Jubilant FoodWorks Limited Q4FY23 and FY23 Earnings Conference Call Transcript

May 17, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Jubilant FoodWorks Limited Q4 and FY '23 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 this conference call, please signal an operator by pressing star, then zero 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' quarter 4 and FY '23 earning call for investor and analysts. We are joined today by senior members of the management team, including our Chairman, Mr. Shyam S. Bhartia; our Co-Chairman, Mr. Hari 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 prepared remarks from the management, the forum will be opened 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 the replay of the call on the company's website under the Investor Relations 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 the earnings call. To start with, I would like to mention that very good work has been done by our team in maintaining growth in spite of sustained food inflation weighing on consumption and food costs. On the cost side, we have found broad-based inflation across food categories during the year. To help you better appreciate the impact of inflation on some of our key ingredients, we indexed the prices to pre-COVID levels. In FY '23, the cheese prices have increased by 40%, flour prices have increased by 28%, chicken and paper box prices have increased by 30%. This, of course, is in comparison to pre-COVID levels. The cheese prices are expected to remain elevated in the upcoming two quarters.

In this context, our actions are guided by two-pronged approach.

Firstly, we continue to strengthen our value offering. The launch of new range of Pizza Mania will help us acquire new customers. The highest priority is being given to grow orders and into like-for-like growth. At the same time, we have brought significant focus in bringing cost efficiencies and improving productivity. The strength of our unique commissary model is continuously helping us in maintaining gross margins.

Secondly, we will continue to invest in new stores and expand our network in a calibrated manner. Our new stores continue to perform well and we continue to serve unmet demand in the existing cities where we operate and also opportunities to open new stores in new cities. We also invested well ahead of time in the new commissary capacity so that we can continue to expand our network.

Transitioning to the full year, I'm pleased to share with you that we have become the first foodservice company in India to surpass turnover of Rs. 5,000 crores in the fiscal year '22-'23, while delivering industry-leading margins. As we look back, our company has traversed significant milestones with support from all stakeholders.

Let me take a moment to highlight two of our guiding principles in the journey:

Firstly, delighting consumers with strong focus on value and product innovation; secondly, making proactive investments to strengthen our operating model for growth.

With the strength of our brands, operational execution, leadership team, commitment of our people and support from all our stakeholders, we are confident, like all other business cycles in the past, we will be the fastest to recover and emerge stronger out of this phase as well.

I now request Sameer to share with you our performance highlights and progress on initiatives.

Sameer Khetarpal: Thank you, Mr. Bhartia, and good evening, everyone. Thank you for joining the call today. I'm glad to inform that our strategy of being customer-first technology-forward is working. First, let me give the numbers. During the quarter, we had a revenue of Rs. 12,523 million, grew by 8.2% versus previous year. We added 61 new stores in Q4 for Domino's, while the like-for-like growth was flat at -0.6%.

However, at a system-level, orders grew in double digits, like-for-like order growth was positive, indicating customers' love for Domino's as the pizza brand. We continue to grow customer base on our Domino's app with a total of 35.1 million downloads in the last financial year, 13.6 million loyal members and we continue to improve our dine-in experience and carryout experience.

Equally, in Popeyes, the customer feedback is astounding. We received very strong feedback and humbled by our response of new store openings, especially in Chennai.

Despite an increase in prices, in cheese specially, we successfully curtailed quarter-on-quarter gross margin decline to just 20 basis points. The gross margin was at 75.3%. This was driven by a series of timely interventions on the food cost line items, focus on data-led efficiencies in our operating model, and partially helped by deflation in some commodities.

The EBITDA came at Rs. 2.5 billion and EBITDA margin of 20.1%. Considering the significant change in economic environment in Sri Lanka, we have taken an impairment charge of Rs. 200 million in this quarter. PAT before exceptional items came in at Rs. 675 million and PAT margin was at 5.4%.

Just giving the full year view of fiscal year 2022-2023, revenue from operations of Rs. 50.96 billion increased 17.7%. Domino's LFL and SSG growth came in at 8.9% and 6%, respectively. EBITDA came in at Rs. 11.6 billion, and EBITDA margin was at 22.7%. PAT before exceptional items came in at Rs. 4.029 billion and with a margin of 7.9%.

I continue to remain steadfast and bullish on our strategy of building a multi-brand food technology company with an ability to serve billions of customers in emerging economies.

Let me give you more updates with a lens on the key priorities I shared with you in our last earnings call. The first pillar, like Mr. Bhartia also highlighted, is the customer-first and the market-first pillar. All our actions across brands are guided by keeping the interest of our customers and markets in the forefront.

For Domino's, in delivery, we raised the consumer service bar by launching a 20-minute service guarantee in Bangalore. A network of 174 stores, unparalleled hustle culture and deployment of technology to reduce processing time has helped us achieve this unique feat: the first of a kind in India and first among all Domino's franchisees globally. Bangalore became one of our fastest-growing like-for-like revenue growth in Q4 2023. In dine-in, we have stepped up our efforts to be the neighborhood store, focusing on hyperlocal marketing activities and re-imaging our old formats for the bottom decile stores which require refurbishment. In the next 3 to 4 quarters, we will make the experience more unified and stores more inviting for all.

In the current environment where consumers are impacted by inflation, we introduced and expanded the range of Pizza Mania. Our value range now has 13 offerings, starting at Rs. 49 but going all the way up to Rs. 169.

We opened 56 new Domino's stores during the quarter and 249 net stores during the year. I'd like to bring your focus on just a single store that we closed during the year.

This, along with an incremental drag on PAT on account of new stores, at 25 to 30 bps, is a testimony of our performance, of our newly opened stores and our science and data-based business development capabilities to identify white spaces with greater precision and serve demand by opening stores at a faster pace.

- 44% of our new stores opening in this year were in the existing cities serving a white space.
- Our fortressing strategy continues to yield the desired results and meet our internal targets. During the year, we opened 84 new split stores.
- We entered 56 new cities in FY 2023 to expand Domino's network into 393 cities.

For Popeyes, I'm happy to share with you that the customers are loving our menu offerings. The recent launch of Hot & Messy range where we offer fried chicken in two delectable sauces, is an example of our ability to Indianize the international offering and grow the bone-in-chicken category. We are greatly encouraged by the consumer affection and love for the brand witnessed in Bengaluru, Chennai and more recently in Manipal. We will continue to cover the South systematically and look to spread out from there.

In Dunkin', during the quarter, we opened 3 new restaurants. As for the coffee-forward evolution of the brand, we now have 8 coffee-first stores.

In Hong's Kitchen, we continue to see progress with growth in orders and net promoter scores and customer love. We opened 1 new store during the quarter and taking the total tally to 13 stores.

Turning to international operations. As we celebrate our fourth anniversary of Bangladesh operations, we have stepped up the pace of store expansion in Bangladesh by opening record 4 stores, taking the network tally to 17 stores in Dhaka. In Sri Lanka, we continue to operate our business amid heightened macroeconomic challenges. We opened 1 new store and taking our network to 48 outlets.

Our second set of priority relates to data and technology-forward. Technology and data sciences take customer offerings beyond the immediate physical boundaries of our store. It's an important enabler for customers to have a unified and a seamless experience. Under this, we are working on 4 work streams which elevate customer experience, build next level platform capabilities, advanced analytics and data science, and digitizing the entire value chain from commissaries to the stores. When seen in unison, all the four workstreams help us lead the industry and thrive in this digital era.

The consumer engagement levels across different metrics continue to remain elevated. The cumulative enrollment of Domino's Cheesy Rewards grew by 28.3% quarter-on-quarter to 13.6 million and the loyalty order contribution reached 45% in March 2023. The quarterly app download was at 8.5 million, up 10.4% and MAU, monthly active users, at 11.1 million is up 22% year-on-year. During the quarter, we launched a new redesigned user experience on the Domino's app, which is immersive, engaging and enhances the menu and offerings, making the customers buy more with faster checkout.

Our third priority is to continue to drive operations excellence. Last quarter, I shared my thoughts around executing with excellence around the theme, what I call as The JFL Way. We have made significant progress in further improving our operations with heightened focus on improved guest satisfaction, reduction in costs and not shying away from making long-term investments on behalf of our customers. We have enhanced our focus on measuring and enhancing NPS scores during the peak hours by giving a seamless experience to customers, even in peak load, we will enable the virtuous cycle of growth by enhancing repeat rates.

A case in point being in Gurgaon, where we were able to deliver marked improvements in all our operating KPIs, while improving NPS leading to higher and positive like-for-like growth. We introduced environment-friendly lidless dine-in boxes. The use case of box with lid for dine-in where the consumption begins within seconds of receiving the order was weak. And this led to significant savings with the reduced paper consumption. We also sense opportunity when it comes to format innovation. During the quarter, we opened one new container store in an educational campus. The time it takes to open such a store is significantly lower. It is carried on wheels and the capex is a fraction of what we have for a regular large format. We are running as per schedule to commission, our largest multi-brand commissary in Bangalore. Once fully scaled-up, we would be able to serve more than 750 stores in the region.

Our fourth priority, essentially, a prerequisite for delivering the first three priorities, is the foundation of people and culture. I'm pleased to share with you that as a reflection of high-trust high-performance culture, we were recognized as great place to work, another marker of beginning of a journey to be the employer of choice. We also organized JFL's first ever hackathon with an intent to transform innovative ideas to inspiring solutions. Teams worked 72 hours in office for a 3-day-long hackathon and a coding event. These events go a long way in building an ecosystem for tech talent to innovate and thrive, plus we got meaningful needle-moving customer-facing ideas.

We also filled a critical position in the leadership team with the joining of Mr. Sameer Batra as Chief Business Officer for Domino's India. Sameer will be responsible for steering Domino's to its next phase of growth pivoted upon best-in-class customer experience, operational excellence, LFL growth and store expansion.

In closing, let me share the outlook on network growth for the next year:

While we continue to operate in a very dynamic business environment, we will continue to focus on driving LFL growth along with identifying whitespaces and serve unmet demand. As per our current assessment, we are targeting:

- 200-225 new Domino's India stores
- 30-35 new Popeyes stores

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

Moderator: Thank you very much. The first question is from the line of Nihal Jham from Nuvama. Please go ahead.

Nihal Jham: Sir, 3 questions from my side. First was on the loyalty part. As you said, if you're seeing an increase in the cumulative membership, ideally, should that reflect in the improvement in the monthly active users?

Just trying to understand how that would play out in terms of, say, better improvement in performance for us.

Sameer Khetarpal: Sure, Nihal. I think you're probably referring to a flatter monthly active users. I think that's more seasonal. Actually we are seeing higher repeat rates like, frequency of pizza ordering is improving since we launched. And it is targeted towards the customers who are loyal, that bit we do see.

Nihal Jham: Ok. My next question is as per my understanding when someone is redeeming points that they've accumulated over the last 6 to 12 months as a part of the loyalty program, so that automatically ends up becoming free pizza that they redeem. So I'm not certain if that gets counted as 1 order or 2 pizzas are counted separately. So, when you're saying you've seen a double-digit growth in the orders as a part of the opening statement, are we counting that and is that relevant, first and foremost? it's a clarification not a comment here.

Ashish Goenka: Look, Nihal, not very relevant because the redemption anyways are very low right now, it's a 1-year cycle, and you have to accumulate 6 pizzas to be able to get your seventh pizza free. And therefore, you have to, of course, place an order, and within that order, you'll get a pizza free. So the order count will include this order as well, but it's not very significant as of now.

Nihal Jham: Understood. The second part was that, on the cheese inflation, as you said that there is clarity now, maybe these prices are going to sustain. And I guess where a comment would be, right to believe that we don't try and plan any pricing action in terms of increasing prices at this point in time?

Sameer Khetarpal: So again, at the moment, no. I think we don't plan to increase or take prices at least in this current quarter. We believe these gross margins are like protected at least as I can see. So no plan to take price increases.

Nihal Jham: Just one final question was that, if you could give a sense of the number of cities we are looking at. While you mentioned 200 to 225 new Domino's store and you entered 56 cities in FY '23, any sense of the split between new cities and existing cities that we plan to enter in FY '24?

Sameer Khetarpal: For about these 200-225 stores, we will look at an opportunity set of more than 500 stores. It includes new cities, split stores and white spaces in the existing cities. The bias always is to expand in white spaces in the existing cities. That's where we have a team, that's where we get the maximum leverage, but no guidance in terms of how many new cities we'll go to next year.

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

Vivek Maheshwari: Sameer and team, my first question is on store additions. So last year, if you look at about 1/3 of your stores were split stores. Does that number go down as we head into FY '24?

Sameer Khetarpal: So Vivek, as you know, split store proportion has already come down. Again, like I said, we are not targeting a number of split stores. Split stores decision is taken when the existing store is unable to manage the volume, the customer metrics are hurting, that gives us a trigger to split the store. And let me assure you that even when we split a store, even in cities like Noida and Gurgaon, we actually find enough white spaces because cities are expanding. So it is rarely a perfect split, right? And we continue to capture more white spaces, which is a good thing for us.

Vivek Maheshwari: So Sameer, you expect it -- the reason of asking this question was, let's say, the gap between SSS and LFL is about 3 percentage points and 1/3 of the stores are split, if that number goes down, then obviously, the efficiency metrices move up. But you think that split store as a percentage will continue to be about 1/3 in that context.

Sameer Khetarpal: It may be slightly lower as we see.

Vivek Maheshwari: I see. Okay. Second, a very basic question, Sameer, when you look at, let's say, or when you promise a delivery of -- in 20 minutes in Bangalore, what is the -- let's say, if it's a, let's say, stupid question, but let's say, at 20 minutes to 30 minutes or rather 30 minutes to 20 minutes, is there a big difference in overall customer satisfaction, number 1? And number 2, how do you ensure -- I mean, what does it entail?

So store split will be one part of it, I'm guessing, but the other part will also be, let's say, if a typical store in a 30-minute delivery time line, let's say, needs x employees, then does that mean a 20-minute delivery will require, let's say, 1.2x or whatever that number is? So does that mean in 20 minutes, while customer satisfaction certainly is higher, therefore, ideally, throughput should be higher ordering frequency, but does it also imply that the margins go down in the first way? Again, it's okay if margin goes down from our perspective, but just want to understand fundamentally, how does it work.

Sameer Khetarpal: I think it's a great question, firstly, Vivek. And actually, the margin don't go down, and we do get more deliveries per hour from the same rider, right. And so riders actually should make more money because, see, the way this has happened is we have about 175 stores in Bangalore. We have only guaranteed 20 minutes when we believe the right time from the store to the customer location is about 7 to 8 minutes. So if you add 7 to 8 and 7 to 8 minutes of reverse leg, theoretically, you can do 4 deliveries per hour, right? And we are obviously not at 4. So there is huge headroom to be more efficient.

And anyway, this is the workforce we pay per delivery. So from a cost perspective, it doesn't add. From a customer perspective, it materially improves the net promoter score almost to the tune of 500 to 1,000 basis points on net promoter score uplift we have seen if you do it consistently. So that gives us the confidence that -- and like I mentioned, Bangalore did grow positive double-digit in LFL, right? And that gives us the confidence that if we double down on it, and give a consistent experience. And we will -- customers will love us, and we will be the most reliable and the fastest QSR delivery chain.

Vivek Maheshwari: Interesting. Interesting. Okay. And then last thing, Sameer, after you've taken over, we have heard a lot from you about -- on dine-in side of things. But one of the things that you mentioned on the customer experience in dine-in store, does that entail a reasonable amount on capex? Or if you can quantify how much will be the capex in case if you want to make, let's say, dine-in experience far better compared to where it is today?

Sameer Khetarpal: Yes. So there are 4 or 5 elements over there in terms of few things which don't cost money, like greetings, table service, timeliness of service, the experience of eating the pizza inside the store. These are more softer aspects, then there are a few harder aspects like reimaging the stores. These are stores which are fully written down 15 to 16 years plus in terms of ageing. Sometimes we do relocate them and there we get rental savings. In fact, the ROI is positive. Wherever we change, there is a high bar on the overall sales of the store, including the dine-in store. So we treat this reimaging as a new store internally and have the financial discipline to look at payback periods.

And these are not too many stores, right? I mean we also focus on bottom 10% store and which we always assess what is the best way to improve -- either drive the growth or improve the margin. In many cases, the answer is actually we need to do reimaging, as we call it. And there are 3 archetypes of reimaging also, right? It's not always a full break-down-the-store and then sometimes it is about highlighting the elements of the pizza. Sometimes it is about fixing the facade and the entry. So there are various pieces to it and not necessarily like a full new store capex over here.

Moderator: Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Team, I got just 2 straightforward questions for clarification. One on the loyalty piece. Let's say, ceteris paribus, you are, let's say, you are expecting to grow same-store revenue growth at X. What is the sort of band of, let's say, incremental benefit you are likely to get in the next 12 months or so? Is it a 0% to 5% or is it 5% to 10% based on the initial reaction of the consumer behavior of the cohorts who are your, let's say, heavy users?

Sameer Khetarpal: Manoj allow the program to complete a year. After 6 orders, you earn your free pizza. The frequency overall is lower than that. So it takes a year to stabilize. We have various models around it. One thing that I can assure you is customer eating pizza more than 6 time, more than 9 times, more than 12 times in a year, that cohort is increasing in terms of absolute numbers and not in percentages. So that gives me the confidence that this program is working. Also, we see customers which have enrolled, the likelihood of churning is also materially lower. So they are, in some sense, more forgiving or more invested in the brand.

Manoj Menon: Awesome. Understood. Just one follow-up, if I may. Are we then – if I am to decode one part of your statement. Let's say, there is a consumer who is ordering every 30th day, are we saying that we are seeing some early signs that we are able to get frequency improved to, let's say, 29 days, let's say, 1 day improvement or something like that?

Sameer Khetarpal: See, overall frequency is improving, right, since the launch. That is very clear. So therefore, one way to interpret is the mean time between a reorder is coming down. I have not done that calculation. I'm just only deducing it based upon the frequency increase. But I will do that, and probably there are certain trends that we can share in the next earnings call. I have noted it down.

Manoj Menon: Understood. Understood. Good luck. And the second question is actually on your own app, your own property. You had a great success in terms of consumers getting to download your app and your online ordering being fairly high, close to 100% now. If you could talk a little bit more about the conversion of consumers who have downloaded your app versus that they're actually using it, so the activities or actions you're taking to, let's say, to get the consumers to use your app far more than what it is today.

Sameer Khetarpal: If I understand the question. You're asking what activities or initiatives you've taken to drive improvement in monthly active users and the conversion, right? That's what I think you're asking.

Manoj Menon: That's right. Because as a consumer, I have multiple options. Let's say, I have these 3 simple options while ordering food: your app, Swiggy, Zomato and maybe ordering over the phone. So out of these 4 options, from your point of view, you would prefer, I presume, that I order only through your app?

Sameer Khetarpal: I'm here to serve customers. It doesn't matter where they come from, right? I want customers to love the pizza and the experience delivered by a Domino's delivery rider. So that's kind of my approach when I look at the channels. Now specifically, we control the experience far more in our own app, which has a dominant share of delivery. And the activities we have done are the following:

Firstly, we are in the business of serving hot pizzas, so we want the customers to visually get enticed by hot and fresh pizza, so for example, giving them the immersive experience of high-quality images, videos, making the experience more efficient in terms of get to what you want. Take for example, if I order a farmhouse and a garlic bread, the top widget will be the most frequently ordered item by that customer so that in 3 or 4 clicks, she can actually check out and order.

Next being our usual sides like choco lava cake and garlic bread or crust upgrades to cheese bursts or thin crusts, those are available. Right when you select the pizza, we remind the customer, do you want to upgrade the crust or change the crust? When you are checking out, did you forget to add a garlic bread or a choco lava cake? So these elements are now been put in motion in the last quarter. And of course, topping it up with a simple cheesy reward, you see the image on the top right-hand corner, how many more pies you need to get a free pizza.

And then reminding you that, hey, you have a free pizza, why don't you redeem it? So these initiatives are done. Several more are planned, which will make the app experience more immersive and also more efficient.

Last but not the least, we did launch a spin-the-wheel where we also treat this as a platform. And one of the hackathon ideas was to gamify it and we did launch a spin-the-wheel kind of a game during the IPL time.

Manoj Menon: Understood. And one last question, if I may. Let's say, in the last 12, 24 months, is it a fair hypothesis for me to state that you would have faced, let's say, relatively higher competitive intensity in the lower-priced pizza, not necessarily less than INR100, whether it could be less than INR100 from a competitor or it could be regional brands or XYZ brands. Is it fair to say that you would have faced lower competitive intensity from lower-priced products versus the higher-priced products? And where are you in that journey currently? And what are you doing to tackle it?

Sameer Khetarpal: So, at Rs. 49, at least my competition is with Samosa, Idly and Vada, right, and not pizzas. So that market is much larger, Manoj, and I have always been saying that from Rs 49 entry-level pizza to a Rs 849 gourmet pizza delivered from the same store, as delectable, as appetizing for both sets of consumers, actually, the real deal over here is internal -- getting the internal teams focused on serving the white spaces, unmet demand and serving various cohorts through technology. I don't think entry-level pizza is actually a meaningful competition.

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

Amit Sachdeva: Sir, given that demand environment has been challenging and like-for-like growth has turned negative, while demand remains challenging, you have obviously taken several actions, which is affordability, consumer service level and product innovation. Now as you go with this playbook, as you go into the current year, do you see that this year as a transient of gradually building demand; or it could be something like first negative becoming broadly flattish and gradually moving; or do you expect some amount of rebound can happen?

And what sort of demand environment is playing out, given the success of, say, Bangalore or some of the markets that you see these service levels are working? Do you see that as a potential for -- in the current year, your target of like-for-like growth, mid-single-digit, to be achieved on a full year basis? Or you would say that it will still take more time to do so?

Sameer Khetarpal: Yes. I think from a consumer sentiment perspective, I don't see if things will change in 1 quarte. I'm just being more near term than the question that you asked. However, I'm very much focused on the internal opportunity and there's loads of it, let me assure you that. The team knows where to fix, what to fix and when to fix, where are the opportunities over there. So my first goal is to make sure all my customers who are coming to me, they are happy and they are enrolled in Cheesy Rewards.

We continue to expand stores because I believe, demand slowdown is transitory, it is not something which is cast in stone forever. And when the demand picks up or the sentiment picks up, we will be the fastest off the blocks, both in terms of driving the growth and also expanding the margin pool. So again, I'm being more calibrated at this stage because world changes very quickly, one event can cause major disruptions in food inflation or consumer sentiments. But things look more stable, Amit, versus the last earnings call.

Amit Sachdeva: Okay. That's good to hear. So for example, as you go in April and May, are you feeling little bit slightly eased up or it stays the same? Or you're saying it is at least stable, it's not worsening any further, is that the kind of message that you are trying to give?

Sameer Khetarpal: Yes, it is definitely more stable, at least from food inflation standpoint. While, cheese is elevated, but other commodities have softened. And we have more internal levers also to work upon. But some of these levers would just take a bit of time to get executed. So therefore, I'm being more cautious. Whatever seasonal upticks you get during the IPL or during the summer season holidays, etcetera, those obviously come in.

Amit Sachdeva: Sure. Sure. No, that's very helpful. Sameer, if I may just ask the interplay of, for example, fixed cost in the system and if I were to just roughly do the math, I would probably think that at store level, costs would be inflationary at about 2% to 5% ballpark at the store level y-o-y. And in case, the like-to-like growth is, say, flattish, if not negative, do you see a scenario where margins at the EBITDA margin level, some of your cost efficiencies and other initiatives that you could take can arrest some amount of EBITDA margin pressure?

Or how one should think about the overall dynamic of gross margin staying 75%, 76% level? How one should think about this demand pressures to cost pressure at the store levels and things like that in terms of wages and rentals and things like that? How one should imagine the EBITDA margin picture for this? I'm not asking for specific guidance, but what I'm trying to say is, if things don't materially improve in demand front, is there a risk that EBITDA margin can stay or at least under more pressure? Or do you have levers to contain that?

Ashish Goenka: I think the biggest unlock for EBITDA margin improvement from here would be unlocking the LFL growth. And I think that's where the incessant focus has been on improving and driving all the levers to make sure that we start getting like-for-like growth, and therefore, operating leverage within the store. Having said that, I think we're also working on looking at every single cost line and we have actually launched a pan organization program called Vijay, where we're looking to take out cost from our systems and drive efficiency and productivity across all lines. So that to my mind, will at least ease off or will help us retain the current level of margins without it getting impacted negatively.

Amit Sachdeva: Got it. So Ashish, if I may sort of paraphrase, what you're saying is given the cost efficiencies, even if there's a lackluster like-for-like growth in the worst case also, the margin will be maintained, but if like-for-like growth happens, then probably it will be a big plus. Is that what you're trying to sort of alluding to?

Ashish Goenka: Yes. Amit, I think that’s the endeavor that once like-for-like growth comes back with all the cost initiatives, we should be able to see an uptick in EBITDA. But I would refrain from giving any margin guidance because I think the environment remains very dynamic.

Amit Sachdeva: Sure. No, I just wanted to understand, Ashish, is that in the scenario of, say, no like-for-like growth, whether you are sort of structurally preparing for at least containing the EBITDA margin. That's what really I wanted to understand.

Ashish Goenka: Absolutely.

Sameer Khetarpal: That's always the endeavor, yes.

Ashish Goenka: So structurally, I think we're doing a lot of intervention looking at every single line of our costs, looking at extracting more value from every single line of fixed costs. So I think there is a full program in place, and that's our endeavor. Our endeavor is not only just on the cost line, but also in terms of improving our mix, getting more sharper and targeted in terms of our discount deployment. There's a lot of work happening in terms of keeping the overall health of the business at a very elevated level.

Amit Sachdeva: Sure. So in that case, the Rs. 49 pizza and affordability range, has it made a material difference in some markets? Can you give us some sort of anecdotal aspect of it that how one should think about that affordability strategy is helping you solve the problem of, say, dine-in footfalls being higher where it was targeted to how this strategy has sort of translated into some gains here?

Sameer Khetarpal: So the cornerstone of our customer value proposition is hinging on three pillars, right? So the number one, value; number two is delivery excellence; and third is the taste and the amount of cheese and topping we put in, which we launched through all-new Domino's. So firstly, Rs. 49 has not diluted our gross margin, right, which you see in our P&L this quarter. At Rs. 49, trust me from a customer mindset perspective, it is a big hook. It has elevated the value credentials in customers' mind and therefore, they come in. And then it's an opportunity using our app, using our loyalty program and using our store experience to upsell and cross-sell. So we have not seen the average order value decline because of this. Whatever decline we see is more because of inflation and the price increases on sentiment. So this alone does not count -- actually the volumetric growth gives us the confidence that customers do want to come back to this brand and therefore, we have tremendous opportunity to kind of wow them with better experience and also with the Cheesy Rewards program.

Ashish Goenka: If I may just add to what Sameer said, Amit, it also allows us to recruit a lot of customers from the unorganized market. As you would know that 2/3 of the market is unorganized. So if you're able to play at that price point without any material impact on our gross margin, I think it will give us a long-term growth in terms of being able to keep converting and recruiting customers from the unorganized segment of the market.

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

Shirish Pardeshi: Sameer and team, starting from the first experience, what you mentioned that you are trying to delight the customer and meet unmet consumer demand, let me be little candid and consumer-wise, sitting in Bombay, we see La Pino'z has picked up very well. Now whole science behind why La Pino'z has picked up and if I check, dipstick, within our office and my friends and consumers, the quality is one of the big thing which the local competition is offering at the price.

Now I would not say -- I'm sure since you are in the business, you know about it, the quality over a period is a big question mark for Domino's for customers is not coming. And if I look at the traffic, which has improved, so are you trying to solve the problem of quality with 20-minutes delivery or saying the redesign or dine-in? So maybe I want your candid assessment that what is it that we're trying to improve the quality? Or is there any efforts we have already made?

Sameer Khetarpal: Yes. So good question, Shirish. And thank you for being candid. I think it's a consumer who is speaking as an analyst, right? So I acknowledge that. And so I think the proof of the pudding in this case, the proof of the pizza is in eating it, right? And we can talk about the value, we can talk about the store experience, we can talk about 20-minute delivery. The moment of the truth is when the customer opens the box and when she eats the pizza. So that doesn't change. I also am not saying that the delivery will compensate.

And I did say that we have three pillars to our consumer value proposition, the taste and the product, which is paramount, the value and the price that we offer, and delivery. All three should come in together. One cannot replace the other. I cannot give a great tasting pizza, but after 45 minutes. That also doesn't work. So in few pockets, we have room to fix and hopefully, we can delight you with a far superior experience in Mumbai, and we are cognizant of the gaps that exist. And let me assure you, we will continue to offer the best on all three dimensions. Wherever gaps are, we will fix it.

Shirish Pardeshi: So one follow-up here, Sameer thanks for your reply -- that's helpful. But does players like La Pino'z worry you because today, if I look at the scale which La Pino'z has built up, I'm sure Delhi there is Oven Story, there are many examples you can take regional. But is the regional competition is one of the big thing which worries you and that's why you are -- when you sit in the drawing board or when you sit with the team, is that a driving factor?

Sameer Khetarpal: So with all humility, we operate more than 1,800 stores and we know the challenge of running a ship tightly, efficiently with highest amount of food safety, quality assurance and serving on the core value proposition. I'm just focused on that, Shirish, to be honest. Internally, there is tremendous opportunity. If I unlock that, I mean at Rs. 49 going all the way to Rs. 849 with the offerings of the pizza that we have, it is for my team to execute and get that growth. So honest answer, internally in my team rooms, I don't focus on competition. I focus on my customers, and I know I have a job to do over there.

Shirish Pardeshi: Okay. That's helpful. My second question, if I benchmark quarter four LFL, minus 0.6%, and if I look at from your lens, you have done lot of interventions in Bangalore about 20 minutes promise. Then you have done some redesigning of stores in Delhi NCR, which I've seen, that's a phenomenal work which is there. So if I look at minus 0.6%, what is the LFL growth, if you can add maybe quarter four some flavor in these areas?

Sameer Khetarpal: So I think wherever we have done 20-minute or redesigned the store, of course, like, we see the effects in 4 weeks, right? And that gives us the confidence. It's just that you don't have a magic wand to turn top 7 cities into 20-minute promise over time or reimagine the stores overnight. All of this takes time. It takes landlord to agree, it takes teams to get organized, get the equipment, shut down the store. So it is done in a calibrated manner. But wherever we do, let me assure you that this pays off far more than what even we internally estimate.

Shirish Pardeshi: Okay. My second and last question on the dine-in piece. I do give merit that past, company had tried to drive the margin and other things. But dine-in is one of the piece which we, for a long time, trying to stitch. What are the efforts or what are the initiatives you think and if it is residing at 36% for FY '23, where do you think this dine-in piece will move within next 2 to 3 years? And what are the initiatives which you are taking at this time to drive the dine-in experience?

Sameer Khetarpal: Yes. So firstly, if I have to grow in like healthy double digits, then all channels need to grow in healthy double digits, right? Because one channel is not insignificant that it can grow faster, right? These are all materially chunky channels by and itself. So for dine-in specifically, I think there are 3 or 4 things that we need to do. One is to have inviting stores, wherever the stores are older, have a better dine-in experience in terms of the staff being more courteous, being more proactive to customers, and number 3, help the customer navigate inside the store, order quickly, be efficient.

We are not going to become a fine-dining or a casual dining outlet. We will remain true to our values, we give great value, efficient service and have a comfortable environment. I think in some places, this is not right up there, and we will fix it. And so the initiatives are around same, making sure the product quality is outstanding, the service for what we stand for and what customer pays for is right up there. And the restaurant ambience is what we have promised or what we envisage when opening a new store.

Shirish Pardeshi: That's helpful. One last follow-up on the same point. Today, when I look back and I do have this monthly visit and weekly visit to certain Domino's stores, and the whole Domino's store looks like a machinery that you get the order and you run away. While you are taking these initiatives for creating that customer experience, do you think that the whole element of culture, the service delivery point, which is much different than enlightening the customers sitting in the store, so does that mean that we need to do a lot of activities to get the people, skill development in terms of culture? And therefore, is there any investment also behind it?

Sameer Khetarpal: Yes. So I think I just wanted to make an overarching statement and then maybe answer your question. See, we don't want to become fine dining or casual dining. We want to be efficient, our stores have one of the highest throughputs in the country and probably in the Domino's system. We are a culture of hustle and efficiency. That will not go away. At the same time, it should not be hurting the customer. If a customer wants to sit down for 7-15 minutes, finish her pizza, bring her friend into the store, use the washroom, want something extra on the table, we will go ahead and do it.

So therefore, I'm not stretching the boundaries of who we are beyond a certain realm, it should not hurt the customer, right? It should ease the customer is what my mantra over here is. And I think that can be done. And it will require training, of course. It will require changing some of the systems. But again, these are more, I would say, more behavioral and more training-related changes and some hardware-related changes inside the store, but nothing beyond that. We are not going to become a gourmet pizza shop.

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

Percy Panthaki: I have a few questions. Firstly, on the capex, you have done on cash flow basis about Rs. 770 crores of capex. Would you be able to give some kind of breakup on what this entails, how much of it is commissary, how much of it is new store, how much is remodeling, how much is IT, etcetera?

Ashish Goenka: So Percy, I think bulk of it is new stores. We have done one bulk capex on commissary on our new Bangalore commissary, which was about Rs. 250 crore. Other than that, most of it is attributed to new stores. And of course some amount has gone into reimaging of our stores and our digital and IT investments that we do on a regular basis.

Percy Panthaki: So Rs. 250 crores is in the cash flow of this year itself?

Ashish Goenka: That's right.

Percy Panthaki: Okay. Secondly, on the margin, the key takeaway I'm taking from your discussion with my friend, Amit, is that this margin this quarter of 20.1% seems to be the bottom. So, if I'm correct in assuming that, my question here is that if, let's say, a few months down the line, cheese prices come off, etcetera, what will be your response to that in terms of consumer pricing, promotions, etcetera? Will you pass on the deflation to the consumer?

Or do you think that you'll retain it because you have not passed on the entire inflation itself? And in light of this strategy, where do you see your medium-term margin stabilizing? I mean, see, a couple of years ago, you had touched highs of 25%, 26% which definitely don't seem to be sustainable in the long run. On the other hand, this margin of 20% also seems to be on the lower side. So where do you think is the sweet spot for you where you will be comfortable in terms of margins?

Ashish Goenka: Percy, our constant endeavor, of course, is to improve margins. But given the dynamism that we are facing both on the commodity cycle and the reduction in ticket because of the sustained inflation and the way the consumer demand is panning out, I think it will be very difficult to give a guidance at this stage. And as I alluded to earlier, we are structurally looking at reducing costs, becoming more efficient, becoming more leaner. And therefore, as and when the cycle turns, we should be able to take advantage of that.

Percy Panthaki: And as far as the cycle turns, I mean, do you have any kind of visibility as to when the SSSG will turn positive?

Ashish Goenka: So as also what Sameer said earlier, Percy, I think it's difficult to, again, give a prognosis at this stage. This cyclical demand does take 2 to 3 quarters to come back. And I think it will be anybody's guess at this moment as to when we will start seeing a full recovery.

Sameer Khetarpal: And again, I would just like to add that my team sees good internal opportunities for us in many places as we look for either store expansion or within the catchment that we serve. So I'm again focused on the internal opportunity that I see and I want my team also to be fully behind that.

Percy Panthaki: Sure. And lastly, on Popeyes rollout, it's been almost 1.5 years since the first store was launched. So just wanted to understand why is the rollout so slow, only 13 stores till now. Why -- if you believe you've got the business model right, why not accelerate and add like 50, 60 stores every year?

Sameer Khetarpal: Yes. So just for context, right, we offer antibiotic-free chicken and fresh chicken, right, which is not frozen. So that takes time to build the back-end supply chain. Like for all our products, we want to fully have traceability and visibility to the origination point to the point when we serve the customers. We want to have a good control. That's what takes time more than opening store. Actually opening store is the easiest part, but fulfilling it, making sure the quality remains, it takes time. So -- and you will see a faster pace of store expansion going forward.

Percy Panthaki: Right. Just one suggestion from my side. You had given SSSG for the year. You've not given for the quarter. If you can start giving that on a quarterly basis, again, it will be very helpful.

Sameer Khetarpal: We give on annual basis. But we take that as a feedback and come back and evaluate if we should change that.

Moderator: Thank you. The next question is from the line of Jay Doshi from Kotak. Please go ahead.

Jay Doshi: My question is on demand and primarily because I think in one of the earlier responses, you mentioned that there is no improvement in consumer sentiment, whereas then you talked about seasonal uptick. So typically, in June quarter, for most QSR companies, we see a high single-digit sequential improvement in ADS and that's the seasonality which we've seen in Domino's also prior to pandemic. Are you seeing a similar level of uptick at this point of time? Or are you seeing no uptick at all? So what does stable environment mean? Is it like similar ADS levels just Jan Feb March quarter or a seasonal uptick?

Sameer Khetarpal: I think at the moment, it is a seasonal uptick that we are witnessing, which we do see. And India has a lot of feasts and fasts coming and those cycles can also change. IPL is another boost to the pizza eating time. So whatever seasonal upticks that we see, we are definitely seeing that.

Jay Doshi: That's helpful. Second question is, how do you think about a balance between your own app -- own platform and the market share on Swiggy, Zomato? Are you making any investment to ensure that you maintain the market share on food aggregator platforms?

Sameer Khetarpal: I did allude to this earlier, I see any customer opportunity to serve Domino's as one, right, whether it's the dine-in, takeaway, delivery through our own app or order sorcing from Swiggy or Zomato, because these are customers looking for Domino's Pizza. We control the delivery experience and we make the pizza, right, pizza box never leave our hands. So it is, to me, like that, if customers do choose to order from Swiggy and Zomato, I do want them to give the best experience and not be partial towards one versus the other.

Having said that, there are a few pieces which are available on our app, which is for the Cheesy Rewards loyalty program, is only available on our app. So those pieces are there. But except for those, I do want to serve the customers and the experience on our own app is more in control, right? If you want to nudge a customer, let's say, a garlic bread and a choco lava cake to someone who is just ordering pizza, or change the images the way we want to, I think those are easier to execute. But for that, I think I want to serve all the customers always. In fact, I'm pushing my team to find out more channels to serve the customers. Why these 4 only?

Moderator: Thank you. The next question is from the line of Ashish Kanodia from Citi. Please go ahead.

Ashish Kanodia: Sir, the first question is on the 20-minute delivery promise. So you have already rolled out to Bangalore. When you look at FY '24 end, do you see a possibility with the existing store density and the new store coming up, this being rolled out in maybe the top 6, top 7 cities as well?

Sameer Khetarpal: I do want to roll it out to top 7 cities, where for consumers it matter the most, but I will not take shortcuts in terms of doing this without the right store infrastructure, rider tracking and technology in place and most importantly, the rider and pedestrian safety. So therefore, I do want it like from an ambition standpoint, but when the infrastructure is there, we will roll out city by city.

Ashish Kanodia: So the reason why I'm asking this is, sir, is because, see, similar to Bangalore, say, in the top other 3, 4 cities, right, you still have a good store density. And I understand the point on the safety measures, right, but this will also help to drive the NPS scores and your like-for-like growth as well. So I mean, what's your ambition here from the next 12 to 24 months perspective? Do you see this -- because I'm assuming the tech is already there, right? So do you see that possibility of rolling out in the next 12 to 24 months?

Sameer Khetarpal: Yes. So I think what has happened, Ashish, is that just by bringing greater focus on it, our delivery against the promise performance has improved for 30 minutes. And therefore, cities like Gurgaon, Noida have witnessed high growth. So therefore, I may need to add more stores to even get to 20 minutes now. So the long story short, on this one, be consistent and be most reliable and consistent on your delivery promises first. That's the first phase of growth that we'll get on delivery. Second is get the network and technology to expand, only then launch it. I want to do this as soon as possible, but not compromising on these elements.

Ashish Kanodia: Sure. Point taken. And the second question is on product. Now -- and both on Domino's and Popeyes, right? So firstly, on Popeyes, right, if you look at, say, our entry-level burger is at INR109 for veg, right? So basis the consumer feedback, do you see there a need for something which is, say, at Rs. 49, Rs. 59 right, which psychologically attracts to a large consumer, something similar to what you have done in Domino's?

And second, on the product development on Domino's side is, when you look at the Domino's currently menu offering, right, there will be a timing where the demand is very high, maybe during lunch and dinner, but at the same time, there will be slots where the demand is very low because pizza as a product is consumed relatively very low during a particular time frame, right?

And I'm not talking about breakfast, I'm just looking at between, say, 11 to 10 p.m., and there could be a time between, say, 3 to 6 pm when the number of pizza ordered are relatively less. So within that, do you see a scope to kind of increase the menu beyond what we currently offer in the sides? Or do you have any examples that something of similar sort was done and which helped to increase the ADS?

Sameer Khetarpal: I think both great questions. For Popeyes -- firstly, let me once step back. See, customers are always looking for value in any country that you go to. So we have to be respectful of that and find ways to give value. At the moment, my endeavor in Popeyes is to make sure we have the right footprint in south of India, backed by the right commissary model and serve the customers with the unique sandwiches and bone-in-chicken that we have. So that itself should give me a tremendous opportunity at this stage. So definitely, I do want to attack the value segment. I'm not saying that I don't want to. So that's always on the horizon. On your question on dayparts; I think it is a fact that like globally, it is ordered more in the evening versus during lunch hour. That presents an opportunity. And I agree with you that there is more opportunity during pre-lunch and post-lunch, right, as I also see it. One of my themes on being customer and market-first is to innovate for many Indians. Teams are experimenting and sprucing up the menu as we speak to tackle these. Equally, the opportunity is on the technology side. Can I have better combos targeting CRM activities during these hours? And yes, so again, that is definitely on the anvil.

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

Avi Mehta: I just had 2 questions. One, I wanted to understand the bill per order decline. If you could clarify what drove it because you pointed that Rs. 49 pizza menu was not the material reason. So if you kind of help just understand what drove that decline across both delivery and dine-in?

Sameer Khetarpal: So that is not on account of the Rs. 49 launch. It's more about consumer who was eating a medium pizza, is now going in for a regular pizza, right, somebody wanting additional side, they're trying to protect the amount that they spend. Rs. 49 is definitely not the answer over there.

Avi Mehta: Okay, sir. That's clear. And second, sir, if you could give just a bookkeeping, what would be the capex likely for FY '24, given the store addition guidance of 200 to 225?

Ashish Goenka: So Avi, I think we are in a high capex cycle right now. So even for this year FY '24, we are expecting a capex in the range of Rs. 700 crores to 800 crores because we will also be investing in our Mumbai commissary this year, like we did in Bangalore last year.

Avi Mehta: So that would be commissary would be, say, similar Rs. 250 crores, Rs. 300 crores like Bangalore?

Ashish Goenka: Yes, similar. I think we are looking at a similar Rs. 250 crores to Rs. 270 crores of investments in our Mumbai commissary as well.

Moderator: Thank you. The next question is from the line of Tejash Shah from Avendus Spark. Please go ahead.

Tejash Shah: Sameer, you spoke about that you are pushing your team to find more channels to reach out to customer. So we have suddenly this allegedly disruptive technology, which is ONDC, which is coming our way. So do you see it as an opportunity to have one more channel or to reach out to a larger audience? Or you see it as a disruption because we have a very good IT infra ourselves, digital infra and kind of capital digital infra that we have? Do you see it will empower people who are actually lagging on that side? Or do you see it as an opportunity for us to scale much faster and go beyond these 2 route to markets with aggregators that we have?

Sameer Khetarpal: I think we do want to get on to the ONDC bandwagon. And we are organizing ourselves to launch it on ONDC. Again, my overarching piece will be wherever customers are, I want to serve them with Domino's Pizza. So therefore, if ONDC is a channel, we will obviously get on to ONDC.

Tejash Shah: Have we already locked it because there's a beta version at Bangalore going on, and we have a very good network there. So have we already participated in this?

Sameer Khetarpal: Yes. At this moment, teams are getting organized to do the technology scoping and integration. So whatever time it takes to launch, we will go ahead and do it.

Moderator: Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: My question is on costs. So how has the freight and delivery cost trended in FY '23? This number had jumped from Rs. 120 crores in FY '19 to all the way to Rs. 270 crores in FY '22. So if you can explain the spike, which you saw last year and where is this number in FY'23?

Ashish Goenka: That is all largely on account of the variabilization of manpower cost, where there is a reclass, which happens because of the way we account it. So I think underlying cost has not changed, but I think at a headline level, because of the way the variable manpower cost is accounted for, you are seeing that change. There'll be more detail in the annual report. So I think you'll get more color there.

Kunal Vora: Okay. And the jumps in other expenses and depreciation, like, what's driving that? It's mostly because of the store additions?

Ashish Goenka: So if you are referring to quarter 4, the depreciation increase, Kunal, is largely attributable to the store openings, both because of the asset depreciation and the ROU asset that we create on account of lease liability. The other expenses have gone up this quarter, one on account of the mix change because again, when you have a differential mix in terms of your own manpower versus variabilized manpower, it reflects in other manufacturing expenses. And also this quarter, we had deployed slightly higher level of marketing inputs because of which the other expenses seems a little high.

Kunal Vora: Okay. And just lastly on the Cheesy Rewards members, have their ordering frequency increased? And what has been the cost in terms of rewards and are the metrics that you've seen so far in line with what you were expecting?

Ashish Goenka: So as Sameer mentioned earlier, Kunal, the overall frequency, we are seeing some uptick. Especially in the cohorts, which are high and medium, the frequency is improving quarter-on-quarter. And therefore, we are already seeing the early signs of benefits coming through the Cheesy Rewards program. In terms of costs, this is accounted as discount upfront and is currently getting funded from our overall discount spend pool itself. So there is no incremental cost that we are incurring on this program.

Moderator: Thank you. We'll take the last question from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: So my first question was with respect to we're crossing almost 1,800 stores now. Are we having any plans around shutting down any stores, because of various reasons, maybe move from dine-in to delivery or delivery to dine-in? So do we have any such plans next year of shutting down any stores in any parts of the country?

Sameer Khetarpal: Those are insignificant, if at all, right? I mean, we do constantly relocate our stores, right? Wherever we believe some parts of catchment has changed or the rentals have gone higher and we are not able to get better rentals, those are par for the courses, which is the relocation in the near vicinity. Other than that, I think there are shutdowns because if a mall or an area has completely like become dead, which is very far and few, Sheela.

Sheela Rathi: Understood. So when you say we will be adding 200 to 225, is that the gross number? Or will that be the net number?

Ashish Goenka: It will be gross number, Sheela. But anyway our closures have not been very high. This entire year, we just closed 1 store, and we keep looking at our bottom performing stores. But I think our hit rate has been fairly good, and we do not anticipate any significant amount of closures this year.

Sameer Khetarpal: Any relocations we do, we don't report it as part of this. That's a relocation of existing store.

Sheela Rathi: Understood. And, Ashish, the next question is to you with respect to the efficiencies, you talked about Vijay. So what are the kind of measures? And what are the kind of costs we are trying to address in terms of improving our efficiencies? Is it on the cost side or any other costs?

Ashish Goenka: So just to give you one example, Sheela, for example, Sameer also gave that example, we have introduced lidless boxes in dine-in. So the lid on the box in dine-in was completely redundant. And by taking that away, now, we have not only taken away cost, but we've also made it more environmental friendly. Similarly, we are looking at energy consumption in our stores. We have installed energy management system in each and every store. We are looking at that very, very closely.

We're looking at energy consumption in our factories. We are looking at our digital costs, our cloud costs, our IT costs, our infra costs, our connectivity costs, our manpower costs. So I think every line of cost, I think there is opportunity to optimize it, value reengineering it and in some cases, renegotiate it, given the environment that we're operating in. So I think if we do all of that well, we should be able to squeeze out significant amount of efficiency from our existing P&L.

Sheela Rathi: Is there a number in mind, say, 5% or some number in mind in terms of cost savings?

Ashish Goenka: So we have a target, Sheela, but I will refrain from sharing it. We are working towards it. And hopefully, we will be able to deliver some efficiencies and goodness into the P&L.

Sheela Rathi: Sure. And just one final question with respect to our international businesses in Nepal, Bangladesh and even Russia, Turkey, I think, how are the things panning out over there?

Sameer Khetarpal: So I did mention in my opening comments about Sri Lanka and Bangladesh. In Bangladesh, we've expanded stores. We had a strong Eid last month. I personally visited Bangladesh recently. I do see an opportunity over there. We are a larger brand over there, at least when it comes to pizzas. So I think we will continue to expand, and we see good traction in that country.

Sri Lanka, I think with regards to the macroeconomic environment, we are in a kind of a wait-and-watch mode over there. I do want my existing assets to bring the right set of return on investments and capital. So that, we are being more cautious when it comes to Sri Lanka. And in the other parts of the country, we are a minority investor in a listed company.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. 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.