



“Jubilant FoodWorks Limited
Q3 FY’26 Earnings Conference Call”
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Note: This transcript has been corrected for readability, clarity and accuracy at some instances.

Moderator:

Ladies and gentlemen, good day, and welcome to the Q3 FY '26 Earnings 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 call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Apar from Jubilant FoodWorks. Thank you, and over to you, sir.

Apar:

Thank you so much, Rayo. Welcome to Jubilant FoodWorks quarter 3 FY '26 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 Turkey Business CEO, Mr. Aslan Saranga; and our CFO, Ms. Suman Hegde. We will commence with key thoughts from the Chairman, followed by remarks from CEO and MD. After the opening remarks, the forum will be open for a Q&A session.

A cautionary note before we move ahead, some of the statements made on today's call would be forward-looking in nature, and the actual results could vary from such statements. We will also host a 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 views. Over to you, sir.

Hari S. Bhartia:

Thank you Apar. Good evening everyone, and thank you for joining us today on our quarter 3 FY '26 Earnings Call. We are happy to share that our overall performance in the third quarter of FY '26 was strong, highlighted by 13.3% growth in revenue and a solid 20% rise in reported EBITDA.

Our business in India maintained its double-digit year-on-year growth, and the EBITDA margin improved by 109 basis points compared to the same period last year. Domino's India achieved positive LFL growth for the eighth quarter in a row. Popeyes also saw an impressive double-digit LFL growth indicating strong brand acceptance and high customer repeats.

The Turkey business continued to give positive results. It gives us immense pleasure to share with you that along with strong revenue growth and PAT, the business is generating steady cash flows and over the last couple of quarters have been paying dividends to service JFL's acquisition-debt obligations. Our international business in Sri Lanka and Bangladesh also reported impressive top line growth and improvement in bottom line.

We carried on our network expansion by adding 114 stores during the quarter across brands and markets. We now operate close to 3,600 stores, out of which, approximately 2,530 stores are in India. On the menu innovation front, we are really excited with the pace of innovation and the new product positionings being offered to our customers across our brands. The customer response to the new products over the last 12 months has been very encouraging.

Going forward, we remain focused on delivering value to our customers. This has been possible because of strong foundation that we have built with technology, supply chain, delivery capability and most importantly, our people. Our focus behind the same will remain relentless and these are key to our long-term success.

With that, now I invite Sameer to provide you with further insights into our quarter 3 FY '26 performance.

Sameer Khetarpal: Thank you, Mr. Bhartia, and good evening to everyone. Q3 FY26 was a proof point quarter for us. Strategy is working, our technology and investments in AI are delivering impact and execution was rock solid. Q3 is our peak quarter and the ultimate stress test for the organization across operations, supply chain, technology and other functions.

Our store teams and delivery riders handled exceptionally high order volume with speed and consistency, demonstrating operational discipline at scale. I'm extremely proud and thankful to the team's performance.

Turning to financial performance. During the quarter, we reported consolidated revenue of Rs. 24.4 billion, representing a growth of 13.3% year-on-year. Importantly, all our business segments, both domestic and international, contributed to top line growth.

India revenues stood at Rs. 18 billion, growing at 11.8% Y-o-Y. Domino's India delivered a like-for-like growth of 5% on a strong base of 12.5% like-for-like growth, which was the growth in the same quarter last year. Revenue grew 10.7% year-on-year for Domino's, driven by healthy order growth of 10%.

During the quarter, we undertook calibrated price increases on select products to strengthen margins and incentivized favourable mix movements. Our recent new product launches, including Sourdough Pizza and Cheese Lava Pull Apart, have seen an overwhelming response and have scaled rapidly in a short period. Also, these products are accretive to gross margin.

Domino's in India added approximately 200 new stores over the first 9 months of the fiscal year and 75 stores in Q3 alone. This is the highest ever store expansion by Domino's in India in the first 9 months of the year.

Popeyes continued its strong momentum, delivering high double-digit LFL growth for the second consecutive quarter. We rolled out the range of 7 flavour burst burgers. We topped it up with a 15-piece chicken bucket that has also received an excellent response.

Popeyes expanded to 73 stores, adding 5 stores in the quarter. We are now increasingly confident about Popeyes emerging as a powerful new growth vector for the company.

There are handsome gains on the margin front. Gross margin in India business delivered a sequential expansion of 52 basis points to 74.9%, translating into an 80-basis point improvement over last 6 months. The improvement has been achieved despite persistent inflation in dairy, oil and flour. Supported by gross margin expansion and productivity-led efficiencies, reported EBITDA margins improved by 110 basis points year-on-year to 20.5%. On a pre-Ind AS basis, EBITDA margin expanded by around 90 basis points year-on-year and 120 basis points sequentially.

Our technology and AI initiatives continue to translate into tangible outcomes. Monthly transacting users on our apps grew over 20% year-on-year in each quarter of FY 2026. And the number of active clients using post-order page advertising crossed 10 in the quarter.

Standalone, profit after tax from continuing operations before exceptional items grew 27% year-on-year and PAT margin expanded by 54 basis points.

Turning to our international business. Turkey continued to deliver ahead of our plans. The business has consistently delivered double-digit year-on-year growth while maintaining strong PAT margins. We are pleased to share that Turkey is now servicing its acquisition-related debt entirely through internal cash flows. During the quarter, the business added 33 new stores, including 15 Domino's and 18 COFFY stores.

Sri Lanka and Bangladesh also delivered high double-digit growth during the quarter, and both countries have positive growth and margin expansion trajectory.

On a consolidated basis, EBITDA grew 20% year-on-year with EBITDA margin expanding by 110 basis points. Consolidated PAT from continuing operations before exceptional items grew 94% with PAT margin expanding 167 basis points year-on-year.

In summary, Q3 FY26 delivered strong growth across brands, disciplined execution and expanding profitability. Our growth vectors are clear. Our execution strategy is working, and we are deploying capital with discipline while investing ahead to build a large 5,000-plus store business. We are confident that our continued investments in technology, supply chain and store expansion will drive durable long-term value for shareholders.

I now request the moderator to commence the Q&A session.

Moderator: Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from Vivek M from Jefferies. Please go ahead.

Vivek M.: Two questions from my side. First, on the LFL number of 5%, what is your outlook because there was a bit of a festive season shift in this quarter. Where do you see this number, let's say, through the course of 2026? Because in your opening remarks, you also mentioned about the base, and that is going to stay stiff for the rest of the year this calendar. So how should we think about this?

Sameer Khetarpal: Yes. Vivek, see, the way we are building and shaping the entire standalone business is the following. Domino's should grow at 5% to 7% like-for-like growth. Overall top line should grow for standalone around 15%, and we should get closer to 15% pre- Ind AS margin, right?

Now that's kind of how the math stacks up for me. And that's what we are internally always gunning for. And therefore, to answer your question, I don't see any headwinds in terms of building a 5% to 7% like-for-like growth business.

Vivek M.: Interesting. So, you do not think that this slips further down as we go forward through the course of the year? Because there has been this fear that now that the base is reasonably high, this will actually keep hitting down as we go forward?

Sameer Khetarpal: Yes. I think just to remind all the analysts and investors, we are now lapping in March. We will complete 2 years of free delivery, right? So, I think just want to clear that notion. So, we already lapped up high bases. And if you look at FY25 standalone basis, we grew 14.3%. That's when we started the free delivery. In the current year, 9-month growth rate is 15.1%.

So, we are already growing on a large base, higher than the previous year. So, I am less worried on that particular piece. I think our businesses continues to do well. In fact, internally, we have started tracking, through AC Nielsen, market share gains.

We have also gained market share, not only within pizza, but across the relevant segments from bowls to chicken to burgers. So, I think there is huge headroom to grow. And one quarter here or there, I will skip that. But overall 5% to 7%, I don't see that there is a challenge, and our business is geared for that.

Vivek M.:

Got it, Sameer. Second question is if you're going back in the history as well as the conventional wisdom will say that as LFL accelerates, margins typically expand and reverse has also been true in the past. This time around, obviously, with the decelerating LFL, your margins expanded quite smartly. Can you just give your views on anything related to the quarter? We can, of course, see the numbers. And how do you think about the outlook, specifically for FY'27?

Sameer Khetarpal:

Yes. I'll let Suman to give any additional color, but it's important to note that I think this was a constant question that, hey, you are having a LFL of 10% to 12% and margins are not rising, right? So, we were investing for growth. We got the customer. We know customers repeat once we acquire them. And there is always an opportunity to take calibrated price increases but equally work on the efficiency.

So, we worked on both the fronts. And if you recall, when we did free delivery, we launched Big Big Pizza next year. And as a result, both were dilutive. But this year, we've come back and launched Cheese Lava Pull Apart, Sourdough Pizza. We've taken calibrated price increases. So, we are putting more levers to improve our gross margin and tightened our cost structures to get more juice from our EBITDA.

So, I am actually less worried on margins, Vivek. There is always more room that I see in my organization. Growth is something that we have to always be paranoid about because we are building a 5,000-store network business and not just a 3,000-store network business.

Suman, any color on this year, I think we are on track.

Suman Hegde:

No, I think we are on track. And Vivek, Sameer has answered the question. But if you look at it also in terms of bases, one, of course, the constant conversation which has happened on gross margin. If you see over the last couple of quarters sequentially, and we had said that out in the market as well, what every investment mean in FY25 behind the product portfolio is to ensure that we give back value to customers.

And as we bring in new mixes on our innovation, we will see the accretive-ness of those mixes playing out, which is happening in case of the new launches we have had in terms of Sourdough or be it the Cheese Lava Pull Apart that has now got launched.

So that is, of course, reflecting in the margin improvement at the gross margin level. And then if you look at the other expenses, while they have grown as well. If you look at personnel expenses or manufacturing, they are, however, growing behind the growth that the business is seeing. So the business is seeing about 12% growth approximately. The other expenses are not growing in tandem, right, which is the way it should be. And we still believe there is more optimization we can do.

So, all in all, that's how the margin profile is playing out. Operating leverage, of course, kicking in and the gross margin improvement profile that we are driving, which we believe will sustain going forward as well with the kind of growth aspirations that we have and which Sameer has called out.

Vivek M.:

Got it. Thank you on that. And if I can add one more, which is when we look at, let's say, the two food delivery platforms, Swiggy as well as Zomato, both of them have quick commerce investments. And both of them, in some ways, are using food delivery as a, so to speak, cash cow business. They have introduced platform fees, high delivery fees. How do you benchmark yourself?

Do you take a clue from what they are doing, and therefore, do you plan your strategies? And what are your thoughts on your own delivery fees one way or the other? Can you just elaborate on that?

Sameer Khetarpal:

Yes. Let's look at our strategic objectives. So, we want our own assets to grow the fastest, and be the channel where we really get the customer love and the most immersive and financially, the best reason for customers to shop. So, these tenets will continue to guide our investments and our pricing decisions for customers.

So I do agree that in the last quarter or so, aggregators have brought down their minimum order value to Rs. 99. And in some places, we had to go back and correct and match that to not lose market share. So, we've done that.

See they are platforms and therefore, they can charge platform fees or platform commission, etcetera. We're in the business of selling, shopping and giving an outstanding experience of pizzas. So for us, at least my own take is the things like platform fees, etcetera, are not relevant.

Having said that, that's an option that exists and if need be, we can again switch on that button at midnight tomorrow, and it will be available. So that lever stays for us. I want to remind

everyone that we are building a 5,000-store business that is most penetrated, and I believe these are actually barriers to acquiring customers.

Vivek M.: Got it, sir. We always like and respect your focus on growth. Thank you and wishing you and your team all the best.

Moderator: We'll move to the next question. The next question is from Nihal Mahesh Jham from HSBC.

Nihal Mahesh Jham: Congratulations on the performance. I have three questions. Just starting off again on the margin bit. On the gross margin side, you mentioned about obviously that marginal price hikes along with new product launches, that were obviously one of the key drivers of gross margin improvement. Just moving below, what has been the incremental lever which has led to an operating leverage? Do you see that employee expenses have also gone down? And does the Labour Code in any way rehash our employee expense growth going forward? That was the first question.

Suman Hegde: So I think on gross margin, no more flavor to add on that, Nihal. So like we mentioned, predominantly driven by mix improvement that we have seen, led by further efficiency that we've brought in. We have again recalibrated our pricing to look at where we can get the most value without, of course, impacting growth in any way.

So that's what driven the gross margin trajectory, which we believe will also go on as we get into the future. On operating leverage, on personal expenses, honestly, if you look at increments and what the numbers are, that's the kind of increase you would see, so there's nothing out of the ordinary out there.

From a Labour Code impact perspective, we have taken, of course, the onetime exception. Going forward, yes, there will be some impact that will come into the cost line. We anticipate as of now, while there's no definitiveness on it because everybody is looking at restructuring their wages and what will be the definitions which are actually rolled out when the implementation happens in April. But maybe about 10 to 15 bps is the impact that we see at an overall level at an outer limit, but we, of course, continue to look at. So nothing material that I want to call out.

Sameer Khetarpal: Also we've been very disciplined in head count increase. We've also deployed technology and AI, we're beginning to use to drive efficiencies in our corporate G&A, and that has given the leverage. And I think we've been super disciplined in the last 2 years in where to deploy the technology. So that leverage is coming in.

Nihal Mahesh Jham: Got that. Sameer, the second question is you mentioned for the first time this AC Nielsen data and also tracking the growth for Domino's versus other categories like, say, burger. Now just one question that how do you, in a way, fight the lethargy that may come with the category of pizza itself?

And how do you sort of compete with other categories, whereas you are a single category brand and you're sort of competing with aggregators? So what is the insights or incremental steps that you are taking to sort of gain market share from the other categories, knowing the fact that you only work in one subcategory?

Sameer Khetarpal: Yes, that is the fundamental job, right, with almost nearly 2/3 of the market share in the category. The job for us is to grow penetration. And Nihal, it is actually not pizza versus burgers.

India is a \$60 billion food services market. So our competition is bhatura chana, dosa, idli, biryani, that is what India consumes. And the frequency of pizza is 3 in a year, and burger will be probably the same.

So the idea is not to bring burger from 3 to 2 and pizza from 3 to 4. But the idea is to, out of 200 occasions that Indian is consuming Indian food, get 1 additional share of pizza. So that is the job to be done. And therefore, you will see on the premium end, we are launching Sourdough Pizza because there are premium users who are doing it. On the lower end, we have 49, 59, 69, 79 pizza that competes with idli and dosa that India consumes every day.

So that is our endeavour. And that is the task of our marketing team to come up with products that actually replaces, when there is light hunger where a samosa comes in, bring pizza into the mix.

Nihal Mahesh Jham: Got that. Just a quick final question, Suman. You could give the capex number you're targeting for this year and the years ahead given that you said you're optimizing on supply chain or you're already done with that?

Suman Hegde: So I think this question comes up all the time, Nihal. But the fact is supply chain, I think I mentioned in the last quarter's call as well. Our overall capex spend in the last couple of years have been in the range of anywhere between Rs. 700 crores to Rs. 850 crores.

Yes, the supply chain capex has peaked, but we do not expect a significant movement downwards on the capex bill because we are, of course, recalibrating. We've called out saying

we want to open 1,000 stores in the next 3 years, right, which mean that the store capex will kick in.

We continue to invest heavily behind technology because we do believe that, that will not only drive growth but also efficiency for the business from the cost and margin profile perspective. These will have, of course, faster paybacks and ROI compared to a supply chain investment.

So we should see the return on capital employed on this going up, but not a significant movement on the overall capex spend. Of course, as we close the year in the final quarter, as we always do, we'll give a rough guidance on what we believe our capex budget for the subsequent financial year would be.

Moderator: Next question is from Ashish Kanodia from Citigroup. Please go ahead.

Ashish Kanodia: Sameer, your first question was on the LFL. So if I look at the last 8 quarters performance, the positive LFL was coming predominantly because of all the strategic intervention you have taken in terms of product innovation, free delivery, etcetera?

Now if I look at this quarter call commentary by other QSR players, there seems to be some uptick in demand. We don't know whether that flows through or not, but there is definitely some uptick in demand. So in that context, and I think in one of the earnings call, you called out that as well that if the industry start to improve, there will be an upside risk? So looking ahead, do you see that if the industry starts to improve or start to see positive SSG overall, there is an upside risk to this 5% to 7% LFL, which we have discussed?

Sameer Khetarpal: I think, of course, that's why we have a 5% to 7% bracket. And I think the government has done a lot on consumption. I don't have a market view. I can talk about what we are doing. We are penetrating into schools, colleges, airports, railway stations at a pace that we have never done before.

We are opening stores with very high-quality throughput in year 1 with a lower Capex, there is a lot of work that has gone into it. Our site selection is totally AI-enabled now and we have a list of 1,000 stores. So I do see that the brand is very strong. Our mature store ADS has been the highest ever in the last quarter. And we are very confident about our growth strategy, whether it's coming from both LFL and also organic expansion in white spaces. So that doesn't worry me. India is a very large opportunity and a multi-decadal opportunity, and we are finding large pockets of growth.

- Ashish Kanodia:** Sorry, so maybe I'm just going to harp on this one. Last quarter let's assume if the industry listed payer wise, if the SSG was minus 3%, minus 4%, and you have still delivered 5% LFL. If hypothetically, you see industry QSR space starts to grow at say, 2%, 3% SSG, do you see this instead of 5% to 7%, this goes maybe to 8%, 9%?
- Sameer Khetarpal:** It should happen. I think, empirically, I would agree with you, right? So that we always outperformed in the last 8 or 9 quarters, if you see. In fact, even before that, I have always gone on record and said because of our execution ability, self-help initiatives and the confidence in the brand, we should always be plus 3%, 4% versus the rest of the pack. And I say it with all humility because the brand is that powerful.
- Ashish Kanodia:** Sure. Sameer, thank you. The next question was on Popeyes. Like we have seen store growth slightly slower, but definitely the SSG being very strong in the last 2 quarters. How should we think about Popeyes over the next 18 months in terms of both store expansion? And also if you can throw some color in terms of your gross margin as well as on store level EBITDA margins, how it is trending now?
- Sameer Khetarpal:** So firstly, the SSG for Popeyes has been positive double digits for 3 quarters in a row. And the last quarter being the highest ever. And very strong growth numbers that I see. As a result, we are far more confident about Popeyes being able to scale and be the real speed boat for growth in our portfolio, right? That's kind of overarching and therefore, coming back to your question.
- So what are we at a 5,000 feet optimizing for? At a 5,000 feet, we are optimizing for average daily sales that is equal to industry and gross margins that are at industry level. Once we do that, then we know that the model really works. There is customer adoption at a price that we are willing to command in the market as a challenger brand.
- And second is we are able to bring the sourcing capabilities and technology of Jubilant to have the right gross margin. Once we do that, then we know how to open 300 stores in India. So that's kind of the equation over here. We have 1 or 2 pieces to crack. But I would say, bulk of work, 70% to 80% has been done.
- We've seen highest ever ADSs in the last quarter. Gross margins have improved. Restaurant profitability has improved. And we are well on track. And in about 100 stores, we will start disclosing the numbers to all of you. And then we can scale faster from there.
- But at no point, I want to make this as a land grab, right, where we are opening stores and then we have to shut down 1 year later. So very confident about this. We'll stay invested in

this piece. In fact, in Bangalore, this quarter, we launched our first advertising campaign even just with 70 stores, no other QSR has done it with a celebrity film star as our lead anchor over there.

Ashish Kanodia: Thanks, Sameer. And just last question to Suman was on the Turkey part of the business. If you can share how much of the total dividend has been paid by DP Eurasia? And also what is the total debt outstanding pertaining to the acquisition?

Suman Hegde: So the debt outstanding, the debt we took on account of the acquisition of about EUR110 million in our Netherlands entity, Ashish. And that, of course, the repayment schedule has not come up. We will look at what we do with that repayment, most likely, of course, the way Turkey is generating cash flow, we will look at funding some of that also from the Turkey cash flows.

Having said that, and hence, right now, the obligation on debt is only with respect to the interest, 100% of the interest obligations are being paid by the Turkey business now since the last 3 quarters. So there's no remitting of funds or cash flow from the India business on account of the acquisition debt that sits in Netherlands.

Moderator: The next question is from Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Team, I have only one question or a clarification, which is essentially a request for a refresh of something which would have been discussed in the past. Essentially, the growth divergence between dine-in and delivery, delivery brilliant performance continues to grow double digits comfortably for a long time. You have done some interventions in the past to get the dine-in throughput. Can you just talk about where we are in the dine-in, let's say, rejuvenation journey?

You had done some product pricing actions, etcetera. So that's one. One sub plot, which I just want to understand here is in your experience and your opinion, is this unique consumers. Let's say what I mean is that if a consumer is buying in, let's say, if there is a dine-in shop nearby, I mean, is there a propensity to go and dine out? Or is it just an impulse consumer you are capturing there? Is that an either/or situation, or both are separate consumers?

Sameer Khetarpal: I think great question, Manoj. I think your analysis is right that delivery continues to power ahead our growth and dine-in and take away are two additional channels where we put in a lot of intervention, has not played out. And that's a fair and accurate representation of our performance.

Having said that, firstly, we'll continue to fuel delivery tailwinds, world over that is the fastest channel growing, and we believe we have very strong capabilities over there to delight our customers.

Now coming to dine-in, takeaway, we are going back to the drawing board, relooking at our strategy, what is working, what is not. A few pieces are working. And last quarter, I generally believe, we should have done slightly better, but I will not give any excuses. We'll come back and fight hard for that piece of the pie.

Coming to what's happening on the new customers. So pre-COVID, the largest acquisition channel for us for new customers was dine-in and those customers moved to delivery. Post-COVID and more recently, because all the investments are in 20-minute delivery, free delivery, the largest new customer acquisition channel actually is our own app and dine-in or takeaway is lesser.

So therefore, both in terms of absolute and percentage growth, our own asset is the largest and the fastest-growing channel, so which augurs well for us. That's what we want. We have our own customer data. And now for dine-in and takeaway, when we acquire customers, they actually, after the first purchase, they move to our online channel. They know that this is a very convenient channel.

And therefore, the answer or the question that we have to solve for is to build a strong dine-in and takeaway proposition, which is very differentiated and compel the customer to go to the nearby store, which is the most penetrated and the easiest to access in terms of the store reach to go and do a dine-in or a takeaway along with certain occasions. So that piece, we are fully on, Manoj. And we believe there is some work to be done. But we'll get it. We are not leaving that problem.

Moderator: The next question is from Manish Poddar from Invesco Asset Management. Please go ahead.

Manish Poddar: Just two bits. First is, let's say, can you help me understand how much of, let's say, the delivery orders will be happening through our app broadly? And this monetization of the ad page on our platform or the app, how big can this be because if you look at from an MAU perspective, your numbers are significantly high. So let's say, how should I think of these two variables?

One is delivery from your app versus aggregators today versus, let's say, if you could help me understand 12, 18, 24 months back, some of it which you alluded earlier, and the second bit on this ad bit? Thanks.

Sameer Khetarpal: Okay. So we don't disclose our share of our own channels versus the aggregators. What we control and we want to grow is our own channels. So I think that continues to grow. I think the momentum is strong and the share is very strong. That's one.

The second piece, we started this journey a quarter ago. In fact, this is exactly 4 months ago, we started right after Diwali. We actually got into this, and we were experimenting with this particular piece. We are very positively surprised by the engagement and the quality of brands that we've been able to get from Flipkart Minutes to Tata Neu to Amazon Fresh to Apple.

And there is a lot of interest from this. Because again, we have built a strong tech foundation where we can target by a zip code in India, gives more analytics back to the customer. And if our average frequency is 3, in a year, then willy nilly, you're getting eyeballs of a product to a new user.

And like you said, 15 million, 16 million monthly active users is a very large consumer base. So at least my own take is at the right time, I'm not saying it short-term, we should get about 1% of our revenues on that channel. We should be able to monetize to that extent.

Having said that, we have taken a conscious call to not monetize preorder or the preorder journey. Only post order, we are monetizing it. If we open up more assets, there is more revenue to be earned. But at the moment, we are focused only on post-order journey.

We want to give an immersive and a friction-free shopping experience and a fast delivery to customers. Once they're on that page, we are actually experimenting a lot. So take, for example, if I get a credit card, right, if I get a credit card application, you get an immediate discount on that order funded by the credit card company.

So some of these things, we believe we are the only one who can use it, consider it, by zip code and target a customer cohort. Apple can target Android customers and Android can target Apple customers. Some of those things are very unique to us, and we will scale that up, and it's an important area. We know all of this flows into the bottom line.

Manish Poddar: Sameer, sorry, if I heard you right, you said 1% of online sales from our platforms will be able to, let's say, maybe some period down the line, is that the right understanding, first?

Sameer Khetarpal: Yes, that's correct. I think my own sense is 1% is minimum we should get to.

Manish Poddar: But Sameer, actually, I'm just trying to understand this number because, let's say, when you look at another BPC player, which has annual subscribers equal to your monthly subscribers,

their ad revenues in my understanding are north of Rs. 500 crores annual number? So I'm just trying to think.

Sameer Khetarpal: That's not a right comparison. Yes, because they have the brand advertising.

Manish Poddar: But I'm just trying to think. I'm sorry, I'm just trying to speak aloud. Maybe 2, 3, 4 years down the line, can this not be a three-digit crore number? Thanks.

Sameer Khetarpal: We will get closer to that. That's what we aspire to get. But the only difference, and I have run these businesses a lot, right, in a grocery 8% to 9% of your revenue can come from advertising, right? Because the brands like, let's say, there is a noodle brand, that noodle brand is advertising for the brand and the click-through of that can directly lead into sales.

It is like modern retail, where brands will do display advertising. And so we are different, right? Other than Coca-Cola, we can't advertise anything where customers can click and get that instantaneously. So same thing in BPC kind of a play, L'Oreal or Lakme or anybody will advertise upfront to drive the sales. It's a preorder journey that they try to intercept.

We are doing post order. And again, there is more money for sure. But we don't want to hurt the customer journey of ordering the pizza in 3 to 4 clicks and deliver that in 20 minutes. That remains sacrosanct. Everything else, we will try. On post-order page, we are very confident. And in fullness of time, it can get to 3 digit or close to that. That's what we are also aspiring for.

Moderator: The next question is from Amit Sachdeva from UBS. Please go ahead.

Amit Sachdeva: Sir, my question is on the margins bit. See my sense is that if I look at the margin expansion in pre-Ind AS, which seems very impressive and so it's a great job done. But can I sort of double click on a bit and ask whether rental saving is now part of the equation, which seems structural because now, I think delivery is largely part of the pie. So is there some ongoing rethinking of the store happening and rental as a percentage is declining?

Because I know that in the first half of this year, lease expenses from the cash flow, which I would say would be rental is 7%. Last year, that number was 7.4%. Is there a consistent saving now as part of the equation? And how sustainable that is and what the number could be?

So that is point number one. And on related points, my second question would be on Popeyes, whether in 15% growth ambition at stand-alone level, how much this will be contributed to

Popeyes over the next 3, 4 years? And how much margin at EBITDA level would be contributed by Popeyes as well? Because I think if the journey of that is also increasing, how one should think about that, these two pieces together?

Suman Hegde:

Let me take the first one on rentals, Amit, and then I'll give Sameer for some question on growth and then come back on Popeyes margins. So I think on rental, you're absolutely right. I think you answered the question yourself. So yes, we are seeing leverage coming through on rental.

Part of it coming through on account of, of course, scale. They are generating more revenue, I mean, of course, better LFL gives us the scale operating leverage for rental, which we have seen coming through in our pre-Ind AS numbers.

Apart from that, there are also other opportunities we are looking at. Our per square footage of our stores is on a downward trend. Again, like you likely said, if you're hitting a 75% delivery mix now as a business, it could vary between the tiers of cities we operate in. But overall, the square footage of our stores is coming down, which will again be an additional flip to our rental, right, going forward.

So I think those are the 2 elements that we're also very focused on. Of course, also on renegotiation. In many of the new cities and towns that we are going into, we anchor volume for the landlord. So we do get better deals as we enter in there because it helps them get in more other businesses as well. So all of these 3 metrics, we'll continue focusing on.

Will there be a very big increase on the leverage coming through on rental? I don't think it's significant. Even now, it is not a significant part of that 90 bps of improvement that we are seeing. It's not like it is 60% of that comes from rental.

So it is a component, but not a significant one which will continue to be there. So that's on the rental part. If it answers your question. Maybe, Sameer can take the Popeyes growth piece and I'll come back on EBITDA.

Sameer Khetarpal:

Yes. I think Popeyes, Amit, should add like 1%, 1.5% to growth, right? So that's what how we are building this, at least in the near term. And if we see more green shoots, we can actually accelerate the store expansion. What are the green shoots?

The green shoot is we should be industry leading or industry par on the average daily sales and the gross margin should be equal or higher, right. If these 2 things happen, then we know

other line items can take. And I think like if Domino's is adding like 75, 80 stores a quarter, there is no reason why we can't add 15, 20 stores of Popeyes in a quarter, right?

And most of those locations will be high street locations. Because there are so many malls or airports that you can get into. So that piece is remaining and therefore, this should make money. But having said that, even at scale, right, even if you look at the fried chicken players, their margins are lower than that of Domino's.

So even at the fullness, it will be a drag compared to in terms of mix. But right now, I think we are far away from that. We want to make sure that we are getting closer to profitability at a restaurant level, we make money at the EBITDA level and then start generating more cash from that business. So that's how we are operating. But Amit, very positive story in terms of what the team has been able to do, differentiate in terms of bringing the freshness of that in the QSR, which is with a brand like Popeyes.

Amit Sachdeva: If you don't mind, is there a rough ADS that you can share, if possible, in say Bangalore, if not in all, but in typical ADS that store is getting, which you are satisfied with? And obviously, there will be a range, I don't want to ask too much of details that you don't share. But how do we make sense of it that how ADS is evolving for this, although the ADS, SSG looks very strong. But in terms of ADS, how it is kind of range could be?

Sameer Khetarpal: Give us 4 months, we will come back to you, Amit, on that when we are very close. Let us just get to 100 stores, we'll disclose everything. And like I said, our goal is to be at market beating ADSs and gross margin, right? So we are on that trajectory to be very honest. And many of our stores are actually operating much more than that.

So I'll assure you that our rates are positive. We are growing in terms of ADS, SSG and the underlying restaurant profitability. All three ticks for it. And we want to expand faster, provided the location is right. That's our intent.

Amit Sachdeva: Just last bit, if I may squeeze in. Suman, this question for you. Like I remember discussing on the company level, pre-Ind AS margin was standalone 12%. We were talking about EBITDA margin for Domino's at 14.5% level. Now we are reaching 13.3%. I assume this is largely driven by Domino's, given the dominance of the format?

What could be the margin for Domino's be like-for-like, which was 14.5%? And what could be the sustainable margin that you're looking at? Assuming 15% is achievable, how one should think about Domino's margin on basically a sustainable basis?

- Suman Hegde:** So Amit, I think we said that we will disclose Domino's margins once a year. We do know the numbers of Domino's of FY '24. We also disclosed in FY '25, it was around the 14.5% range that you only spoke about, right? So let us wait a quarter and we'll give the full year margins out again on Domino's.
- I don't want to comment on it right now because you can't actually compare 13.3%. We know how quarter 3 is for our industry. Quarter 3 margins are always higher, correct? And you see that moderation in Q4. So I think it's better to compare it at a full year level.
- Now coming to how should we look at it? I think our guidance has been consistent saying that above FY '24 margins, we want to improve by about 200 bps at an EBITDA level as a company. And a significant part of that will, of course, come from Domino's margins improving. And the reduction of the drag on the EBU's, at the point in time that we had disclosed our numbers, the drag was of Popeyes, Dunkin and Hong's was approximately about 230 bps, 250 bps.
- And we should see that halving in that journey to getting to the overall margins up. So I think that's the way you should triangulate it. Of course, we'd be able to do a better guess of it as we come out with the full year numbers in the subsequent quarter.
- Amit Sachdeva:** Got it. Just to clarify, 200 above FY '24, right? That's what you said?
- Suman Hegde:** Yes.
- Moderator:** The next question is from Aditya Soman from CLSA. Please go ahead.
- Aditya Soman:** So a couple of questions. So firstly, on Popeyes, now that you're seeing sort of steady and strong performance. From when will you report this as a separate segment? Will we start getting data on this in terms of ADS and SSG and even the revenues separately?
- Sameer Khetarpal:** Yes, I think we want to get to 100 stores. That's what we had committed earlier. As soon as we get it, I would have anticipated for that to happen in Q4, but it will not happen in Q4. It may happen by Q1. That's where we should start reporting the numbers.
- Aditya Soman:** I understand. And then just a journey of Popeyes that we've seen since you've launched it to where we are now. What has led to sort of the significant improvement in SSG? But do you think that the model now is at a point where the client model is the one that you will sort of roll out across the country overall?

Sameer Khetarpal: I think we'll differentiate it from the competition. So I think if you just step back, so we have a 3-3.5 year-old brand. It will still probably be the fastest, if not the fastest, to get to 100 stores. And when we started, there was a playbook that the brand had guidelines. They were not meant to follow it strictly.

But still when you're building a brand, you have no knowledge and you are therefore trying to deploy a playbook that works everywhere, i.e., 4,000 to 5,000 square feet stores, large flagship, high-street stores, right, with very heavy capex in the kitchen, large area for the kitchen and the menu that we do not know will work for India or not.

So take, for example, biscuit is a very popular product in US, but that's not a biscuit that what you and I understand, right? It's kind of a corn bread or a bread. So we got-in all those equipment and assuming that this is how the brand works. So we corrected.

We also built our supply chain capabilities to source fresh chicken to invest in and never ever source antibiotics used chicken. So we did all of that. And we also equally, at the front end, started to differentiate versus consumers. So Popeyes world over stand for its boldness and flavors.

The Cajun flavor resonates more with Indians, and we brought more flavors to India. To give you two examples. So we looked at chicken wings and brought 6 variants of chicken wings with 6 different sauces, indicating heat, taste, etcetera. Similarly, we launched 7 chicken sandwiches, which are Flavor Burst.

So I think we are taking the route where we believe this can be the most loved chicken brand in India. And I can only see that this to be a 250 store INR1,000 crores business in medium term and with very high profitability. And that's what we are building. That's where we are shaping the business towards. And we are getting closer to 1/10th of that journey. And we have to continuously innovate. What worked last year, for sure will not work next year.

Aditya Soman: Understand. Thank you so much for that comprehensive response. And maybe just a follow-up on this. Would it, at some point, make sense to have a sort of common app across your platforms, just given the strength of the numbers with sort of MAUs and MTUs, particularly for Domino's. Is there a way you can also shift that to Popeyes and the other brands?

Sameer Khetarpal: Yes. I've looked at these models very closely and also launched one of the food aggregator businesses in India 5 years ago, you need a certain threshold of brands for an app to work, right? And that threshold in my opinion, is 20 to 25 brands per zip code. Anything below that, a single app doesn't work.

Just because we are Jubilant, customers will not open an app, right? And there are multiple models. As you see, there are dark kitchen models with 7, 8 brands. There are even more. Even their own app traffic is very limited, right? So they have not been able to grow that. For the very simple reasons, the customer inadvertently want more selection. And they may still choose Domino's among that 40, 50 brands that they are browsing, but there is innate need to have more.

So at least my past experience and knowledge suggest that this is not a good investment of technology. The two brands are different. Occasions are different. We've launched Popeyes' own app. It is going to be the most immersive app for burger eating and chicken eating in the world. That much, I promise you.

And once customers like that, we will get great prices. Again, like the pizza box never leaves our hands, the bun never leaves our hand. We've followed that same approach in Popeyes, and we are building the business with the right fundamentals and and aspiring for a lot of customer love.

Moderator: In the interest of time, we'll be able to take one last question. We take the last question from Jay Doshi from Kotak. Please go ahead.

Jaykumar Doshi: Very quick bookkeeping questions. Are you expecting any upward revision or downward revision in your royalty expense? I vaguely remember that your franchise agreement with Domino's was due for renewal, but I don't know if it's already done. And do you have visibility in terms of next 5 years, 10 years, what your royalty for Domino's would be?

Sameer Khetarpal: I think we are not expecting any upward or downward movement. We believe we have a very good rate. We have outstanding relationships. We're all good over there.

Moderator: Thank you very much. We'll take that as the last question. I would now like to hand the conference over to Mr. Apar for closing comments.

Apar: Thank you, everyone, for joining the call and for listening patiently. For any further questions, you may reach out to the Investor Relations team of the company. You will find the recording and transcript of this call on the Investor Relations page of our website very soon. Thank you. Have a good evening.

Suman Hegde: Thank you.

Sameer Khetarpal: Thank you, everyone.



Moderator:

Thank you very much. On behalf of Jubilant FoodWorks Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.