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P.J. Towers, Dalal Street
Mumbai – 400001

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Exchange Plaza, Bandra Kurla Complex
Bandra(E), Mumbai – 400051

Symbol: JUBLFOOD

Sub: Transcript of Earnings Conference Call

Ref: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/ Madam,

Pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, please find enclosed herewith the Transcript of Earnings Conference Call for Analysts and Investors held on July 25, 2023, with respect to the financial performance of the Company for Q1 FY24, which is also being disseminated on the Company's website at https://www.jubilantfoodworks.com/investors-financial-information .

This is for your information and records.

Thanking you,
For **Jubilant FoodWorks Limited**

MONA AGGARWAL Digitally signed by MONA AGGARWAL Date: 2023.07.31 17:48:21 +05'30'

Mona Aggarwal
Company Secretary and Compliance Officer
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Encl: A/a

Q1 FY24 Earnings Conference Call Transcript

July 25, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the Jubilant FoodWorks Limited Q1 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Deepak Jajodia, thank you, and over to you, sir.

Deepak Jajodia: Good evening, everyone, and welcome to Jubilant FoodWorks Q1 FY '24 Earnings Call for Investors and Analysts. We are joined today by senior members of the management team, including our Chairman, Mr. Shyam S. Bhartia our Co-Chairman, Mr. Hari S. Bhartia; and our CEO, Mr. Sameer Khetarpal; and our CFO, Mr. Ashish Goenka.

We will commence with key thoughts from Mr. Hari Bhartia. We will then turn to our CEO to share his perspective. After the prepared remarks from the management, the forum will be open for the question-and-answer session.

A cautionary note, some of the statements made on today's call could be forward-looking in nature, and the actual results could vary from the statement. A detailed statement in this regard is available in Jubilant FoodWorks earning documents. We will share the replay of the call on the company's website under the Investor Relations section.

I would now like to invite Mr. Hari Bhartia to share his views with you. Thank you, and over to you, sir.

Hari Bhartia: Thank you, Thank you, Deepak, and Good Evening, everyone. Welcome to our earnings call.

We held our first quarter Board Meeting in Bengaluru today, which is incidentally the city with biggest Domino’s network in India, first city within Domino’s ecosystem globally to offer 20-minute delivery promise, city where we launched our first Popeyes restaurant and will also soon become the city to house our biggest commissary with regards to capacity, investments and technological advancement.

Turning to our commentary on results, we continue to focus on providing value to our customer and drive order led growth. The quarter saw healthy order led growth and with concerted efforts we have been able to stem the decline in ticket on a sequential basis.

On the cost side, lapping up a higher base, while the prices for key ingredients remain elevated, the sequential price increase has halted. Cheese prices remain high and the recent spike in vegetable prices does pose near terms risks.

In such conditions, we are focused on driving efficiency and cost savings across lines and leverage on our strengths. Thanks to our unique commissary-based sourcing and supply chain strength, we are able to offer superlative value to consumers at industry-leading margins. This also helped us in ensuring uninterrupted service to our customers despite supply tightness in some vegetables recently.

We have also stepped up the intensity of new product introductions across the price spectrum. We recently launched the spicy pizza range of new pizzas starting at an affordable price point of Rs. 179.

As shared in the previous calls, we will continue to invest for future growth. Though we made a slow start in store network expansion, we remain committed on the full-year guidance for both Domino's and Popeyes. Our state-of-the-art multi-brand commissary in Bengaluru will commence production in August. At full capacity, it would be able to serve 750+ stores.

We are delighted and equally humbled by the unprecedented response received from our loyalty program – Domino's Cheesy Rewards. Thanks to our deep commitment to constantly identifying ways to offer more value to our customers, incredible brand trust and service satisfaction, we now have more than 16.8 million enrolled members, and their order contribution reached 48% in June '23. This is an incredible testament to the strength of our operations and tech ecosystem to come together and champion the initiative to reward loyal members.

We remain fully committed in our relentless pursuit to raise the consumer service bar, look inwards to improve our systems and processes and work to ensure that we emerge stronger from the current rough patch.

With that, I now request Sameer to share the performance highlights and progress on our initiatives with you.

Sameer Khetarpal: Thank you, Thank you, Mr. Bhartia, and good evening, everyone. Thank you for joining the call today.

We reported revenue of Rs. 13.1 billion, up by 4.6% QoQ and 5.6% YoY. Our strategy of customer and market first, technology forward and operationally excellent is beginning to yield results. ADS for mature stores grew by 2.7%, we arrested the decline in ticket size, app-installs, loyalty enrolments led to growth in delivery channel sales by 8.4%, and we executed efficiently to improve EBITDA margin by 97 basis points sequentially. Despite key input costs holding up, our gross margin at 76.0% expanded by 75 bps sequentially. The EBITDA margin at 21.1% increased by 97 bps sequentially. Our PAT margin came in at 5.7%. Popeyes in the last 4 months have expanded to five cities in Southern India and we continue to get love of customers, indicated by the long queues, when we open a new store. I continue to stay bullish on the growth opportunity that QSR industry presents.

Let me now share updates from the lens of our key priorities.

First being Customer and Market first.

In Domino's, we heard our customers and plugged a key portfolio gap with the launch of spicy pizza range of four new pizzas. The entry price point for this range is kept at Rs. 179. For context, our pizza mania range starts at Rs 49 and extends up to Rs. 169 with its 13 offerings. This also helped in improving ticket size.

Refreshed pizza mania range is a big success. It is an important reason for driving volume growth and and is a hook to recruit new customers from the unorganized segment. Thanks to our unique commissary based sourcing model, which offers quality products at low prices without diluting gross margins.

We are an omni-channel company – we registered highest ever in-stadium sales during IPL matches, and serving customers on an moving train. Our network of 1800+ stores allows us to bolt multiple channels.

We opened 23 Domino's stores in the current quarter and entered one new city taking our Domino's India network to 1,838 stores across 394 cities. We are not revising the network guidance of 200-225 stores and remain committed to expand our network as per our guidance.

In Popeyes, we added four new restaurants and entered two new cities – Manipal and Coimbatore during the quarter. Popeyes is now also available for order on both aggregators – Swiggy and Zomato - in addition to our own assets. This has resulted in higher share of delivery orders. In July, we also entered Hyderabad – our fifth city. We are humbled with the response received by Popeyes and are working towards opening 30-35 restaurants this year.

In Dunkin', as you aware, coffee consumption is on the rise. We introduced two new international flavors and opened one new restaurant. We now have nine coffee-first stores, that are building a habit in their trade-area.

In Hong's Kitchen, we continue to see robust growth in revenue with order and ticket led growth. Customers are loving the offerings from Indian-styled Chinese. We added two new stores in Delhi during the quarter taking the tally to 15 stores across three cities.

Turning to international operations, In Sri Lanka, the system sales growth was 13.1% and the Company opened two new stores taking the network strength to 50 stores. The Company introduced Domino's Roasties – stuffed roasted bread with the delightful local Sri Lankan twist. In Bangladesh, system sales grew by 69.6% and the network expanded to 20 stores. The Company introduced Choco Breadstick.

Our second set of priorities relates to Data and Technology Forward.

The consumer engagement levels across different metrics continue to remain elevated. The cumulative enrolment in Domino's Cheesy Rewards grew by 23.5% q-o-q to 16.8 million. The cohorts of users in low, medium and high frequency increased significantly. The quarterly app downloads scaled a record high of 10.0 million and MAU(App) came in at 10.3 million.

With the launch of a new, redesigned UX for our Domino's India app, consumers get an immersive experience leading to higher conversion.

The launch of re-order widget this quarter is meant for users whose primary determinant of a great pre-order experience is to quickly order their favourite customized order. She is a user who prioritizes speed of order over the application of some discount coupons. This improves conversion and drives frequency.

There is clearly more work to do to fully service the demand potential of our stores. During the quarter, we analysed app open signals to decipher the demand emanating from unserviceable areas. We optimized the delivery coverage area which resulted in capturing higher demand from the existing network while upholding the high service levels.

Our third priority is to continue driving Operational Excellence.

Regardless of when the externalities in the demand environment will become a tail-wind, we are looking inwards and constantly trying to further enhance all areas of our operations.

During the quarter, we launched several efficiency enhancement programs aimed at process simplification and productivity improvement. Christened, as Project Vijay, we have made this an organization-wide program and seeing more ideas come in, every-day.

We dialled up sourcing efficiency, efforts to localize ingredients and are working to develop alternate vendors resulting in improved cost base without impacting the quality of ingredients.

New stores opened across brands, saw material improvement in month-1 sales, as we implemented a local marketing playbook.

Our fourth priority, essentially a pre-requisite for delivering on the first three priorities, is the foundation of people and culture.

One of the key actionable in this area was to control inordinately high attrition amongst the frontline teams, led to positive outcomes.. A series of targeted interventions has helped us stem the sequential attrition trend. During the quarter, we launched defined career progression tracks for our frontline teams with an intent to codify various growth opportunities.

We also stepped up our focus on Diversity, Equity & Inclusion agenda as a means to further strengthen our foundation of people and culture. We now have 55 all women stores.

With that, now let me turn to the moderator to initiate the question-and-answer session.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Vivek Maheshwari from Jefferies.

Vivek Maheshwari: A few questions. First is on the dine-in side, the revenues were flat in this quarter. What exactly is your assessment or why there is a quite a bit of a differential between delivery and dine-in, what explains that in your view?

Sameer Khetarpal: Hi Vivek. I think there's no specific underlying reasons. We want to improve our dine-in experience. We want to grow that. A lot of efforts are being on. We did see a little bit of a slowdown and slower footfalls in our mall stores. But I would again focus on our internal paths forward. We do see order-led growth, like I mentioned, we have arrested the ticket decline. We are improving the store experience, as mentioned in our presentation. We do see order growth even in our dine-in.

Moderator: We will proceed to the next question from the line of Amit Sachdeva from HSBC.

Amit Sachdeva: Sameer, my first question is on 20-minute delivery. As you talked about in

Bangalore, this -- the 20-minute delivery was implemented quite ubiquitously, if I may say. And what has been the experience in Bangalore where it's fully implemented? And could you give us a path of how it is being rolled out in other markets?

What would be the scope of it now that you have sort of done the full city and how -- what time frame you're looking at? And what sort of impact it is already having if you can share some experience of that, that would be quite useful.

Sameer Khetarpal: Great question, Amit. Like I mentioned, this is a big differentiator, delivering under 20 minutes consistently. We've seen the like-for-like growth to be higher wherever we do it consistently. Bangalore continues to see higher levels of order-led growth versus other cities. And therefore, it is also reflecting in our higher growth in the delivery channel. This is one of the reasons why we continue to excel in delivery. And that's the reason why it is growing faster than dine-in.

In terms of expansion, Amit, like I said, safety first and then everything comes later. We realize that we have to add more stores, and we're finding more and more wide pockets of the city as the city is expanding. And 60% of the orders, like I said, in the rest of the country continue to be less than 20 minutes, and that's why we have higher repeat rates. So internally, we have taken a target to expand to more number of cities before in Q3 after the rainy season ends. As we expand more stores, make sure we have the right coverage in the other cities, Bangalore has been a very positive surprise for us.

Amit Sachdeva: Okay. Great. So possibly, as we approach the second half, where Q3 comes in post rain, you probably would see slightly more pervasive impact of delivery for at least helping you with like-for-like growth. Is this a fair expectation one can build on that sort of delivery initiative?

Sameer Khetarpal: Yes. I think we also, during rains, we also see a positive impact because we've strengthened our delivery infrastructure. As the rider availability comes down, we are now better geared to manage rains. And part of the reason is we were focusing on 20-minute delivery. It makes the overall system a lot healthier.

Amit Sachdeva: Got it. No, that's very helpful for me. My second question is on Popeyes. Clearly, when I hear your commentary and that Popeyes is giving you very positive responses where you are opening and it seems that product market fit is fully achieved customer is, at least from the face of which is liking it, you also have a reasonable agenda for network rollout, 35 stores you're going to be opening this year. So my question is that what is the minimum number of stores there that you will feel comfortable sharing the Popeyes revenue and contribution margin etcetera separately from the overall numbers. And how has been the past quarter for Popeyes stores, if you can -- while the Domino's numbers are talked about, but can you share some operating color for Popeyes as well, how it is shaping in this quarter, how it has sort of done?

Ashish Goenka: So Amit, if I may come in, thanks for the question. Wherever we are opening stores in Popeyes, it is exceeding our internal expectations and action standards. But I think the brand is still at a very, very inceptual stage. And I think we don't feel comfortable at this stage to be sharing numbers around it. I think the network has to build to a certain meaningful scale before we can start sharing those numbers. So we will internally evaluate and maybe come back as to what stage we'll be able to share those.

Sameer Khetarpal: And in terms of operating color, our sandwich in a brioche bun, bone-in chicken, and the store opening playbook is getting better and better. And that is what is causing the lines outside that you see. We are also able to sustain new store led excitement and the allied momentum. And like I mentioned, we are live on both the aggregators along with our own app, so therefore, delivery as a channel has also grown.

So overall, feel good about the customer love. We, of course, need to open stores. That is the primary task for the team, and we are looking forward to opening 30 to 35 Popeyes stores this year.

Amit Sachdeva: Great. Sameer. Ashish, if I may suggest, basically, it will be great at whatever stage you are comfortable with probably if you could share the key numbers from Popeyes, whatever that scale is, if not at the corporate overhead level but it is gross margin and contribution margin level. If you can step it out from of the overall numbers, that would be very, very helpful, whenever you feel comfortable.

Ashish Goenka: We have made a note of it and will certainly come back on this.

Moderator: The next question is from the line of Nihal Jham from Nuvama.

Nihal Jham: You've been reporting the monthly active user data. What I noticed is that this quarter, we've seen a fall in the MDU number, whereas this is a quarter where you see IPL and I would assume the activations were rallying and even the data that you said there's never been a fall versus this quarter. So just wanted to understand, is it in any way a structural things that you want to highlight on this number?

Sameer Khetarpal: No alarm here, Nihal. We've actually just relooked at our sources of traffic, and we did a quality assessment, and we reduced performance in marketing in channels where the quality was bad. So our conversions have gone up. Our app orders have gone up. So from that perspective, let me assure you there is not that customers are not loving our app. Our ratings have gone up, our installs have gone up. We're just more focused on channels, which give us higher conversion. So it's more about prioritization of performance marketing spend, nothing else.

Nihal Jham: Sure, Sameer, that is helpful. The second question was you've maintained, obviously, your target in terms of the number of stores for Domino's at around 200 to 225. Is this quarter a reflection just of the current environment in terms of taking it a little light and also on the 200 to 220 plus stores, would we see the concentration of being in more of our existing cities? And incrementally, the number of cities that you are historically adding on a year basis will not be similar to previous years.

Sameer Khetarpal: Yes. So firstly, I do see a healthy pipeline that is there in the system, where we have gone ahead and done the negotiation. We have given approvals as an investment committee. So the overall addition guidance of 200 to 225, I am not very concerned at the moment. This quarter, I think it's a little bit of a slow start, I admit. I think teams are prioritizing, reprioritizing where to open stores. In terms of the mix, we will continue to expand, like we said, across Tier 1, 2, 3 cities and split the stores somewhat in the proportion that we have done in the past. So no major deviation from for our store expansion strategy, but whenever we open a store, we look -- we assess that individual store. It should give us the desired payback, it should be in line with our margin expectations. So I think those markers continue to be there and at the moment, we believe 200, 225 is a good number that we are targeting.

Nihal Jham: Understood. My final question was on the inflation bit. You did mention that there is comfort especially with further increase in prices, but we do see a spike in vegetables at this point in time. So overall, despite the recent news and the spike in certain commodities, is there comfort of inflation or it still remains a concern at this point in time?

Ashish Goenka: So Nihal, I think overall, basket remains still elevated as compared to last year. So while we did see some moderation sequentially, especially on cheese, cheese prices do remain significantly elevated versus last year. But I think sequentially, we are seeing some moderation. And I think the recent increase in vegetable prices, again, is the area of concern. But when I look at the overall basket, I think we are seeing some level of stability at least on a sequential basis.

Moderator: The next question is from the line of Tejash Shah from Spark Capital.

Tejash Shah: My question is the extension of the previous question. So see, worst of the inflation seems to be behind us, especially in the key raw materials of cheese and milk derivatives. So assuming that the trend continues and picks up in our favour for the rest of the year, how do you plan to repurpose the saving in terms of conflicting objective of margin expansion versus reinvestment that you'll have to do in the business. So how do you plan to play that kind of competing objectives that you have now from here on?

Sameer Khetarpal: Yes. So I think Tejas firstly, the inflation is not turning negative, which means compared to last year, the prices have not come down, at least, we've not seen it come down in cheese. So it may not increase at that pace or may see a slight deflation sequentially but as we look at it compared to last year basis, the price of cheese continues to be higher than that. Having said that, we are finding internal efficiencies and opportunities to improve our margins, which is reflected in the current quarter results as well.

The area of investment continues to be in Domino's India, where we'll open more stores, where we will strengthen our frontline training and infrastructure to our store managers and also in digital and technology assets. So those areas of investment, I will continue to double down on.

Tejash Shah: And my second and last question is if you can comment on the competitive landscape, mainly from the lens of regional competitors like La Pino'z and OvenStory and others, and then do you track them or there is a measure that or internal metric that you have to measure our market share versus some of these regional competitors who are not in public domain, we don't have much data on those competitors.

Sameer Khetarpal: Yes. I think we do track. Firstly, and I'll keep on saying this maybe sound like a broken record. In a $50 billion foodservice market, pizza as the category is about $1 billion and we hold the dominant shares in it, and we do track that. We do track our share of expenditure. We do track our top of the mind measure metrics, and we also track shares across channels. So from that perspective, I don't think there is a concern. But for us to grow, we have to take share from other categories and convert unorganized to organized, right? So that is the job to be done by our teams.

So on that front, we are doubling down in terms of our network expansion and also the menu range like we spoke about, spicy is one piece, which is very prevalent. And again, we are the first country within Domino's portfolio to have a spicy range again, learning from our feedback from the customers. And then our technological assets which differentiates us from the competition that you spoke about. But the larger point being pizza is about $1 billion category and rest there is a $49 billion market outside of it that we need to capture.

Moderator: The next question is from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: My first question was with respect to the demand trends. Now we are about 25 days into the second quarter. So Sameer, I wanted to hear from you if we are seeing some green shoots with respect to a demand recovery? And if you could even highlight what are the trends, we are seeing in Tier 1, Tier 2 cities versus the smaller towns? So that was my first question.

Sameer Khetarpal: Yes. So like I mentioned in my opening remarks, Sheela, that our strategy of customer and market-first and data and technology forward is playing out across channels. To give you more color, our mature stores, ADS grew 2.7%. We believe the strategy that we have put in place is yielding results. And therefore, I'm confident that it will only accelerate as more and more parts get executed.

So the Spicy range was one such example where we were able to arrest the decline in ticket size, get more consumers to try mid-range pizzas versus low-range pizzas. We have also instituted combos on our app and on aggregators. And therefore, as the order-led growth continues, if we improve the ticket size, this should result in better growth actually.

Sheela Rathi: Understood. And in terms of markets, are we seeing any different trends or broadly the demand trends are similar?

Sameer Khetarpal: So I think it is a little bit patchy, to be very honest. Last quarter, I could see malls to be doing very well. This quarter, I saw there was a slowdown. It's hard to pick up a trend for me to say. We opened 1 store in Tier 4 city, it is doing exceedingly well. I continue to be surprised by what is the latent demand that exists in Tier 3, Tier 4 cities. Tier 1 cities as there's more back to work. You do see some of those tech institutes and educational institutes after the holiday is also picking up. So I don't have a clear trend line. It is kind of a bit kind of moving around, but I'm not teasing out anything at the moment that Tier 1 is growing faster than Tier 3, Tier 4. The Tier 4 store that we opened did exceedingly well.

Sheela Rathi: Understood. And Sameer, if I may ask another question with respect to India is hosting the cricket World Cup this year. So are we having any kind of strategies that in terms of innovations, which could work out in favour for us, and you could benefit from this event?

Sameer Khetarpal: Yes and I mentioned, in the last earnings call that when Suryakumar Yadav hit a century during the T20, our sales went up. So Cricket is one occasion where friends and families sit together and order a pizza. We do plan to capitalize. IPL was one such event. So in fact, I shared in my opening comments that we also started offering in-stadium pizzas and that we could see the sales spike-up during the season. So definitely, we have plans to capitalize on World Cup, which is in the Q3 time frame.

Sheela Rathi: And then my final question is with respect to the new innovation at INR179. Is this our endeavour to offset the inflationary pressures we are getting and introduce the new product at a higher price point versus say, INR159 earlier now, we're taking it up to INR179 and is the worst on the inflation side behind us?

Sameer Khetarpal: So Sheela, So firstly, I'm like finding these opportunities, from what customers are telling us versus looking at my portfolio out. So customers did come back that they want spicy pizza. It does well. We will add more into the range and hopefully create a property around this. And it so happened that when we looked at the price gaps in terms of what consumers were willing to pay, it was obviously higher than Pizza Mania. And when we benchmark it against competition, we continue to be the most competitive on this kind of a range. On margins, we've identified close to 75 projects internally through Project Vijay that we are tracking every Monday morning along with the leadership team, that's what give me comfort that we have enough ideas. Now we need to execute and continue to expand our margins.

Inflationary environment I felt it was cooling off, but the vegetable prices have come back and surprised everyone. So I think we're again living in very uncertain environment, be it due to natural factors or factors which are external. So I don't know how that will govern the commodity prices, something which I can't control, but internal efficiencies is what we are more focused on.

Moderator: The next question is from the line of Ashish Kanodia from Citi.

Ashish Kanodia: Firstly, on demand -- and I understand that sequentially, ADS has improved, but I think part of it is also attributable to just the seasonality as well as some -- maybe some bit of impact of IPL. So not necessarily looking at any numbers, but when you look at the demand environment, maybe sometime in June and then last 25 days of July, from a consumer sentiment perspective, do you see things improving versus what it was in the last 3, 4 months, 5 months? And just excluding the seasonality, right, more from a like-to-like basis, do you see that the overall consumer sentiments are improving? And I think that would be the first question, sir.

Sameer Khetarpal: I think demand environment continues to be uncertain. But I'll again bring you back to the strategy that is playing out for us which is focus on faster deliveries, focused on our own app traffic, improving the experience, improving the conversion, offer pizzas right from INR49, which attracts a lot of new consumers and take them along through in our Cheesy Rewards journey to come back and spend more of their wallet on our app or into the store. So those pieces actually give me the comfort that this should only improve.

Ashish Kanodia: Sure, sir. That's helpful. And the second question is in the lines of your answer. So first on the monthly active user and maybe the Domino's Cheesy Rewards, right? Is it fair to say that as your Cheesy Rewards kind of contribution goes up, maybe the same -- the monthly active user may not see a very high growth because it's basically about conversion higher. So maybe because of your Cheesy Rewards, your conversion rates are high end. So the monthly active user’s data may not be very good reflection of overall demand environment?

And the second thing was in terms of some of the strategies you have taken. So reimagining of stores in terms of improving the dine-in, so it would be great to hear your thoughts in terms of what percentage of stores you are looking to reimagine, say, maybe in this year? And secondly, have you seen similar to what you shared about Bangalore. So of the few stores which you have imagined, already, have you seen any demand improvement on those stores?

Sameer Khetarpal: Again, I will not read too much into the monthly active user base. Like I said, we just focused on more efficient channels to improve the marketing ROI. I think we continue to see new customer growth rate. Like I said, our sales continue to be order-led. Therefore, from that perspective, we do see new customers. I mean India is a country of more than 1.3 billion. Even if I look at immediate target addressable market, there are like 150 million monthly active food customers who order on food and only about 10 million are coming on to our app.

So from that perspective, there is huge headroom to acquire new customers. Of course, customers enrolled in Cheesy Rewards, they know what to expect. They are loyal, that cohort of whether they order 9 times a year or 6 times a year, that is increasing. That obviously has much higher conversion rates, very natural for the cohort. But the headroom to acquire new customers remains, and I think for a long time, our growth will also be new customer-led.

On dine-in, we are reimaging stores. The presentation does talk about, there are 1,400 stores out of 1,850, which are anyway our new Ace design or Pizza theatre design. On the balance, we are taking judicious calls on which stores to reimage. For example, if you live in north, you can go to botanical gardens in Noida near the Metro station, you will see our Advant store in Noida. So you will see those stores image. They do exceedingly well, the dine-in, weekly orders actually improved by

15% to 20%. And we also do a thorough assessment when and where to do. So that base is not high -- it's not that we are going to reimage 500 or 600 stores, that's less than 10% is what we will reimage or relocate.

Ashish Kanodia: Sure, sir. And just last bit and 2 parts first is on the milk prices, cheese prices, so there were news flow that the milk procurement prices have started to decline. So while you may not have seen any immediate impact, but given you have a relationship with the vendors for such a long time and you have better data than we have. So I mean, if this trend continues, do you expect the cheese prices at the price at which you are sourcing to decline? That's first part.

And secondly, on Popeyes, just purely from this year perspective, when you say 30, 35 stores, from a strategy perspective, would you like to go deeper into the existing market, or we will see more city being added. And the question is basically coming from the fact that the supply chain is a challenge in that category, and you're just setting up. So we have seen you expanding to 5 cities. So going forward, when we look at the balance 9 months, will it be more stores in these existing 5 cities or maybe add a few more cities. That would be all from my side.

Sameer Khetarpal: So I think the milk prices would have seen a very little or a marginal decline in an environment where typically it increases, but it continues to be higher than what it was last year. So it has not fallen. There is no deflation in milk prices or cheese prices. If it were to go down below that, I think that's a call we'll take during that time, we have not really planned for it we also did not pass on all the input cost inflation to consumers, we absorbed as reflected in our margins. But I doubt, to be honest, it will start, there will be a deflation in milk and cheese prices. I don't see it at the moment, actually.

On Popeyes, so I don't think supply chain is a challenge. We are commissioning our biggest food factory in Bangalore, like Mr. Bhartia talked about. In absence of that, we anyway work with the vendors. I think what is most important to me is open the store in the right location and in South India, our real estate team is building that pipeline.

And we have in the last 4 months itself, we have expanded beyond Bangalore to Chennai, Madurai, Coimbatore, and recently to Hyderabad. So we are looking at more cities in South India for sure, and we do -- we have drawn plans to also expand to North India. So supply chain is not the bottleneck. I just wanted to assure that.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Hi Sameer and team. Just two quick questions. As you said that the inflation has still remained elevated, and we are trying to get the lower end of the pyramid. I mean, dining experiences is one of the things, and you focus more on the volume. Now in that sense, the 2 questions is that what is the impact of this whole refurbishment, which has happened in terms of Ace and Pizza theatre design. And will that be able to drive the volume?

Because if I look at you have introduced Cheesy Rewards, so that Cheesy Rewards is basically to improve the traffic and you are improving the dine-in experience. But then if the inflation is not going to subside, even though volume growth will be there, our margin will be still stretched.

Ashish Goenka: So Shirish, I think we have demonstrated that, a, because of the internal efficiency that we are driving despite high inflation, we have been able to sequentially improve margins. And secondly, despite a lot of focus on order-led growth and therefore focus on low price point, we had earlier also talked about the INR49 price point, which I think is unique in the country because no other competition offers such low price point, which allows customers to enter. Despite that, we have been able to again improve our margins because we have the full spectrum of the price piano that we play, and I think we have been able to also drive mix to our advantage.

And so despite absorbing the impact of inflation despite absorbing the fact that there were minimum wages increase throughout the country in the last quarter, we have been able to improve our gross margin by 70 basis points and EBITDA margin by 100 basis points. Combination of driving internal efficiency, and Sameer has talked about it across the organization, along with driving mix in a very, very focused manner and also targeted discounts, which improves our overall ROI around discounts.

So I think a host of these measures gives us the confidence that despite an elevated inflation, which seems to have stabilized, at least sequentially, we are not seeing too much of inflation and our continued focus on driving mix and internal efficiency will help us at least keep the margin stable or improve from here.

Shirish Pardeshi: This is again the question on volume. We have introduced INR49, and we heard Sameer, you said that INR49 to INR159 is the sweet place where we are driving the volume, but we have also now introduced and premiumizing at INR169. So is it sufficiently enough and gives the room for the premiumization and therefore, you are again confident that the margin may not deteriorate from here?

Sameer Khetarpal: So then there are 2 different questions. Does the range give enough width and in this investor presentation, we've shared that our range starts at INR49 and goes all the way to INR1,149. So in fact, we are the only QSR company that offer that kind of a range on the right-hand spectrum, you have the Gourmet pizza with almost 5 kinds of different cheese. And on the left hand of spectrum, you have a base INR49 product. So therefore, we have the menu width to cater to various segments and various tiers of the society and cities.

Now your question around what will happen to margins? We have demonstrated that there is no gross margin impact with entry range launch and through internal efficiencies, we've in fact been able to improve our EBITDA margin. So again, like Ashish mentioned and I also alluded, margin should remain stable or improve from here, and I don't see any concern unless until there is some unprecedented inflationary environment that we put ourselves into it.

Moderator: The next question is from the line of Percy Panthaki from IIFL.

Percy Panthaki: Two questions from my side. So firstly, on the cost efficiency plans that you have, just wanted a flavour of how much of that have you already implemented and the results of which are visible in this quarterly results? And how much you are yet to implement and that will give further sort of margin expansion in the coming quarters? Just a percentage rough sort of indication that like 60%, 70% we have implemented or whatever that number is will be okay with me.

Sameer Khetarpal: Percy great question. I think this is a constant, I would say, a never-ending battle that I tell my team that we always have to be more efficient than yesterday. And there will always be new headwinds that we will see, for example, tomato prices this quarter. So I would refrain from telling you that we are like 50% done or 70% done. I will only tell you we have a lot more opportunity. And I'm not going to leave it, and my team meets every Monday morning first thing to expand the hopper and also implement what is on our plate.

Percy Panthaki: Right, right. I understand this is always an ongoing thing, and it can continue for many years, and it can actually be a perpetual thing. What I meant to ask is that you said that you have identified some 80 ideas, right? So I'm restricting myself to that, that there might be some ideas we have identified but yet not implemented. And that could give more margin expansion in the future. I was just trying to get a sense on how much is already in the bag and how much will come.

Sameer Khetarpal: Let me assure you, Percy. There are enough and more ideas that we have. And the team is steadfast focused on implementation. I'll refrain from saying whether we implemented a 40% or 60% or 20%. That would tantamount to giving a guidance for the future. But let me assure you, teams are focused on all cost line items. We know where to find the opportunity, and we have a name program and a leader for every initiative.

Percy Panthaki: Sure, sure. If I were to ask a slightly different question that, let's say, what is a target for a stable state margin 2 years down the line or 3 years down the line? Like you are currently at 21%. In the COVID peak, you had gone to 26% plus. So obviously, that probably was not a very sustainable margin. Neither is the current margin sustainable and probably it will be somewhere in between. But it's a very wide range. So just your thoughts on what you think this format, or this brand deserves as a sustainable stable state kind of a margin?

Ashish Goenka: Percy, I think, again, without giving any guidance, our internal endeavour in the long run will be to at least stabilize between 23% to 24%. I think that's a good state to be in. When do we get there? I think it remains a question mark. But I think our endeavour and all our efforts are towards getting to that level. I think 26% was, of course, unsustainable, 23% to 24% would be a good level to get.

Percy Panthaki: Right. My second and last question is on the dine-in. So you said that 1,400 restaurants are already under the sort of new format out of 1,800. So that's a very large percentage. And despite that, dine-in is not really picking up. So what more needs to be done from your side for the dine-in to pick up?

Sameer Khetarpal: So firstly, we need to recognize that post COVID, there is a permanent demand shift towards delivery. Therefore, you will see all QSR companies investing in their delivery channel. And thankfully, that channel works for us. I would say there are a few bottom stores that we need to correct, right? And that have seen a material decline. That number, like I said, is about less than 10%, we'll get to about 100-odd stores this year. And that is the only way out of it. And of course, making sure we execute flawlessly in terms of giving the hot pizza on the plate in time. So making sure the functional excellence continues to be high. Those are the pieces which will bring back the growth in dine-in.

Moderator: The next question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: First question on the employee cost. There has been an increase of more than 20% year-on-year, significantly higher compared to increase in sales. Is it just because of aggressive expansion and the minimum wage which you mentioned? Or is there any one-off in this?

Ashish Goenka: Kunal, three prime reasons. One of course is the minimum wage, and it's been higher this year than what we have seen in the past. Second, of course, we have expanded our store network significantly in the last one year or so. So that cost, again, is reflecting there. And the third is also a bit of a mix impact because the variable manpower cost reflects in other manufacturing costs. So there has been a slightly adverse mix this quarter as compared to previous quarter of last year, but overall, of course, it reduces our cost because you see we have not seen a proportionate increase in other manufacturing and other costs, so some of it is mix as well.

Kunal Vora: Understood. Okay. That's one. Second one is if you can share your thoughts on DP Eurasia stake now. The stock has come off very significantly compared to the open offer price which you had in 2021. Would you look to acquire more? Or is there a risk of write-off due to erosion in value?

Ashish Goenka: So there is no erosion in value. And we believe that the underlying value of the business is significantly higher than what is reflected currently. So there is no erosion in value, and we do not see any impairment risk for this year.

As far as further acquisition is concerned, I think I'm unable to give any guidance on that because our Board mandate is only to go up to 49.9% and not beyond. So I think we are very close to that number already now.

Kunal Vora: Okay. And just one last question on the financial impact of the new commissary which is coming up next month. What kind of operating cost depreciation or cost savings or any revenue benefits we should be factoring in from the Bangalore commissary?

Ashish Goenka: Sure. So once the factory fully commissions, there will be two impacts. One, at an operating cost level, we will see some savings because we'll be in-sourcing or bringing some of our activities that we were doing through third-party we will do in-house. And because of the scale and the way the plant has been built, we will see some operating goodness flowing into our P&L, but of course, you'll have a slightly higher depreciation, but the impact will be not significant, given the fact that we will, of course, be depreciating this cost over close to 15 years. So I think net-net impact should be minimal. We'll have some operating efficiency gains and some additional depreciation.

Moderator: The next question is from the line of Varun Singh from ICICI Securities.

Varun Singh: My question is, I understand that all the vectors or the strategic intervention that we have executed to solve for kind of SSSG. So I mean, if you have to choose or like if we ask you that what would be that 1 key vector that you will give like the topmost priority to solve for the subdued same-store sales growth or to reach to 7% to 10% kind of SSSG, what would be that vector as per you sir?

Sameer Khetarpal: Yes. I think and I may sound a bit professorial over here. There are no silver bullet over there. We have to execute on every pizza every store all the time, right? That's the hard part of managing such distributed operations.

Varun, so there is no silver bullet. But if you force me to pick one, I would say it is the culture and the people as our foundation, right? I mean when it rains, you will see some of the parts of North Indian were flooded. And I could see our delivery riders almost water coming to knee level actually driving and delivering pizzas. I went to store that near midnight, 11:30 - 12:00 in Gurgaon, and I was asking why your pants are folded up and they showed me how deep the water was.

So I think that's what makes the difference, ultimately. It is the passion to serve the customers. It is the Domino's spirit in terms of hustle when there are more orders and take the ownership to get to the customer. That is where we differentiate and that is the true secret sauce and not necessarily the pizza, the menu offering or the technology, ultimately, pizza has to be made with love, which is 5-star, taken to the customer in 20 minutes and served with a smile. That is the hard part.

Varun Singh: Got it. Got it. And sir, like the 1,400-odd stores, where we already have done store reimagination, how is the dine-in performance in these stores?

Sameer Khetarpal: 1,400 stores, we opened with the ACE design or pizza theatre design. So therefore, they don't need any correction. They obviously do better than the older format stores and older stores as mentioned, we are rapidly reimaging the botoom decile stores. So these stores, which are what we call as ACE design or pizza theatre design. They have higher dine-in ratios versus the other. And we do track, by the way, before and after, and we do see healthy dine-in weekly orders and also the overall weekly orders because dine-in is a big channel for new customer recruitment. So it has a big rub of effect on delivery also.

Varun Singh: Some objective measurement when you say healthy dine-in, I mean, is that like instead of 60-40, 50-50 or anything of that sort.

Sameer Khetarpal: Whenever we reimage a store, we see it anywhere from 12% to 20% improvement in the dine-in sales.

Varun Singh: Got it. And sir, my last question is on the loyalty program. So currently, 48% we are -- I mean 48% is the revenue share. So by when you expect this to reach kind of 100%.

Sameer Khetarpal: Hopefully never, right? I mean, therefore, that would mean that we are not acquiring new customers. So like I said, there are like 120 million monthly active customers who are buying food on various channels. we get only 10-11 million. So for a long time to come, we should acquire new customers. When the program matures, what we've seen in other geographies, it should stabilize around 60%.

Moderator: We take the last question from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Sir, we have earlier delivered about 78% to 79% gross margin since second quarter, and we are currently at about 76%. I wanted to check if this difference largely because of food inflation or there are other elements of, say, higher competitive intensity or adverse channel mix also on this.

Ashish Goenka: Devanshu, I think those margins were largely on the back of a significantly deflated commodity environment. And that we have not seen for now almost close to 2 years. We have seen unprecedented inflation in the last 4 to 6 quarters. So I think really not comparable. And I'm not sure when we will see those kind of commodity cycles again. And therefore, as Sameer alluded to earlier, a lot of our focus has been on driving our mix and at the same time, driving internal efficiencies to continue to improve gross margins and overall EBITDA margin.

Devanshu Bansal: And sir, as you said, 23%-24% is the endeavour on EBITDA margin front. So what would be a similar number for gross margin?

Ashish Goenka: It will be difficult to give a gross margin number because a large part of the gross margin delivery is dependent on how the commodity prices pan out. And that is why we are focusing on every line of cost to drive efficiency and drive overall productivity in the P&L. So I think it will be a combination of both, but it will come more from non-gross margin as per my prognosis, because gross margins are more difficult to drive given the commodity and inflation cycle.

Devanshu Bansal: Right. Lastly, sir, Hong's has seen 2 additions in this quarter. So just wanted to check, are we at a level where unit metrics and the product composition, etcetera, saw, and we can see sort of faster acceleration for this format?

Sameer Khetarpal: Yes, I think we are, again, very happy with the progress the team from Hong's Kitchen is doing. They are truly building an Indian style Chinese QSR format, which, again, serves across channels. They have their own delivery and also their own app. So again what they have been able to demonstrate is very high customer repeats and the love for the food. I think that having solved; I would still say that they have a bit of a job to do on demonstrating consistently high store economics. By the way, the stores that we opened in Laxmi Nagar have become one of the best stores very quickly in a span of about 2 months.

So again, I'm giving you these anecdotes to give you my confidence on how the team is executing. But, before we go all out and open the floodgates of expansion, they have a bit of work to do, largely on the unit economics side of it, but many big rocks have been actually solved for.

Devanshu Bansal: Sure. Sir, and these -- all these formats will be supplied through common supply chain.

Sameer Khetarpal: Yes, I think this is what we bring as a horizontal capabilities as there are actually 4 capabilities. One is our manufacturing. Second is logistics because the same truck which carries dough balls for Domino's can actually service the store. Number three is our technology capabilities. the same engineering team, which builds the Domino's app actually builds the other apps.

And number four is the last mile capability in terms of workforce management, delivery riders and route mapping, route planning, etcetera. So all those four capabilities are horizontal capabilities, they can be bolted on to any new brand that is an international brand, or we are developing.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. On behalf of Jubilant FoodWorks Limited, that concludes this conference. Thank you all for joining. You may now disconnect your lines.

Sameer Khetarpal: Thank you.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.