**Jubilant Foodworks Limited Q4 and FY 2022 Earnings Conference Call Transcript**

**May 30, 2022**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY22 Earnings Conference Call of Jubilant Foodworks. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Jajodia. Thank you, and over to you, sir.

**Deepak Jajodia**: Thanks. Good evening, everyone. Welcome to Jubilant Foodworks Q4 and FY 22 earnings call for investors and analysts. We are joined today by senior members of the Management Team, including our Chairman – Mr. Shyam Bhartia; our Co-Chairman – Mr. Hari Bhartia; our CEO – Mr. Pratik Pota; our CFO – Mr. Ashish Goenka; and our Group CFO – Mr. Arvind Chokhany.

We will commence with key thoughts from Mr. Hari Bhartia. Mr. Pratik Pota will follow him with his perspective on the JFL's progress on the quarter and year ending 31st March 2022. After the opening remarks from the management, the forum will be open for the questions-and-answers.

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 statements. A detailed statement in this regard is available in Jubilant Foodworks results release and earnings presentation. I would now like to invite Mr. Hari Bhartia to share his view with you. Thank you, and over to you, sir.

**Hari Bhartia**: Thank you, Deepak, and good evening, everyone, and welcome to our Earnings Call. This is our ninth quarter of reporting results under the backdrop of pandemic. I'm incredibly proud of the way our teams have come together, not only continue to innovate to serve our customers, but accelerated our growth and delivered on expanded plans.

The operating context during the year was marked by a lot of uncertainty, periodic disruptions, on the other hand, a high inflationary environment which led to significant cost pressures. The relentless focus on driving productivity and calibrated price actions helped minimize the impact of inflation on our business. Thanks to our timely investments and the indomitable spirit of all our partners, we have set an all-time revenue, profitability and network expansion record in FY22.

In addition to the remarkable progress registered in our core business, we have made significant strides in investing in avenues that will become additional growth drivers for the company and create a substantial value for our stakeholders. During the quarter, the delivery channel registered a robust growth on a strong base of last year. Dine-in and takeaway channels combined reported a moderate growth, however, we continue to see a sequential improvement in dine-in and takeaway channels and the delivery momentum continued to be strong.

We opened the highest ever 80 new stores in a quarter for Domino's India and entered 17 new cities, thereby enhancing our reach to 337 cities. We added 230 new stores and entered 48 new cities in FY22. We intend to continue with this new pace of network expansion and plan to open around 250 new stores in the FY23.

Popeyes, which serves Bengaluru consumers across its 4 stores, received a very enthusiastic response. We are confident that Popeyes will help us build yet another profitable, sizable and scalable business. In the medium term, we see a potential of opening around 250 to 300 stores.

Our quarterly and full year results were also particularly strong for our international markets, where we delivered healthy system sales growth and expanded our store network. In Sri Lanka, despite the tough geopolitical and macroeconomic environment, our operations were uninterrupted, and we delivered a strong quarter.

In Bangladesh, we moved decisively to increase our stake in Bangladesh subsidiary to 100%. This will significantly help us to accelerate the pace of our business expansion.

As most of you know, Pratik has decided to pursue an opportunity outside Jubilant Foodworks Limited. I, on behalf of the Board and all our partners, would like to put on record our sincere appreciation for his outstanding contribution while leading our company to scale new heights despite recurrent challenges in the operating environment. He has been instrumental in laying a strong foundation for the company to progress towards a vision of becoming a multi-brand, multi-country food-tech powerhouse. On behalf of the Board and all our employees, we really wish him a super success in his new endeavors.

As all of you already know, the Board also approved the appointment of Sameer Khetarpal as the Chief Executive Officer and Managing Director. Sameer has 25-plus years of experience with companies like Amazon, McKinsey, GE and Hindustan Unilever in various leadership roles. He comes with a deep understanding of customers in emerging economy and has enormous knowledge and experience in delivering large-scale, diversified e-commerce businesses and solving complex business problems through technology. Apart from strong technology experience, Sameer has had a good success in building partnerships and also building partnerships through investments, which is good for any business's inorganic growth opportunities. He is a strong, dynamic and value-driven leader with impressive track record of delivering consistent high-quality performance in tough consumer businesses. He brings in passion to serve customers and build businesses by leveraging technology. As we look to further our investments across our portfolio of brands to become a food-tech powerhouse, Sameer will be a great addition to this journey, and I'm confident that his leadership will bring immense value to the company, investors and shareholders. When he joins us in the first week of September, he will be working with an impressive set of leaders who are presently running our businesses and functions. The Board welcomes Sameer to the role and wishes him every success.

With that, let me turn over to Pratik to share his perspective for the last quarter.

**Pratik Pota**: Thank you, Mr. Bhartia for your very kind words, and good evening, everyone. Thank you for joining the call today.

The quarter and the full year results once again demonstrate that our teams are executing well against the key business priorities and that we have positioned the business well to deliver growth despite the prevailing challenges.

Revenue from operations was in quarter 4, Rs. 11,579 million, up 12.9% versus the previous year. In Domino's, the like-for-like growth was at 5.8%. We faced and continue to face intense and broad-based inflationary headwinds across commodities, fuel and other costs during last quarter. This was offset by driving business efficiencies and productivity, lower and more targeted discounting and calibrated price increase. As a result, EBITDA was Rs. 2,897 million, a growth of 16.2% and at a margin of 25%, which expanded by 73 basis points year-on-year. Profit after tax was Rs. 1,161 million, up by 11.3% with a PAT margin of 10%.

We continue to expand our network rapidly with 87 new store additions for India for JFL. We added 80 new Domino's stores to close the year at 1,567 stores.

Progressing well on our fortressing strategy, I'm happy to report that more than 70% of our orders are now being delivered in under 20 minutes without, I must hasten to add, any compromises, any dilution of safety or other traffic rules.

Our Domino's App installs were 7.7 million during the quarter. We continue to be the highest rated app on both iOS and Android. During the quarter, we rolled out a number of small changes to the app UI/UX to make the experience even more intuitive and seamless for our customers. For instance, we reduced the number of steps for onboarding a new customer from 5 to 1, thereby reducing the time and effort required to order their favorite pizza.

We added 7 new stores to emerging brand portfolio during the quarter with 4 stores for Popeyes and one store each for Dunkin, Hong's and Ekdum!.

On Popeyes, we are enthused by the response we've received from our guests in Bangalore, with sales being significantly ahead of our expectations. Our endeavor is to significantly scale up our presence first in Bangalore and then progressively in other markets across the country.

Turning to our international business:

In Sri Lanka, despite challenging macro and high inflation, the company registered system sales growth of 80.6% during the quarter and opened 3 new stores.

In Bangladesh, system sales grew by 44.5%, and we opened 1 new store. The Bangladesh market has very low QSR penetration and is one with tremendous promise and we are well-placed to leverage the opportunity to grow with a wholly owned subsidiary.

Before I conclude, if I may be allowed to strike a personal note. This is, as you know, my final Earnings Call as the CEO of this incredible company. I wanted to place on record my deep gratitude to the Chairman, the Co-Chairman and the Board of Directors at Jubilant Foodworks for having entrusted me with the responsibility of leading this company over the last 5 years and for their support, their encouragement, counsel and guidance.

I also want to express my deep appreciation to all of you for your support, your encouragement and constructive feedback that you have extended to me over the last 5 years. I must say that I learned a lot from your questions, your reports and our interactions, and I drew into some of that while driving the transformation here.

As I leave, I feel confident that we have the right growth levers and the right leadership team for JFL to evolve into a vibrant multi-brand, multi-country food-tech powerhouse.

I would also like to take this opportunity to congratulate Sameer Khetarpal and warmly welcome him as the incoming CEO. I wish him all the very best to take this wonderful company to greater heights.

With that, I would now like to turn to the moderator and request to initiate the Q&A session. Thank you.

**Moderator**: We will now begin the question and answer session. The first question is from the line of Nihal Jham from Edelweiss. Please go ahead.

**Nihal Jham**: Sir, 3 questions from my side. First is that is it possible to give what was the recovery specifically in the dine-in channel, dine-in and the delivery channels separately? I'm not sure if that has been given this time around.

**Pratik Pota**: So, Nihal, can you just back up on the question, please? It wasn't very clear.

**Nihal Jham**: I'm so sorry. I was asking that, could you give the specific recovery in the dine-in channel and the delivery channel for this quarter?

**Pratik Pota**: So, as I've mentioned in my remarks and as Mr. Bhartia also mentioned in his opening remarks, we had a strong recovery and strong growth last quarter. The growth was both on delivery, notwithstanding the robust base from last year. The growth in delivery was on the back of a strong order growth as also growth in ticket. In dine-in, we saw a strong and a sustained growth and we saw sequential improvement. Of course, as you can imagine, January was a little soft for obvious reasons of Omicron. But thereafter, we saw a strong recovery in dine-in and a sequential improvement in dine-in channel as well.

So, the growth was across channels. It was on the back of both orders and tickets. And we see dine-in also improve sequentially.

**Nihal Jham**: The second question was you've obviously laid out the split stores that you've added this year and the medium-term target of 3,000 stores is something that we have been highlighting. Would it be possible to give a sense that how will this 3,000 look in terms of the number of incremental split stores that we are looking at going forward and also the kind of city that you expect you will be in? That will be my second question, and maybe I'll come to the last one after that.

**Pratik Pota**: So, Nihal, you're absolutely right. We see a very clear and a very exciting runway to add 3,000 or more Domino's stores in India. The expansion of our network will come from a combination of 3 broad themes. One is fortressing existing markets, and therefore, like you said, splitting stores to improve the speed of delivery, improve customer service levels and become even stronger in existing markets, number one. Number two, opening up new virgin territories in existing markets, as suburbs evolve, as new markets, micro markets evolve, that will be the second big driver of store expansion. The third one, of course, will be entry into new cities. And as you know, and as you've noticed, we've entered into 17 new towns last quarter. So, our expansion will come from a combination of this. As to what precisely that combination will be and what the split will be, it's hard to tell. But it will be a balance of all of these 3 themes. I think the other thing I want to mention, since you asked about new towns specifically, is that it's important to also call out that our performance in new towns, including the ones that we entered last quarter, has been very strong, very encouraging. New towns are markets where there is already a high awareness for Domino's and for the brand. And there is, therefore, anticipation when the brand enters the market. So, our revenues are strong. And we start off and sustain a high level of revenue. We also have a strong flow-through into store level margins. So, entry to new towns is also profitable and does not come with any dilution.

**Nihal Jham**: Just one last question, and this was to the promoter that with the new CEO coming in, while you did highlight certain attributes that he brings on the table, are there any specific 2, 3 key factors that we'll be looking that would be a part of the KRA? And I'll be done?

**Hari Bhartia**: In the last 4 or 5 years, we have built a very strong digital backbone to our strong operations in food services business. And we want to continue to build on that because going forward, technology will continue to play a very important role. So, one of the agendas for the new CEO would be to, of course, focus on our multi-brand, multi-country approach, but bring technology to solve productivity, but also use digital to have better interaction with the customers and better understanding also.

**Nihal Jham**: Mr. Pota, congratulations to you and best wishes to you. Thank you so much.

**Pratik Pota**: Thank you, Nihal. Thank you so much.

**Moderator**: The next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

**Vivek Maheshwari**: My first question is, can you just talk about the demand environment in the context of macro high inflation? Some reports talking about pullback in discretionary consumption, and on top of that, the fact that you have also taken up prices as have other QSR chains. So, can you just talk about how do you expect demand to shape up in the next few quarters, more particularly the next couple of quarters, I would say?

**Pratik Pota**: Thank you for the question, Vivek. As you mentioned and as we called out as well, we are seeing significant inflation pressures. We have attempted to absorb some of those through on productivity in our own initiatives. But we have passed on some of that through a price increase. Both last quarter and otherwise, this price increase that we've taken has gone down well. Our growth last quarter, as I mentioned, came on the back of both orders and ticket. I think it's also important to underline that even after the price increase, we remain the most affordable pizza brand in the country. Our value for money is core, which we keep monitoring very closely also remain very strong. And we haven't seen a moderation in those. So, as of now, I think we recognize that there are inflationary pressures, but we are not seeing that translate into any constriction of demand.

**Vivek Maheshwari**: And the other bit is, sorry, how many stores you have guided to for FY23, the new stores number?

**Pratik Pota**: So, we haven't yet given the guidance. So, our guidance for FY 23 for Domino's is around 250 stores.

**Vivek Maheshwari**: That's what I wanted to confirm. So, if I go back to the cycle of 2013 to '17, when SSS was slowing at that point of time, particularly '14 to '17, you accelerated the stores and then you had to reverse a lot of that. How do you ensure that the same cycle doesn't get repeated this time when SSS is slowing? You are obviously, again, expanding very aggressively. So, that 250 number is something you haven't ever done. How different it will be from the cycle of '14 to '17, for example?

**Pratik Pota**: I think that's a fair question, Vivek. And I think we've spoken about that in a couple of calls earlier as well. I think we have a very, very strong and rigorous metric and yard stick for new store evaluation. While we give you a guidance, you can be sure that we do not chase numbers internally, and we're not open and approve a store till it meets all profitability yardsticks and milestones. I think all the stores that we've opened in the recent past, both in the last financial year and even preceding that, most of these stores have met our profitability goals and guidelines. And our store payback remains well under 3 years, between 2 to 3 years, sometimes even lesser. As you have seen in FY22 and more recently in quarter 4, despite inflationary headwinds, despite opening 230 stores last year, our margins have been robust. So, you can be sure that the learnings from last time are very clearly in our mind, and we will make sure that we use all possible rigor to ensure that our margins hold up even as we accelerate our network expansion.

**Vivek Maheshwari**: So, leaving aside the inflation bit because which is beyond control, but are you trying to say that this 230 number will not impact your margins in any way?

**Pratik Pota**: We do not see a material impact on margins of the network that we're expanding. No.

**Vivek Maheshwari**: And the last question, beyond Domino's, the other brands you did speak about Popeyes, and my question is, the last 2 years, you would have lost a lot of time due to pandemic, and I mean everybody has or every other chain as well, do you see a material change in the store expansion trajectory in brands beyond Domino's from a next 12 to 24 month standpoint? That is my last question.

**Pratik Pota**: That's a good question, Vivek. And let me, I think, put out or as I mentioned earlier, we have an aggressive plan of opening 250 stores for Domino's in FY23. We are choosing to prioritize both Domino's and Popeyes for network expansion in FY23. For Popeyes, we'll open anywhere between 20 to 30 stores in the year. For Hong's Kitchen, we intend to focus on increasing brand awareness, increasing our online presence in the Delhi-NCR market. And in the next 2, 3 quarters, we will be taking a pause on network expansion and putting all our energies behind Popeyes and Domino's. Ekdum!, we are focused on driving unit economics and establishing that, proving the model before we scale up. So, that is a very clear outline of our network expansion plan across all our brands for the next 2 to 3 quarters.

**Moderator**: The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

**Percy Panthaki**: My first question is on advertising. So, if I look at FY21, I think for the full year, the ad spend as a percentage of sales was close to about 8.5%. It was higher than normal because the denominator itself shrunk and therefore, that ratio went up. Could you give me the number for FY22, how much is your ad spend as a percentage of sales?

**Pratik Pota**: So, Percy, as you mentioned rightly, in FY21, both because of the revenue shrinkage on account of COVID plus the fact that we chose very deliberately to stay invested in brand marketing through the COVID period, our advertising proportion was significantly higher than average. In FY22, that is what corrected. We are ensuring, however, that we make all the necessary investments in driving brand awareness, driving innovations, driving all our key priorities. And the number is much more in line with what we've had done in the past.

**Percy Panthaki**: What I'm trying to understand here is in FY23, is there any sort of reduction here possible as a percentage of sales, obviously, not in absolute terms versus FY22?

**Pratik Pota**: No. Again, that's a great question. I do not expect us to have any reduction in marketing spend in FY23. We believe we are at the right level where we need to invest behind the brand, need to invest behind all our key priorities and invest most importantly in driving and stoking growth and stoking demand. We talked earlier about the fact that we are in an inflationary environment. It's very important to have the brand invested behind to drive demand, to drive new users and to ensure that we support our key priorities. So, we don't expect marketing spend to reduce and flow through into the P&L in FY23. That's not part of the plan. I hope that's clear.

**Percy Panthaki**: Right. Secondly, on Popeyes, can you give us a little more idea in terms of you would obviously have some kind of agreement with the brand owner as to what kind of number of store openings you need to do over a 3- to 5-year kind of period. So, while you've given us an idea on FY23, you said some 20-25 stores, but how much can we expect, let's say, by the end of FY25, how many stores can we expect?

**Pratik Pota**: So, Percy, let me go back and talk a little bit more about Popeyes and what we are seeing before I answer your precise question. As I mentioned earlier, we are quite excited to see the response to Popeyes in the first few stores in Bangalore. Consumers love the chicken flavors. And in chicken sandwich, which is, of course, a differentiator of Popeyes, we were a very clear winner. We have managed to, given our standing as JFL, we have got a very strong partnership going with RBI and on advantaged terms, and we are looking to scale up Popeyes aggressively across the country. Without putting a target for FY25, let me say that in the medium term, we expect Popeyes to have at least between 250-300 stores, and it will have a national presence in the medium term.

**Percy Panthaki**: And my last question is, given all your expansion both in Domino's as well as other brands, and also the inflationary scenario that is present in front of us, how do you see overall company margins for FY23? I don't expect you to give exact number. But what I was looking at is versus the full year FY22 margins, do we see any sort of downside to that number?

**Pratik Pota**: So, look, I think, first of all, the premise of your question, even as we make investments required to drive our growth levers, be it Popeyes or of course, expansion into more Domino's markets and more Domino's stores, we are also making very careful choices. We also are tasking ourselves to drive productivity and efficiencies to ensure that we do not compromise and dilute on margins. We also are watching inflationary trends very, very closely. And we will do what is required to ensure that while we remain value for money, we also do not compromise on margins. So, that's a fine tight rope walk. I don't expect us to have any impact on margins in FY23 on a trend line basis.

**Moderator**: The next question is from the line of Mr. Amit Sachdeva from HSBC. Please go ahead.

**Amit Sachdeva**: Sir, my question is just on Popeyes, my other question has been answered. Sir, Popeyes, you are talking about 250 to 300 stores, and you obviously mentioned that initial plan is going ahead of your initial target in terms of throughput, etc, the response customers have given. So, my sense is that 40 to 50 stores a year, given the incumbent presence of, for example, Domino's all over India with 1,570-odd stores and you probably would have a privileged relationship with land loss and the incumbent infrastructure that's needed for the store already. Isn't that 40 to 50 stores a year target is pretty conservative, we might say, or probably not aggressive enough? And if you are happy with the economics which the store is generating, is it too less a target? I'm just stressing it in terms like its 250 stores in medium term, is it like too conservative a guidance?

**Pratik Pota**: I like that question, Amit. And I like the implicit premise of the question. Look, you've seen us open 200 plus stores on Domino's last year, 230. We're talking about 250 stores plus next year. So, you can be sure that we have the capability and the bandwidth. And of course, the capital required to accelerate our network expansion for Popeyes as necessary. We also don't want to get ahead of ourselves. Remember, we've got 4 stores right now in Popeyes. And therefore, we want to give a guidance that we believe is aggressive, yet achievable. If the numbers continue to play out the way we are seeing it right now, we have the capability. We have the wherewithal to go fast on the expansion. But I think let's start running before we can fly.

**Amit Sachdeva**: I was just wondering that it is probably lopsided towards the current thinking, extending to long-term rather than -- I probably hazard a guess that the 250, 300 is a bit of an open number. And based on your success that might be sort of looked at each year, how it could be, if I'm correct in thinking that?

**Pratik Pota**: I think that would be a fair statement to make. I mean this is an outlook that we have as things stand today. We'll be happy to be proved in hindsight a little bit conservative in estimates. And of course, if we can grow faster, we would love to do so.

**Amit Sachdeva**: And Pratik, just if I missed that, I know this is too early days, but this format has a certain gross margin and basic economics that we have our targeted economics in some sense. I know that's too early, but what could be the typical gross margins that business will operate at? And could you also give your vision of dine-in versus delivery mix for that format? I'm not saying reality today, but what will be optimum reality for it in this format?

**Pratik Pota**: So, let me answer in the reverse order. I think this format certainly and this brand certainly will have, in fact, a more elevated dine-in mix as compared to what we see at Domino's, for sure. We're seeing that already, and we expect that to sustain in the future as well. On your first question, rather than talk about gross margins, and you're aware you do the benchmarking across the categories, so you know of other players in the space and what gross margins they have. But rather than talk about gross margins at this stage, I think it's important to talk about overall profitability at the restaurant level and at the business level. And on that, we do not expect in the medium term to be any different from what we see at Domino's.

**Amit Sachdeva**: So, essentially, you're saying is EBITDA margin level, it should not be not much different from what the format is on a sustainable basis?

**Pratik Pota**: That's right.

**Amit Sachdeva**: I'll probably take rest of it offline. But thank you so much for being with us for all these years and wish you all the best for your future endeavors. Thanks a lot.

**Pratik Pota**: Thank you, Amit.

**Moderator**: The next question is from the line of Gautam Rathi from CWC.

**Nishit Rathi**: This is Nishit. Most of my questions are answered. I just wanted to take this opportunity to thank you. You came in at a very, very difficult time and have helped the company and all of us through those times. Just wanted to place my heartfelt gratitude towards that. And thank you very much. Really appreciate it.

**Pratik Pota**: Thank you, Nishit. Thank you for your kind words and thank you for all the support that you've extended to me and all the value adds that you've given me during our interactions. Thank you.

**Nishit Rathi**: It has been a pleasure, Pratik. Thank you so much.

**Moderator**: The next question is from the line of Tejash Shah from Spark Capital. Please go ahead.

**Tejash Shah**: Pratik, my first question pertains to a loyalty program. It has been in the works for a while. Of late, as a consumer, I can see some activity on my app on loyalty side. So, if you can elaborate if we have made any progress there?

**Pratik Pota**: Yes. Thank you, Tejash. Thank you for the question. I was wondering whether it would come or not. But so first of all, I think let me reaffirm what I had alluded to last time as well that we are extremely excited about the loyalty program, and we believe it would be a significant driver of growth and of retention for us and growing customer lifetime value over time. As we have briefed on an earlier earnings call, we were testing various models of different loyalty program constructs to see which one would be the most effective. We've done A/B testing around that. I'm happy to report that after having tested 2 different models, we've arrived at a winning model. And we have scaled up the loyalty program nationally in quarter 1. The reason why we didn't talk about it in the opening remarks is because it's technically in this quarter, not the last quarter. And we had tested 2 different models. One was our cash back based model, the other one was a milestone-based model, which owns the customer a free pizza over time, similar as you know, to the U.S. loyalty model. And that construct won out in our A/B testing. And that has been now scaled up and branded as cheesy rewards. So, it's a very simple construct. For every purchase, a customer earns one slice of pizza or 100 points. And after completing 6 transactions or 6 purchases, the customer can redeem those 6 slices for a free pizza. And this has now scaled up nationally. Of course, it's happening as we speak. So, it's too early to talk about the impact, but we are confident about its potential value to us over time.

**Tejash Shah**: Very interesting. Pratik, second question pertains to the kind of ramp-up that we are doing in the front end. Historically, we have always supported this kind of ramp-up with an ample investment on supply chain. And even in our opening remarks or the press release, we have actually called it out the supply chain focus as well integrated supply chain. So, if you can elaborate that the kind of ramp up that we are seeing on the front end, will it entail any additional CAPEX on the back end at least this year?

**Pratik Pota**: No, that's a really good question, Amit. And you're absolutely right. One of the biggest reasons for our success over the last 25 years has been our very prescient and a very proactive investment in supply chain, well ahead of others. And that has helped us grow the Domino's network. It's helping us grow our new brands as well. And we intend to sort of also invest in the back end in supply chain and in supply chain capacity even as we grow the front end. We have -- we are putting up a larger commissary in Bangalore and in Mumbai, we're also in the process of expanding our network in Kolkata and in the western part of the country in Ahmedabad. So, apart from Greater Noida, where we have a large commissary, which we had set up 4 years ago, we will now have a new expanded commissary in Bangalore, in Mumbai, in Kolkata and in Ahmedabad and our ramped-up capacity in Mohali, near Chandigarh.

And all this will happen through FY23 and FY24. You can be sure that this is one area where the Board focuses very, very closely and ensure that we are investing to stay ahead and to make sure we have headroom to grow on the front end. And as we expand on our Popeyes network, the same seen supply chain centers will be multi-brand supply chain centers and therefore, allow us to expand and grow other brands as well much faster.

**Tejash Shah**: That's very detailed. And last one on Russia. So, we are seeing that many U.S.-based QSRs are not allowed or they are withdrawing from the country for political reasons. So, as a franchise, where do we stand? Do we have any advisory from Domino's global whether to continue operation or withdraw from the country?

**Pratik Pota**: So, on Eurasia and specially on Russia, I'm going to, first of all, say that I think you're aware that we do not have operating control of the business. We have a Board presence and we've worked with the DP Eurasia team very closely. I think there's a trading update that was released as recently as last week, and which will tell you that I think the performance has been very strong in both Turkey and in Russia. We are very confident about the longer-term prospects of the business of DP Eurasia, both in Turkey and in Russia. If we step back on the temporary headwinds that we see in both these markets, there has been no advisory or no update at all from Domino's vis-a-vis Russia. And therefore, there is no change and business continues in Russia as usual.

**Tejash Shah**: Thanks for all these years for a very detailed answer, insightful answers. Best wishes for your future endeavor.

**Pratik Pota**: Thank you, Tejash.

**Moderator**: The next question is from the line of Latika Chopra from JPMorgan. Please go ahead.

**Latika Chopra**: My first question was on these 250 Domino's stores you're planning to roll out in FY '23. Would it be possible to give some sense on this on how much of these will be in the existing markets in form of fit stores? And how much of them will be then in the new cities? And my second question was any broader thoughts on inflationary trends on wages and raw materials and rentals that are emerging in the industry today?

**Pratik Pota**: So, Latika, thank you for the questions. Let me answer your first question. I think I sort of called out earlier also in one of my responses that we have a plan to have these 250-odd stores that we're opening next year will be a balance of new towns, where, as I said earlier, we are seeing a very strong and robust response, both on top line and on bottom line. Combination of that, along with split stores in existing markets in line with the fortressing strategy and, of course, entering new markets and new micro markets in existing towns. We are working through what the split will be, but you can be sure that it will be a good balance of these 3. It will be probably more a combination of splits and new towns and less so of micro markets. But that number we are able to share right now. On your second part, yes, we are seeing inflation trends continue this quarter as well on commodities. We are seeing some pressure on labor and on manpower, nothing that is unmanageable, but there is some inflation on manpower as minimum wages get revised. On rentals, however, while I think there is we're expanding more rapidly, we are yet to see material pressure on rentals.

**Latika Chopra**: All right. And Pratik, just to clarify, when you said that you don't anticipate any pressure on operating margins, you are taking into account the investments that will be done behind Popeyes, is that a fair understanding?

**Pratik Pota**: Yes, Latika, that's right. Absolutely.

**Latika Chopra**: All right. Thank you, Pratik. It was good interacting with you always, and I wish you the best.

**Pratik Pota**: Likewise, Latika, and thank you so much.

**Moderator**: The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

**Avi Mehta**: Just a quick clarification. Would it be fair to say that the need to take further price hikes is now behind us given the comments that you made on margins and inflation?

**Pratik Pota**: Yes. So, Avi, I will request Ashish to take this question.

**Ashish Goenka**: So, Avi, as you would be aware the situation is quite dynamic. However, recently we have seen some stabilization in commodity prices and some moderation also came through in fuel prices post the government reducing the exercise duty. So, if things were to stand as they stand today, we probably will hold at the current level. However, we are watching the situation very closely and as Pratik has mentioned earlier, would take the necessary steps as and when required.

**Avi Mehta**: And just 2 bookkeeping question. A, if you could share the CAPEX number that we can expect in FY23 on the back of these store editions and investments?

**Ashish Goenka**: So, I think CAPEX would follow the store guidance, Avi, because large part of our CAPEX that we spend are for the store expansion. So, as Pratik has mentioned, we are looking at about 250 stores for Domino's and about 20 to 30 stores Popeyes. So, you could expect the CAPEX to be in line with that. And apart from that, we would also be stepping up our investment in commissary to build our backend and supply chain capability which also Pratik alluded to in the previous question. So, we could see CAPEX to be moving in in line with these two investments that we will be making this year.

**Avi Mehta**: Sir, any number there, which you could share?

**Ashish Goenka**: So, Avi, difficult to give a number and we normally don't give a guidance number, but directionally it will be slightly higher that we said in FY22.

**Avi Mehta**: And lastly sir, I don't know if this was discussed, but is there any growth number that you could share on how delivery growth has been versus dine-in growth. Just was it large in this quarter per se? Or has dine-in kind of seen moderation QoQ? Some understanding is well on that, please.

**Pratik Pota**: So, as you are aware, we don't share numbers and a drill down of how the numbers were specifically. But directionally we had a strong growth in delivery. On the back of order growth and in dine-in after the blip in January on account of Omicron, we are seeing sustained recovery of dine-over over the previous periods.

**Moderator**: The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal**: I wanted to check if you can quantify the blended price hikes taken towards the end of Q3?

**Pratik Pota**: Devanshu, sorry, can you say that again?

**Devanshu Bansal**: Blended price hikes towards the end of Q3, if you can quantify the amount.

**Ashish Goenka**: Devanshu, I think you are alluding to the price increase we took at the end of Q3. Is that the question?

**Devanshu Bansal**: Yes.

**Ashish Goenka**: So, I think it was in the range of about 5% to 6% in the menu price level which we have seen flow through in quarter 4. And as you would be aware, we had also taken another round of price increase towards early April which was in the similar range.

**Devanshu Bansal**: And Pratik, I also wanted to check your comments on Q4 seeing both volume and realization grow. Was this at the company level or the store level?

**Pratik Pota**: So, this was at the store level and the company level. we saw growth in orders come by and we also saw an increase in ticket. And so yes, I mean, I don't know if you want me to clarify any further, but it was a combination of ticket and orders.

**Ashish Goenka**: And if I may just add on that, Devanshu. I think as you would have noted, while that system growth was at 12.9%, we also had a strong like-for-like growth, which is 5.8%. So, therefore, we did see a very good growth in our stores. And as Pratik mentioned, a combination of growth driven by both volume and ticket size.

**Moderator**: The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

**Shirish Pardeshi**: Just 2 questions. First on Popeyes. You have said you want to use the understanding in the Bangalore market. So, right now, we have about 4, 5 stores. What maximum stores you will open in Bangalore and then expand in all India? Or if my understanding is that this learning at Popeyes stores in Bangalore is good enough for us to expand in India?

**Pratik Pota**: So, Shirish, I think certainly there is scope first to expand the network more in Bangalore. I would not like to give specific numbers because that's privileged information and competitive sensitive information. But we see the scope for us to expand more in Bangalore and then scale up across other markets as well.

**Shirish Pardeshi**: Pratik, let me reassemble the question. Is the learning for Bangalore is good enough for us to go pan-India?

**Pratik Pota**: Look, the way learnings go, I think it would be false to say that learnings are ever adequate and ever there's an end to learning. Learnings evolve, they're organic, they will increase over time. Do we have enough learnings to drive expansion? Absolutely, we do, which is why we are scaling up starting from this year, but learnings will continue, and we'll keep learning and evolving as we get more incremental imports and stimuli.

**Shirish Pardeshi**: My one follow-up on Popeyes example. You said you were over excited. So, in the initial remark, you said that we have seen the parameters crossing our thoughts. So, is that the operational metrics you are referring or is it that the growth metrics you are referring?

**Pratik Pota**: Sorry, is it the what metric?

**Shirish Pardeshi**: Are you looking at the growth metrics or the growth of top line, which you are excited seeing the brand acceptance and all? Or you're looking over on the store metrics, which you have seen surpassing your expectation?

**Pratik Pota**: We are looking at the overall delivery and overall experience of Popeyes, both from the point of view of customer experience and customer feedback, our own operations delivery on the ground and every other metric that we use to monitor a normal store performance. So, on all of those matrices, we are quite encouraged by what we see on Popeyes and that gives us a conviction to scale up the network from this year.

**Shirish Pardeshi**: My second and last question, I'm referring Slide #3 where we have showcased our aspiration to move to 3,000 stores in the medium and short term. Aspirationally, I mean I'm not saying from the guidance perspective, aspirationally, at 3,000 stores, what is our comfort level in terms of either gross margin or EBITDA margin we would like to work? This is on the context of the incremental competition and QSR penetration in India.

**Pratik Pota**: So, Shirish, I mean, look, I think, first of all, let's talk about the fact that our outlook, we are right now 1,600-stores-odd. We're talking about doing almost 2x of where we are right now, and that's the potential that we see, 3,000-plus stores. I think that itself is a sizable and a very aggressive and a very confident outlook that we are spelling out, number one. Number two, in response to a couple of earlier questions, I have mentioned very clearly that our expansion of the network is not margin dilutive. We are seeing our new markets and our new stores performed very well. Our new store payback is between 2 to 3 years, our new market where we enter have very strong revenue and very strong bottom line performance. And we are, therefore, not expecting margin dilutions. Now what precisely with the gross margin when we got 3,000 stores, I think that would be premature and it will be, I think, speculative. But the outlook that we are spelling out here on Slide #3 is one that we'll get to with sustainable profit margins and sustainable growth. Yes, I think I would leave it at that.

**Shirish Pardeshi**: I got that, Pratik. My only worry at this time is that we are trying to expand the footprint. But in the medium to short term, in the wake of chasing the top line growth, are we also trying to look at the margins, stability and sustenance?

**Pratik Pota**: Of course, absolutely right. I think this is why I called out the point that we are looking at growing sustainably and growing profitability. And it's not, I repeat, it's not a question of either/or, it is an and question. We will grow, and we will grow profitably, and we will expand profitably.

**Shirish Pardeshi**: Thank you, Pratik, and all the best to you for the new assignment.

**Pratik Pota**: Thank you, Shirish. Thank you so much.

**Moderator**: Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Pratik Pota for closing comments.

**Pratik Pota**: Thank you, everyone, for joining the call and for your questions. We hope that we were able to answer them. If you have any follow-up questions, clarifications, please feel free to reach out to the Investor Relations team. Thank you.

**Moderator**: Thank you. On behalf of Jubilant Foodworks Limited, that concludes this conference. Thank you for joining us, and 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.