travel & Tourism has played a more and more important role in the economic development of many countries.
- The more visitors go to a destination, the more hotels, restaurants, and ancillary tourism services are needed and the more jobs in Travel & Tourism are created.
- The benefits of the Travel & Tourism–related jobs are then further multiplied through the economy to the suppliers that support the industry
- Employment in T & T followed a upward trend in the 1990s and the early 2000s.
- By the mid-2000s, direct employment in the industry edged over 3.5 percent and in 2009 it suffered harsher-than average losses during the recession
- Employment recovery has now begun and the forecast expects employment growth
- Increasing importance of the online environment for the modern T&T industry in planning itineraries and purchasing travel and accommodations
- Online travel sales in 2012 was growing by 8.4% globally to reach US\$524 billion
- Online travel growth was especially sharp in emerging markets, with Asia Pacific recording the highest increase at 19% in 2012.
- By 2023, Travel & Tourism is forecast to support 337,819,000 jobs (9.9% of total employment), an increase of 2.4% pa over the period.

##### India

- India's travel and tourism industry is expected to grow by about 7.3 per cent in 2014.
- The total market size of tourism and hospitality industry in India stood at US\$ 117.7 billion and is anticipated to touch US\$ 418.9 billion by 2022.
- FTAs during March 2014 were 6.69 lakh as compared to 6.40 lakh during March 2013, a growth of 4.5 per cent.
- Foreign exchange earnings (FEE) during January–March 2014 stood at Rs 32,809 crores as compared to FEEs of Rs 30,270 crores during the corresponding period of 2013

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### Economic impact of Travel and Tourism Industry

- Foreign Exchange earnings
- Employment generation
- Stimulation of infrastructure investment
- Contribution to local economies

### Quick Service Restaurants Industry

- The number of QSR is growing day by day. And in coming years the industry will grow at 40% per year.
- Larger chains and international chains will be expanding to smaller cities or 2 tier cities.
- Burger King, the world's second-largest burger chain, has joined with Everstone Group, an India-focused private equity and real estate firm, to bring the restaurant chain in India. The first branch is expected to open this year
- McDonald's is expanding in India with the introduction of the McCafe, a coffeehouse-style chain.
- Domestic chains and zonal chains will be setting up in bigger cities
- The technology involved in this industry like online ordering, mobile application has just started by international company's but in coming years it will be used by many other company's
- Kiosks have managed to attract customers so even big companies are planning to set up their outlets to smaller models like stand-ins and express in coming years

### Jubilant FoodWorks Limited

#### A.Domino's

- Over the period since 1996, Domino's Pizza has remained focused on superior quality, delivering great tasting Pizzas & sides, value for money offerings and exceptional customer service
- Domino's Pizza India operates 749 restaurants in India located in 28 States and Union Territories, covering 152 cities across the Country(as of 19th March, 2014)
- Domino's Pizza is the fastest growing multinational fast food chain between 2006-2007 and 2008-2009 in terms of number of stores and the largest Pizza chain in India
- Domino's Pizza is largest organized Pizza chain in India with 67% market share.
- It has endeavored to establish a reputation for being a home delivery specialist capable of delivering pizzas within 30 minutes or FREE

#### B.Dunkin Donuts

- The Company has 29 Dunkin' Donuts restaurants in India (as of 19th May, 2014).
- Now the company is now well poised to address two distinct non-competing segments of the Food Service Industry in India, namely the home delivery of Pizza's market and the all day part food and beverage market.
- Dunkin' Donuts is the world's leading Donuts, baked goods and coffee company with market leadership in Donuts, Regular/decaf drip coffee, Iced coffee and baffles.
- Dunkin' Donuts (DD) in India is positioned as a Food Café, occupying the sweet spot between Cafés and quick service restaurants.
- Each Dunkin' Donuts restaurant is designed with care and brings alive the brand's International, youthful, colorful and playful personality.

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