



**Jubilant FoodWorks Limited Q3 and 9MFY23 Earnings Conference Call Transcript**

**February 1, 2023**

**Moderator:** Ladies and gentlemen, good day and welcome to the Jubilant FoodWorks Limited Q3 FY2023 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Jajodia – Vice President (Finance), Jubilant FoodWorks Limited. Thank you and over to you, sir.

**Deepak Jajodia:** Thanks. Good evening, everyone. Welcome to Jubilant FoodWorks Q3 and 9MFY23 Earning Call for Investor and Analyst. We are joined today by senior members of the management team, including our Chairman – Mr. Shyam Bhartia; our Co-Chairman – Mr. Hari S Bhartia; our CEO – Mr. Sameer Khetarpal; our CFO – Mr. Ashish Goenka; and our Group CFO Mr. Arvind Chokhany.

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

A cautionary note: Some of the statements made on today's 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 Earning documents. We will share today's opening remarks along with the recording of the call on the stock exchange and on the company's website under the investor relation section.

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

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

We are operating in a challenging macro environment. While the festive season helped us deliver record revenue in the month of October, the consumer demand momentum suddenly decelerated starting November. As a result, Domino's India reported a flat LFL growth in the quarter and our overall revenue growth was 10.3%, low by our own standards.

Our team is focused on getting the LFL growth back - by focusing on providing excellent service to our customers, doubling down on our digital assets, enrolling customers in the loyalty program and carefully planning on geographic expansion. Over the last 25 years, we have always executed with operational excellence and empowered the front-line teams of our restaurant managers while delivering high value-for-money quotient to consumers. In these years, our emphasis has always been on driving internal productivity and closely monitoring our cost structure. Notably, we continue to remain the most affordable national pizza brand, while being

the most profitable food service Company in India. We are doubling down on our strengths and focusing on the core businesses. In this call Sameer will share more details on this topic.

The delivery channel has grown on a strong base of last year and the dine-in and takeaway sales continue to present the opportunity for growth. I am happy with our progress in driving our digital agenda, which has helped us deliver all-time record app installs and MAU at 9.4 million and 11.3 million, respectively. Cumulative enrollments to Domino's Cheesy Rewards crossed 10.6 million mark in December and order contribution from loyal members reached 39%.

We continue to add stores at a rapid pace stores in India and have picked up pace in Sri Lanka and Bangladesh. We added a total of 73 stores in the quarter We continue to be humbled by the customer love that Popeyes is receiving and have expanded to Chennai. Year to date, JFL has added 221 stores.

On the cost side, dairy prices, particularly cheese, is at decadal high, coupled with high inflation in wheat flour and hikes in minimum wages in many states. The team is focused on reducing wastages, driving productivity and improving efficiency with intensity.

Overall, I remain confident of getting growth back into the business by looking at how our company is focusing on providing best tasting food to our customers, innovating on price points, rapidly building out digital assets and investing in long term health of the business.

Let me now turn over to Sameer to share quarter's highlights and plan to bring LFL growth back.

**Sameer Khetarpal:** Thank you, Mr. Bhartia, and good evening, everyone. Thank you for joining the call today.

At the outset, I am happy to announce greater disclosures for our investors. To the extent it doesn't hurt our competitive interests, we have shared all relevant disclosures, allowing the entire investor community to understand our unique business positioning and how we are progressing. I hope you will find added disclosures enriching.

I will first start off by sharing the quarter highlights. I will then turn to sharing an update on my immediate agenda to improve LFL growth for Domino's. In the end, I will share my strategy and allied priorities with you before turning to Q&A.

The Revenue from Operations of Rs. 13,166 million grew by 10.3% versus the prior year. In Dominos, revenue growth was order driven. The Like-for-Like growth came in at 0.3%.

The historic high inflation in cheese and flour prices had significantly impacted our gross margins, which came in at 75.5%, lower by 213 bps year-on-year and 77 bps quarter-on-quarter.

EBITDA was at Rs. 2,900 million, which was lower by 8.6% versus the prior year. The EBITDA margin came in at 22.0%, lower by 457 bps year-on-year and 228 bps quarter-on-quarter. Profit After Tax came in at Rs. 886 million. PAT margin was at 6.7%.

Let me now turn to key operational updates.

- Network expansion in India: We added 60 new Domino's stores and entered 16 new cities during the quarter. We now serve our guests through 1,760 Domino's stores across 387 cities in India. We have added 193 net stores in the current fiscal year. I am happy with the rigor attached with every new store proposal, which forms the bedrock for sustained profitable growth led by network expansion.
- We have added 12 new Popeyes stores in Bengaluru in the last 12 months, and as you are aware, in January, we opened our first Popeyes store in Chennai.
- Our new state-of-the-art food factory in Bengaluru, likely to be commissioned by Q1FY24, is central to our network expansion strategy for Popeyes in South India. Notably, India is the first market for Popeyes globally and the only Chicken-QSR player in India to move chicken marination to a centralized facility, which ensures consistent quality and high fill rates to the store. This significantly improves the consistency of taste, visibly translating into higher repeat rates for the brand.
- In Hong's Kitchen, we have seen remarkable progress with further enhancement in taste, improvement in repeat rates, increase in orders and record high NPS. During the quarter, we closed two stores to relocate them to near-by locations that offer both dine-in and take-away.
- In Dunkin', during the quarter, we unveiled a new restaurant design in India as part of Inspire brand's global coffee-forward evolution. The entire brand overhaul reflects our intent to be young-at-heart, go-to-coffee destination. The coffee retail category is constantly expanding, and Dunkin' will continue to innovate fast with beverage-first and a donut as the value proposition.
- On the digital front, all our Domino's App-related metrics are scaling record high or are holding up to high levels. App installs at 9.4 mn, MAU at 11.3 mn with a growth of 22.8%, and app ratings on Play Store and iOS at 4.5 and 4.7, respectively, are testament to a series of periodic improvements being done with a well-structured combination of product management, technology, back-end support and necessary investments to surpass consumer expectations.
- Domino's Cheesy Rewards program has delivered a phenomenal early response that speaks about the strength of our engagement, the power of our brand, and the supporting platform. The program crossed 1 crore enrollments.
- International business: We see momentum in both Sri Lanka and Bangladesh. In these markets we are deploying the emerging market playbook for Domino's with cuisine localization, best value to customers, unmatched delivery credentials and digital channels as four pillars. Teams in Sri Lanka opened a record high seven new stores in a quarter taking the network strength to 47. The system sales growth was 24.9%, driven by the dine-in and

takeaway channel growth. In Bangladesh, system sales grew by 44.7%, driven by growth in Dine-in and Delivery channels. We added two new stores taking the store tally to 13.

New store expansion for Domino's is on track, adding sales growth and providing leverage. Bringing LFL growth back in Domino's is top priority for me. At the outset, we have brought in greater focus by sunsetting two businesses – ChefBoss and Ek dum!

For Domino's specifically, we have laid out a detailed growth plan and are executing it with rigor.

In the last five months at JFL, I have noted tremendous opportunity and scope to grow even in a soft-demand environment and we are addressing this area with a sense of urgency.

- To grow LFL, we believe that Dine-in orders has to substantially grow at an accelerated pace.

Our targeted intervention for the same are two-fold:

- Firstly, we are swiftly executing our store reimagining program to convert tenured stores as per the latest ACE design.
- Secondly, we will continue to bolster our high value-for-money quotient with an intent to attract new customers to Dine-in with unmatched value offering. The launch of EDV at Rs 49 each as a Dine-in only proposition is a step forward in this direction.
- Helped by the store expansion, our delivery channel continues to grow on a high base as a result of permanent habit build across cities.

To my mind, the launch of 20-minute delivery proposition in 20 zones across 14 cities is a game-changing customer-centric innovation. A series of interventions which included fortification of stores, extensive and continued training of Dominoids, kitchen re-laying, automating ride time planning without compromising on rider safety, has helped us take this giant step in the direction of reduced delivery time. Elevated consumer experience through reduced delivery time is globally proven to deliver better customer satisfaction and lead to increased frequency across Domino's market.

Now on to my strategy and allied priorities for the business.

Over the last four months, I have met more than 500 customers, visited 200+ stores to meet our front-line teams, copiously taken note of our service on aggregators and visited our food-tech-parks.

After a deep immersion with all facets of our expansive business, understanding the inherent strength of the operating model, while being cognizant of the emerging headwinds, I have further sharpened our strategy by re-working on our priorities.

***Our first set of priorities relates to “Customer and Market First”.*** Unequivocally, this is the single biggest long term value creating pillar. The underlying objective here is to build a multi-brand and multi-cuisine food service organization. We endeavor to serve multiple occasions, innovate on formats that drive engagement and customize menu for the local customers. This will allow Domino's to scale in India, Sri Lanka and Bangladesh where the playbook is tested, grow Popeyes, address new market opportunities in coffee through Dunkin, and capture large white spaces in the category like Chinese food, through Hong's Kitchen.

***Our second set of priorities relates to Data and Technology Forward.*** Technology and data sciences takes customer offerings to beyond immediate physical boundaries of the store. It helps us understand our customers and deepen the relationship through loyalty programs like Cheesy Rewards and make it easier to order a pizza on a moving train. Equally, we will move forward by embedding automation in our kitchens, commissaries, and allied logistics with enterprise-grade processes. Finally, it is about building a future ready digital and technology ecosystem by combining captive capabilities, winning partnerships and thoughtful investments.

***Our third priority is to continue driving operational excellence.*** We have to better today versus yesterday, and tomorrow versus today. Executing with excellence is a muscle and needs to be worked on every day basis, there are no short cuts here. From kitchen operations, to supply chain and logistics, procurement to project management, and to last mile operations, across brands and countries we have to have a JFL's way of execution – ‘The JFL Way’. Secondly, with our scale and scope, we have to manage complexity at lower cost, generate leverage while bringing in continuous improvements in the backward integrated sourcing supply chain with state-of-the-art food tech parks.

One critical outcome of this priority will be continuous improvement across cost lines and productivity.

***Our fourth priority, essentially a pre-requisite for delivering on the first three priorities, is the foundation of people and culture.*** Companies built to last, have a culture and people processes that are home grown. To succeed we will need (i) engaged and inclusive front-line teams; (ii) we have to become the employer of choice; and (iii) be guided by a unique JFL culture embedded with values that last beyond us.

As we work to execute each one of these priorities, my overarching goal is to deliver sustained and profitable growth that creates greater, long-term shareholder value.

With that, now let me turn to the moderator to initiate the question-and-answer session.

**Nihal Jham:**

Thank you so much, and good evening to the management. Sir three questions from my side. You have alluded to the slowdown in general, but are there any specific issue points either say channel wise or city wise that maybe we feel we have seen a deeper slowdown. In your opening remarks you also alluded to the first you are taking on the Dine-in channels. So if you could just give your comments on that.

- Sameer Khetarpal:** Yes, to me, I see this as an opportunity in fact I think as people are becoming more mobile so take for example we see robust demand now on moving trains; to me it also presents an opportunity to double down on our Dine-in channel and that is where I see as an opportunity and not necessarily a slowdown, because on the delivery side loyalty, app, “Tees se Bees” all of these are accelerating that I think we need to have a sharper program focused on Rs. 49 menu and a pleasurable and welcoming store experience that we are very rapidly reimagining. So I do not see it is like a slowdown per se, I see more as an opportunity to be honest.
- Nihal Jham:** Coming on my second question on the margin bit, I think it is four months where we are seeing inflation specifically in our key commodities that is cheese and flour, at this juncture do we contemplate taking a price hike to protect margins or do you believe that we want to keep our value proposition in place and hopefully wait for the inflation in these commodities to come down.
- Ashish Goenka:** Thanks Nihal I think as Sameer alluded to in his talk; inflation remains at a decadal high we were actually expecting a softening of cheese prices, which typically happens in the third quarter of every year but there were two rounds of milk price increase in this quarter so the softening that we were expecting has not happened and that has led to a contraction in our margins. At this stage we would not like to take any further price increase and we would like to continue to drive value proposition because the focus would be more on bringing volume and growth back to the level that we were anticipating and not really take up prices at this point.
- Nihal Jham:** Final question was that in certain media interactions there have been certain comments where we are looking at Domino’s more on an absolute revenue growth rather than a SSG. So Sameer if you could just clarify that what are the key metrics that we are looking at is it absolute growth or LFL which you highlighted also is a key criteria.
- Sameer Khetarpal:** I said that driving like-for-like growth in Domino’s is my top priority and the reason why I say that is the other part I believe is working very well so we have a completely data and insight driven way of finding out white spaces in India to expand our network, wherever we do fortification it is based upon rock solid signs of how many catchments we have, how the store is doing, how the customer metrics are so that piece is working well and like I said where would I have liked my team to double down on is the like-for-like growth so my priority at the movement is like for like growth.
- Nihal Jham:** Sure, thank you so much.
- Moderator:** Thank you. Our next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.
- Manoj Menon:** Hi team. Good to see higher disclosures. First is on the loyalty, a little bit more color if you could give because it has been almost like six months of the operations if you can just comment about what is your observations on the frequency increases of your cohort, and also qualitatively what sort of new consumer should have come in thanks to loyalty.

**Sameer Khetarpal:** To me loyalty should pan out in a full year to understand its results fully but what we have learned in six months is actually very, very encouraging. Loyalty is targeted towards repeat customer so it is not targeted towards new customer we have other programs that target new customers, our high frequency and medium customer frequency base is at an all-time high and growing very rapidly in fact it is working quite well like I said the delivery as a channel, own-app ordering that continues to be very robust so that is something working well in the engine and our technology investments are therefore paying off so let me assure you whatever I have seen being in this industry for nearly a decade it is working quite well.

**Manoj Menon:** Understood, basically if I just to paraphrase essentially you are saying that there is some element of frequency which we are observing; quantification probably we need to wait for another six months.

**Sameer Khetarpal:** Absolutely I think frequency increase is definitely there we are definitely seeing that.

**Manoj Menon:** Secondly when I try to disaggregate the growth let us say at a product level is it fair to say that the pain point actually would be sub Rs.100 price point.

**Sameer Khetarpal:** Yes, I think my take on this one is see the focus area is Dine-in, and customers at this high inflationary environment they are making choices and we do see customer come with a total bill or total amount in a mind and the total quantity and therefore they tend to gravitate towards lower price point. So as we are kind of competing for new customers we believe given our scale, our ability to deploy technology, our reach of stores; we can actually capture that demand if we have a very strong Rs. 49 price point menu and that is where we are doubling down on. If we are the only ones who can offer a Rs. 49 menu then we should be acquiring customer at a faster rate and that is what we are correcting in our marketing communication.

**Manoj Menon:** What I was alluding to is that it is not really any competitive aspect particularly at that price point just the everything under sub 100 is what I was getting into.

**Sameer Khetarpal:** Yes.

**Manoj Menon:** Just quickly if I may just squeeze and dwell up on the third one. We opened 265 stores in the last 12 months so given the trajectory of revenue at this point in time where there is not much positive operating leverage is getting accrued does it make sense to slowdown expansion a bit at least for the time being.

**Sameer Khetarpal:** So I think we debate each store while giving an approval we look at each store as an absolute versus chasing the number so that store has to make sense, it should have the right level of payback for our capital expenditure, it has clear data points and points of interest that you use to calculate, what revenue it will have and if it make sense from an EBITDA standpoint and ROI standpoint we approve the store so there is no compulsion to do x number of stores and all our stores we believe are meeting the internal threshold and guardrail and therefore I am not wedded to a number that we have to open x number of stores. Ashish you want to add something here.



**Ashish Goenka:** Yes, just to add we will continue to follow demand because we don't want to slowdown this virtuous cycle of growth but we will keep recalibrating and evaluating it every quarter as Sameer says there is no number to chase here but I think only thing will be chasing is demand or following demand so I think that is the guiding philosophy or principal that we are operating with.

**Manoj Menon:** Good luck guys thank you so much for taking my questions.

**Moderator:** Thank you. Our next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra:** Hi. Thanks again for improving the disclosure. My first question actually is a follow on from what Manoj had asked in the previous question. So I understand you entering new cities and there is a threshold that is getting met but almost 1/3rd of your new store opening was store split so in this environment of nearly zero LFL does it make sense to at least halt that process of store split which would increase your fixed cost for the same catchment and that increase pressure on your overall business maybe force you in this kind of an environment or you think it is not that bad and you could continue with this scenario for the time being.

**Sameer Khetarpal:** I keep on telling this to team - splitting the store probably is the easiest decision because it is a function of the mother store achieving a certain revenue; it is bursting at the seams during peak hours and customer service KPIs are beginning to deteriorate. So if that is happening its an easier decision to make, which means we are leaving demand on the table and not serving it properly. So therefore how do we preserve our capital and make sure that we are deploying it prudently we evaluate - do we need to open a 1,200 square feet store can we manage it with a delivery and carry out store. So those debates we have, but if the store is not reaching the capacity in the peak hours then we do not split the store. So the guardrail for splitting the stores are very, very clear and we do challenge like why cannot this store do more. If it reaching a certain threshold of our daily orders what can we do to bottleneck - does it need more oven and does it need more bikes so we take those calls and not necessarily make it easy for the store to split.

**Ashish Goenka:** And Arnab, we have also raised the threshold and become more stringent in terms of the way we are looking at splitting stores. So if you see last year, almost 40%, 45% of our stores are split store. This year, the ratio has already come down to 30%. But I think we will be doing a great disservice to the business and taking a very shortsighted view if we were not to split stores, which really need a split while keeping the customer in mind, and also the financial model works pretty well. Of course, right now, the demand environment is a bit slow, but I think the financial model works well for us, where the mother and child put together, the investment pays back in about three years odd time. So we will be far more stringent in the way we look at splitting stores. But I think wherever needed, we will continue to do that.

**Arnab Mitra:** So I completely understand what you said. My question was also that this target of getting to 20 minute delivery. Is that necessitating store splits in certain areas where your capacity will still be

there, but because you want to get to that 20 minutes, you are getting into a store split. Is that something that you want to do in this environment?

**Sameer Khetarpal:** No, absolutely not. I think we have been preparing for it for almost three years with the fortifications plan. It is a natural outcome of that. Now we have the density, why will we not promise faster speed. So we will not open stores just to meet 20 minute demand. I think we have the network in the big cities is what I am convinced of. We are in multiple cities, Bangalore, we have the density. Gurgaon, we have the density, Delhi, we have the density. So why will we not offer better service.

**Arnab Mitra:** Ok. My last question actually was on this loyalty program. So I think you have explained it last quarter, but just for our benefit. So now that the scheme is becoming large, how do you account for this additional free pizza at the end. Does it happen when the redemption happens or from the day the person enrolls you kind of start accounting for something over the life of the time period, and therefore when does the hit on the gross margin, if at all there is a hit that comes in the P&L.

**Ashish Goenka:** Of course, we follow the accounting norms. It is accounted as a discount and we take the impact upfront and not at the time of redemption.

**Arnab Mitra:** Okay understood. Thanks, that is it from my side. All the best.

**Moderator:** Thank you. Our next question is from the line of Amit Sachdeva from HSBC. Please go ahead.

**Amit Sachdeva:** Hi! Good evening everyone, thank you so much for taking my question. My question is, first, on the shape of gross margin, the way it is evolving. So if I go to pre-COVID period, you were around ballpark 75%, and as COVID happened and delivery was the main value proposition and consumer willingness to pay also expanded for a high quality food that is coming and we were willing to pay a delivery fee etc. But as COVID has sort of receded, and multiple challenges such as input prices have also come. But I see that 75% is sort of coming back for one reason or the other, but also adding to what Sameer was also saying that you want to also push Dine-in and with Everyday Value with Rs.49. I would assume that would also add to some amount of pressure on gross margin, if not anything else. So question is that whether 75 is a new normal as a strategic construct that you put together in consumer value proposition to enterprises, to how you strategically price the products, and to add to that, Popeyes I would assume, it would be a lower margin business. As the Popeyes stores grow larger and larger, that construct will also add to margins not being able to expand. Go back to where it is. So is it the right thinking, and we should now take 75 as a new normal, or how would you sort of shape our thinking there.

**Ashish Goenka:** So, as you see, of course, during COVID, we were seeing a highly deflationary commodity environment, and that had the benefit reflected in our gross margin, and of course, now what we are witnessing is decadal high inflation across the key commodities that impact our margins, namely cheese, flour and some of the others. So I think gross margin, by and large are currently governed by the commodity cycle and we do expect that in the coming few quarters it should

stabilize or start softening a bit. So it will be largely governed by that. We will not have an adverse impact on margin on account of our Dine-in improving or some of the new products that we were launching because one of the guardrails that we are using in the company for launch of any new products is that it should not be gross margin dilutive. So I think new product addition at Rs.49 or even coming back of Dine-in channel will not be margin dilutive. I think margins will largely be a play-off of how the commodity cycle were to behave, and as I said earlier, I think at this stage, we are not looking at any pricing interventions because we want to remain high value for money proposition to our customers, and therefore, gross margin would be directly governed by how commodity cycles behave.

**Sameer Khetarpal:** I mean, last point on this one is, see, when customers come in for Rs.49, their bill value per order is no less. So there, we have an opportunity to upsell, cross-sell, and I think it is a sharp call out. We want to excel on the dimension of value to customers, and therefore, we have a wide range. But that necessarily does not mean that customer only shops for Rs.49.

**Amit Sachdeva:** So that is very helpful, Sameer. So what you are alluding to is 75% and a bit is sort of a bottom kind of thing in very adverse circumstances, and if all things equal, it should sort of jump, it may not go to 78% when commodities were very benign, but it should sequentially move up. Is that what you are trying to sort of help us think.

**Ashish Goenka:** That is right.

**Amit Sachdeva:** And what about Popeyes impact, is it the right hypothesis that Popeyes structurally would be lower gross margin business, and as it becomes larger, it would have at least some basis points drag on gross margins.

**Ashish Goenka:** So I think the category structure for fried chicken is slightly different from what we have in pizza. So in the fullness of time of course, gross margin could be slightly lower, but we do not see EBITDA margins to be any different. However, given the fact that Popeyes is right now a very small contributor to overall JFL numbers, right now being only 12 stores and I think it will take some time before it really scales up. It will not have any material impact, I think, at least for the next few quarters on our overall margin profile, and of course, we will come back it starts making a more material impact, but I do not foresee any material impact of Popeyes on the overall gross margin, at least for the next four to six quarters.

**Amit Sachdeva:** Again, it is a bit of the margin, but just quickly trying to think through the overall EBITDA margin and over the growth construct as well. So clearly variable cost here is employee cost, which sort of expands as the store expand and some wage hikes happen in between, and you have obviously managed other overheads quite reasonably well. They have grown at least in line with revenues and not expanded much. So given that construct, would you sort of say that, like a 250, 240 store expansion that are happening in Domino's. Can that be in a construct of 24% to 25% EBITDA margin, given this is very abnormal quarter with 22% EBITDA margin. How do you think about it. Can expansion happen while maintaining 24% to 25% Ind AS margins. There are more

variables and it is very difficult to sort of put together to construct to it. Where I am coming from is, is there a cost of growth and which is sort of offsetting that as well, and where things can be more volatile or at least 26%, 25% is not a normal margin, and it should tailor down or come down lower structurally.

**Ashish Goenka:** So two things. One, I think in current uncertain both the demand and cost environment, I think it is very difficult for us to give any sort of guidance. So I will refrain from that, but having said that, I would just want to give you some color on the new store openings. So I think the store openings that we are doing is having less impact on the post Ind AS EBITDA margin. The impact is largely seen in our PAT margins because we are taking a slightly higher debt charge. So in terms of EBITDA, the margin dilution, it is negligible in terms of opening of more stores, and I think we should be able to absorb it. Of course, the challenge remains for us is in terms of how do we step up growth more to start seeing leverage at even a PAT level. So that remains a challenge, but we should be able to absorb 200 to 250 store addition without any meaningful impact on post Ind AS EBITDA margin.

**Amit Sachdeva:** Okay got it. Thanks so much, that is very helpful, and all the best.

**Moderator:** Thank you. Our next question is from the line of Amit Rustagi from UBS. Please go ahead.

**Amit Rustagi:** Thank you for giving me the opportunity. Dwelling up on the last point, which we were discussing about the EBITDA margin. If we see our gross margin decline is close to 2% from Q3 FY2022, and the EBITDA margin decline is close to 4.5% - 5%. Can we say that additional 1.5% - 2% decline in EBITDA margin is a function of new store openings. While I know you have been maintaining this point, that they are not EBITDA dilutive at all.

**Ashish Goenka:** No Amit, I do not think it is attributable to increasing stores. As I said, the new store impact on actually EBITDA margin is negligible. It is in the zone of 15 to 20 basis points and not more. What has impacted us more is, of course, there is a flow through from gross margin, but also the fact that some of the inflation has also been impacting all the other cost lines. That is number one. Number two, we have also stepped up our marketing investments given the slowdown in demand, we actually want to stay relevant and therefore we have stepped up our marketing investments, and third is, of course, we have prepared ourselves for a much higher level of growth. We were not anticipating this sudden slowdown in demand, and that also has a sort of bearing on the EBITDA margins, where we have sort of seen a slightly negative operating leverage instead of a positive operating leverage that we are planning for. So I think a combination of these factors is reflecting in the EBITDA margins.

**Amit Rustagi:** But when you are talking about reversion to previous level and improvement from here. I think mostly, you are talking about the raw material inflation coming down, but as I can see that raw material has contributed to only 2% decline in the margins so do we have more levers in hand to improve the margins from here.

- Ashish Goenka:** So one is, of course, as we get more growth, we should also be getting more operating leverage. So that should help us in improving our EBITDA margins. The other is pan-organization wide productivity drive that we are driving very, very hard to extract more efficiencies across all our lines and also reduce wastage across our cost lines. So I think that is a constant endeavor, and we are also mounting a full scale program right now to take cost out of the system and bring in more efficiency. So that should have a bearing in the quarters to come. But I will refrain from giving any guidance at this stage.
- Amit Rustagi:** Okay thanks a lot, and best of luck.
- Moderator:** Thank you. We will take the next question from the line of Vivek Maheshwari from Jefferies. Please go ahead.
- Vivek Maheshwari:** Hi! Good evening, again thank you for the disclosure. My first question is, we have seen pickup in activity on promotion, discount ,subsidies from platforms like Swiggy and Zomato. What is your take on this issue. So both Zomato and Swiggy are now going after instant gratification by giving, let us say, free deliveries or offering more discounts. Whereas, in your case, let us say, the program that you have is the gratification is more delayed. So how do you balance out in an environment where Swiggy and Zomato are aggressive right now.
- Sameer Khetarpal:** We have all forms of levers in our hands, right, from brand marketing to promotions, and also running a sharper marketing call out and event celebration like you saw this in Diwali, we had Diwali Dhamaka. So I think we want to stand for value. We want to stand for great tasting pizzas and fast delivery. Together, I think the value proposition is rock solid. So, I mean aggregators or competition will I am sure they will double down on their strength. We have to play on these core values. We are still, by far, the most valued in terms of price point in the category or even in the QSR. So I think customers will look at what is the cost to order their meal, and I generally believe we are like supremely competitive over there.
- Ashish Goenka:** And just to add to what Sameer said, we did extensive testing to our loyalty construct before launching it, and we had evaluated an instant gratification program as well, but that did not find favors with the customer, and that is where we launched Cheesy Rewards, and response has been very good, and also I think any membership or subscription led program, which aggregators run, actually brings complementarity to the program that we are running because our customers still continue to earn the points on our program while getting the benefit of the subscription based program on the aggregator. So we do not see that conflicting. We see it as complementing.
- Vivek Maheshwari:** Interesting. Second, in your opening remarks, you made a comment that post November, there was a deceleration that you have witnessed in your business. Can you just talk about how the exit numbers were compared to, let us say, quarter average of where November was.
- Sameer Khetarpal:** I think we do not give month wise guidance. I think let me just say this, we have tremendous opportunity to tap in areas of demand and growth. So that is not a concern for me at all.

**Vivek Maheshwari:** No that I completely understand. But anything on how the trend has shaped out. So at least directionally was December better than November.

**Ashish Goenka:** Certainly Vivek, December also had the advantage of, of course having the big days and the festivities. So December certainly was much better than November. But October was even better. December was better than November, but lower than our expectation.

**Vivek Maheshwari:** Which means Y-o-Y again, because given the seasonality your November, December comparison may not be fair. So on a Y-o-Y basis December was as much let us say good or bad as November was in a way.

**Ashish Goenka:** I would say much better, yes.

**Vivek Maheshwari:** Last one, Sameer, you mentioned about 500 customers interaction, 200 store visits. Can you just talk about, let us say, a couple of key, let us say, critical feedback that you received or things that require your urgent attention that is what you felt after doing these visits or meetings.

**Sameer Khetarpal:** Good question. So firstly, as you have seen in the past we have taken calibrated price increases. We have added delivery charges. So customers do feel impact. In consumer's mind, the intensity with which we are offering the value that perception had come down. So that was the learning where we quickly introduced EDV 49. So that was one learning. Second is they gave us a lot of credit for our delivery credentials, but we realized that when they are dining out, we are not their first choice, especially in tier one and tier two cities. While in tier three, tier four cities, we are probably the destination when it comes to dine-in. When I looked at the root causes it goes back to doing appropriate and timely reimagining and upkeep and sprucing up the store with the current times, and with competition coming in, opening newer stores, we were kind of saddled with older stores, and that is what we are correcting at a rapid pace. So two things, one is we stand for value when they constantly look for value, double down on delivery, they expect us to deliver faster, and third is they do want to celebrate their precious moments or joyous movements in their life in our stores like birthday or eating out with friends, and therefore the feedback was very clear - take it couple of notches up.

**Vivek Maheshwari:** Got it. Thank you Sameer and team wish you all the best.

**Moderator:** Thank you. Our next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** Thanks for the opportunity. A few follow ups on your earlier comments. The first one was, clearly, you are targeting to tap into the more value segment and you just alluded to the fact that you want to improve the value proposition to the consumer. Could you help me understand - you had mentioned earlier that even at a gross margin level the Rs.49 pizzas are more accretive. But I thought you have brought down the price points from Rs.59 to Rs.49 so are we changing the way the pizza is made or anything in terms of ingredients as well where you say that this will not be margin dilutive. So that is one aspect, and the second bit is related to spends that we are doing on reimagining these stores. So today, you have about 1760 of Domino's stores how many are in

new format and what is the kind of cost that you can incur to turn them into these new reimagined stores.

**Sameer Khetarpal:** The Rs.49 price point is not dilutive, I think that is the point that Ashish was making because we do want to keep and we have a hurdle rate in terms of gross margin. So how we are handling it is and if you see the mix and match value you have to buy two items, and that is why you get Rs.49 for one product number one. Second is I think, again, firstly we do have the sourcing capabilities and the back end capabilities, right, which others do not have that allows us lower cost structure. But more importantly, when we are designing the menu and the recipes, we are innovating so that the margin is not dilutive. For sure, it is not only just discounting, it is value engineering and it is leveraging our scale to bring costs lower and therefore it is not dilutive.

**Ashish Goenka:** Also just to add we were already having EDV 99 and now we are saying EDV 49 which you buy two products. And, therefore we are not compromising at all on the product quality and that is always sacrosanct for us. There is no way we will ever compromise on better quality. But we are able to manage the value proposition as Rs.49 becomes far more attractive to the customer than even an EDV 99 proposition.

**Latika Chopra:** So what I wanted to understand is what is your hurdle rate of gross margin in your mind. So do we say that 75% to 76% is the new band of gross margins you are comfortable as a company, and even if cheese prices are to moderate, that is what we should look for considering the initiatives that you have on the Dine-in side.

**Ashish Goenka:** So as I said earlier, as well on gross margin it would largely be governed by the commodity cycle. So if cheese prices were to soften, we should see improvement in gross margin because the hurdle rate that we look at internally is that any product that we launch and any proposition that we launch should not be dilutive to the existing gross margins. So if there is a benefit of commodity, it will flow across all product class.

**Latika Chopra:** Sure. I know you do not want to give guidance on growth per se. But, the operating margins in this quarter, of course, are a reflection of operating leverage as well, and do you anticipate that we have seen the bottom of operating margins in this quarter. Or do you think there is more downside to go till some of these new initiatives on LFL really fructifies assuming the external environment remains the same.

**Ashish Goenka:** So I think again it will be difficult to give any guidance at this stage given the uncertainty in cost and demand, but I would reckon that we would have pretty much hit the bottom.

**Latika Chopra:** All right, and the last bit long-term. So what is the target LFL that you have in mind because that is your priority that you think this business can sustain over the medium-term, and the second bit was from your assessment so far do you see that Domino's format in any way allow you to cater to more consumption occasions in terms of either the format or in terms of menu that could be accretive to the growth going ahead.

**Sameer Khetarpal:** Yes, I think the target LFL in the range of 6% to 8% and I do see that opportunity, and from your second question standpoint like I said there is a huge opportunity for lunch menu for day part, for evening snacking and we have a terrific chef team. Like I said, on one hand, we are launching Rs.49 menu on the other, we are also launching gourmet pizzas. So the opportunity to tap into many India, multiple price points, multiple customer cohorts. That to me, gives me the confidence that this is indeed possible. It is just not an aspiration.

**Latika Chopra:** Sure, thank you so much.

**Moderator:** Thank you. Our next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

**Sheela Rathi:** Thanks for taking my questions, and thank you for improving the disclosures here. So my first question was with respect to the demand. Yes, the demand has been lower and Sameer you have also mentioned the key reasons why the demand could have been slower. But just wanted to understand that the focus on value proposition, focus on double down on dining channels, is it that there is much higher competitive intensity which is coming back, especially from local and regional players, and that is the reason why we are focusing more on the dining side or is there any other reason.

**Sameer Khetarpal:** I think the reason to double down on Dine-in I think is one after pandemic, we see the opportunity right. I mean, the customer habits have shifted to delivery and we want to use Tees se Bees (30 to 20 min delivery) and capitalize and fortify that. Now we have a great set of stores. We have invested in new ace design. These are inviting, and why will we not get the growth when I am a neighborhood store. So whether it is a delivery or a takeaway, and when we spoke to consumers, it was very clear at this high inflationary environment they are looking for value, and therefore, it becomes easy to marry the two. If I have a store, which is next door on my way going to the home or office. If I have great value proposition I will go in to either eat or for carry out. Stores that are not inviting, which are older, more than 7, 8 years old, they do need a refresh look and I think more I would say looking at our internal measures and what customer are telling us, less about competition.

**Sheela Rathi:** Understood. Just a follow up on this is currently as you have highlighted in the presentation the share of delivery is about 2/3 and Dine-in is 1/3. Is there an ideal ratio you have in mind which you would like to keep over the long run, whether it is 50-50. Or is there something else here.

**Sameer Khetarpal:** In the short-run, I would want the Dine-in to get to 40%, and then take stock from there. It also helps by the way I think of some of the earlier questions, it reduces the burden on splitting the store. Because delivery does become a bottleneck at many stores because you cannot add number of bikes or the right time to start increasing. So I mean, in the near-term we do want to get to 40%.

**Sheela Rathi:** My final question would be, are we seeing some improvement in the demand trends because we have already done with the month of January. I am not looking for any numbers, but just



qualitatively, are we seeing an improvement with the efforts we have made and the new innovations we have done.

**Sameer Khetarpal:** The uncertainty continues and wherever we are focusing on whichever cities we are focusing on those are seeing a lift. So it is about deploying our internal strategy that is the only bottleneck at the moment, again like I said there is so much of untapped opportunity we need to focus on that versus only talking about the demand scenario.

**Sheela Rathi:** The demand trend still continues to be weak. Is that what I hear correctly?

**Sameer Khetarpal:** Yes, it continues to be uncertain and between like December and January there is not a material change.

**Sheela Rathi:** And versus November it would be much better.

**Sameer Khetarpal:** Yes, I think like Ashish said December was better than November. November seemed like an aberration in the whole when I look at the entire last 24 odd months.

**Sheela Rathi:** Thank you very much.

**Moderator:** Thank you. Our next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

**Shirish Pardeshi:** Hi! Good evening Sameer. Thanks for the opportunity. Just a quick two observations when I look at last 2, 3 years, we built a very solid digital asset, and then we saw the traffic is humongous and then COVID is behind. Now what we have seen over the last 5, 6 months, we are now maintaining that traffic and you are building how we can get the depth of the customers. So we started Cheesy Rewards and then now we are saying we will deliver in 20 minutes. So one observation is that we have built a strong traffic, but the retention of the customer is not visible or rather that is declining. This is just purely an observation while interacting to a few stores and on ground, and then you build saying that we are now offering that instead of Rs.99, we are giving single serving at Rs.49. So to my mind, I think the second observation, which is there and having spoken to customers rather in my house also the price value summation somewhere is a weaning out and retention of customers is one of the big challenge or pain point for us. So is this observation correct, and that is why I am saying that 0.3% LFL growth is going to be very weak and you are saying confidently 6% to 8%. So these Cheesy Rewards and maybe you can say the 20 minutes delivery and now Rs.49 is short-term fixes. But in the long or medium-term do you think really we need to do something better or extra to get that 6%, 8% target.

**Sameer Khetarpal:** So let me firstly say that if we deliver a vast majority of our pizzas under 20 minutes, that is a structural advantage. It is not a short-term initiative, it takes years of preparation to build the store network and automate the store processes, have the right training and manpower tools to actually deliver on a 20 minute promise. So first is that it is not a short-term piece. One can argue about Rs.49 because competition can drop prices and create it, but at Rs.49 to maintain the gross

margin is again structural. I would not say it is a short-term gimmicky kind of a thing. Now specifically to your question that there are consumers, maybe like yourself, who are not driven by Rs.49 price point, they are driven by better experiences or either a wider range, looking for a gourmet pizza or looking for local flavors or something unique. That is the menu innovation that, we continuously want to do, and to kind of remind you, we launched Paratha Pizza then it was the East range with Kasundi, Kosha and Malai, gourmet pizzas. So we are also constantly innovating for customers who are more upwardly mobile and looking for a better experience versus value. So the beauty of our stores in neighborhood and our digital effects and CRM, we can customize our communication to the cohort that we are present in or we are targeting.

**Shirish Pardeshi:** I think that is exactly my follow up question is that we have done the product intervention. So will you be able to share these innovations, what has come after COVID period and specifically over 17, 18 months. Is that new innovation is driving the growth, because I am not sure the product intervention what we have done actually is justifying that 0.3% LFL growth.

**Sameer Khetarpal:** Of course, there are other factors too. So something you see that growth in delivery, and if you tease out Dine-in and therefore we have to fix Dine-in. Would product alone satisfy, I mean the answer is no. You have to have better experience inside the store, your stores need to be modern and relevant competing with the competition. So again the strategic pillars are very simple look at customers what they are demanding in cohort they are demanding value give them the value in cohorts, there are many Indias, there are many who are looking for different cuisines, different flavors, then there are customers looking for gourmet pizzas, innovate on that dimension, engage them with technology and when the service is being delivered give a very consistent high quality service. So if we do all these three Shiressh, we will be able to tap that growth. So I do not know whether I have answered your question or not. It is not one silver bullet is what I am trying to say all three have to come together.

**Shirish Pardeshi:** No, I understand, and you justified saying I completely think with but my industry experience tells me that and that is the last question, which I am asking you, rather than giving discount and do the customer engagement and if there is a price relevance or price commission in the consumer mind, which is where the customer retention is a big challenge why not instead of drop the delivery charge or give the straight discount or drop the prices and get the traffic back.

**Sameer Khetarpal:** So I take that as a suggestion. I think at the moment, like I said, we have done extensive consumer reach. They look at the landed cost to them for a similar size of meal or a pizza. So if we have to, if we are learning that we will take those calls at the moment, at least this delivery charge I think during the pandemic delivery charge has become a norm and acceptance. So why put pressures on the margin and not innovate on the menu that is our approach. If we learn something new we obviously will look at it, but at the moment, no plans to take out delivery charges.

**Shirish Pardeshi:** Thank you Sameer and all the best to you and the team.

- Moderator:** Thank you. Our next question is from the line of Akshen Thakkar from Fidelity. Please go ahead.
- Akshen Thakkar:** One slightly strategic question, and apologies if it is going to be repetitive to what you guys answered, but just help us set the context of what guardrails to gross margins on your business are, I mean, you had a period where it went up quite a bit with the introduction of delivery charges etc., and obviously you are facing the pressure, you are doing the right thing by not taking up prices, so putting pressure in near-term but when you are thinking about this business three to five years out maybe on EBITDA margins or on gross margins, whichever way you are comfortable with. Just help us understand what guardrails are what is the lower bound and upper bound that is sort of the long-term question, and the short-term question really is how do we look at the increase in depreciation for the quarter. It is significantly more than the increase in the store count and even if I adjust whatever do some calculation on Pre-Ind AS depreciation as well. That number seems to have gone up quite a bit over year. Just wanted to understand if there is any onetime items in depreciation or that is a recurring number that we should be looking at.
- Ashish Goenka:** On gross margin, I think as I alluded earlier, it would be difficult to give near-term guidance. But I think in the medium-term our target would be to be at a range of 23% to 25% on the post Ind AS EBITDA margin I think that is our endeavor and if all the things fall in place, as Sameer was highlighting earlier there is no reason we should not get to that. I think your second question was on the depreciation. So I think our depreciation has largely three components almost 70% plus increase attributable to new stores - combination of both the Capex and the lease increases. This quarter I think 20% of the increase is also abnormal because we had a onetime charge accelerated depreciation for two businesses that we have taken a call to unwind this quarter, namely ChefBoss and Ekdum!. So there was an artificial impact also this quarter but almost 70% of the increase is attributable to new stores around 10% attributable to the investments that we are making in supply chain and about 20% was a one-off charge that we have taken on account of accelerated depreciation.
- Akshen Thakkar:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Chirag Shah from CLSA. Please go ahead.
- Chirag Shah:** Thanks Sameer and team for laying out your plan on the business ahead. I have just a couple of questions left. So first on the city penetration. On the store expansion, if I look at we have practically added 100 plus cities in the last two years. Now if I just try to see in context of what the food aggregators are saying, effectively 99% of their business is coming from the top 300 cities and then there is a long tail. Given that context, is there much upside left for us in terms of the geographical expansion into newer cities, and you already mentioned about the ROIs and guardrails that you have, but are the ROIs and payback period in the lower tier cities now comparable to what we have right now and is there a consumer resistance to pay for higher delivery charges.

**Sameer Khetarpal:** I think I will let Ashish answer the first part, but the second part on the consumer propensity like in tier three, tier four. So in tier three, tier four the Dine-in ratios are far stronger than tier one and tier two. So naturally in many cities, if you take Daltonganj, Karwar or Latur, we will probably be the only organized QSR player so we have become a natural destination for consumers in those cities to come and grab a meal or hang out. So the Dine-in portion is lesser. At least from a consumer survey or feedback perspective we have not seen that consumers are not willing to pay for delivery charges that has not come out, and over a period of time we have also seen as consumers get used to Domino's service they do orders so in fact the frequency also goes up. So that is our answer on tier three, tier four cities. Ashish you can answer the first.

**Ashish Goenka:** To add to what Sameer said and if you look at the growth profile at least in our experience we do not see a significant differential between tier three, tier four versus tier one and tier two, and in terms of new stores, Chirag, in fact the paybacks and return on investment are slightly better in tier three, tier four, simply for the reason that the operating costs tend to be much lower. While the ADS in these towns tend to be a little lower than tier one because the operating costs are low we are able to recover our Capex in under two years. So the paybacks are less than two years. So the economics work very well for us and therefore we do see an opportunity in these towns as we expand.

**Chirag Shah:** To my point that we have already crossed the benchmark that the food aggregators are talking about in terms of the revenue contribution from the cities, is there a long headroom for us to grow geographically.

**Ashish Goenka:** So as we have said earlier, there are clearly 500 to 600 towns which have more than 1 lakh population and to create a profitable Domino's store, we need a catchment of about 10,000 households so in terms of macro opportunity if you ask me there is clearly close to 600 towns in India that we can go to. Of course, we will be very calibrated in our expansion, and we have to make sure that we are getting the payback. So we will keep going to these towns as long as we are able to get our payback within two years and therefore I do see significant headroom. In terms of contribution to business of course tier one and tier two will contribute bulk of the business given the density of stores that we have in these cities. For example our top ten cities alone would contribute to bulk of our stores, but in terms of penetration and presence I do see an opportunity to keep expanding into tier three, tier four.

**Sameer Khetarpal:** Most of these cities are single cities, single store cities. So even I would say we have seen many towns where the store does exceedingly well and in third year, fourth year there is a pressure to add another store. So again we are guided by the economics of that individual unit that is being put in and the only reason to expand should be that we have strong demand signals.

**Chirag Shah:** When I look at the Capex numbers that we are talking about for the next two years, there has been a significant increase. Now of course, you are also talking about improving in-store experience. So is there a large component that we are now placing in terms of Capex for

improving the in-store experience and then there is a 500 Crores to 600 Crores number that we have put for the digital initiatives. Can you just explain where this amount would be going in.

**Ashish Goenka:** So, bulk of the Capex would still go in our store expansion because as we would look to expand Domino's and Popeyes. So bulk of our Capex will still go into store expansion. Relatively smaller contribution, of course is going to reimaging. We have been reimaging our stores in the last few years, but of course we will step up the pace of that reimaging. Also, a sizable chunk will also go into creation of some of our new commissaries because as I had said in the past, the last commissary we opened was in Greater Noida and that was in 2018. Since then we have significantly expanded our network and therefore we will need to keep creating back-end capacity as we expand our store network. So the first commissary which is going live next year is Bangalore that itself will entail an investment of about 250 Crores and then we would look to expand footprint or make further investment in some of other commissaries like Mumbai which may come in next year. So there is a full road map that we have to of expansion that we have planned out for the next two to three years. So we will see a slightly elevated level of Capex as we invest in creating this backend capacity. But these are typically step investments because once you invest, then you do not need investment for the next three to four years. So these will not be like recurring investment every year. This will be like more like step investment where we will see a slightly higher Capex cycle over the next two to three years before it normalizes.

**Sameer Khetarpal:** Also on reimaging, see, you are reimaging the customer area, and you are not reimaging the kitchen because the oven, the make line, the refrigeration, the chillers those are reused. So it is only the front of the house which is typically being reimaged, and in many cases also it is not the entire front of the house. So I think we look at the store and then design. So it is not as capital intensive as opening a new store.

**Chirag Shah:** Got it. Very clear. Just one last question on the Cheesy Rewards Program. Can you just help me explain, I mean, the cumulative membership that we now have on the Cheesy Rewards program, is 10.6 mn practically touching the MAU numbers that we have. So how much more can we extract from the Cheesy Reward membership program. That is number one, and number two when we launched this we were very clear that it would not lead to margin dilution. Now given that we are now two to three quarters into this, I mean, is there a margin impact and if not is it because of the higher frequency that is now driving it. Or is it because we are replacing other discounts with the Cheesy Rewards spend that we have.

**Sameer Khetarpal:** I will not compare 10.6 million enrollments of Cheesy Rewards to 11 million MAU for the very simple reason that customers come back and shop multiple times in a year and I should compare it to total customer base which we do not disclose, but that number is materially higher than the MAU. So we are acquiring customers right at a fair clip. So I think there is huge headroom, what I am delighted is the engagement of loyal remember that they find this enticing enough to come back and give their share of wallet to Domino's. So that bit is exiting and the headroom is huge I will not compare this to MAU at all.

- Ashish Goenka:** Just to answer your question on margin. So number one, I think this program is more cost effective because you give a product free and that is also on a redemption based gratification which comes in after almost six orders. So if you see the overall discount that we have actually putting down in this scheme is not very high. That is number one and number two we are substituting it with other discounts, and therefore it does not have a negative impact on margins, and third is that we have also been able to calibrate and make it more targeted, therefore keeping our overall impact on margin minimal and it also pays back because we get higher frequency.
- Chirag Shah:** Thank you very much and all the best.
- Moderator:** Thank you. Ladies and gentlemen, please note we will be taking our last question now. That is from the line of Avi Mehta from Macquarie. Please go ahead.
- Avi Mehta:** Thanks for the opportunity. I just wanted to clarify on the Capex bit. You had indicated last time that you are doing about 650 - 700 Crores in the next 12 months and then there was subsequent release about 900 Crores in the next 12 to 18 months. Could you just elaborate what is the Capex plan and help us understand that more.
- Ashish Goenka:** I think in line with what we said, in this fiscal, we will be in that zone of 650 Crores to 700 Crores and as I just explained we will have probably a similar level of Capex in the next financial year as well. If you put the two together in the next 12 to 18 months, we are looking at the number of 900 Crores, and as I explained earlier I think bulk of the Capex would be attributed to higher store openings followed by investment in our commissary followed by investment in digital and followed by some of the store reimaging that we will do.
- Avi Mehta:** Understood. The second question is I wanted to kind of just understand the comment that you made about increasing marketing intensity to drive demand. Just wanted to understand if this is something that you are also seeing across the industry, say, from aggregators or other brands or is this something that is just that you have done. If you could help us understand that from an industry perspective.
- Sameer Khetarpal:** I cannot comment about the aggregators or competition as I will be very anecdotal, at least for us, from a communication standpoint towards Dine-in, we have not done that for the right reasons because of the pandemic. So now taking that as a communication targeting towards Dine-in, I think it is channeling more marketing spends towards that particular format, and at overall level where we do, we had cut back on few expenses. We will make sure that we remain relevant as customers are mobile, they order everywhere. So we will invest in. But it is not something that is going to be materially that we were not doing a quarter or two ago. It is more channeling and slight uptake in marketing.
- Avi Mehta:** So it is not promotions, it is more marketing.
- Sameer Khetarpal:** That is correct.

**Avi Mehta:** Prefect, sir. That is all from my side. Thank you very much, sir.

**Moderator:** Thank you. Ladies and gentlemen, that brings us to the end of today's call. On behalf of Jubilant FoodWorks Limited, we thank you for your participation. You may now disconnect your lines.

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