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BSE Ltd.
P.J. Towers, Dalal Street
Mumbai – 400001

Scrip Code: 533155

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

Symbol: JUBLFOOD

Sub: Transcript of the Earnings Conference Call

Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/ Madam,

In furtherance to our letter no. JFL/NSE-BSE/2023-24/114 dated January 31, 2024 and pursuant to Regulation 30 of the Listing Regulations, please find enclosed herewith the Transcript of the Earnings Conference Call for Analysts and Investors held on January 31, 2024 for quarter and nine months ended December 31, 2023.

The transcript is also being disseminated on the Company's website at https://www.jubilantfoodworks.com/financial-information/earnings-call-transcript

This is for your information and records.

Thanking you,
For **Jubilant FoodWorks Limited**

MONA AGGARWAL Digitally signed by MONA AGGARWAL Date: 2024.02.07 16:30:26 +05'30'

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Q3 FY24 and 9M FY24 Earnings Conference Call Transcript

Date: January 31, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Jubilant FoodWorks Limited Q3 FY '24 and 9M 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 Limited' Q3FY24 and 9MFY24 Earnings Call for Investors and Analysts.

We are joined by our Board Members - Mr. Shyam S. Bhartia, our Co-Chairman, Mr. Hari S. Bhartia and our CEO & MD, Mr. Sameer Khetarpal.

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

As you are aware, Jubilant Foodworks Netherlands B.V., wholly owned subsidiary of the Jubilant FoodWorks Limited has launched a cash offer to acquire the remaining issued and outstanding share capital of DP Eurasia, not already held by JFN.

On conclusion of the open offer, as per the advice by our auditor – Deloitte - required accounting would be done as per Ind AS 110. As a result, JFL has continued to consolidate its investment in accordance with the provisions of Ind AS 28 and accounted for its investment considering a lag of three months period after considering the necessary adjustment for material transactions from the latest financial statements of DPEU up to the reporting period of the Group.

As of today, basis the market purchases and offer acceptances received from DPEU shareholders, JFN will have 79.02% shareholding. Therefore, JFN has also given a notice to the London Stock Exchange for cancellation of listing and trading of shares of DPEU which would take effect on or shortly after 8.00 a.m. UK Time on February 28, 2024.

Therefore, today's call is meant for discussing our India business only. We will organize a separate call to give you an update on our International Business.

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.

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

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

The team at JFL is focused on basics, investing in the right areas to get growth back in Domino's, building capabilities for the future and scaling Popeyes.

We are happy to share that we crossed the milestone of 2,000+ store network for the brands in India and are progressing well on our network expansion plans.

We observed softer demand, particularly post Diwali and in December, while November was strong.

1. Delivery has become the most preferred channel, driven by consumer preference for convenience. The channel is significantly ahead of its pre-covid performance and this plays to our advantage
2. Focused efforts on combo sales and initiatives to drive consumer up-trade resulted in highest ever ticket in last nine quarters. Notably, this is an organic improvement given no price increase in last six quarters
3. We were able to deliver record performance during the festive season with world cup finals and Diwali being bigger than previous year, however, the performance was subdued on non-occasion days. As a Company, we continue to have incessant focus to improve performance despite demand volatility
4. The current slowdown appears cyclical, mirroring the impact of inflation on mass discretionary consumption and doesn't change our outlook of food service industry

With the positive outlook of foodservice industry, we continue to stay focused on our strategic direction. It is based on a simple premise - serve the ever-changing consumer with highest quality product at the lowest cost. This is reflected in initiatives undertaken by the team:

1. Latest brand refresh for Domino's – 'It happens only with Pizza'– aimed at serving two broad purposes:

a) Reimagine brand as a companion for every joyful moment for the new generation

b) Grow share of pizza occasions – with Domino's being leader in pizza category, we intend to increase Pizza's occasion share in $51 billion foodservice market, where pizza is just $1 billion.

2. Commissioned Jubilant Food Park Bangalore in November. With each new commissary we are advancing and pushing the limits of back-end efficiencies. With the envisaged benefits, the expected payback will be within 4 years.

At closing, I would like to share that we have always adapted continuously to circumstances beyond our control, while being thoughtful and deliberate in our spending. This current rough patch will be no different.

With that, I request Sameer to share his perspective on the quarter gone by and progress on our initiatives.

Sameer Khetarpal: Thank you, Mr. Bhartia, and good evening, everyone. A warm welcome to our investor call today and wish you all a Happy New Year.

I would like to start with sharing some highlights, Domino's gained share and delivery continues to be LFL positive, as improved proportion of orders were delivered under 20 minutes. As mentioned in our previous calls, we have a distinct advantage here and our network in top-metros allows to take advantage.

To win share of occasions and love of younger generation, Domino's launched a category development initiative - 'It Happens Only With Pizza'. We will continue to invest behind the brand and grow the category, as nearly 2/3rd of foodservice industry in India is unorganized.

Moving to updates for our Domino's App. The MAU was 10.5 million and customer-conversion was the highest ever as we launched better experience on coupon application, cart and payments. This will continue to improve. Cheesy rewards enrolled customer base grew by 102.8% yoy and are now at record 21.5 million. Customers can now also order their favorite pizza through customers apps integrated on ONDC.

Domino's opened 40 stores and enters Q4 with its strongest pipeline, on track to open 200 stores in the financial year. Pace of store opening in Popeyes improved materially with opening of 10 new stores. Customers in Mysore, Mangalore, Cuddalore and Mohali are also now relishing the bold Cajun flavors of Popeyes. We continue to witness long queues outside the store when we open the store and are confident of making Popeyes India's fastest QSR to achieve revenue of Rs. 1,000 crores.

Hong's Kitchen added four new stores and is scaling ahead of our plans. Dunkin also added four new stores and we are happy to note the progress on coffee-first strategy.

Led by Project Vijay, gross margins have improved by 118 bps and despite a negative LFL, EBITDA was at 20.9%.

The Jubilant Food Park in Bangalore is now fully operational and we expect to sustain the goodness in gross-margins.

Overall, we will stay focused on growing the market, bringing innovation in products and in technology, capturing white spaces to expand, and building a strong culture and team at JFL.

I recognize that biggest question on the minds of our shareholders will be why the LFL is negative, despite festivities in quarter-three.

LFL is -2.9% due to negative LFL in Dine-in while delivery continue with its positive LFL growth trajectory. The decline in Dine-in started in 2017 when aggregators started to build their food delivery business. During covid, dine-in suffered heavily and after a brief period of outperformance in H1FY23, it has been on a declining trajectory. This is an industry-wide trend.

As we grow delivery, we will continue to improve our dine-in experience and reimage stores at a healthy pace. We continue to witness sales in dine-in as the experience improves. Several more measures are being executed.

Once the cycle for mass consumption turns, we should start seeing the benefits of dine-in being supportive of the overall growth without any cannibalization.

Let me now share our thoughts on two key updates from Q3 and the rationale behind them.

Firstly, as I shared, we invested on repositioning of the brand with 'It happens only with Pizza'.

As leaders in pizza segment (with nearly 2/3rd of the share) we need to expand the category and win and get more share of occasions. In a $50 billion food services market, share of Pizza-category is only $1 billion.

Platform of It Happens Only with Pizza allows Pizzas to gain share from categories not limited to QSRs and international food.

The investment behind the category development is being funded through savings generated on account of Project Vijay.

With inflation stabilizing, we believe that the time is right to invest behind the category and gain further salience.

Secondly, what drives our conviction to opt for an asset heavy CAPEX model of commissary rather than tying up with multiple vendors to build our supply chain.

A major reason why are we successful as Mr. Bhartia said is because we are able to deliver highest quality food products at the lowest cost.

The recently commissioned Jubilant Food Park Bangalore is the largest and the most prestigious food processing unit, adding unprecedented new capabilities for business growth across multiple brands at JFL.

This facility is designed to serve 750+ Domino's stores, and 300 stores of Popeyes, Hong's Kitchen, and Dunkin'.

In addition to the usual Dough manufacturing and the Cold Warehouses at our Supply Chain Centers, the Bangalore Food Park has large factories for chicken toppings and chicken marination, bakery products manufacturing, seasoning manufacturing and a state of the art Central Kitchen.

It gives us a unique cost advantage along with end-to-end value chain control as food supply chain has to be managed even more carefully.

With 4 years of payback, we have a strong business as well as a financial rationale to continue building an even stronger competitive advantage over peers.

As we speak, the construction on Mumbai Food Park is in progress and these investments are quintessential for our continued outperformance and for long term success.

To sum-up we will continue to invest in our customers, grow Popeyes, scale through technology and in our employees. We are confident of the turnaround in Domino's and will fund most of this through internal efficiencies. With that, let me turn to the moderator to initiate the question-and-answer session.

Moderator: Thank you very much. We will now begin the question and answer session. We have a first question from the line of Manoj Menon from ICICI Securities.

Manoj Menon: Good performance in the context of consumption, what we are otherwise observing, maybe except jewellery, maybe an exception. So Sameer and team, a couple of questions or clarifications. One, if you could give some more quantitative color on the loyalty program. While I understand the enrolment has been impressive, but the assumption, let's say, 12, 15 months back was that -- this is likely to result in market share gains for you, essentially either it's frequency improvement or consumers walking back to. And actually, that was the experience we kind of read and understood about what happened to DPZ, the U.S. company. So any color on the loyalty because it's been a good, I think, 15, 18 months of implementation?

Sameer Khetarpal: Yes, Manoj, I think you have been very consistently asking about loyalty, and I appreciate that. So, we have 21.5 million enrolled members. A large majority of them have actually gotten 1 pie, 2 pie and again, a material of them, a good proportion of them also have gotten their first pizza free. So if you recall, pizza frequency is three in India and to earn a free pizza, you need 6 pies.

So the customers who have gotten 6 pies, that base has gone up materially, Manoj. And we continue to see that base grow and that base is very sticky. The base of customers ordering 9-plus pizza, 6 to 9 pizza is almost up by 10% when I look at year-on-year. So that is kind of helping us gain market share, right within the category. To me, I owe this a lot to this program.

Secondly, I think the frequencies have not gone up to the extent that we want, but they have definitely moved when I look at it in the 18-month period. For the last couple of quarters, it has been flat. I attribute more of this to softer demand environment and dine-in being slow. So, I would have expected this to start resulting in positive like-for-like growth. Online is positive, like I said, because this program is largely online, while it is available offline, but most customers prefer it online. Therefore, the online part of the business is positive like-for-like. But, I wish we are able to take the proposition on dine-in also. So therefore, we can get the benefit of this loyalty program in dine-in also, while it is available in dine-in. It just feels harder for customers to imagine, visualize versus doing this on their phone.

Manoj Menon: Understood. Just one clarification. So is it fair to then make a statement of hypothesis that the current performance what we're actually seeing on the online part of our delivery part of your business, is fully baked in, all the benefits of loyalty is visible currently, right, or maybe material portion of it?

Sameer Khetarpal: These benefits are beginning to flow through. We are seeing very strong stickiness of our customers on our app or even with aggregators, right? Because even if customer order on an aggregator app, to claim for the free pizza, they have to come back to Domino's app. In fact, we are thinking of strengthening the program in line with what U.S. has done. So there is a program already underway, how can we invest more behind this program..

Manoj Menon: Understood. Secondly, Sameer if I heard the number correctly, I think about 80% of all deliveries are now less than 20 minutes, right?

Sameer Khetarpal: About 70% deliveries are under 20 minutes.

Manoj Menon: Okay, understood. Sameer, see, one of the important agenda, which you have been driving over the last few years actually has been to, let's say, come closer to the customer, right, which has actually been split store so that you move from 30 to 20. Is it fair to say that, that journey is largely traversed with -- because what I'm trying to understand is, look, split store by definition is a drag -- I think have negative operating leverage and -- is that investment fees largely coming to and end or do you still think there is still a long way to go?

Sameer Khetarpal: So let me tease this out a little bit, Manoj. So firstly, the most convenience-seeking consumers like you and I are in top 7-9 cities right? So if you were to go to Lucknow or Kanpur, there, we have done the experiment, if we move from 30 to 20 minutes, the cost benefit is not highly accretive. Of course, customers like it. And there the brand love improves. But the material benefit comes if you are in Goregaon or Andheri or Koramangala or Gurgaon, right, these are the places where we see the most convenient seeking PIN codes are, and the moment we move to 20 minutes, we see faster growth, case in point being Bangalore, where we have consistently been positive like-for-like.

Now we have 200 stores in Bangalore. Our endeavour is not to add more stores unless and until the store is struggling and bursting at the seams. And that's a good problem to have. So I would directionally agree with your statement. But I also want to consistently give 20-minute delivery in top cities. We may have to add a few stores.

The number of split stores have come down because the like-for-like growth is not there. So has there been a 4% - 5% like-for-like growth, we would have added another 25, 30 stores per split, which we are not doing at the moment.

Moderator: We have our next question from the line of Vivek Maheshwari from Jefferies.

Vivek Maheshwari: My first question is, Sameer, you mentioned in your opening remarks that Domino's gained market share. How do you define market share or how do you measure market share in pizza category?

Sameer Khetarpal: So there are 3 ways to do this. Firstly, there are publicly listed companies that will report their numbers, which is easy to do. Second is we get market share information from aggregators. And number 3 is we do our own internal tracking of market share of pizza chains. On all 3 accounts, we have gained market share within the pizza category.

Vivek Maheshwari: So just a follow-up, Sameer, in the context, let's say, there are enough number of, let's say, pizza outlets who have come about, which have, let's say, store count of anywhere between 100 plus to as much as 600, 700 or even higher. How is it -- how is it that these are not impacting your market shares is something I'm unable to understand?

Sameer Khetarpal: So, just to kind of take your question head on, Vivek, there are only few players with more than 100 stores. And we do have internal mechanisms of tracking store level sales, catchment level sales. Of course, will it be 100% accurate? No. But, directionally with aggregators, with listed companies and our own internal tracking, all 3 are indicating share gains.

Vivek Maheshwari: Interesting.

Lakshya Sharma: Vivek, If you take all 15 pizza chains in India, they account for 4,000 outlets. While, it's coming from our internal proprietary study, but since you raised an important question, I will share key excerpt from it.

If you see from the perspective of the outlet count, our outlet share would be around 46.8%, but, our revenue share is 69.7%. So the high throughput done by Domino's store translate to a high market share and we continue to gain share even in the current environment, and that's the point which Sameer sir was also explaining in opening remarks that gaining incremental share from, let's say, 70% to 72% in a small pizza category will lend us nowhere when seen from the perspective of how small pizza category is in the overall foodservice segment. Therefore, we invested the savings from gross margin in current quarter to develop the category and also gain share from other cuisines in the future.

Vivek Maheshwari: These numbers are very helpful.

So the second thing is on the dine-in bit. What is your assessment of what's happening? Because I think the whole issue around, let's say, cannibalization and all of that was perceived to be more on the delivery side.

Of course, delivery has also moderated a bit, there is macro environment, but dine-in is the piece, which is quite a bit of -- has been quite under pressure. What is your assessment on that? Because you also mentioned that you are not giving up on dine-in. So what needs to change over here?

Sameer Khetarpal: Vivek, as an overarching statement, we want to serve customers wherever they are, right, whether it's an ONDC, aggregator, our own app, dine-in, carryout, in a fair, on a train. So we are building multiple channels based upon a physical store infrastructure. So that is point number one. Now if I have to serve even in a moving train, the physical store is important.

But your question is more specific on dine-in, what is happening? It is a worldwide trend, Vivek, if you look at U.S., Europe, including emerging Asia, the dine-in on-premise sales are declining and delivery sales are improving and where Domino's has a key competitive advantage.

Now specifically, what is happening in dine-in is, India has lowest price per delivery anywhere in the world, and therefore, delivery comes out to be more convenient and relatively cheaper versus anywhere in the world. And we are doubling down on delivery. We should grow faster, and that is the objective over there.

If overall dine-in share is, let's say 35%; in Tier 3, Tier 4 cities, it is about 50%. So it is still a material channel for us, and we want to invest behind it. It is hard to pinpoint that if there is one reason, which is only pinpointing to weakness in Domino's dine-in only. All we care for is we should continuously benchmark our experience, improve it, and every time the customer comes over there to get great value, and a very functional and consistent experience in the store. So therefore, we spotted about 150-odd stores, which did not meet our threshold. 66, we have already reimagined. We do see 8% to 12% growth in the store immediately and sustaining. And there are about another 50 to 60 stores that we want to reimagine. Then we get into a cycle of like a healthy pace of reimagination every year.

So there is a pressure on dine-in, but it is still a significant channel and it is also a channel where we believe we can recruit more customers. And in food, seeing is believing. And the most stickiest customer that we have in our portfolio over the years, their first purchase was on dine-in.

Vivek Maheshwari: Got it. And just a follow-up, and that would be my last one. Sameer, have you analyzed -- I'm sure you would have -- historically, I think the earlier management view was that cloud kitchen doesn't make sense. But what is your view given how delivery is -- and for cloud kitchen for a new brand, the biggest issue is the -- is creating brand awareness and therefore, higher take rates to aggregators, which is not a problem that you face.

So do you think that for the next wave of store expansion, also because you are promising 20 minutes delivery. Do you think cloud kitchen will be a way forward at least, at least in the top 10 cities?

Sameer Khetarpal: Yes. So I think I will just nuance it from cloud kitchen to what we call as the DELCO stores, right? And I think somewhere, this is the innovation done by Jubilant Foods long before I came in, and the world is more enamoured by dark stores. The highest payback and the ROCE is actually for what we call as a DELCO store. It is slightly bigger than a dark store. It is marginally more visible than a dark store, almost the same capex as that of dark store, but customers can also come and take away their orders versus not seeing it.

So we have a material number of stores in top 7 cities, we do ask a question, why do we need a 1,200 square feet dine-in store when there is a store available in 0.5 km. So we take those calls. If there's a new market that has developed or there's a new mall that has come up, we are happy to open a dine-in and the delivery store.

But the operating word for me is not dark, the best payback period in India actually is in a DELCO store, which is delivery and carryout, but visible to the customers. The rental savings is minimal, to be very honest, far more compensated by the incremental carryout sales that one gets.

Vivek Maheshwari: Thankyou and all the best.

Moderator: We have a next question from the line of Amit Sachdeva from HSBC.

Amit Sachdeva: Sameer, my question is on the value proposition for pizza as a category. And obviously, as the inflation has been very high, and we have talked about this in the past as well, that -- there is a significant down trading in pizza category, which led to also you launching several value for money products, etcetera.

And now given that phase of inflation is now quick way past, have you started to see some of that down trading that was hitting the category at least has started to sort of weigh in and come back and you see customer willingness to pay for maybe slightly higher value pizza - is increasing?

Or you see still pressure on category continuing. That's the point number one, but I'll have a follow-up to that on the premium side of things, but if you can perhaps give us some update whether the down trading has stopped in the category or not?

Sameer Khetarpal: So at least as we look at data, Amit, down trading has declined in our system in the last quarter. And therefore, we saw the highest ticket size in the last 8 or 9 quarters. Now one can say how much of that is pure macro driven by customer behaviour and how much was with our efforts, hard to say, but we took several efforts to improve the ticket size. One was, we launched the Viva Roma range of gourmet pizza, which are doing very well. We relaunched it rather. It is doing materially better, becoming a very strong business just in few stores that we have launched.

Second, we purposefully targeted our discounts towards more discount seeking customers and lesser towards customers who were not. So that is one piece where we saw discounts being more targeted, I would say, our regular pizzas versus Pizza Mania and therefore, we saw the increase.

For the first time, we ran the offer of Buy 2 Get 1, across all channels, aggregators, dine-in, OA, but those were not on Pizza Mania. So we purposefully took some actions. Therefore, we are happy about the ticket size.

But I am not happy about the new customer acquisition, which if you were to target on Pizza Mania, we would have seen that. So it was a bit of a judgment call we took assuming the underlying new customer acquisition will continue to be there. And therefore, it's reflecting actually in our like-for-like growth. So we are learning from it. We are getting better at targeting our discounts.

So inflation is definitely moderated but the food inflation is also not negative. Inflation is still there. Secondly, we are seeing inflation in wages, right? But, when you look at our basket of consumption, that is, oil, electricity, diesel, petrol, gas, raw materials, it is still material in terms of inflation.

Amit Sachdeva: Got it. No, that's very helpful, Sameer. And I think I will take the question in the mirror image to the premium end as well. Like we have noticed in various categories, the premium side has done very well and rhetoric case at mass end -- mass end is very -- which is more impact we have seen in the consumption side. But in that pizza as a category where the marginal growth is coming from mass, but I would assume that large consumer, very frequent consumer of pizzas also would be a consumer cohort of very premium customers. But, they also perhaps seek value at some level, given that, that pie was growing at least there was a large spend there.

Have you been able to monetize some of that tailwind that was coming theoretically at least we understand from distance that there was some tailwind there. But have you been able to sort of launch some new categories in Pizzas, gourmet pizza, perhaps you can comment whether it was successful or not.

But was the pricing wrong or you through value offer in the gourmet pizza kind of positioning you could create so that there's a value locking which other can't offer and you can offer. Do you see some opportunity there? Or is it like very small and it's not meaningful for you?

Sameer Khetarpal: So, firstly, I take your point on premiumization. And therefore investing in the right product and the processes to relaunch Viva Roma is paying benefits. You are saying, can you push the envelope further by doing price corrections? It has only been 6 weeks since we relaunched it, Amit, definitely on the cards, we're also seeing we look at smaller size pizzas versus larger size pizzas. So that piece, the team is experimenting as we speak. And I'm hopeful that we will invest behind it.

And I think your point is around why do you have to charge prices equivalent to some of the other gourmet players? My answer to that is it is always easier to reduce prices than increase prices. So we started with a higher price point or an equivalent price point, but a competitive price point. We've been running high discounts also on that one, so almost INR300 off on a INR1,500 ticket of orders with gourmet pizza.

So that is material in terms of -- so we are using more promotion to learn, but I will not be surprised that we take some price corrections on the gourmet range to be more competitive and make it more mass. That's the point you are making. I'm also in the same camp.

Amit Sachdeva: Okay. Great. That's very helpful, Sameer. Just a small bit on Hong's Kitchen, you seem more excited now about the format. And obviously, it's a small one. You opened 4 stores. Menu may have obviously stabilized and you start seeing encouraging trends. But do you sort of still talk about running that format using the same own-store format?

Or is there wider options open that business model could be different for expansion here versus other formats that you've done so far? Or it would still continue in the same pace as it is going? What I mean to say is, can we see more aggressive rollout through a variety of means in this format?

Sameer Khetarpal: I think, Amit, again, thanks for being consistent on this question and pushing us towards the learning on franchisee model. We are learning. In fact, one of the reasons of acquiring DP Eurasia was their unique franchisee model, which is probably to the best of my knowledge is outstanding and North Star even from anywhere in the world that we know of within the Domino's system.

We will definitely learn from it. I think franchisee model at the right pace and with the right rigor, we should bring to Hong's in some of the other places, very much on the card.

But right now, I want the Hong's team to have the highest throughput per store like Domino's has for Domino's anywhere in the world. Once we get that, we will definitely evaluate where to franchise. In fact, there are multiple at least internal strategy papers that we are writing, where we can franchise and not in the context of Hong's.

Moderator: We'll take our next question from the line of Jay Doshi from Kotak.

Jay Doshi: My question is generally on profitability. So in December 2020, with about 1,300 stores, you had a pre-Ind-AS EBITDA of roughly INR200 crores, that in December '23 is INR175 crores, INR176 crores with 600 more stores.

So could you share some thoughts or give us some color whether even those 1,300 stores that were mature prior to pandemic that profitability or absolute EBITDA is still intact or because of weak SSSG over the last 3 years and inflationary pressure that you talked about, other than RM costs, that profitability per store has deteriorated for the mature portfolio as well.

And the 600 stores that you have opened in the last 3 years, are these stores at an overall level EBITDA breakeven or essentially it is a drag on absolute EBITDA?

Sameer Khetarpal: For all the new stores, we have a cash to cash payback of about 2.5 years and EBITDA positive in line with the business case. So highly positive. We don't see any deterioration from the business case when they opened, right? I want to assure you that each and every store we open is very closely tracked.

We have an internal committee, which approves the store, there is a lot of groundwork that goes in and a lot of rigor that goes in approving a store. And then Deepak and team track this like a hawk month-on-month in terms of sales and actual EBITDA delivered vs the forecasts.

So that process works very well. I know some of the analysts does have a hangover of the past when we have shut down the stores. Definitely, that is not happening and all our stores are on track. Now your question, I would say, a more relevant one being why has our EBITDA, which was almost 300 to 400 basis points higher earlier, why are we not at those levels?

The answer over there is the like-for-like growth. Had the like-for-like growth being plus 300 basis points versus minus 300 basis points, you would have seen that 200, 250 incremental basis points of EBITDA naturally coming into our P&L. So that is the short answer, and that is a job to be done by the team.

Jay Doshi: Understood. One more question, if I may. See, as a consumer -- and this question was asked earlier as well. As a consumer, we sort of feel that when we talk around and discuss, Domino seems to be losing mind share and market share at that INR400, INR500 or INR600 price point pizzas and because there are a lot of gourmet pizzerias who offer pizzas that are probably slightly more expensive than your premium portfolio and a notch below your gourmet portfolio.

So is there any thought internally to sort of work around product portfolio in not just gourmet, but at that price point where you may be losing share, both mind share and market share to gourmet pizzerias of local ones?

Sameer Khetarpal: So Jay, firstly, we've launched Viva Roma to take care of a more premium segment. And our value share is higher than the transaction share on some of the aggregators. So, if I see the bigger opportunities on the transaction side, there are local pizzerias or 1Zs and 2Zs who may be offering a better promotion or a deal on a particular day.

Less on the premium side. We are constantly benchmarking our portfolio of loaded pizzas and gourmet pizzas Viva Roma with the relevant competition set. Similarly, on the lower end, whether it's Pizza Mania or INR100, INR109 margarita, we are benchmarking against that relevant set. So both places we must win and have a dominant share, and that is what we are focusing on. So it is not either or for me. Yes.

Moderator: We have a next question from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: My first question was when we looked at the last 2 quarter results, it did give a sense that things are bottoming out and the LFL growth is not going worse from where it was. Now this quarter, despite obviously cricket world cup, on festivity, it's actually gone more negative even though you did give the color of dine-in versus delivery at an aggregate level.

So my question was, do you get a sense that things have bottomed out, they are not worsening further? Or is it that things could be worsening further, and we first need to address that problem? And if you could help us understand if there was any change in the trends after the World Cup got over in December, Jan, which helps like to look at this problem more closely?

Sameer Khetarpal: I can't say anything conclusively at the moment, Arnab. Is January better than December? maybe marginally but not materially. December was particularly worse compared to November, which had both Cricket World Cup and Diwali. So it's hard to say just like within like the first month of the quarter, is there a material uptick whether the demand is back, we absolutely know that's not the thing.

I think what we are doing internally is to capture the demand. Some of the questions being asked by other analyst friends on premiumization, having more occasions and our biggest weapon over here is taking more share from other occasions. Therefore, 'It happens only with Pizza' is a natural answer to that. So that's how we are targeting.

We're confident about the internal capabilities that we are building that we should be despite demand being soft.

Arnab Mitra: Understood. My second question was just related to this that in the context of this negative LFL, and SSSG may be a little worse than LFL because of store splitting, is there a case for like slowing down store expansion at least in the top 8, 9 cities where the density is already quite high? Or is that not the right way to think about it in the current environment?

Sameer Khetarpal: See, why do we need a split. Split is not for the sake of the splitting. It is when the mother store is not able to serve the customers, when during peak hour, they are taking shutdowns and the delivery metrics are poorer or dine-in metrics are poor, that is what causes a split.

Now if the store is not growing yoy, there's no reason to split it, right? So you're right. Therefore, we have reduced the number of splits. And as you see in the last quarter, we expanded to 10 cities, right? These are all 10 new cities and therefore, white areas. So we do play this tactically, right? Given the bandwidth of the team, if one pocket is growing and they're not able to manage the peaks, we do go for splits. Otherwise, we have a list of cities or the white spaces that we want to go to. And there are several in the top 10 cities also that we are not even covering the entire 100% of the city. So we are focused on more white cities.

Lastly, you will see on the investor deck, we are utilizing the demand signals to expand delivery service area for the existing store network also. So we realized that in this little bit of a demand-constrained environment, we have to work harder. So we have expanded the polygons and the coverage of existing stores also.

Moderator: We have a next question from the line of Tejash Shah: from Avendus Spark.

Tejash Shah: A couple of questions. First, with 113 stores of Domino's opened in first 9 months, and we're still holding on to our guidance of 200 stores, the ask rate from fourth quarter is almost 1 store per day. So just wanted to know any reason that we have bunched up the opening for the fourth quarter?

Sameer Khetarpal: There are 3 reasons. Firstly, we started with a very weak quarter 1 from store opening perspective, where we were kind of fine-tuning the team, changing the team, that was done in Q1 and happy to note we have a rock-solid team driven by analytics, insights, automation. That's what we wanted to bring in. So we started in Q1.

In the Q3, there were a few restrictions in construction, especially around NCR, where we had the store approvals, we had to stop the construction due to pollution measures. So therefore, the number in Q3 would have been slightly higher than 40, and that was the reason why it got delayed. So as we speak, like I said, for the first time, we are entering into the next quarter with a very large pipeline in this fiscal year.

Tejash Shah: Very clear. Second question, there are 2 parts to it. So interestingly, in your recent communication, we are broadening our focus to behave like position ourselves of the category and the addressable market, we are actually targeting as a whole food service market and not only pizza. So is it a fair understanding that as you try to gain market share from other categories, subcategories, the dining proportion there will be higher.

And second part to the question is that we also have been pointing that dine-in is a growth hurdle. And there's an observation that even in our recent communication, it happens only with pizza, in a campaign of, let's say, 1-minute advertisement, there is only 5 seconds, which we are actually showing customers enjoying pizza at our store. So how we plan to reshape aspiration if we are not seeding it ourselves?

Sameer Khetarpal: What you saw is a first 2 overs of a test match, right? And it happens only with Pizza is a full platform. The next set of ads you will see actually will be inside the store. So we will build this across channels.

Tejash Shah: And are we in sync of that adding more investment in the existing stores also so that dine-in experience can improve?

Sameer Khetarpal: Yes. We are very much in sync. I think we want to give good experience to customers. We stand for high-quality pizzas, affordable, low-cost, and very functional experience, right, whether it's inside the store or delivery. So we do want to give good experiences. And please don't mistake it for fine dining or casual dining. In fact, wherever we are correcting the experience inside the store, we are adding more seating to the store. Because we have redesigned, we have shortened the -- we reduced the size of the kitchen. We have taken some equipment out. We have made the operations leaner, we have a better restroom experience. So it's functional, higher ROI, higher turns, and that's what we want to stand for. So please don't equate dining experience improvement to fine dining or casual dining experiences.

Moderator: Ladies and gentlemen, we will take the last question from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Just 2 quick questions. On slide 14, when I look at you have given the cumulative Cheesy Rewards membership, which has now moved to 21.5 million over last 6, 7 quarters. I was more curious because in beginning -- in middle, you said that this program is going to do more success drawing the U.S. experience.

So how do you measure the success of this program when you're setting after 7 quarters? And maybe I'm more curious what percentage of customers have already achieved 6 pizzas and redeemed the seventh one?

Sameer Khetarpal: The simplest way to look at Cheesy Rewards program is that online channel is like-for-like positive and the ticket size is increasing, right? That's the best, easiest correlation you can make. While, it's hard to tease out what is the most accurate driver. But had the Cheesy Rewards program not been there, our frequency would have reduced, right? When everybody is reporting negative SSG, our frequency is not reducing. It is stable for last 2 quarters.

The cohort of customers ordering 6 pizzas and 9 pizzas is increasing and customer count with almost 2 pies have increased by 10% quarter-on-quarter. So I believe this program is working for us, especially for online and delivery credential. It is a great program. We also see lesser churn rates for customers who have claimed the free pizza versus a customer who's ordered 7 times, but not claimed the free pizza. So it drives stickiness. And this is very consistent with learnings from Domino's U.S.A.

Now the next question was on the proportion of customers who ordered like that base is growing. Unfortunately, we don't disclose that. But I measure this like a hawk in terms of how many customers have a free pizza, 6 pies but not claimed the pizza and 5 pies and 4 pies. So we track this on a weekly basis, that base is only growing.

Shirish Pardeshi: Okay. I mean I was more curious in the marketing success, when we do TRP, GRPs, we measure what kind of customers we have been able to convert. So that's why I was more interested in that number. Anyway, I'll take it offline.

Sameer Khetarpal: Yes, we can take it offline. Sorry, your voice is a bit muffled, Shirish.

Shirish Pardeshi: One quick last question, if you permit. Hello?

Sameer Khetarpal: Yes, Shirish.

Shirish Pardeshi: Yes. So on Popeyes, now we have entered to 10 cities. But if I go back about 2 years, we took almost to get the model right, to get the store economics right, the product menu pricing. And now we have entered into the north. So what gives you the confidence and what parameters you decide entering into the new city? And sub question is that if you can be able to share some contours in terms of financials, what is it at this point of time?

Sameer Khetarpal: Sure. The parameters are very simple in terms of 4 things. Is there a chicken eating market in that city. So 70% of Indians eats chicken. The proportion is larger in South versus some of the western parts of India. So we are cognizant how big the market is. Second is our store ROI, the payback period and the discipline of finding a store and the rental negotiations.

Number three is our ability to serve the customer because, as you know, we are the only player which offers fresh chicken. And therefore, it is more juicier and tender. We use chicken, which is no antibiotic ever.

And number 4 is ability to manage the operation because you have to have a crew which is trained, which knows how to fry, which knows how to change the oil and how to serve the customer. So these 4 factors we use to enter a city, the overall demand, our ability to serve and the store economics - these are the criteria.

I think it is fair to say that we will be in top 30, top 40 cities in 12 to 18 months, right? We believe in this product, the product satisfaction scores for Popeyes in India is not the highest among the top 2, top 3 for anywhere for Popeyes in the world. So we believe in the product, we've gotten that piece right.

And as you know that Popeyes in U.S. is now number two player behind Chick-fil-A and ahead of KFC. So clearly, there is something, the bold Cajun flavors lend itself well to the Indian palates and we have innovated fast. So I am happy with how the team is executing.

On sharing more color on stores, I would just request the analyst friends to be more patient on this one. We are only 25 stores. Once we get to closer to 100, -- and I want to get there quickly; Once we get there, we'll be sharing more information. We're happy to take you to some of the Popeyes store and experience the bold Asian flavors of Popeyes.

Shirish Pardeshi: Thank you, Sameer. I hope very soon we'll get a taste of Popeyes in Mumbai.

Sameer Khetarpal: Yes Shirish. Definitely.

Moderator: Thank you. On behalf of Jubilant FoodWorks Limited, we conclude the conference call. Thank you for joining us, and you may now disconnect your lines.

Lakshya Sharma: Thank you.

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