Jubilant Foodworks' Q3 and 9M FY21 Earnings Conference Call Transcript

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Management Speakers : Mr. Shyam S Bhartia, Chairman
Mr. Hari S Bhartia, Co-Chairman
Mr. Pratik Pota, CEO
Mr. Prakash C. Bisht, CFO

Moderator: Ladies and gentlemen, good day and welcome to the Jubilant Foodworks' Q3 and 9M FY21 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you, sir.

Siddharth Rangnekar: Thank you, and welcome to Jubilant Foodworks' Q3 and 9M FY21 Earnings Conference Call for Investors and Analysts. We are joined today by senior members of the management team, including Mr. Shyam Bhartia – Chairman of Jubilant Foodworks, Mr. Hari Bhartia – Co-Chairman of Jubilant Foodworks, Mr. Pratik Pota – CEO of Jubilant Foodworks and Mr. Prakash Bisht – CFO of Jubilant Foodworks.

We will commence with key thoughts from Mr. Bhartia. Thereafter, we will have Mr. Pota sharing updates on JFL's progress and the strategic perspectives on growth. After the opening remarks from the management, the forum will be opened for question and answers.

A cautionary note, some of the statements made on today's call could be forward-looking in nature, and the actual results could vary from these statements. A detailed statement in this regard is available in Jubilant Foodworks' Q3 and 9M FY21 results release and earnings presentation, both of which are available 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. Good evening and a very warm welcome to everyone present on the call today. I hope all of you are safe and in good health.

The external environment continued to offer operating challenges. While the festive season brought in fresh triggers for consumption, concerns about safety and restrictions on operations in many markets continued to be a drag on the overall business recovery.

Under continued challenging conditions, I am pleased to share the results of Q3 FY21. We delivered an extremely strong quarter. We have successfully steered the business to full recovery and now our focus is on growth. This is on the back of a positive demand traction largely driven by strong delivery and takeaway sales. Dine-in continue to remain slow, though there was an encouraging sequential improvement.

We opened a total of 57 new stores including 50 Domino's stores which is the highest ever store addition in the quarter. This should serve as an indicator of our confidence about the future growth.

As committed, we remain on track to open 100 plus Domino's stores this financial year and are likely to exit with a number of over 110 stores. We are often asked the question on the total potential for Domino's stores in the Indian market. Our present assessment shows that in the medium-term, there is a potential to open more than 3,000 stores.

Our international business delivered a strong performance with encouraging sales recovery and profitability for the third consecutive quarter. We opened one new store in Sri Lanka. We are confident that we now have the right economic store model which we can scale up. Also, in our markets in Sri Lanka and Bangladesh, we see a clear potential of more than 150 stores in the medium-term.

Towards the end of last quarter, we announced an investment of Rs. 92 crore in the Barbeque Nation Hospitality Limited for an equity stake of 10.76%. Barbeque Nation is a differentiated casual dining brand of scale with great unit economics and solid execution across the well spread-out network. We are confident that the investments will create value for our shareholders.

During the quarter, we entered the biryani segment with the launch of our brand 'Ekdum!'. This was done after successfully piloting the biryani segment over the past few quarters. Our strategy here will be to offer widest variety of choice to customers and stay true to our value for money proposition.

We have continued to delight on product innovation front with the launch of the 'Unthinkable Pizza'. We were the first to pioneer this innovative offering in India. Our recently introduced range of 'Pasta Pizzas' and 'Pastas' too have received heartening response from our customers.

Our investments to strengthen digital infrastructure have continued. Domino's launched a Hindi version of its app which is going to be a significant enabler for ordering. Going forward, we will continue to add other language support to our app to make the experience even more personalized and seamless. This dovetails well with our objective of driving robust growth from our own assets. Notably, the quarter recorded the highest ever app downloads for Domino's at 7.4 million.

Bold initiatives on the cost front continue to yield positive outcomes and resulted in efficient operating performance. Overall, we are happy with the performance last quarter. As the economy bounces back and vaccination becomes more widely available, I am confident that our line-up of brands will deliver an even better performance.

Our fundamental strengths in delivery, growing digital capabilities, varied product offerings and deep understanding of our consumers will help drive growth for us in the future.

Lastly, I must thank all our employees who have worked through this tough COVID environment, our delivery boys, our staff at the stores, and of course at the backend people who worked tirelessly in our commissaries on a 24-hour basis to make sure that our stores are in operation and we worked very hard on making sure that all our people are safe, and we make sure that we deliver in a safe manner to our customers.

I would now request our CEO – Mr. Pratik Pota to continue his discussion by sharing his perspectives.

Pratik Pota: Thank you, Mr. Bhartia. Good evening, everyone and thank you for taking out the time to be with us.

One of the important themes that underlined JFL's response to the crisis has been the agility and boldness with which we developed a playbook to work around COVID and to restore the business quickly back to normalcy. And towards that, I am happy to share that JFL registered a near 100% recovery in Q3 FY21 and we are now shifting our gears to focus on growth.

Revenue from operations at Rs. 10,572 million, registered a sequential growth of 31.2%. Domino's witnessed a 100.3% sales recovery versus last year backed by continued growth momentum in delivery and takeaway channels, which grew by 18.5% and 64.3% respectively.

Notwithstanding the sequential improvement, the dine-in channel remains sluggish with the sales recovery of 41.6% versus last year.

EBITDA at Rs. 2,786 million, grew by 9.9% and EBITDA margins at 26.4%, increased by 243 basis points year-on-year. Profit after tax at Rs. 1,251 million, grew by 20.6% and profit margin at 11.8% was up 205 basis points year-on-year.

Our cash position stood further enhanced. Total cash and cash equivalents, bank deposits and investments showed an increase from Rs. 8,278 million at the end of Q2 to Rs. 9,517 million at the end of Q3.

Let me now call out some of the highlights of last quarter's performance:

We opened a record 57 new stores last quarter. We expect to open more than 110 Domino's stores in this financial year. We believe that the QSR segment will see significant growth in the time ahead and towards that, we will be dialing up the pace of new store opening next year.

We were early movers on investing in digital and this continued to drive growth for us last quarter. A strong focus on driving our own assets led to a record number of 7.4 million app installs in Q3. We also saw strong increase in traffic to our own assets as also significant increase in the active user base.

During the quarter, we launched 'Drive-N-Pick', a new initiative that offers customers a safe, convenient way of ordering. It simulates the conventional drive-through experience wherein customers can place an order online and pick it up from the store from within the safe confines of their car or their bike. The early response to this initiative has been encouraging, and we believe that this will be an important element in driving the relevance and the use case for the takeaway channel in the future.

We launched the 'Unthinkable Pizza' last quarter, which was India's first plant protein-based product. This has seen an extremely encouraging response from customers. New range of 'Pasta Pizzas' and 'Pastas' have also done extremely well.

Our international business continued to show a sequential improvement. Both countries delivered a positive EBITDA last quarter and we opened one new store in Sri Lanka.

Hong's Kitchen delivered an encouraging performance in Q3. Delivery sales and Takeaway recovered completely, whereas dine-in showed encouraging sequential progress. We opened 2 new stores last quarter.

JFL entered the biryani segment through the launch of 'Ekdum!'. In addition to biryani, our menu comprises of kebabs, curries and breads. Biryani as you know is one of the largest categories in the country, but one that is highly fragmented with very few national brands. We believe 'Ekdum!' can play an important role in growing the organized biryani segment. The early response to the launch has been encouraging and we will be extending the brand across other parts of Delhi NCR soon.

Our focus on driving efficiencies and productivity helped us deliver strong operating margins after absorbing the significantly increased marketing spends. Specifically, we delivered productivity in energy costs, housekeeping, reduced wastage, and cost of delivery.

Towards the end of last quarter, we agreed to invest Rs. 92 crore for a 10.76% stake in Barbeque Nation Hospitality Limited. This is an investment in a well-managed business where we believe in the potential of the format and their strong execution capabilities.

To sum up, in the phase of continued challenging conditions, we delivered a strong all-round performance with 100% revenue recovery for Domino's, improved margins, record new store openings and entry into an exciting new category.

With that, I would like to stop and hand over to the moderator for questions from all of you. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Manoj Menon from ICICI Securities.

Manoj Menon: Very good performance, I must say, given the condition. One question on the quarter and the short term, also couple of ones if I may, on the longer-term. When you look at global trends and the mobility, etc., at least what my auto analyst has been writing and talking about, it does appear that largely the mobility is back. So, just wanted your perspectives on the less than 50% recovery in the dine-in, in that context. Is there something else which is also playing as a trend? point number one. Point number two, is there any thought on a 'Super App' given that you have multiple brands currently, 'Domino's', 'Ekdum!', 'Hong's Kitchen', etc., is it feasible in the next 3 to 5 years? And point number three, just a straight-forward understanding on the Barbeque Nation investment. Is it financial or strategic?

Pratik Pota: Let me start by answering your first question about dine-in. I think as we all know the COVID case load in India and across towns has reduced significantly and therefore the anxiety around going out has been mitigated significantly. And I think you talked about mobility data, etc., I think that bears it out, and that reflects very clearly in our strong recovery in dine-in and in takeaway. I think on dine-in channels specifically, the constraint is more supply than on demand and as you are aware, that even today our capacity in dine-in is constrained at 50%. So, we are required to operate only at 50% capacity and that is what has held back the recovery for dine-in significantly. However, as you are aware very recently, as earlier this week, multiplexes have been allowed to operate at 100% capacity. Therefore, we are hopeful that a similar relaxation would also be forthcoming for restaurants and of course with all the COVID SOPs being followed diligently, once that happens, we see dine-in demand coming back very strongly. And I think that has been one big factor that has held back recovery in the dine-in channel specifically.

On your second question, I think right now our focus is on ensuring that we build all our brands individually. These are strong independent propositions. Domino's, of course is a powerful platform which we are strengthening. 'Hong's Kitchen' and 'Ekdum!' are new brands with exciting promise and exciting potential and we are strengthening our digital capabilities and our digital marketing on both these brands. So, that is a primary focus right now. Talk of a 'Super App', etc., I believe it is slightly premature. Our focus is on building these brands.

On Barbeque Nation, as you are aware and as Mr. Bhartia called out in his remarks as well, this was an investment we made in the business because we believe strongly in the format. It is an extremely well-run business. It is a differentiated proposition and therefore we made an investment in the business and we believe that this is going to be value-accretive to our shareholders. It will not in any way distract JFL or management team, because this will be independently run by the existing Management Team of Barbeque Nation.

Manoj Menon: The first one was absolutely clear and good luck. I think more regulatory changes should help us drive faster growth, good luck for that. The second one on the 'Super App', the reason I asked this question is because there is a property there in Domino's, there is a franchise there, there is a certain pool which you have already captured currently. I was only trying to understand that is there an opportunity to incubate in a much faster and efficient way given that you already have those eyeballs, that was the only context I was trying to understand. If I understood your statement correctly, you are basically saying that let all the brands come and stand on their own feet and then let's see the potential at some point in time. I was actually thinking that is there a way to accelerate it. Is there any legal angle, contractual angle there which prohibits you today? So, that is one. On the Barbeque bit if I understood correctly, it is more from a financial point of view for learnings and kind of maybe the other strategic aspects, that is what I understood from your commentary.

Pratik Pota: Manoj, on your first point, I think independent of the point about legal, etc., I think the larger point is that our new brands need to stand for themselves. They need to carve out their own differentiated constituencies and consumer franchises, to build that and to stand for something, having done that, then each of these brands can play off each other. So, like I said any talk of anything bigger than these brands is a little early. And I would say maybe that might be little misplaced. I think the focus must be manically on building these two brands separately. The Chinese QSR' space is vacant, there is no brand. In the biryani space, it is highly fragmented. There may be one/one-and-a-half national brands. So, both these brands independently have a role to play in building the franchises within the category. On the Barbeque Nation, I request Mr. Bhartia to add to what I said earlier.

Hari Bhartia: On Barbeque Nation, I will only add that, you know it is very difficult to define whether it is strategic or financial because we do understand the food business and we believe in what they are doing, but as Pratik rightly said, that it is not taking away any time from us, because we believe they have a strong management and a good strategy to grow the business. So, it is one of those rare businesses of scale, which has achieved good numbers and good profitability. So, we believe that they will do well.

Moderator: The next question is from the line of Latika Chopra from JP Morgan.

Latika Chopra: My first question was on margins. There are various parts here, if you could just elaborate on how you are looking at gross margins going ahead in the context of what you are seeing on COGS, inflation and on promotion intensity, also employee and other expenses have seen a significant increase sequentially. Is it linked to this record 50 new store adds that you saw in Q3 or is there something more here? Should we now look this as a new base for employee cost and other expenses? I know there is some marketing expenses sitting here. And, with this 110 plus new stores this year plus even an accelerated pace next year, how should one think about the balance that you would want to maintain between store additions and margins? That is the first question.

Pratik Pota: Let me dissect your question into 2 or 3 parts, that you spoke about. One was on gross margin, the other was on people cost, and the third one you spoke about was as we go forward what is the balance if any that we would want to strike between store addition and margins?

Let us start with the first one. So, on the gross margins, as you know there has been some softening vis-à-vis last quarter and fundamentally that is on account of increase in the rate of inflation for some vegetables - onion and capsicum. Marginal increase also in dairy prices, that is what has led to an increase sequentially versus last quarter in our food cost. Vis-à-vis same time last year of course as you are aware, the gross margin had expanded significantly and that is on account of the dairy prices, fundamentally being lower during the same time last year. That is the way we are seeing. Going forward, there will be some inflation that we will see play out on dairy as the dairy prices become a little harder. But there will be a cycle that will follow as it does every year. I think last year(9MFY21) for dairy was very benign in contrast to the year before that. So, you will see that dairy prices will increase in the quarters to come but will again soften post monsoon.

On the people cost specifically, versus Q2 to Q3 there are fundamentally three reasons for the increase in people cost, two of them being the most salient. The first one of course is that the impact of orders, revenues, and volumes increasing from Q2 to Q3 that has led to a significant increase in our people cost. The second big reason and even Mr. Bhartia spoke about it in his opening remarks, our teams across the organization have done an outstanding job of delivering great performance in the face of a very difficult and challenging work during COVID. So, we have recognized that, and we have looked at special and increased incentives for this exceptional performance and that is the cost as additional item in our people cost. And there is some cost on account of increased headcount in strategic areas like technology. So, those are the 3 reasons why the people cost has been higher versus last quarter. Whether this will be the new normal or not, hard to tell because there will be some pushes and some pulls. We believe that certainly the people cost will not be higher than this level, but time will tell how the pushes and pulls will play out.

Your third question was about store addition versus operating margins. If I may say, Latika, I may not agree with the way the question has been framed. It will not be an 'or' discussion, it has to be an 'and' discussion because you have seen the way we have scaled up our stores this year as well. So, I think as long as we have a very robust process of identifying the right store, making sure to slot these stores into the right catchment areas, making sure that we have the right store economics, the right store format. I think the discussion has to be growth and profitability. It cannot be growth or profitability.

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

Percy Panthaki: Congrats on a good set of numbers. I have two questions. Let me put both upfront. So, first question is, you have a pretty strong equity both in delivery as well as dine-in, but I would argue that your equity as well as market shares within the delivery space is better than what you would have in dine-in. So, as people start moving out of their houses instead of ordering in, they start dining out, do you think that is a little bit of a negative for you because when they are let us say ordering in because Jubilant has a higher brand equity or market share in the ordering-in space, you benefit from that kind of an activity but when people start going out, the competition there is tougher. So, I understand there is still a recovery in the dine-in portion, which is pending and that should give some tailwind, but I would like to pose this question to you. That is one.

My second question is on 'Ekdum!' and 'Hong's Kitchen.' Can you give some idea as to how you would like to grow this brand in terms of either the number of stores that you will add next year or if that is too granular, can you sort of give us a flavor on what the opportunity could be 5 years from now?

Pratik Pota: Let me start with your first question about the dine-in reopening and whether that could be a headwind for us. I like to disagree a little bit Percy. I think the strength of our model has always been that while we have been known as a delivery expert, we have also had a significant share of our business come from dine-in for a variety of reasons. (1) We have ubiquitous access. At 1,300 stores, we are within reach of most consumers, 5-7 minutes' drive from their homes across multiple formats whether it was earlier food courts, mall stores, high street stores, or in corporate parks, etc. So, we have access and a variety of formats. (2) We have very affordable products, and we are easily accessible. There is a non-intimidating sort of façade and the way we are approached by consumers; entry barriers are very minimal. So, when dine-in reopens, we see in fact our dine-in revenues that we had pre-COVID coming back strongly. And as I said in a response to Manoj's question, I think the constraints right now is not consumer demand, it is the supply constraint that we are operating under. And all our data and all the benchmarking that we have done shows us that as that gets relaxed, dine-in will come back. So, I would not underestimate the strength that Domino's has in dine-in.

On 'Ekdum!' and on 'Hong's Kitchen', which was your second question, Percy, like I said, 'Ekdum!' of course is young. It is just about a month old. 'Hong's Kitchen' goes back a little longer. We have been very enthused with the response in both the brands. In 'Hong's Kitchen' as I mentioned earlier, we have had full revenue recovery in delivery and takeaway and very strong recovery overall. We are seeing strong growth in orders; we are seeing a wide acceptance of value range which is called 'Incredibles'. Encouraged by that, we have opened two new stores last quarter. This model of product, of price, of store format we believe is playing and filling up a large vacuum in the market between casual dining and street side eateries, affordable eateries. So, this QSR Chinese space is something that we want to build out. In all the evidence that we have garnered in last year and a half tells us that we are on to a good thing. So, the plan would be to scale up 'Hong's Kitchen' over the next year and beyond. 'Ekdum!' like I said in my opening remarks, very early start but very encouraging start. And again, we believe that we can scale the brand up first across Delhi NCR and in other markets thereafter. We do not yet have a number for you in terms of the store potential and we do not have a specific outlook to share, but it stands to reason that the promise is extremely exciting because both of these - biryani is the number one food in the country and Chinese is the number two cuisine in the country. So, the potential will be very exciting.

Percy Panthaki: But in 'Hong's Kitchen,' will you see an acceleration of store opening versus what has been in the history?

Pratik Pota: I would say yes.

Moderator: The next question is from Vivek Maheshwari from Jefferies.

Vivek Maheshwari: My first question is on the system sales growth for Domino's. So, we have seen November being 6% higher and then a bit of a pullback in December and an improvement in January. It is purely a function of the micro market dynamics and what you call the localized lockdowns or restrictions, is that about it? Is that the key reason?

Pratik Pota: You are absolutely right, the recovery that we saw, momentum in November was constricted a little bit in December purely on account of restrictions in operating hours and some constraints that we worked under. That was the main reason.

Vivek Maheshwari: And the other bit is on your investment in Barbeque Nation. Just wanted to know, quite a few questions have been asked. But do you also get a board seat, or can you just share some more finer details beyond what you have already spoken about?

Prakash Bisht : I think we have already shared required details about our investment in Barbeque Nation.

Moderator: The next question is from the line of Jaykumar Doshi from Kotak Securities.

Jaykumar Doshi: My first question is on 'Hong's Kitchen.' How have you optimized store level operations over the past few years and what is the work that you have done on standardization, level of automation and training for chefs if you could sort of elaborate or share your learnings with us. Second is on 'Ekdum!'. Would you agree that it is perhaps easier to scale and the time that you may need to perfect the product and operations would be much less than what it has taken for 'Hong's Kitchen?' And finally, an update on ChefBoss and what is the roadmap from a medium-term perspective.

Pratik Pota: Let me start with your first question about 'Hong's Kitchen.' And that is a really good question. One of the interesting learning we have had in the last year and a half on 'Hong's Kitchen' has been exactly that which is how do we standardize the food, how do we skill our staff, how do we simplify operations to reduce the level of skill required. How do we take the complexity out of the store and take as much of it is at the backend as possible, where can we do automation in our kitchens to make operations smoother, more seamless, and therefore more scalable. So, we have done a lot of work on that and we could take a long time speaking about it. But I think its in areas like these where our supply chain strength in the network, has played a huge role and offers us a good scale advantage and will allow us in the future to scale up much faster because we are able to take a lot of the complexity out and take it to the backend into the commissaries. So, that is one big area of work that we have done. We have also in the last year and a half refined our training play book and our hiring play book. And of course, as you can imagine, in this brand, this playbook had to be created ab initio. So, we had to work from the scratch and create this playbook. A lot of work has happened in doing that. So, we now have a set of guidelines and SOPs and simplified store level processes which we believe we can scale the brand up with. So, that has been the learning of the journey over the last couple of years.

On 'Ekdum!', while it is again early days, I think potentially the same journey will happen in 'Ekdum!', albeit it will happen a little faster for two reasons, one is of course as we have the advantage of learning on 'Hong's Kitchen' behind us now, also biryani it is a little bit more amenable to standardization as a cuisine. In Chinese, as you can imagine, there is some amount of skill required in wielding the wok and so on and so forth which is less so in the case of biryani. So, to that extent yes, a scale would happen little faster than possibly in 'Hong's Kitchen.' That is as far as 'Ekdum!' is concerned. On ChefBoss, we had a good start. You are aware that we have launched in the month of August. We have had a good start. We have completed distribution on all online channels where we are available. We had very strong and good encouraging feedback from customers. Healthy repeat on these platforms and we are now looking to expand the range and potentially scale up in other channels in the future.

Moderator: The next question is from Sunita Sachdev from UBS Securities.

Sunita Sachdev: I just had two questions. When you compare the consumer in the pre and post-COVID world, I think the big difference is in digital adoption of the consumer and your opening remarks also told us that your own app has grown from strength to strength and you are also adding a lot of digital capability. Could you help us with some color or numbers in terms of percentage of orders on your app versus aggregators versus dine-in or any other color in terms of bill sizes maybe on your app versus aggregators if you can share, it will help us to understand this new digital capability that you are investing in. That is the first question. My second question is around 'Hong's Kitchen' and 'Ekdum!' enough has been asked on the call already, but I just wanted to understand in terms of how do store economics work in any of these two formats versus Domino's and what is the client mix difference that you would expect versus Domino's and dine-in versus delivery, any color on this as well?

Pratik Pota: I think there has been an interesting consumer behavior change post-COVID and whether there is adoption of digital channel or indeed adoption of delivery, we have seen that grow significantly. Delivery as a habit for us was much more prevalent in the larger town, we have seen that spread to the small towns as well and I think as that happens, our early investment in strengthening our digital assets, in building a strong technology platform and building something that was auto scalable. That has really worked for us and you have seen the way our app installs has gone up and the way our digital assets have performed. I think without giving numbers, it will be fair to say Sunita that the contribution of our own assets to delivery revenues which was already high pre-COVID has jumped up even more so in the period post-COVID, number one.

Number two, you have seen that our highest frequency customers and the most loyal customers always come to us and come to us more so post-COVID from our own app. The third area and the third slightly different behavior that we are seeing post-COVID is that we are seeing a whole lot of new consumers come to us first through the app. In the pre-COVID behavior, a lot of them came to us through dine-in and some through aggregators, we are seeing a significant change in the share of new customers coming to us from our own assets. This is a very encouraging behavior that we have seen. So, the customer who comes to us on our own assets is stickier, is a higher frequency customer and a more loyal customer. I hope that answers your question, Sunita.

Sunita Sachdev: Yes, you did give us a little bit of color, but what is the proportion of your business now from aggregators versus before?

Pratik Pota: Sunita, I appreciate the question, but we do not give these numbers out. I just want to underline the point I made that the mix and the weight of orders coming from our own assets has increased significantly compared to the pre-COVID time and that is what gives us the comfort that whether it is in terms of traffic, app installs, active users, stickiness, frequency of transactions, our own assets do much better than aggregators. And I am afraid we do not give out specific numbers, but the weight has moved decisively in the favor of our own assets.

On your second question, that is a good question on 'Hong's Kitchen' and 'Ekdum!', how the economic versus Domino's work, I think what we are seeing and like I said, is obviously slightly earlier days for 'Ekdum!' as compared to 'Hong's Kitchen,' but conceptually what we are seeing is that the algorithm will be a little different for these brands as compared to Domino's. We might see a slightly lower gross margin because the food cost is a little higher in these cuisines, but at the EBITDA level, we will not see significant difference between Domino's and 'Hong's Kitchen' or 'Ekdum!' once they acquire scale. So, economics will not shape up very differently, but the contours of the period might be a little different as compared to Domino's. That is one.

The second is, on the weight between the channels, pre-COVID, because post-COVID obviously dine-in has been constrained. Pre-COVID, we saw very robust mix in 'Hong's Kitchen' between dine-in and delivery. Takeaway was of course a little muted as it indeed was for the entire category, but there was a good healthy balance between dine-in and delivery and of course delivery has become predominant share of the mix now along with takeaway. As dine-in comes back, we expect the overall revenues to be incremental of dine-in.

Moderator: The next question is from Amit Sachdeva from HSBC Global Research.

Amit Sachdeva: Congratulations on good set of numbers and recovery in this challenging time. Sorry if I am going back to Barbeque Nation and I know you don't want to share too many details, but I just have one small question in the sizable stake of 10% and bit more, is there some sort of still collaborativeness that is part of the thinking or it is purely opportunistic, somebody needed money to survive the crisis and you saw it as a good brand and took a plunge or is it a larger strategy of actually acquiring assets because many restaurants are cash strapped and they may have been good brands in the past. Why not take control of such brands and sort of develop them in a larger strategic sense and was it just these opportunities, I am just thinking from a pure strategy point of view rather than this transaction point of view that there was probably a good window of opportunity to acquire some much larger brands, with a controlling stake? What is the sense, so what I am asking is, is there collaboration or capability sharing still possible with Barbeque Nation and more longer-term arrangement or why not other acquisitions too, is this strategy changed, if you can sort of help us understand that?

Hari Bhartia: As I stated earlier, it is a very well-run operation. They have done well in the past, pre-COVID. During COVID, obviously being a major casual dine-in brand, of course the sales went down, but we believe they had a strong recovery. The brand in terms of their operations, is very well run with good management team. Understanding the food business, we felt that as an independent opportunity, it is a good opportunity to invest. Presently, we do not see us growing or acquiring more share for participating in the management, we see that it is well run. Well, your question around synergy or are there any other opportunities, that would be dealt on an arm's length basis, but if we feel, we can add value in any manner, now that is something for that management to consider and for us to see if it is useful for us to support in that direction. But as of now, we believe that they will see a strong recovery and its very well run. So, I would say we understand the business, to that extent it is strategic. We believe it is going to give us good return. So, to that extent it is financial.

Amit Sachdeva: That's very helpful Mr. Bhartia. Thank you for sharing your perspective. Very quickly if I may ask about 'Ekdum!', like lot of questions have been asked on 'Ekdum!' already, so I would not repeat them, but just want to understand what sort of customers are you targeting as a part of this and what sort of value proposition it will entail. Would it be more than just a delivery kind of format, where people are looking to eat quickly or is there something else that is a larger concept being designed out of it and I would sort of think this is more a delivery oriented brand, but if I am wrong, kindly correct me and how do we see as somebody asked, what should the economics be? Would that be the same high gross margins as Domino's is or whether the margins will be lower, and will be a more throughput driven business?

Pratik Pota: Let me start by sort of distilling the 'Ekdum!' proposition that we tested with consumer before we launched and that indeed we have rolled out in the market. 'Ekdum!' will have and has a variety of biryanis, in fact we have 20 biryanis in our portfolio, the widest range that any brand is giving. We also have a range of kebab, curries, bread. So, there is a variety that the menu provides to consumers, all of it is given in a very innovative, easy to use and an eco-friendly packaging. We do not use plastic at all. So, it is very eco-friendly, very convenient and it is microwave friendly also, it can be re-heated. The food is made in open kitchen and that is an important differentiator, we will not run cloud kitchen, we will not run dark kitchens because the customer needs to trust the brand and needs to see for themselves. So, all our kitchens are open kitchen, the customer can come in and inspect the kitchen. We also have a very strong value for money proposition. Our prices start at Rs. 99 and hence a portion for one is very affordable. We also have very affordable combos as well. So, it is a very sharply positioned brand. The relevance of biryani, and this food is going to be across channels. Of course, it is relevant in delivery and of course we know that biryani is one of the largest segments in delivery. So, therefore, there is certainly a relevance there. There is a great relevance in takeaway, but there is also a relevance in dine-in. The stores that we have launched as of now, that is the 3 stores, because we have launched them in the time that we are living right now, are more delivery carry out focus stores, but overtime, they will serve all formats and all channels. There will be stores that are full-service stores which would provide an experience to customers. They will have brand visibility. They will have prominent façade and they will serve dine-in customers as well, in addition to takeaway and delivery. So, we see this relevance across channels, not just delivery. As I said earlier, the response has been very encouraging, whether it is on brand name, whether it is on the quality of food, whether it is on the packaging, indeed from the quality of delivery and quality of the service that we have been providing. I think the task for us now is to scale up the brand in terms of the store footprint, as also increase the spends on marketing and drive brand awareness and therefore drive trial. So, that is the objective and that is the way we are driving it right now.

Hari Bhartia: If I can add to what Pratik just said, while delivery is an important channel, as we have seen in Domino's, we have spent a lot of effort in building the takeaway and carryout channels. Now both in 'Ekdum!' and 'Hong's' Kitchen,' whenever we have built even delivery and carryout stores, if you visit the store, it has a very transparent kitchen. So, you can very clearly see how the food is being made. It is an experience to even go and visit and carryout and this is a worldwide phenomenon where customers love to visit the store and pick up the food and we are starting to see this channel growing very strongly even in India and if you deliver an experience even in the way the food is being made and I think that will be a differentiating factor from a dark kitchen, where you don't see anything, how the food is being made. So, as Pratik said that as of now during the COVID period, we focused on delivery and carryout in both the brands in opening new stores but dine-in would certainly get added in the future.

Moderator: The next question is from the line of Abneesh Roy from Edelweiss.

Abneesh Roy: Congrats on good numbers. On the newly launched plant-based protein product, during bird flu did you see a significant impact on the non-veg portion, so there was a big shift either to veg or to plant-based protein and any plans of taking this to say, 'Hong's Kitchen' or 'Ekdum!' or even Sri Lanka or Bangladesh?

Pratik Pota: On the 'Unthinkable Pizza' that we launched, I think it was as you know the first plant protein product in the country, riding on the waves, which has seized the world and we have brought this first to the country. We got a lot of trials, we got a lot of good response from consumers and it has done well for us. The bird flu when it hit us, the question that you asked is right that there was, the way bird flu impacted and played out was in two parts. The first one was, we did see a drop in non-vegetarian mix, we did not see a drop in orders, but the mix shifted from non-veg to veg. As you are aware, that our predominant mix in Domino's is a vegetarian one. So, when there was this headwind on account of bird flu, consumers quickly changed their behavior and move to vegetarian if there was a concern. We saw this impact more visible in North and partly in the West. We had little or no impact in the South and the East. As you are aware, South, and East are much larger non-veg markets for the country than North and West. So, the impact was more localized in the North, little bit in the West, not a national one. To your question about plant protein, can we take it outside India or outside Domino's, answer is absolutely yes. These are early days in the plant protein category, and we will be watching it very closely. We now have the capability of making this play across category, so this is something certainly we are looking at very closely.

Abneesh Roy: Second question is in terms of Domino's stores, so you have opened 50 new stores, but in the previous quarter, you have closed 100 stores and the question is, are most of these 50 replacements for the 100 which got closed? Second, if I compare to Q1 versus Q3, number of cities is still 3 down, so which are the three cities, where you have made exit and not yet entered?

Pratik Pota: The strategy is not to exit cities or markets, the strategy clearly is to grow and add more stores. Let me take you back to Mr. Bhartia's opening remarks where he spoke about our assessment being that this country can take more than 3,000 Domino's stores. The demand for Domino's and the potential for Domino's stores, we see clearly in existing markets like Mumbai, Delhi, Bangalore etc. where we already have a large footprint where we believe we can fortress these markets even more, improve the quality of service, the speed of delivery etc., and make Domino's a neighborhood pizzeria in these markets, so that is clearly one opportunity that we see. We see an opportunity for us to expand our presence in cities where we have either one store, we can open the second one or where we have two stores, and we can open the third one. I will just give an example. There are more than 180 cities, where we only have one store. We can clearly add one more store and so on and of course we see the potential for opening Domino's stores in completely unserved virgin locality, virgin markets. So, this is the exciting phase in terms of Domino's expansion. The 105 stores that we shut in Q1 and Q2 were for reasons which were linked more to COVID and the immediate headwinds that we saw on account of dine-in constriction rather than a view on the fundamental potential in the future. Let me try and tell you which towns we exited. I think one of them were Shoolagiri which is a town in Tamil Nadu between Bangalore and Chennai on the highway. We exited Neemrana and Ambaji and I think we also exited Talegaon.

Abneesh Roy: And one small follow-up, 'Drive-N-Pick' is something which McDonald's did a bit early, is there any learning from there and because you are delivering to that customer, so eventually would you charge a convenience charge, like you charge for delivery?

Pratik Pota: Our 'Drive-N-Pick' has two features. The first one is that you can use the app completely to place an order, you can schedule a delivery time, even do it within 15 minutes or you can set up an advance delivery, advance pick-up order and of course you can complete the transaction online, so there is no cash change required and of course like you said, we delivered the product to the customer's vehicle, the car, or the two-wheeler. There are no plans right now of charging any convenient fee for this channel. We believe that the takeaway channel is the channel we need to encourage and nurture and build. That is a channel where we have incremental occasions that can be build out and it is also a channel that is from a cost point of view the lowest cost and the customer is a lowest cost customer because he does not use the store assets, he does not use our delivery manpower, he comes and picks up the food from the store. So, we must make this process and this experience as smooth and as friction free as we can and not impose any barriers that can come and constraint the growth of this channel. So, there are no plans to impose any convenience fee on the channel right now.

Moderator: We take the last question from the line of Sujay Kamath from CLSA.

Sujay Kamath: My question is between pre-COVID and post-COVID, how is the average ticket size of your delivery progressed and if I could put in one more small question, I see that over the last one year, your app downloads have grown by about 60%, but can I get a sense of how your monthly active users have progressed over the last 12 months?

Pratik Pota: Good questions Sujay. On delivery ticket, we have seen a significant and very encouraging increase on account of three reasons. The first reason of course is that there is an in-channel increase with more customers staying at home therefore larger group sizes that led to an increase in the ticket itself. So, there was greater attachment of sides, of desserts, people wanted to sort of go for more premium pizzas because going out was not an option, so they wanted to make the moment and make the experience a little bit more memorable, so there was increase in quantity, up-trading on account of that, so that really helped.

The second reason why our delivery ticket went up was of course because we introduced a delivery charge post the first quarter. So, both of those reasons led to a significant increase in our delivery ticket which obviously helped us compensate for the slightly lower than 100 recovery in orders. So, the order count was still lower than 100, but the ticket being higher helped us compensate. The good news of course is that now, the delivery orders also has come back to growth and it is no longer a handicap, no longer a barrier.

On your very important question about app download versus active base, we are happy and sort of pleased to see that not only have we had significant increase in installs year-on-year, that has translated completely into both growth in monthly active users as also the growth in overall active base over last year. So, it is not just installs but also monthly active users as well.

Sujay Kamath: So, if I got my answer right, you are saying that the average ticket size was probably upwards of 20% year-over-year this quarter versus pre-COVID, is that fair to say?

Pratik Pota: No, that is the number that you sort of used Sujay, I would not say that. All that I would say is that the number was strong and the recovery in delivery over the last 3 quarters has been led by ticket. Orders have now come back along with ticket.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

Pratik Pota: Thank you everyone for taking time out today and being with us.

To conclude, having now returned to last year's revenues, we are shifting the narrative from recovery to growth. Looking ahead, we believe that the food service category is poised for a period of hypergrowth driven by upgradation, preference for trusted brand, omni-channel adoption and digital ordering.

At JFL, we are ready to lead and participate in this growth and believe that we have the right strategy and all the necessary capabilities to win in this brave new world. We hope we have been able to answer and respond to all your queries and of course, should you have any further questions, please feel free to reach out to investor team and we will be happy to respond.

Thank you. Have a good evening and stay safe.

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

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