

JFL/NSE-BSE/2024-25/13

May 28, 2024

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Sub:- Transcript of Webcast and Conference Call

Ref:- Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

Dear Sir/ Madam,

In continuation to our letter no. JFL/NSE-BSE/2024-25/11 dated May 22, 2024 and pursuant to Regulation 30 of the Listing Regulations, please find enclosed herewith the Transcript of Webcast and Conference Call for Analysts and Investors held on Wednesday, May 22, 2024 for Q4FY24& FY24 results and business updates.

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
Company Secretary and Compliance Officer
Investor E-mail id: investor@jublfood.com

Encl: A/a



Q4 FY24 and FY24 Earnings Conference Call Transcript

Date: May 22, 2024



Moderator:

Ladies and gentlemen, good day, and welcome to the Jubilant FoodWorks Limited Q4 FY '24 and 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's Q4 FY '24 and full year 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; our CEO and MD, Mr. Sameer Khetarpal; and our CFO, Ms. Suman Hegde. We will commence with key thoughts from Mr. Hari S. Bhartia and then turn to our CEO and MD to start the webcast.

After the opening 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 webcast and 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 document. 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 S Bhartia to share his view with you. Thank you, and over to you, sir.

Hari S Bhartia:

Thank you, Thank you, Deepak, and Good Evening, everyone. Welcome to our webcast.

FY'24 will be regarded as a significant year in our corporate history as it is the coming together of two Domino's markets - India and Turkey - tracing a common origin with their first store opening in 1996 and eventually creating a dominant and profitable pizza franchise through early investments in own-commissaries and technology stack.

We are excited by the potential of sub-franchisee-led operations in Domino's Turkey, which complements the corporate-store-driven expansion in Domino's India. We are now leading the 2 largest emerging markets opportunity globally for Domino's, this has furthered deepen our relationship with them.

It is heartening to note that DP Eurasia has been able to build the 8th largest Cafe brand in Turkey – COFFY, in just over 2 years. With ~100 stores currently, we view COFFY as a new profitable growth lever for JFL group.

In India, we are pleased to announce that despite a challenging demand environment, the Domino's team has been able to achieve positive LFL growth in Q4. This has been accomplished without any price increase.

For the current quarter, we are already in the positive LFL territory and continue to gain market share quarter-on-quarter.

The emerging brands are tracking as per our plan and continued to make good progress during the year.

With opening of 356 stores at the group level in FY' 24, we are proud to announce that we achieved a record milestone of average of 1 store opening per day.

To further strengthen our value proposition and fuel our growth ambitions, it's critical that we continually invest across all facets of our business. This would translate to capex for new commissaries and investments in technology. Also, the delivery fee waiver would temporarily lower margins but is helping us to acquire new customers with high life time value, and ensuring future returns. We are certain that these initiatives would enhance the quality and substance of future cash flows.

Offering the best value to consumers with tech-based convenience has been the cornerstone of JFL group's success all these years and we will continue to build on it as we grow the portfolio of brands.

With that, I request Sameer to start the webcast.

Sameer Khetarpal: Thank you, Mr. Bhartia. Good evening, and warm welcome to all our participants in the webcast and the conference call today. I'd also like to welcome our colleagues from Turkey and DP Eurasia CEO - Aslan. And Suman, who is the new CFO, has joined this quarter, and it's also her first analyst call as JFL CFO. So welcome, everyone. I'll begin with an overview of fiscal year 2024, share key market-wise and brand-wise highlights. Suman will follow with a review of consolidated P&L. I will then talk about business outlook and network addition guidance for FY '25. We will then, of course, take questions from all of you. We are also changing our format of this call today. As I speak about the commentary on the webcast, you will see the slides. So I'll speak to the slides.

The FY '24 is clearly a year of significant shift for JFL as a group. It catapults us from being India's largest foodservice company to also becoming one of the largest emerging market food services company.

As we go to the next page, which gives you a snapshot of the network. The JFL Group store network across six markets and five brands is nearly three 3,000 stores. When viewed from the lens of sustainable long-term growth potential through our choice of market selection, we are positioned very well to serve 22% of the world's population, nearly a quarter as I would say.

Our strategically curated cuisine segments matched with some of the best partnerships that we have with global franchise brand owners like Domino's, RBI, Inspire, and also, in-house brands like COFFY and Hong's Kitchen gives many competitive advantages to JFL as a group. On top of it, the complementarity of the business model with corporate and franchise stores puts us in a unique position to grow competitively, profitably with higher return on capital.

The highlight here on this page, at least for me, is we opened 356 stores together as a group, i.e., one store a day, nearly one store a day. In Domino's, we opened 240 stores in the year across geographies. However, one of the key insights from the network update is that the Non-Domino's portfolio contributed to ~27% of the overall quarterly network growth which is a key indicator of how the combined effects of portfolio of brands - albeit at different stages of brand development - will play out in the future when viewed from the perspective of gaining share of meal occasions within the growing emerging market consumer base.

Let me now move to FY'24 highlights. We've been very consistent on our four strategic pillars, which is highlighted on the left side of the page. On each of the pillar, we've made rapid strides and progressed significantly against each priority in the year gone by.

The first set of priorities relates to **Customer and Market First**. The underlying objective here is to profitably build a multi-brand and multi-cuisine food service organization.

- We turned around the Domino's India LFL trajectory in Q4 and the trend line continues to be positive
- As you are aware, DPEU acquisition adds two profitable growth vectors to our portfolio – Domino's Turkey and COFFY.

- The new brands performance is tracking as per the plan with clear path to scale-up and profitability
- We also accelerated the pace of profitable expansion in Domino's Bangladesh.

The next set of priority is driving **Operational Excellence**. The Group places inordinate focus on continuous improvement when it comes to executing with excellence and FY'24 was no exception.

- The commissioning of the one-of-its-kind Jubilant Food Park in Bengaluru, significantly enhances our control over our core-value chain as we have insourced spice packaging and Chicken marination, in addition to existing set of capabilities within the Greater Noida plant.
- Our customer facing operational KPIs also registered record improvement on account of multiple workstreams affected during the year such as the decision to transition from a 4-region to 7-region structure which significantly enhanced span of control and led to faster decision making. A structured review cadence and purpose driven market visits by the leadership team with an intention to enable our teams serve consumers better.

The next set of priority is focus on **Data and Technology Forward**.

- We have made significant changes in the Domino's app and proof of the pudding is in the higher customer conversion
- Domino's Cheesy rewards membership base is now 23.1 mn strong and roughly contributing to ~50% of orders.
- The continuous digitization of operations through dedicated Rider App, OSSOM app for store teams, introduction of Tablet POS ordering are some of the many initiatives being taken with a single-minded-objective of helping store teams serve consumers better.

Significant efforts were also made to strengthen the foundation of people and culture which is essentially a pre-requisite for delivering on the first three priorities.

We were certified as Great Place to Work for the second time in a row, are in the process to codify our values and are progressing towards our sustainability targets with industry leading initiatives. Notably, we now have the largest own-EV fleet with 11,500+ e-bikes which is now 47% of our overall fleet. The successful implementation of India's first No-antibiotics-ever in poultry sourcing sets up a firm building block as we scale up Chicken offerings

Now, moving to our reported consolidated performance. As you are aware, the line-by-line consolidation of DPEU was effective 1st February and hence growth figures aren't comparable to prior periods but two important highlights here are:

1. Introduction of system sales as a new metric. The sub-franchisee-owned store sales will not be part of our revenue and hence we will also be reporting the system sales to give you an understanding of the overall business scale-up.
2. This is a margin accretive acquisition and hence it elevates and will continue to positively contribute to the Group's overall profitability.

The consolidated Gross Margin came in at a healthy 76.3%. Operating EBITDA margin is at 20.2% and PAT margin after excluding the net one-time gain of 1,702 million on fair valuation of equity stake held before acquiring control was 4.1%. Overall, PAT declined 34.7% year on year due to increased investments in building our network, portfolio and operational capabilities for the future.

On Pre-Ind-AS-116 basis, Op. EBITDA margin came in at 12.6% and PAT margin was 5.1%.

We will speak more about the underlying drivers of the margin decline and our thinking behind the same in the subsequent slides.

As you can see from the reported revenue walk, Domino's India added 1,943 million to the revenue in the year, the two-month contribution from DP Eurasia was 2,174 million and all other emerging businesses incrementally contributed 841 million to the revenue.

To better appreciate the scale of our business, the overall revenue with DP Eurasia for full year would have been 69,289 million and the normalized constant currency growth including DP Eurasia even in FY'23 base would have been 10.8%. Similarly, the system sales would have been 80,300 million.

Let's now move to key market-wise highlights.

In India, Q4 revenue growth came in at 6.3%. Domino's growth was 4.9% which in turn was an order led growth at 5.5%.

Let me now hop on the next slide to talk about Domino's LFL before I progress to share an update on Margins.

So despite high inflation in the past and a challenging demand environment, we not only resisted the allure of taking any price hike increase in the last seven quarters but work firmly on three work streams.

First was sharper on-the-ground execution with an intent to improve customer KPIs. Moving from four regions to seven, although required additional infrastructure regionally, investments in teams, but is also the key catalyst to drive necessary decentralization to take our teams and management closer to customers and our store managers. As you can see, our customer satisfaction scores improved.

Our delivery under 20 minutes performance improved, and we registered record growth in new customer acquisition. The reimage of bottom 80 store resulted in a double-digit improvement in dine-in orders.

Secondly, we made a proactive decision to sharper value equation and drive order growth. As against any price increase, we moved a step further to sharpen the value on offer to customers with a waiver of delivery fees after successfully piloting, testing, controlling, fine-tuning for nearly five months before we took the decision.

Thirdly, the growth initiatives. As you are aware, through a national relaunch campaign, It Happens Only with Pizza, we are doing a 360-degree change across the brand assets, including the communication to grow share of pizza consumption and improve the brand health. This was validated with improved brand scores, top-of-the-mind recall, engagement by youth and brand love.

We also invested behind a differentiated regional leadership team who has prior experience not only in off-line retail management but also understands the handling of online sales as well. So in a nutshell they should understand both digital and physical world. This has also contributed to turnaround in LFL trajectory.

Specifically on the India segment, as was expected, these investments are weighing on our margins, but, we decided to invest ahead of growth. While the gross margin came in at 76.6%, an improvement of 135 basis points year-on-year, led by Project Vijay and commodity deflation, the operating EBITDA margin came in at 19.1%, down 100 basis points year-on-year.

The savings pool created by Project Vijay across all cost lines was re-invested back into the business by giving value back to consumer through delivery fee waiver to revive growth in a subdued demand environment, and also further investments were made to build our network, operations and tech capabilities as we prepare for a market turnaround.

While we are conscious that this results in a short term drag on margins, however, it will help us grow orders at a rapid pace and recruit new customers into the organised pizza category. This is reflected in the improved NCA numbers.

Order growth as you are aware is the primary driver of sustained growth in the restaurant segment and this, in turn, will reduce the negative operating leverage quarter-on-quarter, lending support to margin recovery.

As you can see, we are consistent with the theme of building and growing the share of pizza occasions through It Happens Only with Pizza. This is 5th in the series of It Happens Only With campaign. During the IPL time, we launched free delivery campaigns and, of course, linked it back to It Happens Only with Pizza.

On expected lines, delivery continues to chart new quarterly record with delivery mix at 67.9%. Delivery channel revenue was up by 12.0%. While delivery order growth came in at mid teen levels, we saw a decline in ticket price on account of delivery fee waiver. The decline in ticket price was partially offset by introduction of packaging charges in March. The Delivery LFL growth came in at 7.8% So there is a big turnaround in the like-for-like growth in nearly 2/3 of our business.

The highlight here is that new brands have also started to contribute to revenue growth. The contribution this quarter was 1.4% to revenue growth and is a step up from 0.2% in the last year.

On the profitability trends, the Gross Margin is in a healthy range and our focus is to now sequentially improve Pre-Ind-as-116 Operating EBITDA margin through focussed cost optimisation measures and driving higher orders from stores to drive operating leverage.

Let me now share key highlights from our International Segment which with the acquisition of the Turkey business on an annualised basis is 23% of our Consolidated Revenues

In Turkey, Azerbaijan and Georgia, Q4 FY'24 witnessed strong market leading performance with System Sales of Rs. 5,877 million, up by 28.1%.

These numbers are Post-IAS-29 and hence comparable to prior periods.

Domino's Turkey LFL growth was strong at 18.0%. Domino's Turkey Delivery channel mix was stable at 74.4%.

The COFFY's System Sales came in at Rs. 461 million, up by 209% and now contributes 7.9% to DPEU System Sales.

The revenue contribution for the reported two months came in at Rs. 2,174 million with an Operating EBITDA of 26.5% and PAT margin of 6.2%.

Moving to Domino's Bangladesh, the revenue came in at Rs. 134 million, up by 52.1% on the back of accelerated network expansion and in Domino's Sri Lanka, revenue came in at Rs. 119 million, up by 4.1%

Moving to brand-wise highlights. First being Domino's.

I think this slide, to me, sets the tone of our strategy and how we are positioned within the Domino's system. We continue to be the largest franchisee operating in some of the very underpenetrated high-growth market. Domino's and JFL Group partnership is long-standing relationship between the world's #1 pizza company and one of the largest emerging market franchisees. I can't think of any other parallel like this in the Domino's world.

Here are a few things that will differentiate us from any other partnership and goes well beyond the strict contours of a franchisee-franchisor relationship as we are determined to grow in these emerging markets.

Firstly, we have exclusive, full territory rights for underpenetrated, high-potential markets. We operate with one of the strongest customer-centric value equations through our unique commissary model based on the sourcing model and, therefore, controlling the significant part and the value of the back-end supply chain.

In all geographies, we have developed self-delivery and our own-app infrastructure to directly interact with customers. All these capabilities have been built grounds up both in Turkey and in India, like you know.

We have a unique culture of hustle with a maniacal focus on operational execution to succeed in a store environment, which brags one of the highest throughput per store.

So Turkey and India are amongst the top markets. India, of course, is one of the highest or is the highest throughput per store volume. Turkey definitely is among the top quartile within the Domino's system. Deep local expertise developed over decades across all markets and, most importantly, the long-term vision to make growth investments ahead of the curve for durable and sustainable growth.

In the next slide, as you can see, these territories are strong, and we have leading position. So JFL Group operates nearly 2,800 Domino's stores now, and we have podium position across all territories. India, Turkey are large growing markets, which is one of the highest profitable metrics within the system.

In Bangladesh, we recently achieved market leadership and have also registered mid-single-digit EBITDA during the year. Azerbaijan and Georgia albeit small are franchise-profitable markets with further headroom for growth. The task in our hand is to affect the turnaround in Sri Lanka business. We are on it, and we'll come back to you with an update by the year-end.

We have reviewed the potential of all territories and confident to profitably scale Domino's network to 5,500 stores as we see a significant headroom to grow with immense potential in the territories that we operate in.

Coming to Domino's in India. We are nearing 2,000 stores in Domino's. As you can see, we have accelerated the pace of new city expansion. We have added 28 new cities in the last year and now have presence in 421 cities.

Technology is an integral part of our strategy, and again, last two years have been watershed years in terms of our technological transformation. As you can see on this page, we had a very clunky old-world app when we started the journey. This is a picture of how we were in 2022, a lot of customer friction, nonintuitive user flows and a lot of legacy issues.

Where we've come to? As you can see, we have materially enhanced not only our user experience and interfaces but also tremendous back-end capabilities, which allows the teams to configure promotions, change the menu and also change the area that the store serves if there is a rain or there is an event. It has allowed us to improve conversions, and the conversion in the last quarter actually has been at an all-time high.

So here are some of the metrics that we care about.

App installs continue to be ~9.4 million. As you can see, typically, in Q4 the monthly active users drop as the Q3 is typically the festive period. But as you can see, we reversed the trend. Q4 is now higher in terms of monthly active users. And we continue to be on that trajectory. Cheesy Rewards cumulative membership is at 23.1 million.

Rider and rider ecosystem is another capability that we have to build upon, and we are very cognizant of it. Driving further our technology agenda to digitize operations, we launched a dedicated rider app that is helping us significantly improve quality and speed of service delivery.

Coming to Domino's in Turkey, Azerbaijan and Georgia. We've added 48 new stores in Turkey, Azerbaijan and Georgia. And percentage of network franchise improved by 2.1% point.

The team in Turkey also launched very exciting range of Mexican pizza. As you can see, we're also showing you a glimpse of Domino's store in Turkey. Very similar to India, Turkey has its own app infrastructure and delivery infrastructure. The app installs were 0.76 million in the gone quarter, and it has a monthly active user base of ~3 million.

In Bangladesh, we added 11 net stores and increased the network from 17 stores to 28 stores. Again, you can see through the trajectory, we are stepping up the pace. And on the right-hand side, you can see we still don't cover the full Dhaka, leave aside the entire country. So again, we have a huge headroom to grow. We've also entered two new cities in Bangladesh during the year: Narayanganj, which is on the outskirts of Dhaka, very similar to, you can say, how Faridabad is to Delhi; and Chittagong or now it is called Chattogram.

Very similar to our playbook in any emerging economy, we are localizing the taste and flavours. What you see in Bangladesh is a very heavy rice-eating market. What you can see is we've launched oregano rice with the fusion of topping from Domino's. It's doing very, very well. Again, this market is primarily a non-vegetarian market. We have enhanced our garlic bread range to introduce chicken teriyaki-stuffed garlic bread and also with more flavourful and more choices of dips.

Moving from Domino's in various geographies to Popeyes. Globally, Popeyes is all about product superiority with modern digital guest experience. This is how Popeyes is winning share in U.S.A., and this is how we want to progress in India as well. Through suitable adjustment to localize the flavour profile to the Indian palate or Indian consumers, I'm happy to share with you that the product fit is also now formally established.

We made huge strides in improving the gross margin on the product range, and we've also evolved the portfolio and operational parameters. We also established product superiority using fresh chicken for marination in our Bangalore commissary and then applying to all stores while ensuring there are no-antibiotics-ever administered to the chicken that we serve to our customers.

We have obviously accelerated the pace of expansion. So now for the last two quarters, we've added 10 stores each and with 42 stores are now present in 15 cities. We have gone through a steep learning curve and are getting better and better in our execution and unit economics with every successive store launch and every city launch.

Here are a few glimpses of lines outside the store. This is day one of Chandni Chowk. We have now opened our first city in Delhi NCR. As we call it, Chandni Chowk is heart of Delhi and Delhi is heart of India.

Moving to COFFY. It's one of the fastest-growing profitable café brand, and we are excited to share with you the progress the brand has made in a short period of

time. The idea behind COFFY is also noteworthy: quality coffee without excessive price tag in a market with high coffee consumption while being digitally first. So, the core proposition of value and digitization is targeting the youth segment well. COFFY is now eighth largest café brand in Turkey. And I think we are making rapid progress in making it amongst the top brands in that geography.

COFFY also became the first amongst our new brand portfolio to have recently crossed 100th store milestone. The AWO of 2,000+ also inspires our other emerging businesses to shorten the learning curve further. We view the medium-term potential as 350 stores.

There is another picture of how the stores look like. As you can see, customers sitting both inside and outside and enjoying their cups of coffee.

Talking about Dunkin' and Hong's. We added 10 net stores for Dunkin'. We've pivoted successfully to beverage first strategy, and we continue to progress well by launching new products and gain new customers in the process. Hong's Kitchen, operates in a very large Indo-Chinese segment. And we added 15 net stores, launched a new chicken range along with the beverage range in Hong's.

We have also stepped up consumer engagement across all brands and markets and are confident that this will pay rich dividends in the near term as overall consumer sentiment picks up in the coming quarters.

With this, I hand over to Suman to give you a quick overview of the financials, and we will come back to you to speak on business outlook and the questions that you may have. Over to you, Suman.

Suman Hegde:

Thanks, Sameer. Good evening, everyone. Quickly taking you through the highlights in the financials, which you would already have a chance to go through.

For the Full year 2024,

- Consolidated revenue increase came in at 9.6%, like for like excluding the 2 months of DPEU consolidation would stack up at 5.4%
- Gross profit increase was driven by improved gross margins led by deflation and productivity initiatives
- Personnel costs have seen a step-up due to min wage & salary increments in the range of 8-9% and resourcing of new stores, commissaries and tech teams

- Mfg. & Other expenses while have seen an increase in line with new stores opening and orders increase – the operating deleverage on the same due to subdued revenue growth has hit the margins
- Overall interest and depreciation costs are up on the back of increased investments as highlighted earlier
- Therefore, Profit before Exceptional items before Tax for FY'24 stands at 3,156 million against 4,887 million in FY23. A decrease of 35.4%. Post the exceptional entry on the one-time gain of 1,702 million on fair valuation of previously held stake in DPEU, consolidated PAT stands at 7.1%.

Moving on to the Quarter 4 financials view:

- Consolidated revenue increase is at 23.9%, like for like excluding the 2 months of DPEU consolidation would stack up at 6.7%
- Personnel costs and Mfg. & Other expenses increase primarily driven by similar reasons as highlighted earlier for FY'24
- Interest cost increase on the back of debt taken for India and in Netherlands for the DPEU acquisition
- Profit before exceptional items before tax for Q4'FY24 stands at 549 million against 534 million in Q4'FY23. An increase of 2.7%. Post the exceptional entry on the one-time gain of 1,702 million, consolidated PAT for Q4'FY24 stands at 13.3%.

With that I hand back to Sameer to conclude

Sameer Khetarpal: Thanks, Suman. Turning to some bit of forward-looking guidance and outlook also priorities for FY '25.

I think we're still operating in an uncertain demand environment. So therefore, our focus is on volumetric growth, acquiring customers and gaining market share. We'll continue to innovate on the portfolio with our assets, get more customers, serve customers multiple times, while focusing on both value as well as the premium end of the products that we will launch across brands.

We'll continuously improve our services. As the world becomes more accustomed to delivery and as the share of delivery goes up, we realize that service standards being asked by customers are also increasing. We'll continue to invest in technology and operations to meet and surpass consumer expectations.

We'll expand occasions and category share through new brands like chicken, coffee and Indo-Chinese food. I think there is always opportunity to improve cost, be more efficient, and I am a firm believer of that, and we'll continue to do so. The annual network addition guidance for FY 2025 will be: 180 stores for Domino's India, 50 for Domino's in Turkey, 20 for Domino's in Bangladesh. In COFFY, we intend to open 70 stores. In Popeyes, our guidance stands at 50 restaurants and 25 for Hong's Kitchen.

With this, I request the moderator to open the floor for Q&A. Thank you.

Moderator: The first question comes from the line of Nihal Mahesh Jham from AMBIT.

Nihal Mahesh Jham: Wonderful, sir. Sir, if I look at these initiatives that we've been working on, which is IHOP also splitting the business from four to seven territories and even the recently launched delivery waiver, what seems to have done pretty well is obviously the pickup in the delivery revenue. So is it that mainly the waiver of the delivery is something that has really driven the improvement in the delivery performance? And why is it that the sales on the dine-in still remain muted despite, these initiatives?

Sameer Khetarpal: So firstly, I'm positive that the like-for-like growth at least for the last three months, is seeing a positive trajectory. In a subdued demand environment, it is first important to grow, whether it comes from delivery or dine-in. That's the first thing we want. And like I said, the LFL delivery growth is 7.8%.

Now it is, of course, aided by a free delivery waiver. But equally, we have to execute well and, under 20 minutes-odd, ensure that our delivery promises are kept. So it is both on the back of execution. And as you can see, if the like-for-like growth for our delivery is 7.8%, it means materially different type of operations inside the store. It still has to be served and served with a better timeliness and service quality. So the on-the-ground team that you are referring to are actually helping us deliver that growth.

We have taken several steps also for dine-in, some of which we have spoken about, some has been already been executed in the last month or so. And we're actually seeing that the decline in dine-in has also been arrested during lunch hour. So several things are under motion.

There is a tailwind when the world is moving from on-premise to off-premise or dine-in to delivery, right? That's happening across the world. And we don't want to resist it. We want to ride on that wave. I'm confident that we will also kind of arrest the decline also in the dine-in.

Nihal Mahesh Jham: That's helpful. Just a follow-up, is it that you get the sense that the market has become that sensitive to pricing or offers maybe that, say, giving a waiver on delivery is leading to this kind of activation and maybe there will be more activation required to keep this growth sustaining?

Sameer Khetarpal: Yes. I think firstly, it's a good problem to have if you are having growth in one channel, which is quite material at a store level. So at the moment, we believe the full potential of even free delivery campaign is not fully there. We've not reached the full potential, and yet the awareness on this particular piece is, I would say, limited and there is significant headroom on this count.

Now the most important thing over there is our pace of new customers have increased materially. Now some of them will buy once, but many of them will buy three times a year. The average frequency is 3. That's what we've seen historically. And if that happens, the compounding will begin to happen, right? Whether that compounding happens in dine-in, carryout, delivery, aggregators, right, we obviously want compounding to happen. And we are seeing a little bit early signs of upticks in repeat rates also for the new customers that are acquiring. Of course, it's very new and I don't want to comment too much.

But the fundamental point I am making, Nihal, is that there is a compounding. Every customer you acquire have a lifetime value of not just one transaction, on an average of three transactions, and we are monitoring that. So of course, there are other initiatives, which once we launch, we will communicate.

Nihal Mahesh Jham: Sure. Final question, if I may. You've been mentioning that, say, the last three months or at least the current quarter, you're seeing a good traction. If you could just mention, it's both delivery, dine-in and if it's a significant pickup from the 0.1% LFL we saw in Q4?

Sameer Khetarpal: From Feb onwards, we are seeing an uptick in like-for-like growth given that we are sitting in May, so therefore, I can at least comment about April. April also was positive. And in April, we took several steps on arresting the decline of dine-in, and those are also working.

So I don't want to overpromise and because still it's one month of data that I'm gathering for the current quarter. But, delivery continues to grow with material headroom to even grow further. Dine-in, several steps have been taken, and those are also we are tracking and paying off.

Moderator: We have the next question from the line of Abneesh Roy from Nuvama.

Abneesh Roy: My first question is on the recent development. So we have seen India's foremost multiplex operators come out, and they are working together with one of your competitors in terms of the malls and food courts. This brings cross-promotion synergy benefits. This gives your competitor better understanding of the malls and, obviously, better rental and rental rates also. So is that a concern for you at least from a mall growth perspective? And globally, this is also quite prevalent in some of the developed markets. So what will be your thoughts on this?

Sameer Khetarpal: Yes, I think it's -- I think, obviously, we'll learn and we'll let it pan out. I can -- and I've visited several malls, and we have stores, both Domino's and Popeyes, in several malls. In terms of throughput per store, Domino's are typically Number 1 or Number 2 in every mall that we operate in. It is the go-to brand when it comes to pizza for any mall operator. We get very preferential treatment in terms of location, invitation, access.

So I don't think that is going to change. Ultimately, it is not about only access to space. It is also about demand and the value that we serve. So we'll stay true to the value to consumers, great-tasting pizza at a great price and Popeyes with the world's famous and best-in-class chicken. I don't see any concern we'll obviously watch closely and if there is something to learn, we will learn.

Abneesh Roy: Sure. My second question is on Popeyes. So clearly, your aggression seems to be increasing. From five stores in first quarter, it became 10 in next two, and now you are targeting 12 per quarter. So two, three questions there. One is, would you go beyond these seven, eight states which you currently have? Or mostly the expansion in FY '25 will be in these seven, eight states?

Second is when you say getting better with every new store and city launch, could you give some anecdotal evidence, some data points, what exactly do you mean by this? Because clearly aggression seems to be matching this statement, but what exactly you mean by this?

Sameer Khetarpal: So if you look at Jubilant FoodWorks, we have our own commissaries. And all stores of Domino's in 421 cities are served from our commissary. So we have the infrastructure to do chicken marination, sourcing of no-antibiotics-ever and multi-temperature logistics. So that allows us to open store and ride on the logistics and supply chain that we build for Domino's. So therefore, it's easier that way versus some of the competition.

And therefore, we will expand wherever the market is, and that's what we've been doing. And then, of course, when we go to a city, we then add the second and the third, so we try to serve the full city.

The ambition to open stores is coming from three things. I think I alluded to it. Firstly, see, ultimately, we are in the business of serving food that customers are eating. So the first piece is the customer liking the food. Popeyes is closer to Indian palate with a bold Louisiana Cajun Flavors. Second, the battering process that Popeyes is using is unique, therefore, it makes the chicken more crunchier and tastier. And number three is the chicken sandwich, which pop stars start like Beyoncé and other celebrities have craving for.

So there is something in the brand which on the food side that gives us the confidence, and the food is loved by the customers. As you can see the lines across the new stores that we opened, they opened at materially high average weekly orders. So the ultimate confidence is coming from the customer love.

In parallel, of course, this is a U.S. brand coming to India. And in India, we know things work differently. Price points are different, economics are different. The capex requirement, the space requirement, manpower, everything is different. So we've taken like last year to perfect it. So we have brought down our food cost to improve gross margins. We've fine-tuned our labour model. We are actively looking at restaurant operating costs.

So the underlying theme being we are more confident of building a profitable franchise, I would still say that there is huge headroom to grow. While the pace has gone from maybe four to 10 store per quarter, I think we can do even more.

Abneesh Roy:

Sure. Last question is on your Domino's delivery channel. It's a decent growth. And clearly, you seem to be growing faster than the other listed players. My question here is, we are seeing a lot of the quick commerce now start to charge in terms of the convenience and delivery, or they have the loyalty charge, etc, which is also indirect way of charging.

So against that, when you're offering free delivery and it clearly seems to be working but not fully to the optimum level, so is this more against a regional chains? Because the listed player seems to be definitely losing market share. So if you could comment on why this has been done more towards the La Pino'z kind of regional players and how is the performance versus them because those are unlisted, but you would have more clarity on their performance.

Sameer Khetarpal: We track all competitors internally, and we have gained market share within the category. And Abneesh, I have been a very vocal advocate of category expansion -- in a \$1 billion category we are having a 70% market share, that's not the game that we are playing in. We are operating in a \$50 billion market, and we have to grow the category. So that's the task over here.

Having said that, no player has opened ~180 stores in the year, LFL delivery growth of nearly 7.8% in this environment. As we track internally, we have not seen any of the competitor to have such kind of growth in other players. So we have gained share. And it is not done to La Pino'z or any other player piece. It is done to grow the category. That's what we are single-mindedly focused on, our customers, and we did this after thorough analysis of nearly five months of experiments in like 40 different parts of the country to come to this conclusion.

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

Tejash Shah: Thanks for a very comprehensive presentation. The first question pertains to Vijay. So Project Vijay has boosted our gross margins and has offered cushion in a difficult time in recent times. So just wanted to know, are there any more benefits which can come through this year? And second, despite these GM gains and improved LFL, EBITDA margins were lower this quarter. So is this a trade-off that we'll see between LFL growth recovery and margins going forward in the near future at least?

Sameer Khetarpal: Thanks, Tejash, and good to connect with you. So Tejash, firstly, being an ex-consultant, I always see margins as an opportunity, and I see actually more margins as an opportunity across line items. So we would have delivered close to INR200 crores of savings delivered in the last year. Actually, we're only doubling down, and the team feels there is even more to do it.

We are systematically going after rentals, manpower productivity. These are some of the areas that we were not able to capture as much as we wanted last year. As you would see, the large part of it flow into gross margins for things like I've spoken about, going to lidless boxes, corn localization, smart sourcing of cheese and a bit of commodity deflation.

So from that perspective, I see more over there. We've also opened up a new front on capex. We're also looking at capex reduction, partnering with landlords on investments for capex, Capex can come down by almost 15% per store. So, a firm believer that this is a big area for generating savings. And as a retail organization,

we have to continuously be at it, including technology, G&A, electricity. We are rapidly moving from petrol bikes to electric bikes for instance.

So all of those things actually add to EBITDA. Price increases, obviously, our last resort, right? Other analyst was asking, would you charge anything for platform fees or convenience fees? Passing on to consumers is our last resort. Internal efficiencies bring the smile on my face.

Tejash Shah: Great. Sir, second, we have revised our medium-term target of Domino's India from earlier you used to say 3,000. Now we are targeting 4,000 stores. So could you share this key insight that would have prompted us to upgrade our guidance? And additionally, how should we think about this medium term in terms of years?

Sameer Khetarpal: I mean I view it more as a kind of a 5-year period thereabout. One can debate it's four or six, but somewhere around that. Why we are revising it upwards is the following.

Firstly, the teams are using data and technology. Like you see there is ~11 million monthly active users, right? And over a year, this is another like 40 million to 50 million monthly active users that log on. About 10% to 12% of our consumers still see out-of-service area where we can't deliver to them. That's the best signal we are getting. Somebody has our app but we are unable to serve because the store is not there. So we are using data and technology to put the next store. And that is giving us the confidence. Equally, and I've gone on record in saying, there are 34 airport terminals that matter. We've finally opened one more in the last year, so -- in the last quarter. So we are still present in six or 7. There are 1,000 colleges in India where we believe we can store. We are present in about eight or 9.

So when I look at the opportunity and how our teams can execute with a small store format, with a lean team, delivery technology, I think the potential is a lot more, right? And I always say this to my team, I always -- if one brand in China can have 11,000 stores, we can surely have 4,000 stores in India of Domino's.

Tejash Shah: Super. Sir, last one, if I may. On DP Eurasia, do they have a better experience in dine-in versus us, a? And b, how does working capital changes in the franchise model versus our cocoa model?

Sameer Khetarpal: So there, the delivery contribution is about 75%. So, Domino's as a brand is largely delivery oriented, and that's the ethos of the brand. And what the team has done exceptionally well is carryout. So in India, it is more, I would say, delivery and dine-in where customers sit down. In Turkey, it is delivery and carryout or takeaway as

it is called. So they have wonderful offers for consumers to come into the store and carryout.

On the working capital, I will request Suman to answer that.

Suman Hegde: Looking at DP Eurasia given the franchisee model, there is an interplay between your capital and your working capital, right, your fixed assets. So you will have lower capex operations within, of course, DP Eurasia, but from a working capital point of view, the model of franchisees still operates with own-commissary. So all the supply of materials still happens from DP Eurasia to the franchisee. So you still have material coming in. So you would have your payables and your inventory is still sitting there because you service those stores.

But of course, the receivables might be a little different because the receivables in DP Eurasia's case as against India's case, where India, it is cash, and your receivable will be two to three days of a reconciliation that happens here. There, the receivables will be in terms of royalty and the credit terms that they have with their franchise. So the receivables might be a little higher than what India will see.

But it's a trade-off between working capital and actually fixed capital that we work on. So basically, we don't have too much of working capital in your book because your creditors versus receivables kind of net off. Of course, you have a bit of inventory on your book.

Sameer Khetarpal: Yes, it's a very frugally run business by an entrepreneur. So each and every lira is counted with minutest of detail. So I can assure you there are no such leakages.

Moderator: The next question is from the line of Vivek Maheshwari: from Jefferies.

Vivek Maheshwari: Two questions. First, when I look at your presentation, it appears that in the past, in the history, if you go back 10, 15 years, you have experimented with brands and the focus was Domino's and building brands beyond Domino's, but primarily in India. When we see your presentation now, it appears that you are doing too many things, both from brand perspective and internationally, and then there is a new dimension, which is a new geography and a new brand there. I mean how do you think about the management bandwidth? And is there a risk that you are spreading ourselves too thin?

Sameer Khetarpal: So no, absolutely not. We've been in fact doubling down on Domino's, in India I'm talking about. And with the playbook in Sri Lanka or Bangladesh is absolutely the same playbook. In fact, you can treat it, as in some ways, two other states of India,

right? In terms of management bandwidth, right, but for different geographies and fully respect the nationalities over there.

The only place we are like increasing the pace is Popeyes. Everything else, we have gone on record in saying that we will treat them as startups. They have startup teams, which are contained, and they have given capital to experiment. So we are very well organized in terms of leaders, chefs, marketing teams and the real estate development team. So it does not take-away management bandwidth, and we have consciously taken calls to move away from Ekdum! biryani and ChefBoss.

Now DP Eurasia was something that we have slowly acquired a minority stake to up to 49% and the natural logical step for the organization was to take control of the company, delist it, use the leverage of our relationship of Domino's, drive profitability. And it's a very asset-light model run by a very competent team by a founder who's run this for 27 years, joined the team as a store manager literally. So absolutely not. We are very sharp on making our choices and very clear on our strategy. Nothing has changed in my opinion.

Vivek Maheshwari: Okay, sure. And just a follow-up, if you take a, let's say, three four years' view, do you think on the international side, you are done and the expansion will be more organic in those geographies? Or do you still -- are you still open for international acquisition if something comes by?

Sameer Khetarpal: Well, I think at the moment, we are not looking at anything. Anything that came in, we actually said no and we have our hands full. India continues to be like a big opportunity. And I'm actually amazed and positively surprised to see the opportunity in Turkey and what the team has done in COFFY. And we're still doubling down, focusing on what we have at the moment.

Vivek Maheshwari: Got it. The second question, Sameer, on -- again, I know it's probably an unfair question, but I'll still go ahead and ask you. You have done well with the Domino's delivery in this quarter. But when you look at -- I just want to know your impression or reaction. When you look at, let's say, someone like Zomato's number, which in food delivery has, let's say, grown 28%, what do you think about -- because end of the day, you peg yourself as a pizza brand and, therefore, \$1 billion one.

Or you say that, okay, if \$1 billion quarterly GMV Zomato is doing and growing 28%, how do you reconcile with the fact that, let's say, Domino's -- or you have done about 7.5%, 8%?

Sameer Khetarpal: So Vivek, great question. No reason why we should not be growing faster. I think that's the point you are making. And with the delivery fee waiver, we have taken this head-on. And as you look at the numbers, you would also look at quarter-on-quarter, I think you'll get some of the answers over there.

Vivek Maheshwari: Okay. Okay. Sure. And last bit on India business margins, do you think you are at somewhere close to the bottom of margins, let's say, on a pre-Ind AS basis?

Sameer Khetarpal: Yes, we believe so.

Moderator: The next question is from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: My first question was again on the margins. So I wanted to understand, is there a minimum level of LFL growth that you need to start recovering the margins, maybe slightly above, which you had in the entire FY '24? Or do you see it more as the first task is to get the LFL back and, therefore, more investments that you need either to get dine-in back or advertising will do it, and therefore, margin recovery is not like the primary objective at this stage?

Sameer Khetarpal: No. I think as business leaders, we can't say that margin recovery is not a priority. We have to do both, right? Actually, the beauty of our business is, if you get top-line expansion, bottom line actually flows in as a large fixed cost business. Second is, there is no better way of driving this than driving like-for-like growth. Now we are seeing it in one large part of our business – Delivery channel - and at some investment. We are recovering part of that investment in packaging charges. Part of it will be recovered as the new customer growth that we are seeing, they start coming back and eating more times. We are seeing the repeat rates howsoever small it may be for a month improving actually.

So I'm confident that we should not look at this only for one quarter or so. It has a big compounding impact. Equally, I'm very focused on improving margin by reducing cost across all line items. At about 2.5% to 3% LFL on consistent basis, our margins should be closer to 21% Op. EBITDA.

Arnab Mitra: That's very helpful. And my second question was just I wanted to understand this new metric that you've given on new customer acquisition. Is this a Y-o-Y metric? Is this basically the number of new customers this quarter versus a year back? And just looking at your MAU number, it looks like flat on a Y-o-Y basis, so just wanted to tie up this growth with the MAU kind of remaining smaller?

Sameer Khetarpal: Yes. I think, I mentioned this three quarters ago also that we had shut down a few channels of where the quality of customers were -- I think this happened three quarters ago, if I'm not mistaken. Therefore, you see a blip and then you start seeing the number going up. That's the only reason. So I would rather say, please look at quarter-on-quarter, that's a more -- year-on-year is not the right metric at a large channel that we felt that was inefficient. We moved away from it.

Arnab Mitra: Sir, just one clarification. This new customer acquisition is people who are ordering through your app? Or does it include those coming from aggregators for which you would also...

Sameer Khetarpal: Across all channels, dine-in, our app and aggregators.

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

Shirish Pardeshi: Sameer, openly, there are two congratulations. One is that whatever you've done, the work has started showing positive LFL. So positive momentum has started. Second, congratulations on the DP Eurasia acquisition. I think systematically steadily you have done this. Coming back to India business. I think primarily, my question was on Slide 23, where you have given this MAU and other numbers. So partly you've answered. But what does it take -- I mean, in your understanding qualitatively, is the IHOP communication or maybe the menu innovation, because clearly I see that there are a lot of changes into the price points and innovation we have brought in. So maybe qualitatively, if you can say that what has worked, what has not worked, and obviously, innovation is a continuous process. But I was more interested looking at how this MAU number will move over next one year?

Sameer Khetarpal: So Shirishji, firstly, thank you. I think the question is a good one, in my opinion, that how do you drive a faster pace of growth in an environment which continues to be demand constrained. So in such an environment, what at least in my learning for the last 19 months have been value works like magic, and delivery excellence and our operations excellence drives repeat.

So if I just cut the noise, if you focus on these two, it works. The marketing job to be done is to be present in large \$50 billion market while growing the pizza category. So that's kind of the crux of how I see this, right? Then there is a premiumization happening. So therefore, we launched gourmet pizza and on the value end I hope you know we did launch INR 99 four-course meal from 11 a.m. to 3:00 p.m. during lunch hours as a dine-in only proposition. It's about a month old. And therefore, we are seeing traction in the lunch hours. So at this stage, the job

of a market leader like us is to grow the penetration, grow the category, get new customers, grow volumetrically and gain share.

If that is happening, I think you are building a very stable, high-quality business. And if the demand were to even go from negative to benign, we will grow very rapidly. So that's what we are preparing. At the same time, we have to tighten our belt count every penny and now make sure the margins expand and we generate higher cash. So these are the priorities I say for the business, specifically to drive consumer's value, delivery excellence and product innovation,.

Shirish Pardeshi: Exactly. Because in your outlook, you said that volumetric growth. So obviously, reimagining the stores will create that experience. But I think are you confident that these initiatives will be able to drive that kind of volumetric growth you have in mind?

Sameer Khetarpal: Yes. It does give us the encouragement that this is working. And the new customer growth rate is also telling us that this is actually something that we should double down. Having said that, like this is not the only thing we will do, right? We'll not rest from here, in fact, is giving the team to could look at the second wave, third wave, fourth wave of driving growth. So volumetric growth is not only being in delivery, we are also beginning to see it in dine-in. So again, we have enough initiatives to make sure that we stay ahead of the demand environment.

Shirish Pardeshi: Okay. My next question is on Slide 33, you have given something about Popeyes. Now we -- obviously, now gearing up and our scale will improve. But give us some qualitative information, what is the ADS, what is the system sales or maybe LFL or maybe what is the contribution? And more importantly, what contribution we are getting from delivery or maybe this is primarily driven by the timing something more qualitative in terms of numbers.

Sameer Khetarpal: Yes. I understand the ask over here, allow us to get to 100 stores I think that's what the marker that we are chasing internally. I want to make the team focused on execution. And ADS has to stabilize, right? I mean there are stores, if you visit the stores, like there is a line outside, right, and then it stabilizes. So no point comparing the ADSs at this stage. I think the one of the couple of things I do want to call out, we also launched with our own app and own delivery, very similar to Domino's playbook. You're right, dine-in is a bigger component at this stage because the marketing efforts are first done to I should know the brand, which means what is Popeyes? What is Cajun? What is Louisiana. what is New Orleans chicken? So best experience when customers come into the store. So my

framework for growing Popeyes is know me, like me and love me. So we are still in the stage of knowing the brand what it is, what is the mystique around Cajun Flavors. So that, we believe, is happening very well.

Delivery and all these channels will continue to grow, and there is huge, again, headroom to grow, and we are partnering well with these aggregators also over there.

Shirish Pardeshi: Okay. And just last request, maybe now we are consolidating the DP Eurasia number. Maybe if you can give one slide what is the comps for DP Eurasia, that will be helpful for us for modelling it in?

Lakshya Sharma: Shirish, we have already given you two months numbers of Revenue, operating EBITDA and PAT. So let us discuss this offline.

Moderator: The next question is from the line of Vicky Punjabi from UTI Mutual Fund.

Vicky Punjabi: I mean, while our understanding on giving a details on Popeyes, So what is giving the company the confidence that, I mean, that the format is working well, and you have -- I mean expanding at such a fast pace, the historical experience of Dunkin going fast aggressive and then closing down stores would not get repeated.

Sameer Khetarpal: Yes. I think two separate questions to me, right? I mean the past through which we learned, should not colour our ambition for the future. That's a little bit of a philosophical answer to your question. But specifically, five things are working for – Number one, the food and the customer feedback we are getting. The food satisfaction, product satisfactions are among the highest in the world. Second we've built a supply chain where through our unique commissary model, logistics model, we are very confident about the unit economics at an order level, Number two. Number three, with the launch of our first store, we launched our own app and delivery. Number four, the world over, because of its good taste and sandwich. In fact, this is in U.S. and many other geographies, Popeyes is like among the most preferred brands. So I think that's also due to global learning.

Number five, see we got this brand about a couple of years ago from U.S. with the U.S. playbook, right, in terms of the kitchen sizes, how to manage the space requirement. We have taken some learning from the first 30 stores to fine-tune that and partnered with our global teams to make an India-centric model.

So all of that work we believe is behind us, and that is giving us the required confidence. So we have to learn to walk before we can actually run and that's what

we have done in the last couple of years. So that's giving the confidence. It's the experience which is telling us, gross margins are improving. ADSs are improving, customer feedback is improving, our capex is coming down. So these are the markets that we look at, which are true financial metrics.

Vicky Punjabi:

Okay. Sure. And just last one. I don't think we can generate free cash flow and there has been a capex now that you are investing behind scaling up Popeyes and then there is leverage on the books. How are we looking at free cash flow generation going forward in capex in that context?

Suman Hegde:

So you're absolutely right, given that and we also know that we have now debt on our books. I think what we are looking at predominantly is at an India level and the group level, of course, we have the acquisition loan also taken. As long as the return on investment coming through, we are going to continue investing.

So we have investment going behind our commissaries, we have investment going behind our stores, generating more return from that investment is, of course key to also support the margin recovery that we think about. At least for the next couple of years, this will be a high capex model as we continue to expand our network, both in India and across other countries within the geographies that we manage. So at least for the next year, you won't see net of capex, you won't see any cash flow generation coming through, yes.

And Turkey, whatever loans were taken, I think this came up in the Turkey conversation when we had the initial call in February on saying, how will that loan be serviced? Turkey does generate cash as stand-alone as a business. And it's also they will be servicing the debt that they have on their books by the end of the year. So we will be getting that cash also as dividends to service the loan that has been taken on the DP Eurasia acquisition.

The Turkey business generates free cash flow that will be going towards taking off the servicing of the loan, taken on the DPU acquisition. India, there will be at least a couple more years of high capex expansion across the business, given the returns that we want to generate and headroom we see for growth across the emerging brands and the Domino's business. So I think it will take a couple more years before we generate that free cash flow in India.

Vicky Punjabi:

Sure. And so the increase in leverage, I mean, do we have any markers of where we are comfortable with in terms of leverage?

Suman Hegde: Currently, a India business has ~0.4 leverage. I think it's a comfortable leverage in a growth market like India. We're not uncomfortable about it. I think the key metric for us is, what are we seeing what our operating EBITDA pre Ind AS is if they're growing at a healthy pace? And like I think there was an earlier question which came in saying, do you see further deterioration. We don't see further deterioration in margins. As growth comes back in, we will get the operating leverage to kick in. And the key thing that you should be really asking is, are we generating more earnings. And in a high-growth market, I think that's going to be the standard, which even from internally within the business, I track or saying what's the growth coming through? And for the investment that we're putting in, what is the earnings that the business is generating? And if then you want to exist with a 0.3 to 0.5 debt-to-EBITDA ratio, I think it's fairly healthy in this market environment. There's no harm in having some debt in your books as long as the return is more than the interest cost that you're bearing on the same.

Moderator: Ladies and gentlemen, we will now take the last question for today from the line of Percy from IIFL.

Percy: A couple of questions from my side. I just wanted to understand, firstly, what kind of margin impact do we build in for FY '25 on account of ramp-up of Popeyes or a Hong's since these formats might be sort of marginally loss-making or just about a very low margin? What would be the sort of blended average impact on the company margins on account of the ramp-up of these two formats? That is my first question.

Sameer Khetarpal: A little early to comment about it. I think like I said, I don't think margin dilution should happen further, at least from this point on. I think that's the only thing I can say at this point. We'll do the right thing, right, from a growth perspective, investment perspective, we are maniacally focused on return on investment and payback period. So those financial discipline, we will not lose.

Percy: Just a clarification, when you say from this point on there won't be dilution, are you talking about Q4 level or full year FY '24 levels?

Sameer Khetarpal: Q4 level, I was just saying, like it was impacted on account of headwind because of free delivery. I think we will be able to recover some and we'll be able to optimize. That's what I was referring to, and I mentioned earlier also, specifically on account of Popeyes is very hard to say at this stage.

Percy: Secondly, on the Domino's format only if I talk about, what kind of LFL do you need in order to maintain margins at a flat FY '24 level in the next year? Like is it possible at a 3% LFL or you need a 5% LFL to maintain a flat margin? What is the math here?

Sameer Khetarpal: Yes, I think 3% LFL with 21% Op. EBITDA is the broad math, and that's the number that I actually asked the teams to deliver and it's possible.

Percy: Right. And last question is, as per my estimate given on whatever data you've given your dine-in SSSG this quarter would have declined somewhere in the region of 15% Y-o-Y. So that's a really huge decline. I can understand that you want to focus more on delivery and not so much on dine-in and therefore, if it's a 3%, 5% kind of decline, it's understandable. But 15% decline in this kind of a channel, what really explains that?

Sameer Khetarpal: No, it is not 15%, but 10% That's also large, right? I mean, I think that's the point that you are making. So I think it is natural if you provide such heavy ammunition to one channel, which has inherent structural tailwinds where dine-in takeaway is moving to delivery. So you're fuelling a higher growth channel. So we are capturing that. So firstly, let's capture the growth. Now we are taking several steps. So therefore, I said earlier, we debated this four to five months to capture where the losses are. While we launched free delivery, we also launched a few other initiatives to arrest the decline in dine-in. So those are also under work. I'm not too worried about it, by the way on that. But firstly, get the growth of us, no matter which channel it comes from. Second is look at further leakage points. That's what we are doing and arrest it.

Percy: Correct me, if I'm wrong, Sameer, basically, if as long as there is vacant capacity in your restaurants, and a customer comes and dines-in there, the incremental profit that you get from that kind of a transaction would be much more than a delivery transaction, right? Because I can understand if your capacities -- I mean if your restaurant is running at capacity and then you have to do dine-in and you have to increase seating, etc. But here, there is a huge fixed cost leverage you get if you just fill in one vacant spot in your restaurant. And I'm sure your restaurants are not at capacity, right?

Lakshya Sharma: No. Percy, please understand. We have first waived off the delivery fee in Tier two-four where any way the overall delivery contribution is low. So we are trying to get the positive operating leverage back, and that's what Sameer, sir, is also trying to highlight. Next our store model is also very efficient. You understand that our cash

to cash payback is 2.5 years as we operate - ~1,100 square feet - a high-throughput lean-store model. And therefore, if dine-in traffic is not coming on account of external demand headwinds, we have taken an initiative to grow alternate channel which is delivery business. However, on account of multiple internal initiatives, which we will call out in the subsequent quarters, even the dine-in decline would be arrested in the future. So we are more happy with 68% of the business which is delivery and is growing at 7.8% LFL rather than decline in dine-in LFL.

Sameer Khetarpal: Yes, I think it is important. Our stores are efficient. Like you know, we have 1,200 about there about average square feet average store size. So of course, we want to grow in dine-in, we want to grow in delivery, right? So that remains and we're not shying away from doing this. Wherever the structural tailwinds are there, it's important to capture those.

Percy Panthaki Got it sir. That's all from me. Thank-you so much.

Moderator: Ladies and gentlemen, I would now like to hand the conference over to the management for any closing remarks. Over to you, sir.

Sameer Khetarpal: No, thank you so much, and we extended a bit, but we also, this quarter, changed the format. I look forward to engaging with you. Thank you all.

Moderator: Thank you. On behalf of Jubilant FoodWorks Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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