Brokersage stock slice down of Jubilant after CEO exit

Trolka of food, fuel, and employee inflation weighs on profitability

Jubilant FoodWorks (Jubilant) announced that Pota Pradeep, President of the company, and Pota Sudha, Director, have resigned from their positions and will be leaving the company on 14 March 2022. According to analysts, Pota’s resignation is a critical juncture, especially in the current market, as the company faces macro headwinds in the form of supply chain disruption, higher production costs, and significant increase in fuel and food inflation.

“Recent CEO resignation is likely to further add to woes since the company needs to recruit a person with industry acumen who will be able to converge singular-minded (Dominic Pilla’s) vision into a broadly well-defined (CEO’s) vision,” said a report by PhillipsCapital. “In such junctures, the new CEO will be required to weigh on profitability.

Moreover, on-ground checks suggest that the pizza delivery business has a high automation potential due to its high reservations via online platforms. The higher the automation, the higher the profits for Jubilant.

Jubilant’s earnings forecast cut amid macro headwinds

PhillipCapital has cut Jubilant’s earnings per share (EPS) by 21 per cent for FY22 and 21 per cent for FY23, respectively, while those at JP Morgan have cut EPS estimates for FY22 and FY23 by 11 per cent and 8 per cent, respectively.

The policy must have a few crucial elements, such as hospitalisation, compensation, care, and ambulance cover. With gradual business normalisation, you can get treated at any of the network hospitals without having to worry about cash in hand. Community cover maintains the cost of medical equipment, such as X-rays, oxygen concentrators, ventilators, etc. With ambulances on standby, in case of an emergency, the brokerage believes Jubilant will find it difficult to navigate the current storm on a negative. Delivery volumes are unlikely to be compensated via increased delivery volumes.

Jubilant has cut its EPS estimates for 2022-23 (FY23) by 15 per cent from what it had estimated in December. The company has trimmed its EPS estimate for 2022-23 and FY23 by 21 per cent and 21 per cent, respectively.

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