Q4FY25 and FY'25 Earnings Conference Call Transcript

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '25 and FY '25 Conference Call hosted by Jubilant FoodWorks Limited. 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 "*" then "0" on your touchtone phone.

I now hand the conference over to Mr. Lakshya Sharma from Jubilant FoodWorks Limited. Thank you, and over to you, Mr. Sharma.

Lakshya Sharma: Thank you so much, Sagar. Welcome to Jubilant FoodWorks Q4FY'25 and FY '25 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, our CEO of Turkey Business - Mr. Aslan Saranga and our CFO - Ms. Suman Hegde.

We will commence with key thoughts from our Co-Chairman and turn to our CEO and MD to share his perspectives. After the opening remarks from the management, the forum will be open to question-and-answer session.

A cautionary note, some of the statements made on today's call could be forward-looking in nature, and the actual results could vary from the statement. We will also share the replay and transcript 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. Over to you, sir.

Hari S. Bhartia: Thank you, Lakshya. Good evening, everyone, and welcome to our earnings call.

FY '25 has been a landmark year for our company and the H2 performance has helped us set new benchmarks. We achieved significant growth and increased our market share. The Group system sales reached almost $1.1 billion with almost one store opening every day in FY '25, and the group network now has over 3,300 stores.

Reflecting on the year gone by, we took decisive action this year, making strategic investments that has supported faster growth. We took the bold step of implementing free delivery, a move that has reshaped the competitive landscape. Simultaneously, we ramped our regional office and commissary infrastructure to support our ambitious growth plans. These strategic moves have helped us in accelerating growth in FY '25 and will continue to do in the coming quarters.

While the initial impact of free delivery led to a reduction of our average ticket price, we successfully absorbed this impact, and we are now seeing the ticket price grow upwards again. This has led to a record high new customer acquisition, which we know compounds over the next couple of years in increased sales. And importantly, despite the increase in our delivery mix, we managed to increase Domino's India EBITDA broadly in line with revenue growth, holding firm our margins. We are also committed to find ways to expand margins in the coming quarters.

Furthermore, we have accelerated our pace of new product innovation, introducing exciting new offerings and resonate with our customers and drive incremental demand. We have also maintained our aggressive pace of network expansion, bringing the Domino's experience to even more customers across the country. These strategic moves are not just about short-term gains, they are about solidifying our leadership position and creating avenues for continued network expansion.

The acquisition of DP Eurasia has also now completed a year through records high system sales, healthy profitability and high free cash flow generation from Turkey, we are able to bring down their local debt. And starting H2 FY '26, we will now start funding interest cost along with reduction in acquisition debt. I want to take this opportunity to congratulate Sameer and the entire Jubilant FoodWorks team. They have risen to the challenge, embraced change and delivered an exceptional performance.

I would also like to thank the leadership team of our brand partners, Domino's International, RBI and Inspire brands for their constant guidance and support. Also, our aggregators partners, our vendors, our service providers and the communities around all our facilities for their support in making JFL the largest QSR in the country. I must also thank you, our investors, for your guidance and feedback to fine-tune our strategy. And most importantly, I would like to thank our customers, the reason for our existence, who constantly inspire us to do better and keep us honest.

Now I would like to invite our Managing Director and CEO, Sameer Khetarpal to provide a more detailed review of our performance for the quarter.

Sameer Khetarpal: Thank you, Mr. Bhartia. Good evening, everyone.

Q4FY25 was another exceptional quarter for Jubilant FoodWorks, building upon the momentum of a truly remarkable year. As Mr. Bhartia highlighted, our strategic decisions, our relentless focus on execution through faster delivery, providing value to the consumers through free delivery and flat menu offers, material improvement in pace of menu innovation and a culture of care and performance. This has propelled JFL to lead the industry in terms of growth and profitability.

<u>Performance Highlights and & Insights</u>

FY'25 was a year of turnaround for JFL. Despite headwinds we continue to execute better through self-help initiatives. Key highlights include:

- We <u>expanded our Group Network</u> to 3,316 stores. The Domino's Network now stands at 3,031 stores across all geographies, with a net addition of 238 stores. This expansion is a testament to our confidence in the long-term growth potential of the foodservice market in the countries we operate in and our ability to execute in short-term.

- Strong Revenue Growth in the wake of tougher consumer demand environment: Consolidated Revenue reached Rs. 8,142 crore. Standalone Revenue grew to Rs. 6,105 crore, a 14.3% increase. Domino's India revenue growth of 13.4% stood out powered by 7.5% LFL growth.

- In Popeyes, we continue to build greater traction across cities as ADS are improving quarter on quarter and nearing their lifetime highs. We plan to share more details in our Q1 results. We believe in the Popeyes India playbook, based on a differentiated product, own-digital and delivery assets and an economic model that suits a new entrant like Popeyes.

- DP Eurasia is navigating macro challenges really well with high profitability and recording market share gains. The DPEU region achieved Rs. 3,071 crore in System Sales for FY'25. Domino's Turkey FY'25 LFL of 0.4% was on a high base of 29.2%. It's important to highlight here that we share metrics for Turkey after adjusting for inflation for better assessment of our performance with regards to high inflation.

- COFFY continues to make strides, with its network reaching 160 café' serving consumers across 36 cities in Turkey. At Rs. 295 crore for FY'25, its system sales contribution to DPEU system sales is nearly 10%.

- As shared with you last quarter, Sri Lanka is a great turnaround story where we successfully applied our emerging market playbook and delivered highest ever revenue at 81 crore with record growth of 45.6%.

- Profitable Growth: As per Pre-Ind-AS-116, consolidated EBITDA came in at Rs. 1,037 crore, resulting in a margin of 12.7%. Standalone EBITDA stood strong, with Domino's India EBITDA scaling a record high of Rs. 857 crore with an impressive 12.4% growth. Despite offering free delivery to customers, Domino's India margin at 14.5% margin was near flat year on year. DPEU also maintained robust EBITDA margins showcasing the teams' ability to manage costs and drive efficiency in a challenging environments.

- I also want to highlight the progress we are making as a foodtech Company. We recently launched Elate which is India's first Android-based Point-of-sale system. Developed by our inhouse team, Elate isn't just streamlining operations, it is personalizing customer journeys, slashing training time, and boosting employee productivity.

Strategic Focus & Outlook

As we look ahead, our priorities remain clear:

  - We will continue to aggressively pursue growth opportunities for Domino's, leveraging our brand strength, our innovative spirit, and our unmatched delivery capabilities.

- We are committed to build large profitable businesses through Popeyes and COFFY.
- We will maintain our disciplined approach to capital allocation, ensuring that we are investing in the areas that will deliver the greatest value for our shareholders while delivering joy to our consumers.

Our network guidance is as following. We will open 280 Domino's stores with a split of 250 in India, 30 in Turkey. In COFFY, we plan to open 50 cafes. And in Popeyes, we plan to open 30 stores. Thank you.

With that, I will request the moderator to commence the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Vivek M. from Jefferies. Please go ahead.

Vivek M.: Hi, good evening team. A couple of questions. First, more from an industry standpoint, what is your outlook? Of course, you are gaining share. But generally speaking, a lot of consumer, especially urban-focused companies are complaining about moderation in growth. So what is your outlook both from an industry standpoint and your ability to continue to gain market shares as we head into FY '26?

Sameer Khetarpal: I think great question, Vivek. I would firstly like to say that what is working for us is structural. See, our focus on delivery and then therefore, pushing the boundaries on 20-minute delivery is structural, and we believe that will allow us to gain share going forward. As you can notice, we have dramatically increased our focus on menu innovation, the amount of pace that you've seen, whether it's launch of chicken, Volcano Pizza, 3 new range of cheese burst and now Big Big Pizza, backed by a very strong media investments, we believe will continue to take the momentum.

Number three was moving from four regions to seven regions. In fact, we are also testing for the eighth region as North India is beginning to reach more than Rs. 1,200 crores, we are trying to even split it further to drive the focus in micro markets.

Number four being rapid expansion of stores. We have increased the pace of expansion of our stores. And last, but the culture, which to me can never be copied. So if I see these five in total, Vivek, it will sound always like self-help, but these are structural because we are operating in a very large market, which is largely unorganized.

So if we keep that lens, we'll continue to penetrate, grow more as long as we stay true to these five structural initiatives that we are drawing. So, we continue to remain bullish. And therefore, I'm refraining from commenting on the overall demand sentiment. But again, looking at are these levers working where the market is $60 billion and the organized segment is $12 billion to $15 billion.

Vivek M.: Got it, Sameer. The second one is on the dine-in bit. For the first time, of course, there is a low base and all of that, but you have been seeing a decline in dine-in revenues, dine-in takeaway revenues for the last several quarters. This is the first quarter where it has actually turned the corner. Do you think it is sustainable? How do you plan to build on this in FY '26?

Sameer Khetarpal: See, we will never lose focus on it, right? So I think it's a yes, there is a big tailwind of delivery and with 20 minute and our own assets on delivery with so much of technological investment behind it, I think that momentum should continue, right, for some time. Now coming to dine-in, we, in fact, I want to share something more that we've taken the -- about 500 stores, which are very dine-in heavy, and we do a mystery audit on it. And in my last 2.5 years at the company, I have never seen such high scores in terms of customer satisfaction, the cleanliness, hygiene, service and of course, coupled with great quality food and outstanding prices.

So overall, I think we will – I am relatively more bullish on dine-in to be honest. Now on-premise sale, to the extent we get the data because we break the on-premise sale into 2 parts, dine-in and takeaway. When I joined the company, takeaway was bigger than dine-in. Now dine-in is bigger than takeaway and dine-in per-se is growing very rapidly. So takeaway is also growing -- declining rapidly because there is no reason for a customer to come to the store and take away because the delivery is free.

So, I genuinely believe when some of these bases get corrected, dine-in may come back and even surprise me. So I stay very optimistic about dine-in. We are seeing for the first time order growth, right, in dine-in, backed by some of the initiatives that we've taken that Rs. 99 meal that we launched exactly a year ago now with all the marketing support, whenever I visit the stores, I see customers at 3 or 5 p.m. asking, can you give me, I got late or there are customers waiting for that particular service to start.

So again, as we focus on great value to customers with superior dine-in conditions and with the new design of stores, I feel very, very good about having a large cohort or a base of customers which may want to go out and eat especially during lunch hours, which we believe we can do even better than where we are.

Vivek M.: Okay. That's good to know, Sameer. And the last question is, you mentioned Domino's margins for the full year is at 14.5% and stand-alone margin for the quarter is at 11.8%. There is quite a bit of gap which persists between these 2. So one, can you explain where exactly are you losing so much? And second, what is the way forward to bridge the gap between the two?

Sameer Khetarpal: So, it is, I think, Suman, can add, this is largely see investments in our emerging brands, right? And when we have like three other brands, Hong's, Dunkin' and Popeyes. And as you would see, we have already taken the stance of curtailing any or not doing any expansion in Dunkin' and Hong's. This is the call we took mid of the year and focusing majorly on Popeyes, you will see that this getting corrected.

And in fact, in a couple of years, I do believe this drag should at least there should be no negative surprises from it and drag should come down by half. So very committed to this. We know where it is going. And some of the pieces around expansion of Dunkin' and Hong's, we've already taken, and we will see the goodness coming in or the delta between the Domino's margin and the overall JFL margin should reduce in coming quarters. That's why we are also more confident on the margin trajectory from where we sit today.

Vivek M.: Interesting, interesting. That's about it. And if I have your permission, can I just ask one question to Mr. Bhartia?

Sameer Khetarpal: Yes, please.

Vivek M.: Okay, sure. Mr. Bhartia, there are a lot of investors who have been asking about the transaction on HCCB. So, two bits over there. One is from a group perspective, your focus on the new asset versus the existing one, especially Jubilant FoodWorks. That's part one. And part two, again, to the extent you can share your thoughts on how would the funding happen and how much of the resources need to go from Jubilant either via stake sale or via pledging. If you can share your views on both, it will be very useful.

Hari S. Bhartia: No. Firstly, I can tell you my heart is in the food business, which we started almost 30 years back. And we continue to see more excitement and more growth opportunities in India. You can see from this year's results. So about focus, yes, focus will remain at Jubilant FoodWorks.

On the funding of the new investment, most of the funds have been arranged. I can't share that with you. It's not possible. And soon, you will know. So I will just state that.

Vivek M.: Looking forward to that. Wish you and the team all the very best.

Moderator: Our next question comes from Tejash Shah from Avendus Spark.

Tejash Shah: Hi, thanks for the opportunity and congrats on sustaining strong LFL. Sameer, just wanted to know while margins are gradually recovering, I'm curious how the management internally defines the new normal of peak margin. Do you still consider historical peak that we had because that time we had delivery charges and other structure also? Or you believe that we need to kind of, should not anchor our thoughts around that number?

Sameer Khetarpal: Yes. I would say if you look at the peak at post Ind AS was peak was around 26%, right? That is obviously not a sustainable number. And see, the operator in me always sees more juice in margins everywhere, to be honest, right? And that's, when I tell my team every day, I feel there is so much more juice in leveraging data, technology and running a very tight operations. So at least, when I sleep, I worry less about margins then I'm always very thankful for growth, and I always worry less about margin.

So therefore, coming back to your question, I see no reason for us that we can't improve to 100 basis points from here. And that's what Suman had also mentioned during our Investor Day, we maintain that stance. We are seeing leverage in the Domino's -- in Domino's in India flowing through. The drag that you see is largely on account of new brands. And we have to invest in new brands, right?

In this business, we know it takes 10, 15 years to build a very strong successful brand. Once you do it, then there is no looking back. But we are cognizant, can we do it faster? We are greedier over there. Can we do it in 5 years? That is what we are attempting to do for the first time in the, I would say, a little bit in the history of QSR in India.

Tejash Shah: Sure. Very clear. Second question, the past three weeks has seen heightened geopolitical volatility. In that context, how are you evaluating the potential risk, if any, to our investments in Turkey?

Sameer Khetarpal: So we view these markets very separately, right? And if you go to Turkey, they are oblivious to any political changes, whether it's Domino's or be it COFFY, which is actually a Turkish brand internally, they are not concerned about any geopolitical risk, whether it's tariffs or Russia, Ukraine or anything which is happening on India-Pakistan border. The momentum in the core market and the consumer base in Turkey continues. They are growing in dollar terms. The real GDP growth net of inflation has always been 3% to 4%.

And in fact, if I look at just the macroeconomic condition, I typically don't like to talk as a CEO, I'm an operator at heart. In fact, the interest rates have been coming down. The interest rates have been tightened. And as a result, inflation has been coming down in the last 2.5 years that I have been associated.

So I feel good about the macroeconomic situation in Turkey and the core thesis that we had, it's the largest consumer base outside of Russia in Europe and the youngest population with almost 3.5x, 4x of per capita GDP versus India. All of those things are intact, and therefore, you see very solid performance of both Domino's and COFFY in Turkey. So I will not worry too much about macroeconomic factors or anything geopolitical risk impacting Turkey.

Tejash Shah: Sameer, the other dimension of this question was that do you foresee or you worry about any regulatory or policy pressure to revisit the investment or perhaps it's too early?

Sameer Khetarpal: Not at all. We don't see anything which is there. I think nothing.

Tejash Shah: Yes. Lastly, just a small request. If the time gap between the results release and call could be slightly extended, it would allow us to become more prepared and ask better questions. That's it.

Sameer Khetarpal: My apologies, Tejash, we will do better on this one. The meeting got extended. We'll do better on this one. And if there are any unanswered questions that you have, please feel free to reach out to Lakshya.

Moderator: The next question comes from the line of Jignanshu Gor from Bernstein. Please go ahead

Jignanshu Gor: Hi Sameer, congratulations, on the fantastic results for the stand-alone business. I wanted to check regarding Turkey and continuing with the previous conversation. How do we structurally think about that business and its margins? It has been volatile at least on a quarterly basis in the past few quarters. So do you think this is a sort of a stable view, which we can take forward at least on an annual basis? Or do you think it is still evolving?

Sameer Khetarpal: So Suman, you can take that, but at least from a core market standpoint, see, this is how I track. And therefore, I feel very good about it. See, firstly, the transaction volume should grow, new customers should grow, revenue should grow. Their growth in lira terms should be ahead of the core inflation rate, which is a tick mark. And COFFY should expand at a faster pace versus Domino's, which it is, right? It's a franchisee-led model. Therefore, there is no capital layout that we have to give to open up stores. So therefore, it is high ROIC. None of this has changed.

In terms of margin, it is largely accounting level change, which is valuation of inventory in a high versus low inflationary environment. We were sitting on high inventories, which get readjusted or reassessed if your inflation is high after 1 year, and therefore, you get inventory valuation gains. If I look at the core health of the business, again, as an operator, is my volume growing? Yes. Am I ahead of inflation rate in terms of my average ticket size? Yes. Are my franchisees happy and they're continuing to expand stores? Yes. Is my working capital improving? Yes. Is my debt reducing? Yes.

So rest everything and it continues to be PAT accretive, right, which was our thesis. Rest everything is to me a little bit accounting. If you just look at slightly longer term in the nine -to-twelvemonth period, it should all kind of, the volatility should go away. Suman, you may just want to add like points to kind of stress upon if I have miscommunicated anything.

Suman Hegde: Jignanshu, I think Sameer did cover everything, and he is absolutely right. And I think in the last call, we did mention the Turkey business, even as we manage performance, given the volatility and the hyperinflation accounting that happens there, which causes a bit of vagary in the EBITDA quarter-on-quarter, depending on how the inventory levels and debt move, we should take a bit of a longer-term perspective, right?

Now what we said last time also, it's a PAT accretive business to overall JFL standalone, and we see that in the consol numbers coming to. It is a cash accretive business also given the less -- given their capital outlay is low given the franchisee model perspective. If you look at their PAT, we said last time they are normally in the range of 6% to 7%. Their full year PAT has come in the same range, and it is improving year-on-year after you account for the EBITDA variation on account of the inflation accounting.

Hopefully, yes, hyperinflation should be out by another 18 to 24 months, and we'll see a more stable state of affairs for people on the street to understand the numbers. But, from a business performance perspective, again, I'll just reiterate what Sameer said, inventory levels are down. Their debt is almost half of what they exited at last year as the economy starts to pick up and the inflation levels come down. Their cost of borrowing is down, and we also look at refinancing options of the Turkey debt locally. And hence, overall, it's a good story on performance of it.

But yes, I do realize it's a little difficult to understand the movement quarter-on-quarter given the different accounting standards that they use. But just do look at it from a nine-month YTD full year number, which we also help you understand better as we release our results.

Jignanshu Gor: Sameer, moving back to the India business and focusing on Domino's. I think we've had a fantastic performance on both online and now, on-premise. Do you see related to all the discussions which are happening by a lot of other players in the industry, any difference in growth and demand environment that you are seeing, let's say, in the larger cities or maybe the top-tier cities versus the smaller cities since I think you are one of the most spread across company with the deepest distribution. So is there any color that you can give us on the demand side that will be helpful.

Sameer Khetarpal: In fact, when I look at growth of Tier-1 to Tier-4 cities and I look at it every month, there is absolutely no difference right? They're all very similar 1-2% points different when I look at order growth, right, and between each other. So we are not seeing, Jignanshu, I go back to the point, it's a $60 billion market with only 1/3 of it is organized. –And, if you are able to create great value, great service, fast delivery and with fast free -- I call it the 3F business, fresh, fast and free, right?

If you have these three, there is enough and more growth to be taken. I absolutely see no difference between Tier-1, 2, 3 and 4. It is about, and like I read a lot of your reports and other peers that you have in this call. I think the one learning is if you give a great service, consumers are actually willing to pay more for service than products. And of course, products coming at high value with high-quality keys and products, we are seeing growth in all cities.

Jignanshu Gor: Okay. Lastly, just a housekeeping question are you facing, like one of the food aggregator platforms called out a shortage of delivery drivers specific to this quarter. Is that kind of seasonality that you also see? Or is that a pressure that you're also seeing since you probably have the largest delivery fleet after them?

Sameer Khetarpal: It is not easy to build these businesses, right? So especially with our own fleet and constantly pressure on getting riders. And so overall, of course, we do see pressure. It happens during the season around April when there is harvesting, right? But these are minor variances, Jignanshu. So like they don't even come to me. The teams are very capable of using data to forecast how much and how many riders they need, what will be the absenteeism. In fact, our best delivery accuracy or the delivery timeliness has been in the last couple of months ever. So I'm very happy to note that customer metrics are improving. And some bit of here and there is more noise to make.

Suman Hegde: And also just to add on that, I think it helps that, one, of course, we have our own fleet. So access also to riders is much larger than what the aggregators will have and they will have to bring their own assets, right, which is what we invest in. And secondly, I think in our Investor Day, we did share on how we have used technology to hasten the process of even onboarding of drivers, right? So if somebody has a license, meets the criteria, it's almost like a 30 minutes to an hour and we can get them on the street with our assets.

So I think a couple of things that we've also done in terms of investments, both in terms of assets and tech gives a bit of an edge to get through, of course, because there is a shortage and we know why.

Sameer Khetarpal: Good point. I think what Suman is saying is we have access to a wider pool of riders who do not have bikes, right? So therefore, that can act as a buffer.

Jignanshu Gor: Thank you so much. Congratulations and all the best.

Moderator: Our next question comes from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: Sameer, do you agree that cost of doing delivery business is going up for us, given that there's high competitive intensity there?

Second, is there's no delivery charge. Third, is we're trying to reduce time lines. Fourth, is there is inflation around labor force. And then, there is discounting most importantly. So first is, and I hear you said this to earlier participant that we will try and bring back our margins to improve it by 200 basis points. So there's no disagreement there. But the question here is that is it getting more and more difficult to do or the cost to run a delivery business higher because now that is almost 73% of our revenue?

Sameer Khetarpal: I mean Sheela, I think it's a loaded question here. –My bias is to say, yes, of course, it is difficult. But I would say in the last few years, we've really changed the game on this one.

You spoke about headwinds, right? Of course, through quick commerce and direct-to-consumer channels, aggregators, big e-commerce players, we are all kind of vying for the same delivery associate. And therefore, there is pressure, especially in about 39 pin codes in India, which is the highest convenience seeking.

So, I do see pressures over there, and therefore, we have to be competitive over there. Now having said that, we have our own bikes. There is a larger pool over there. Per hour delivery rate or DPH which is called Deliveries Per Hour is higher in our system because you are doing from one store to a catchment area and therefore, delivery associates can do more deliveries, therefore, earn more. We give them a restaurant and a place where they can use washrooms. They have a career path. Many of our circle heads, region heads started as a delivery associate.

So there are several factors which go in favor of us, which make us, I would say, a viable option versus the competition that may exist. And, from a cost standpoint, coming to it, again, the operator in me tell me, of course, this will be an additional cost, but there are 20 other places where my team is executing to find those money. And of course, growth is the biggest laxer for our business. A lot of that growth flows into the bottom line because we have large fixed costs when we are running and operating stores.

Sheela Rathi: Sameer, anything on discounting because the discounting has been much higher than what we have seen in the last few quarters. Obviously, it's resulting in better LFL growth. But how are you seeing the discounting?

Sameer Khetarpal: Sheela, in fact, discounting has come down for us. We've always again used technology. It is discounting. So where are you reading it, if I can in fact, discounting was a tailwind to us.

Sheela Rathi: I mean I see it on my app, but even in the presentation, I see that the large 6-in-1 pizza, we almost are giving 50% discount on that product. Obviously, it's an introductory product pricing but just want to hear from you how discounting is for us versus, say, last 12 months?

Sameer Khetarpal: Yes. So discounting as a percentage has come down. Now of course, specifically talking about Big Big Pizza, right? So it is a Rs. 700 and Rs. 800 product, right? So it adds to my average ticket price. And therefore, my delivery cost as a percentage comes down, my insider crew cost as a percentage comes down and my rent as a percentage of that order comes down.

So there are several tailwinds. It is in fact, generally, customers reach out to me, Sheela, when the things go bad. Big Big Pizza has been one such occasion where customers reach out to me that is this a pricing error? Is this a mistake? When are you going to stop it?

It looks like nobody ordered so much food at such price. So again, we are gaining customers. We've been able to grow the share of large pizza by 3x in just 15 days. I would rather take that at this stage andlike I said, I will find the money in terms of margin expansion.

Suman Hegde: And I would just like to add to that, Sheila, and I agree what Sameer said, we constantly look at discount. Now there are two things also here, I think it's important to focus on, right? Of course, you might see a high discount.

But the way we play to say what is the implication on the margin and what's the implication on the gross margin, how does it come through to EBITDA. So yes, you might see a high discount, but if it's an item which improves the overall mix on realization for us on the top line, and also improves the margin -- gross margins that these items make, then discount or higher discount is not a bad thing from a portfolio perspective. I think playing those levers effectively is very important.

And the second one, while you're seeing discounting, but it is also true that we have a back-end analytics engine, which runs to also optimize where we need to, where we are seeing certain things higher than you discount or you don't. So, what you see in app might not be similar for you versus what somebody else sees.

I am just saying it is actually customized to that extent, which actually our tech capabilities allow us to do, which ensures that we manage our discounts effectively rather than it looking like 50% across. I hope that answers to some extent your question.

Sheela Rathi: Absolutely. I hear you. My final question is on Popeyes. Just want to hear from you in FY'26, how should we think about the rollout plan especially from a state perspective as such, which states will we be focusing on?

Sameer Khetarpal: Yes. So, from a state perspective, Sheela, we want to get to a number of like close to 100 and therefore, a lot of marketing investments then starts to look very meaningfully or have a larger base and you can buy media inventory. So that's what we are like whether it happens in 12 months and 18 months, I obsess less about it.

But I want each of my new store to be accretive to on the average daily sales, which it has, I'm very delighted that when I see last 10, 15 stores, we open all are accretive, right, and very close to the ADS that we want it to be.

Equally importantly, we see month-on-month growth on the ADSs and very positive SSGs in the last quarter. So we have given a guidance of 30, right? I first less whether it's 30 or 35 or 25 or even 45, we exactly know which locations to open. Geographic focus will be largely around North. South will be the biggest geographic focus, then Delhi NCR, and we are evaluating West as we speak. But no further expansion beyond this.

Sheela Rathi: Understood. Thank you.

Moderator: Your next question comes from the line of Nihal Mahesh Jham from HSBC Securities.

Nihal Mahesh Jham: Two questions. One is you've obviously highlighted about the customer acquisition, and that is very much laudable and visible in terms of how it has played out over the last six to twelve months. I'm not sure if there is a way of tracking, but is there a comfort that, say, when there is an improvement in sentiment that you would expect these customers to obviously step up their spending?

Sameer Khetarpal: Yes, I think I would concur with it, right? So we are very careful on the quality of business we are building, right? And these are not discount seeking. These are value-seeking customers, right, and convenience-seeking customers.

So, if you see our repeat rates have remained the same. In fact, our repeat rates have begun to inch up a little right? And while it may be small, therefore, I don't want to celebrate at all. So therefore, I am very happy with the quality of customers we are acquiring. In fact, our install to first order rates are at an all-time high.

So typically, what digital performance marketing teams will do is they will go for very high installed base and therefore, hope and pray, some percentage of customers will order. Actually, we have reversed it.

Our installed base, if you look at the quarterly install of apps has kind of been thereabout. But the percentage of customers ordering has improved, which means that our offerings, our service, our reach has improved and we are acquiring better quality customers. So no concerns over there at all.

Nihal Mahesh Jham: Point taken. The second question was that you mentioned about 250 stores for Domino's India. Can you just give a ballpark sense of the split? Is there any sense of split towards metro, non-metro, any more clarity on that?

Sameer Khetarpal: Yes. So, I think like I said, we have a list of 1,000 locations, right? And out of that, some 700 to 800 is white locations where we don't serve, right? The remaining are splits, right, in the overall. So split in the overall scheme of things, not -- splits are not going to be more than 20%, right, or thereabout. In one quarter, we may do more split because we found the right set of rentals and space and the others, we will do less split because we were able to find more lucrative offers in white areas.

Nihal Mahesh Jham: Got it. Just squeezing one in if possible to give an outlook on SSG for FY '26, LFL or SSG for the India business?

Sameer Khetarpal: We don't give that SSG, right? And in this environment, we don't generally give that. I think overall, momentum continues and our -- the strategy that we have put in place, we are very confident about it.

Nihal Mahesh Jham: Sure Sameer, thank you so much.

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

Percy Panthaki: Hi Sameer, congrats on a good set of numbers. A couple of questions from my side. So firstly, on the LFL, now it's been a couple of quarters since you've done a 12% kind of LFL. Of course, this comes on the back of a negative to flattish kind of LFL in the base. Now this base effect is there for the next 2 quarters as well.

But when we come into 3Q of FY'26, we will be lapping a base of 12% LFL. So I just wanted to understand that do you see a material deceleration in your LFL growth in the second half of this year given the base effects? Or how should we be looking at it basically?

Sameer Khetarpal: Yes. So I think it's tantamount, Percy to giving some kind of guidance, right? And therefore, I'm refraining from answering your question. Would base have some effect? Of course, it will have some. Does base have some effect in the current quarter?

Of course, it does, right?

But we are seeing historic highs in our customer acquisition rates, volume per store and also now repeat rates and now the average ticket prices are also beginning to improve. So therefore, the mature store ADS, if you look at, right, so that number is there, right?

As long as that is there and we have like a 2-2.5-year payback period, slight moderation in like-for-like, I willworry less about it, right? So, I obsessed about the mature store ADS, the acquisition rate of customers, repeat rates and the ROI model that we have per store.

Percy Panthaki: Got it. Got it. Second question is on the profits. The consol and the standalone net profit this quarter are almost exactly the same. So just wondering what we can do to really widen that gap? I mean, is it possible for us to, let's say, take a loan in India at the sort of Indian interest rates, which would be, let's say, 8% to 10%, repatriate this money to Turkey and then pay off the debt in Turkey because there, we are paying like 30%, 40% interest rate. So is that something you are considering? I mean, ultimately, the acquisition is good, but it is not yielding us any incremental PAT. That is my concern.

Suman Hegde: So let me take that question, and thanks for the suggestion, Percy, and I think we'll be happy to hear we are already in implementation mode. But I agree. I think that there are a couple of things, right? When you look at consol and it's not only Turkey, we have a couple of other businesses as well, which is Sri Lanka and Bangladesh, where we continue to invest. So that also and as the trajectory of profitability on those improves, we will see that also flowing through into consol, which currently is a negative number, which offsets the profits even that Turkey has brought in.

The second point of expanding the India numbers anyway, we have already spoken about it. Coming to Turkey and the loan, we have already looked at refinancing and the interest rates in Europe are even lower than India at the current rate there, even after taking into account the euro- rupee or the euro lira translation impact. And we're already looking at refinancing the debt of Turkey. So, Turkey will not be sitting on a high cost of borrowing starting this year, which we're already in work in progress on.

And the second part is overall Turkey, if we look at a couple of years ago, did not have such significant borrowing at the local level. It was not existing. They had certain restrictions on account of inflation, of course, the Russia business that they had a few years ago, which has increased the borrowing rates. With that coming through, we also expect Turkey as a business to be at minimal or zero debt coming into next year, calendar year, I mean.

All in all, you should see the overall PAT improvement between the stand-alone and consol coming through between these three businesses as they start flowing more numbers of profits into the bottom line.

Percy Panthaki: Got it. And, just one bookkeeping question. This 200 bps of margin potential on stand-alone, which you mentioned earlier in the call, Sameer, over what time horizon is that?

Suman Hegde: So, I think we said in the Investor Day as well, right? We had called out we said over the next 3 years, FY '28. And we said it's a minimum of, right? Of course, it all depends.

Sameer Khetarpal: The larger point I was making is that this is not coming at the expense, firstly, we are not like losing margins and mindlessly that we know where to recover it from and not having any part. But the most important thing right now was getting growth and acquiring customers. That's the message you should take 200 basis, I feel like I said, as an operator and we say always like enough juice. Our teams have to execute, again, get it store-by-store, pizza by pizza, brand by brand. Those things are there. So I think I'll stick to Suman's guidance of like 200 basis points for minimum should come in over the next 3 years.

Percy Panthaki: That is PAT level, right?

Suman Hegde: No, it's an overall EBITDA level flowing through to PAT as well.

Sameer Khetarpal: Financial reengineering or financial like paying our debt and therefore, getting it from interest. It was largely operational is what we mean to say.

Percy Panthaki: Thank you and all the best.

Moderator: Our next question comes from Ashish Kanodia from Citi.

Ashish Kanodia: So the first question was on the new product development within Domino's India and on the analyst meet, you touched upon that. For example, in U.S. chicken wings is almost 18%. Now when we look at the two new product innovation beyond the pizza, the chicken wings and the Cheesiken, can you give us some sense, one, in terms of what kind of a contribution they are hitting right now, just a ballpark number?

And second, are they also helping you whether to drive higher dine-ins, customer acquisition? And then also dayparts, like are you seeing more revenue share coming in during the dayparts or during snacking time, if you can also touch upon a bit on that?

Sameer Khetarpal: Yes. No, Ashish, great set of question. I think there are -- you are talking about disaggregating growth into multiple vectors. So, chicken is one adjacency, which is an important vector. So, customers order pizza when they're craving for cheese and when they want to share. So chicken wings, chicken poppers, the bites range that we have and the boneless fried chicken that we've launched, right it is exceeding our expectation.

In fact, I spent every Monday morning with my sourcing team to source for chicken wings because we are constrained on supply of chicken wings. So we had to ration chicken wings and in fact, stop the business in North and West to serve South and East, right? So, it will give you an indication that even like a product which has been launched in just 4 or 5 months is gaining traction more than that we thought.

The salience of the product, obviously, is higher in East and South, where it is a larger non-vegetarian eating market, and it is ahead of our plans. And see, I again look at this as a Rs. 1,000 crore platform. right? And I genuinely believe the range of chicken, right, as an accompaniment to pizza will definitely get to that number. It gives me all the more confidence in terms of growth rates I see in the store, attachment rates and the customer feedback that we are getting.

The second vector you mentioned was what can you do for lunch, right, or late night, right? I think teams are working. We are iterating with options for lunch, and we should launch very soon, focused on the right set of markets. The Rs. 99 four-course meal lunch available in dine-in is doing very well, continues to be the growth driver over there.

We have extended a different version of it at a higher price for delivery customers, that is now beginning to do well and teams are building more propositions, which are either focusing on value-seeking customers or customers looking for state IP because that's another, and comfort that is another vector we are focusing on.

So multiple of these vectors in play, and you will see the continued pace on product innovation with very sharply targeting a certain occasion, meal hour or a set of consumer cohort.

Ashish Kanodia: Sameer, that's helpful. The second one was on Popeyes. So almost a year back, you talked about medium-term guidance of 250 stores. This year has been around 19 stores. Next year, there is an acceleration to 30 stores. But how should we think about that 250 stores?

Is it a 3-4 year phenomena where maybe next year, you are still trying to get maybe the supply chain right, as you talked about chicken sourcing, et cetera? Should we expect a meaningful acceleration, say, in '27, '28? Like I'm trying to understand the 250 store guidance, Rs. 1,000 crore revenue, is it like a 3-4 year or slightly more long term?

Sameer Khetarpal: Yes I think the -- I think you definitely begin to see acceleration going forward, right? And again, like I said, we are nearing the playbook that we want to build to get to the -- firstly is to get to the right three things which are the most important.

Number one is the store capex and model, that we know what is working, what is not. In 3 years, we have now a very good sense, and we've been able to bring down capex, right? We have sorted the supply chain. We are leveraging the Domino's supply chain. Therefore, that translates into gross margins, right, which are very healthy, right?

The third is the customer love, right? So this is the trilogy. And these 3, therefore, I feel very good about solving like almost 80%-85% of this trilogy. We know margins will come, right, and we'll get to that number.

So once we get more data in the next couple of quarters, we should also expand beyond that.

Ashish Kanodia: Sure, Sameer. And I think this question got asked, but when I look at the standalone EBITDA and then both EBITDA and revenue and then what is there for Domino's India, so the implied revenue for other businesses is roughly Rs. 200 crores. And, when I look at the EBITDA loss for the other businesses, which would be Dunkin', Hong's, and Popeyes, it's roughly Rs. 130 crores, give or take, maybe Rs. 2 crores, Rs. 3 crores here and there.

So one, is there anything else also which is sitting here beyond the store level losses? Because just at a Rs. 200 crore revenue, this Rs. 130 crores looks slightly higher. And at least my understanding is given that Dunkin' and Hong's has been there for quite some time, maybe the losses in those two formats would be bare minimum. Is it right to understand that a large part of it is in Popeyes because of the investments?

Sameer Khetarpal: I would say the losses in Dunkin' and Hong's are also not less, right? So except for the fact that Dunkin' and Hong's were there and we have corrected a lot of it, and therefore, you will see more goodness coming in, in the coming quarters from this portfolio.

Ashish Kanodia: Sure, Sameer. And just last one is on the inflation side. Are you witnessing any inflationary pressure on the cheese or any of the raw materials?

Sameer Khetarpal: Yes, I think we are. I think there are a few commodities which have gone up, especially in cheese, oil and coffee, right? These are the, I would say, the top three. There are some tailwinds. Flour, I think what the team is telling me also gone up, but the crop has been really good. So we expect some of the prices to moderate. We are seeing it. We have covered a few areas, right?

And so at least the internal plan, again, is to beat the inflation through internal efficiencies, better utilization of our factories, lower conversion costs, lower logistics cost, right? But, I do see inflation in the manpower and wages and those things will be there.

But overall, I think the inflationary environment is, I would say, relatively benign because oil prices have been stable. The crude oil prices have been stable for a long time, the power fuel has been stable. So there are certain, I worry less about inflation, what I used to worry 2 years ago.

Ashish Kanodia: Sure Sameer, that's super helpful. All the best.

Moderator: We'll take the last question from the line of Shirish Pardeshi from Motilal Oswal.

Shirish Pardeshi: Hi Sameer, congratulations for good delivery. Just a quick question. I was just trying to understand this Rs. 99 lunch menu, I think there is a lot of noise and there is a lot of push from the management side. But in fact, our consumers has also accepted. So just more curious, in your SSG a year before and now if we calculate, what kind of delta we would have got, maybe substantial 200-300 basis points or lower than that?

Sameer Khetarpal: See, in lunch hours, definitely order growth more than that, right? So again, the way we look at our businesses is, first, order growth comes in, which acquires new customers and the repeat follows, right? So on lunch hours, Shirishji, it is more than the number that you are seeing.

But it's a very dine-in-focused product, offering outstanding value and every time I visit stores and I ask customers what got you here during lunch hours, 4 out of 7 customers actually will end up saying it was the Lunch Feast that brought us over here.

So it's a very popular product. Again, we have to stay invested. I think it can be much, much larger than where it is, and we should not lose focus on building this as truly the best dine-in proposition that the entire QSR industry has to offer.

Shirish Pardeshi: One follow-up here. Do you think there is some more improvement to be done or pricing adjustment towards upside potential is possible in this business?

Sameer Khetarpal: I think it is always there, right? And I think consumers again, I let nowadays machines and data sciences team decide that. We are experimenting with a few areas. We will correct pricing where we have to. But broadly, we want to stand for value and not get overboard at this stage. In some pockets where we thought it was easier to correct like Volcano Pizza, we went ahead and corrected also. But not on mass, we will be very scientific, very rigorous in taking price hikes, but there is a team that is looking at it.

Shirish Pardeshi: Because when talking to some few places, I think the consumer is excited and now the product is now taking off. So I would say that it's worked almost three quarters now, maybe I hope is helping us. But then I was more curious that what kind of changes it will happen, if at all, if you need to do?

Sameer Khetarpal: Yes. I think I will refrain from saying that. I think, again, my bias is to look at the country into various consumer cohorts and the combination of stores, then you have channels, which is dine-in, takeaway, aggregators, our own app, then you have big days like Diwali, Christmas, Holi, etc.

So, I think pricing has become a very sophisticated science than what I used to do 25 years ago. Therefore, there are several opportunities. I will let the data sciences team to run experiments and without losing the growth, right, or the customer, we will take calibrated calls, and we have begun to take some calibrated calls.

Shirish Pardeshi: Okay. One quick question to Suman. What kind of, because the initial report is coming now saying that the milk inflation and chicken inflation is expected to rise. What inflation we are working with now with both these items?

Sameer Khetarpal: So I think overall basket, I was -- because I was looking at this yesterday, so let me answer and Suman can add. 2% to 3% is what we are working on as from our food and paper, right? So, that's raw material and packaging material. I think we will be ballpark over there. It may be higher in milk, but we have covered ourselves. It has surprised us in oil, but the palm oil and cooking oil, it has started to cool down, but we are seeing some benefits elsewhere and therefore, 2%-3%. All of that or a large part of it should be neutralized by internal initiatives.

Shirish Pardeshi: Alright, thank you and all the best.

Lakshya Sharma: Thankyou.

Moderator: Thank you. Ladies and gentlemen, that concludes our question-and-answer session. On behalf of Jubilant FoodWorks Limited, that concludes this conference. Thank you 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.