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Mumbai - 400001

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Exchange Plaza, Bandra Kurla Complex
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Ref: - Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/Madam,

Pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, please find enclosed herewith the Transcript of Earnings Conference Call for Analysts and Investors held on November 8, 2022, with respect to the financial performance of the Company for Q2 FY23, which is also available on the Company's website at <https://www.jubilantfoodworks.com/investors-financial-information>.

This is for your information and records.

Thanking you,
For **Jubilant FoodWorks Limited**

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A Jubilant Bhartia Company

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Jubilant FoodWorks Limited Q2 FY 2023 Earnings Conference Call Transcript

November 8, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Jubilant FoodWorks Limited Q2 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Jajodia – Vice President (Finance), Jubilant FoodWorks Limited. Thank you and over to you, sir.

Deepak Jajodia: Thanks. Good evening, everyone. Welcome to Jubilant FoodWorks Q2 FY'23 Earning Call for Investor and Analyst. We are joined today by senior members of the management team, including our Chairman -- Mr. Shyam S Bhartia; our Co-Chairman -- Mr. Hari S Bhartia; our CEO -- Mr. Sameer Khetarpal and our CFO -- Mr. Ashish Goenka;

We will commence with Key Thoughts from Mr. Hari S. Bhartia; we will then turn to our CEO to share his Initial Impressions; Our CFO, Mr. Ashish Goenka will follow him with the Operational and Financial Update for the Quarter ended 30th September 2022. After the opening remarks from the management, the forum will be open for the Question-and-Answer Session.

A cautionary note: Some of the statements made on today's call could be forward-looking in nature and the actual result could vary from the statement. A detailed statement in this regard is available in Jubilant FoodWorks 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 S Bhartia to share his views with you. Thank you and over to you sir.

Hari S. Bhartia: Thank you, Deepak, and good evening, everyone. Welcome to our Earnings Call. Thank you, Deepak, and Good Evening, everyone. Welcome to our earnings call.

Let me start by highlighting some observations around the sense we are deriving from the current environment.

On the demand side, economic activity remains resilient. We are witnessing a sustained revival in demand in the foodservice industry after the impact of covid over many quarters in last two years. The growth for us was equitable across all town classes. It has got further impetus with the onset of festive season.

The Dine-in and Takeaway sales has shown strong recovery and we continue to see further opportunity for growth in this channel. The Delivery channel has continued to grow on a strong base of last year.

On the cost side, the inflationary headwinds continue to persist and is driven by food and energy inflation. Notably, the CPI inflation continues to be above RBI's 6% tolerance level for three consecutive quarters. Within this food inflation continue to be ahead of Headline inflation. Within dairy products, the prices for cheese which is one of our key ingredient were at a price level not seen in last 10 years.

Overall, I am pleased with how our Company continued to focus intensely on executing our strategy. The strength of our omnichannel model and continuous focus on cost optimization has helped us deliver another quarter of strong all-round performance.

The focus of network expansion, as outlined at the beginning of the fiscal year continues to be on Domino's. We added 76 new stores and entered 22 new cities in India. With this, we have opened 134 new Domino's stores in the first half and are well on track to achieve the store guidance of opening 250 stores in FY23.

Our continued investment in building our digital and data strengths is yielding favorable results. I am happy to share with you that app installs at 9.0 mn and own asset contribution to delivery sales were at its highest ever level this quarter. This has been possible through enhancements to our back-end technology, data analytics, menu personalization and enhanced CRM capabilities. We are positively surprised with the tremendous response received to our loyalty program – Domino's Cheesy Rewards. The cumulative enrollment grew to over 7.2 million since its national launch in May 2022.

During the quarter, we became the first QSR Company to launch menu innovation dedicated to East India. Our team worked with a panel of renowned chefs to create an amalgamation of pizza with authentic regional taste loved by the locals. This has been possible thanks to our high store density across all regions, and therefore, we will continue with such regional menu innovation for different regions going forward.

The Board, in its meeting today, also approved a restructuring exercise with regards to our international operations where all international operations will now be held in a step down subsidiary – Jubilant FoodWorks International Luxembourg. The exercise will result in simplification of structure without any change in ultimate ownership over the said subsidiaries.

I am happy to share with you that Sameer has joined us in early September. Let me now turn over to him to share his initial impressions as CEO and MD of our Company.

Sameer Khetarpal:

Thank you, Mr. Bhartia. Good evening, everyone on the call today and thank you for making today on an auspicious day of Gurpurab.

As you know, I joined Jubilant FoodWorks as a CEO on 5th of September. So, I am here for the last three weeks in the quarter and total of eight weeks, I'm pleased to inform you that my

learning and my transition is on track. I am receiving tremendous support from my team and all of the stakeholders.

In the last eight weeks, I have been traveling across India and visited almost 100 stores, spoken with and read reviews of more than 1,000 customers and met more than 1,000 of our frontline teams, serving customers inside the stores and delivering to customers.

I also visited our food tech factories and was very deeply involved in launching the East range and no onion, no garlic range in Gujarat. My focus has been to learn fast, ensure execution and continuity in our strategy.

My early impressions are the following:

JFL strength stems from:

- 1) A culture of customer-led hustle inside the store,
- 2) Deep domain expertise in data sciences and a very strong digital team,
- 3) Unparalleled physical footprint, especially not only in tier-one, tier-two cities but also in tier-three, tier-four cities
- 4) World-class food tech factories that manage very complex forward and reverse supply chain which is multi-temperature, and an awesome team that I have inherited.

On the back of these strengths, the team at JFL delivered a very strong quarter, serving more than three crore customer orders in this quarter. Despite a very tough challenging environment, we delivered strong like-for-like growth, very consistent and industry-beating EBITDA margin, digitally acquiring customers at a new pace and loyalty is a big hit. We also added the highest ever net new stores in this quarter, and internationally teams in Bangladesh and Sri Lanka have delivered a strong quarter despite severe headwinds.

On new and emerging brand fronts, I was there for many of the Popeyes store openings in Bangalore, and customers are loving Popeyes. They're coming back. And again, we have launched our own app since day 1 of brand launch in India and that is also seeing great traction.

Hong's Kitchen is iterating the service and we are very pleased to inform very steady growth in orders and also customer repeat rates. It's truly building up of India's First Chinese QSR brand.

I will continue to devote my time in deepening my understanding of the business and the portfolio, embedding technology at a fast pace and furthering our digital agenda, driving customer centricity, and accelerating execution in Q3. As you know, Q3 is our biggest quarter with multiple high decibel festivals, yes, that's kind of my focus.

Let me now turn to Ashish to share the Financial and Operational Update for the Quarter.

Ashish Goenka: Thankyou Sameer and Good-evening everyone.

The Revenue from Operations of Rs. 12,868 million grew 16.9% versus the prior year. In Dominos growth in revenue was driven by Like-for-Like growth of 8.4% along with a healthy contribution coming from our newly opened stores. Our fortressing strategy also continue to work well for us.

We continue to face high inflation. This had significantly impacted our gross margins which came in at 76.2%, lower by 200 bps year-on-year and 50 bps quarter-on-quarter.

We delivered EBITDA of Rs. 3,125 million, an increase of 9.2% versus the prior year. The EBITDA came in at 24.3%, lower by 170 bps year-on-year and 30 bps quarter-on-quarter. Profit After Tax came in at Rs. 1,192 million. PAT margin was at 9.3%.

We added 76 new Domino's stores and entered 22 new cities during the quarter. We now serve our guests through 1,701 Domino's stores across 371 cities in India.

We have started with the journey of launching regional menu based innovation dedicated to the local taste preference of a particular region. First in the series was a dedicated East India range. For the first time, we combined authentic local flavours like Kasundi, Kosha and Malai on pizza. Similar regional menu innovation in form of No Onion and No Garlic range was launched in Gujarat in West India. We believe that such innovations will go a long way in expanding the market for pizza which we have successfully done over so many years.

We are continuing on our path to significantly improve user pre-order, in-order and post-order experience while advancing own-app adoption. In this endeavor, we relooked at old onboarding journey on our app and made a resolve to make onboarding even more seamless, faster and intuitive. In the new onboarding journey, we reduced the number of steps for a new user to reach the home page from five to one. Sim number detection, OTP auto-read and background location detection were our means to achieve 1-step onboarding, but to a new customer, it is all about getting to experience their favourite brand and ordering quickly from the delectable range of menu offering.

We added two new stores in Popeyes taking the network strength to eight stores. We are getting encouraging customer feedback and sensing the huge opportunity ahead, we are building pipeline and will step up store additions in H2.

In Dunkin', we are pivoting to coffee-first and have opened three new outlets with coffee cues, across Delhi, Noida and Gurugram till date with one new store added during the quarter. The initial response has been encouraging.

In Hong's Kitchen, we are progressing well with planned reduction in number of processes from store kitchen to our Central Kitchen developed in Greater Noida commissary. This is helping

us make the model more QSR-like and significantly improve consistency, translating to higher customer satisfaction.

Turning to our international markets:

In Sri Lanka, despite a very difficult macro-economic backdrop, we delivered system sales growth of 37%. The growth was driven by Dine-in and Takeaway channel. The Own app contribution to Delivery Sales was 71%, an increase of 7% points year-on-year. We opened four new stores taking the network strength to 40.

In Bangladesh, system sales grew by 42%, and we opened one new store taking our store count to 11. The Own app contribution to Delivery Sales was 75%, an increase of 11% points year-on-year.

Turning to the updates on our sustainability front, I am happy to share with you that EV penetration in our delivery fleet has reached 31% as against 19% by end of March 2022. We have also started a program – Women on Wheels where we are facilitating driver training for women from marginalized section of the society with an intent to help them become breadwinners for their families.

In closing, we are pleased with the delivery of balanced quarterly performance in the backdrop of significant inflationary challenges. As we look forward, we remain confident in our strategy and execution, and feel that we are well-positioned to lead this exciting phase of growth for foodservice industry.

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

Moderator: We will now begin the question-and-answer session. The first question is from line of Nihal Jham from Nuvama Institutional Equities. Please go ahead.

Nihal Jham: Three questions from my side. The first one was that a lot of raw materials including our co-material cheese is at an all-time high. So, would we look at pricing action in case that sustains?

Ashish Goenka: Thanks, Nihal. As you know we are facing multi-decadal high inflation, and cheese prices also went up in this quarter. We had instituted two rounds of price increases, one earlier this year and one towards the end of last year. Currently, we are not looking at any further price increase, and we will be looking at absorbing some of these cost increases in our margins. We are of course driving productivity initiatives across the organization to mitigate the impact. We have also started seeing stabilization and softening of some of the other commodities, especially on the fuel side and on the oil side. So, if cheese prices were to not go up further, we should be able to maintain and manage at the current level. Of course, within that, we will continue to look at pockets of tactical opportunities to enhance our value extraction, but we are not looking at any overall price increase.

- Nihal Jham:** Moving on to the second question, we've added around 100 cities in the last three years and the aggression has been stronger than the last two quarters. What I wanted to understand is for these new cities, how does both productivity and profitability work, because I would assume a lot of these would be single store cities from the supply chain cost perspective also?
- Ashish Goenka:** Yes, so we have been making deeper inroads into tier-three and tier-four towns, Nihal, and that's a part of a concerted strategy. We have added almost 66 new cities over the course of last 12 months. And I think the model works very well for us, because not only we see robust demand in these new cities, but because of the lower operating costs, our profitability tends to be slightly higher and better than even tier-one and tier-two, and therefore the payback tends to be lower. So, I think it kicks in a virtuous cycle of growth for us, and we continue to believe that model will continue to work for us in the future.
- Nihal Jham:** Just a last question on Domino's. As I understand, three initiatives at this point in time or something that at least we are reading or highlighting is, first, the delivery speed that we are targeting, second is obviously the menu launches, and third is on the loyalty program. Would it be possible to give a sense of these three, which you think would be the most important terms of getting new consumers or driving the engagement for the brand?
- Ashish Goenka:** Nihal, our constant endeavor has been to continue to drive our LFL growth. And I think a combination of these initiatives is what we are targeting. And I think all of them will help us build brand salience, not only bring in new consumers to the category and our brand, but also drive frequency of our existing customers. So, I think if I were to just talk about it, I think menu innovations are largely towards attracting new consumers to the category. And delivery improvement, "Tees se Bees" program which is aimed towards giving much higher level of customer satisfaction, which is equally true for both new and existing customers. Loyalty Program again is directed towards driving frequency. But what we also believe is it also will bring in a lot of new consumers into the category. And whatever data we have seen, or the experience we have looked at in the last four to five months of having launched a program, it is helping us actually recruit a lot of new customers onto the brand as well. So, I think all these initiatives will act on bringing in new customers to the category as well as driving frequency and satisfaction of our existing customers.
- Moderator:** The next question is from the line of Amit Sachdeva from HSBC Securities. Please go ahead.
- Amit Sachdeva:** Sir, my question is on the network rollout, it has been very impressive, in this demand environment, revenue growth of 17% is great and new vigor in store rollout is indeed very impressive. My question comes from what is the cost you're willing to take in doing so? For example, if I were to assume that gross margin didn't decline, then PBT would have grown by 13%, all things remaining the same, which is about 4% drag to the overall sales growth. My sense is that this may come from small things ignoring, but coming from two impacts; store split impact, and new stores still catching up to full throughput level, but investment has already been done in rentals, etc., Now, question is that, how much drag are you willing to take in

aggressively rolling out strategy? Is there a limit or guiding principle you've set in the network rollout that we will not let earnings drag coming beyond this level or there is some sort of thought how to strategically think about this network expansion and how we should think about earnings growth lagging the revenue growth?

Ashish Goenka:

So, thanks, Amit, for your question. And I think, as we've said in the past, store expansion is actually not having any negative impact on our overall margin. What is causing an impact on margin and dilution in EBITDA is largely coming from commodity inflation, and we are seeing inflation not just in commodities, but across line, as you would know, we are seeing very high level of inflation in fuel, even in manpower cost as overall inflation has gone up, minimum wages have gone up. So, I think the pressure is largely on account of the unprecedented inflationary environment that we are seeing in the economy, and not really because of store expansion. Because I think on a store expansion, we have a playbook that we have been following. And as the margins of the existing stores improve, while the new store may come in at a slightly lower margin in the beginning, but at an overall level, it does not really impact and we are able to absorb that. So, I think once the commodity cycles were to turn, we should be able to improve our profitability from here on.

Amit Sachdeva:

But if I may look at the other costs, I think you've done an excellent job in managing other costs, if I look at some staff costs to other expenses, I think everything is sub-below sales growth in my view. I may be wrong bit here and there, but on average, I thought that every other cost item this quarter grew less than the sales growth. So, you did actually manage other costs quite well. And I have already given the benefit of doubt that say margin did not decline, 200 basis points, the PBT growth would have been 13% in that case. So, what I'm trying to understand is that when we grow 76 stores and 250 stores a year, would it at any stage be a case where PBT or earnings growth would lag the revenue growth or it is like earnings dragging event for you or it is not, that is where I was coming from, how we should -?

Ashish Goenka:

Yes, of course, we will see a higher impact on PBT than we will see on EBITDA because of higher level of depreciation. But I think that is the cost of growth that we are willing to take, because I think what we are looking at protecting is of course our EBITDA margin, because that is a far better reflection of the operating health of our brand. Higher depreciation would also be because of the investments we are making in our commissary, because we have a very well entrenched commissary-based model and that has really worked well for us. And as we expand, we'll also be looking at expanding our commissary network. So, in fact, this year, our Bangalore commissary is under progress, and we are making substantial investment there. So, some of these investments in store network expansion, commissary network expansion, and so the digital capabilities that we are building will of course lead to higher depreciation, and to that extent, there'll be an impact on PBT. But at an operating level, what we are guarding and monitoring very closely is to ensure that we continue to deliver a healthy level of EBITDA margin.

- Sameer Khetarpal:** And also, Amit, the leverage in the line item below gross margin comes from G&A, as you've higher store footprint, you get leverage in G&A. commissary cost, logistics cost, and also marketing cost. So, I think from that perspective, it works well for us except for the fact that the inflation has been very high in this quarter.
- Amit Sachdeva:** I want to just understand how you're thinking about this, because I believe some cash costs are also sitting below EBITDA line which is allocated to depreciation and interest expense as you open stores because of the accounting and hence PBT also becomes a relevant metric to look at for us as such to see that impact. But I understood the point, sir, thank you so much. Just very quickly on Popeyes Sameer, you shared your experience, you said that you visited stores and can you share some real economics and what sort of numbers you've seen so far, and what impressions you've got and how fast the store network rollout will happen in Popeyes, can you share some target for this year and next year, please?
- Sameer Khetarpal:** It's still very early days for a brand, which is launched in India in Jan '22. Our first imperative is to get the product market fit right. I think on that front, I would say, the progress is ahead of our plans, customers are loving the product, and they're coming back for more, the repeat rates are very healthy more than 30%. We also launched Popeyes with our own app, which again shows the prowess of our digital and deep data heritage that we are building now. And again, that app is seeing great traction. So, we launched the right product with the right set of assets and right stores placed in the right areas. So, we're quite satisfied with it. I think still in year one, we would like to iterate the service, get on to aggregators, build the salience and then go from there. The guidance we have given is 20 to 30 stores. We should meet that guidance, and then reassess as we enter into the next year for rapid scale up.
- Moderator:** The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora:** My question is on the loyalty program. You mentioned that you had about 30 million orders this quarter and seven million consumers are on the loyalty program. Just wanted to understand the gap, is it because of multiple orders from same consumers smaller than qualifying order, can you help us understand how to look at the loyalty program enrollment? And also if you can provide some initial feedback on whether you're seeing higher ordering frequency, higher order value from these loyalty program consumers?
- Ashish Goenka:** Thanks, Kunal. First of all, I think the program is doing really well, and we have looked at all global benchmarks, and we have also looked at other peers in the industry who have launched similar programs globally. I think our take rate in terms of the overall enrollment into the program, and also the contribution of orders from enrolled customers seems to be tracking very, very well. So, first of all, I think we're very, very excited and happy with what we've seen as an outcome of the launch. The full mix, just to give you a context, went live only in August, while we had launched the program in May, but it was an omni-channel program, and therefore the entire mix, and we were rolling it out in a phased manner. So, in this quarter, we have seen an overall enrollment of 7 million, roughly 1/3 of our orders in September are coming from enrolled

customers, which also reflect the very high level of engagement. Our focus going forward will be to continue to drive enrollment into the program and overall customer engagement.

Kunal Vora: You have given the own app contribution to delivery fields in international markets, I think you gave 71% for Sri Lanka, you gave Bangladesh number also. What's the trend for India and what's the number if you can share that?

Ashish Goenka: So, Kunal, for India also, we report OLO contribution to delivery sales. We have been tracking upwards of 98% for many, many quarters now. In terms of our overall delivery contribution, it remains the dominant channel for us and continues to grow in a very handsome manner, which augurs well for us because as we are seeing significant recovery in dine-in and takeaway, delivery continues to hold and grow.

Kunal Vora: The number which I was looking for is the own app contribution, not the OLO contribution. Own app will be how much and what will be the third-party?

Ashish Goenka: Kunal, we don't share that number, but I think I can tell you that we have been continuously driving our own app focus. And in this quarter, we had the highest ever own app contribution from delivery sales, and quarter-on-quarter we have seen movement from aggregator channels to our own app channel. The dominant share of our delivery and overall orders actually come on our own assets. And this is a dominant share is what I can tell you.

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

Jaykumar Doshi: My question is on the pace of store network expansion. Now, if I look at your September 2019 quarter revenue, like about 1,265 stores, it was about Rs.988 crores, and then there is a price increase of about 15% including delivery fees. So, compare this quarter versus the September quarter, adjusted for price increase, incremental quarterly revenue run rate is about 125 to 150 crores, which translates into annual run rate of Rs. 600 crores for 400 new stores that you've added. So, is this trajectory in line with your expectations? And if not, would you consider slowing down the pace of network expansion a little bit?

Ashish Goenka: So, Jay, if I've understood your question, right, you're trying to triangulate store expansion along with price increase to see whether our revenue buildup stack up. If that's the question, let me just sort of give you a bit of a color on our revenue growth. So, of course, our focus has been on driving overall revenue growth through store addition and as well as driving same-store growth. And our LFL has been very strong in this quarter at 8.4%. Now, in terms of the construct of the growth, a large part of our growth is coming from order increases, which again is good news from us, and a significantly higher volume growth. So, the growth is order-led and volume-led. Of course, a lot of these price increase has not really flown into a ticket price increase for us, because in a highly inflationary environment, consumers of course are making choices. And we are seeing these choices reflect in two aspects. One is about marginal moderation in the

item per order, and second is the product mix, which the consumer buys. And, therefore, all of these price growth that we have taken over the last two years while has helped us protect margin, has not necessarily translated into an increase in our ATP. And therefore, when we look at our growth, what gives us a lot of joy and satisfaction is that our orders are increasing, and our volume is going up, which means we are seeing far more consumers coming into our brand and are engaging more with us as they are buying more products. Of course, they're making a share of wallet choice by moderating their item per order and also looking at the product mix that they buy. So, I'm not sure if that helps you, Jaykumar, but let –

Jaykumar Doshi: Essentially, what you're suggesting is on your 1,250-store network that was before the pandemic, you may have taken price increases, it has not translated into a proportionate revenue increase as the consumers are downtrading?

Ashish Goenka: What we're seeing is order growth, volume growth. But yes, you're right. Consumers are downtrading to some extent and also reducing item per order. And also, I think it's a combination of channel mix where we are now seeing a lot more increase in dine-in as a channel. Dine-in as you know always comes with a slightly lower average ticket price. And that also is leading to a bit of a channel impact on the overall revenue. So, I think you have to look at a combination of channels and order versus BPO. Again, I'm repeating myself, but what we are seeing is order-led and volume-led, and maybe not all the pricing is translating into growth.

Sameer Khetarpal: Another way to look at is this is the wallet share or the spend share. Order may be lower, but overall customers are coming back and shopping on our platform far more than before. I think that's a function of loyalty and the value offerings that we have. So, that's another lens to look at.

Jaykumar Doshi: Just a follow up question on your loyalty. How do you think about the cost benefit analysis in this case? And if you could give some numbers, if you can explain the cohorts in terms of what percentage of your customers were ordering at a much lower frequency versus what percentage of your customers were already ordering at a frequency that maybe there won't be a lot of benefits, but cost associated with loyalty?

Ashish Goenka: So, if you look at the economics of the loyalty programs, I think it's a very clear case of higher frequency paying back for the investment in the program. Also, since we are giving a product-free, the cost of the program tends to be much lower, because the put down cost is only the food cost of the product and not giving out entire value. So, the way we see it is that as we are able to recruit more consumers because of the loyalty program, that will help drive growth and therefore pays back to the program. And the more important benefit is the frequency increase of existing customers, which again pays back to the program. The other benefit that we are seeing of the programs is that also the churn that we were seeing in existing customer cohort also gets retained. So, for example, if there was a high user who would migrate to a medium user over a period of time, we believe that with the help of this loyalty program, we will be able to retain him at a high user level. So, the inter cohort movement also we'll be able to drive

positive mix there to the help of this loyalty program. So, I think a three-fold benefit should more than pay back for the cost of the program and we believe that it will be margin-accretive as we go along.

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

Percy Panthaki: So, my question is on store addition again, and I'm restricting myself to store addition in towns, where you are sort of present since a very long time, in large towns where you would have a fairly good penetration of stores. What is the logic of opening new stores in those towns especially when you're not fully utilized on your dine-in capacity, because the delivery can anyways be supplied from any store, it doesn't matter, in fact, the customer doesn't even many times know which store is serving his delivery order? If the only logic is to reduce the delivery time from 30 minutes to 20 minutes, I'm not really sure whether that's really a huge enough advantage for us to invest in CAPEX of a new store, because we are already market leaders in terms of delivery time in India or rather Mumbai context, if I'm getting Domino's in 30 minutes versus that any other option if I order on Zomato, Swiggy, etc., it takes anywhere between 45 minutes to one hour. So, moving that 30 minutes to 20 minutes by itself, yes, it's an incremental positive. But do you think the amount of costs and the amount of investment you're putting in just to get this one single advantage, does it make economic sense here?

Ashish Goenka: So, Percy, thanks for that question. First of all, let me upfront clarify that we are not adding stores to reduce our drive time from 30 minutes to 20 minutes. That's not the reason we are adding stores. And we have been able to achieve that 30 minutes to 20 minutes by doing a lot of process engineering at our end in terms of reducing the time for making the pizza and also defining the polygons more sharply. Are we adding stores to drive 30 min to 20 min? Answer is no. The reason we are opening more stores in the existing town is because of the growth opportunity in the white spaces which are already existing in these towns. So, there are two levels of growth. One is of course as we have seen rapid urbanization in India, and that is a macro trend, which is likely to continue, and therefore, the city peripheries will continue to grow. And therefore, enough and more white spaces still remaining in existing towns where we can open a domino store. So, that's one. Second, We've also been following a strategy of fortification in these towns. And we've explained this in great detail in the past as well, that whenever a store reaches a level of demand that it is not able to cater fully and the store KPIs start deteriorating in terms of the operational KPIs, we look at splitting the store and open another store in the same vicinity. In most cases, we have seen that when we split the store, the operating KPIs of the mother store becomes significantly better. We are able to reduce drive time, operating costs, customer experience improves, and the virtuous cycle of growth kicks in where the mother store comes back to its original level in under three years. And the child store, which already gets a head start from the mother, also recovers its investment in like any other new store in under three years. So, I think it's a virtuous cycle of growth that we have seen and the model works very well for us. So, the new store addition in tier-one and tier-two towns or

existing towns is only driven for the growth opportunity that it drives or provides and not because we are choosing any operating KPI.

Percy Panthaki: On this growth opportunity, can you not just sort of address by fortifying the existing stores by putting in let's say, two more kitchen staff, one more oven in the store, etc., why do you need to open a completely new store, which is going to be a much higher investment in CAPEX as well as rentals?

Ashish Goenka: So, Percy, I think our entire brand is positioned on providing a great experience. I'm sure you will not be happy receiving a Domino's Pizza in 45 minutes. The whole brand has been built on the delivery promise of get your pizza in under 30 minutes. So, I don't think we at any stage we would want to compromise on the core proposition and the promise of the brand. So, I think that is a sacrosanct for us. And as I said that, if I were to keep aside consumer metrics for one second, even on purely financial metrics, if I we're to look at this model really pays back for us. And the paybacks are as good as what we get in tier-three, tier-four or any other town. So, there is no reason for us not to invest in this opportunity.

Sameer Khetarpal: Also Percy we do that, what you're saying is debottleneck the store, do as much as we can in the kitchen, there is a standard playbook over there. Only when we start breaching the or nearing the laws of physics is when we split. So, like Ashish said, we put the customer value proposition and the brand promise at the center after solving for all bottlenecks and constraint and then split the store.

Percy Panthaki: My second question is on margin. So, how many more quarters do you think this phenomenon of YoY EBITDA margins being down as we have seen in this quarter will continue, do you think it's a very temporary thing or this YoY EBITDA margins being down can continue for a couple of more quarters?

Ashish Goenka: Percy, as I was explaining earlier, almost all the entire contribution of this margin dilution is because of commodity price inflation. Because the EBITDA margins have been actually reflecting our gross margin dilution, which has reduced by 200 basis points year-on-year. So, even in the last quarter, we were expecting commodity prices to have softened this quarter which has not happened. So, I think that would be anybody's guess in terms of when do we see the commodity cycles coming back and prices moderating. So, it would be difficult to give you a timeframe, but we've already started seeing signs of some level of moderation and some level of stabilization. And if we do not get any commodity shocks from here on, we should be able to recover some of this in the quarters to come.

Percy Panthaki: So, if today's prices remain where they are, then do you think that Q3 was mainly sort of the price at the beginning of the quarter being high and that's why it caused an impact and by the end of the quarter or where we sit today, the price is already low enough to nullify that margin impact or not yet?

- Ashish Goenka:** No, if prices stay where they are today, I think our margin performance will be where we are today. Of course, we can look at some productivity initiatives, some level of operating leverage as we grow. But by and large, we could be at similar levels as we are today.
- Moderator:** The next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.
- Vivek Maheshwari:** A few questions. First, Sameer, you did articulate your learnings and where the strengths for Jubilant FoodWorks are. What are the areas that you think requires attention, what are the places where you think there can be a potential for improvement or reasonable improvement to significant?
- Sameer Khetarpal:** Vivek, I see it more as the opportunities for growth and margin expansion. I think getting the new brands to accelerate faster is definitely a priority. We are making sure we continue double down on Domino's, like I said, I will continue to do that, and lastly, the digital assets that we have is actually unparalleled. And we have an app running in Sri Lanka, Bangladesh on iOS, Android and a progressive web application. I think the opportunity to, to kind of take the physical store footprint plus digital is so immense. If you double down on that, I think that is to me is the real opportunity plus the emerging brands is where I'm focusing on.
- Vivek Maheshwari:** In that context, look, for Domino's, the guidance for addition and the last year addition numbers any which ways have been strong. So, one of the another question that I have had was, what is your sense on, let's say, a Hong's or EKDUM! Biryani, because that's where despite things opening up and being near normal for at least last six months, we haven't seen any buzz. we did see I think six stores closure last quarter, and this quarter we haven't seen any addition. So, what is the sense that you have either on the product or on the brand specifically Hong's and EKDUM!?
- Sameer Khetarpal:** I've spent a lot of time to meet customers, look at their reviews, also benchmark versus the competition. So, firstly, it takes time to get the product market fit right and if you do it right, not only from a consumer standpoint, but also from a store economic standpoint. I think we are fast reaching that stage. By the end of this financial year, I believe across Dunkin', Hong's and Popeyes, we will be ready to scale faster. Where we've been focusing on is making sure we have a great tasting product, customers are coming back, and we have a store economic model that is ready for scale up. So, on all these fronts, I'm happy to note very positively that that things are going in the right direction.
- Vivek Maheshwari:** So, does that mean that you will see store addition acceleration going ahead?
- Sameer Khetarpal:** I think that's all what we want. There is still about five months remaining in this year and our actions are geared towards getting a Coffee First proposition right in Dunkin', pace, product and customer value proposition, getting the story economics right in Hong's Kitchen, I think we should be ready to scale up as we enter the next year.

- Vivek Maheshwari:** Two quick questions. One, how do you account for the loyalty program? So, as customers order, where does the promise of free pizza sits in a P&L and balance sheet, and ultimately, how will it unwind?
- Ashish Goenka:** So, Vivek, this is accounted as discount as per the accounting norm. And we accounted basis a certain ratio of redemption based on the past trend. So, we account for that, and it unwinds as and when the customer redeems the pizza.
- Vivek Maheshwari:** If I order pizza today, and I get a point, so it is accounted at the time of original order, or it is at the time when I redeem it after let's say sixth order?
- Ashish Goenka:** No, so we account it at a time off for the initial order itself, but not 100%, pro-rated to the likely redemption that may happen. So, for example, if only 20 out of 100 customers are redeeming, we will account for 20% upfront.
- Vivek Maheshwari:** But I mean, given that this is new, so you wouldn't have data as yet in terms of what the redemption would be. So, what will be the benchmark?
- Ashish Goenka:** We of course do based on estimate, and we have also got the pilot results with us because we ran an extensive pilot for the first six months before we rolled out nationally. So, we have the pilot results with us with basis which we are accounting, and of course, we will keep doing it up as we get more data on actuals as the program matures.
- Vivek Maheshwari:** Last observation. You have given own app contribution for really, really small markets like Sri Lanka and Bangladesh. Just curious that if you can present Sri Lanka and Bangladesh, what's the issue if you're gaining share any which ways for your own property, for India, which is like the largest one, what is the issue that you can't share that number, but you can share Bangladesh and Sri Lanka?
- Ashish Goenka:** Vivek, feedback taken and we will certainly evaluate this internally and comeback. There are no aggregators in those markets and aggregators in Bangladesh are very, very small. We have large, entrenched aggregators in India, of course, they are very close channel partners. So, there is a certain level of sensitivity involved with that. And that is what our thinking, but I take your feedback, we will discuss internally and we'll come back.
- Vivek Maheshwari:** I'm sure aggregators wouldn't mind if you share your data. So, I leave that with you.
- Moderator:** The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.
- Arnab Mitra:** My first question was on the store expansion. Let's say if you add 250-plus stores this year, any approximate ratio of how much the store splits versus completely new stores? And is the gap between LFL and SSG steady or is it increasing as score split proportion may be increasing, so I just wanted a sense on both of them.

- Ashish Goenka:** To answer your question, our split stores are broadly 1/3 of the total stores that we've been opening. So, that ratio is by and large remain consistent, in fact, slightly lower this year than we had reported for the full year last year. And to that extent, I think the LFL and SSG gap is also steady, there is no deviation from what we have seen in the past. So, roughly 1/3 of our stores are split stores this year.
- Arnab Mitra:** My second question was actually that, this quarter like what Amit has earlier asked, your EBITDA has grown by 9%, but your PBT is flat. So, the depreciation increase that we've seen, is it evenly split between actual depreciation increasing and increase in rent and therefore will this gap kind of continue in this phase of high store addition, unless your SSG significantly starts improving?
- Ashish Goenka:** Arnab, as I have explained earlier, I think the depreciation is moving in line with a) new store addition where we are investing in CAPEX and also because of the IFRS you would see lease accounting getting charged off in depreciation and interest. That's directly proportionate to the number of stores we're adding, and the investments that we're making in our commissary and digital, but a large part of the investment of course is going towards store expansion.
- Arnab Mitra:** How is the commercial rental market right now in terms of inflation, as we look for the next one or two years?
- Ashish Goenka:** So, we have not seen any significant inflation on the rental side. Anyways, for all our existing properties, we have long contracts in place, and the increments are directly governed by the contracts. And even for the new stores that we are opening, we are able to get fairly competitive rates given our overall presence and the strength of our business development team. So, we are not seeing any material inflationary impact on the rental side.
- Arnab Mitra:** One last question on Popeyes. In Hong's and Ekdum! we've seen an iterative process. As you rightly said, it takes time, it's taken almost two years. Do you see Popeyes having a faster pace of iteration or it will also go through this phase before you can really commit very large expansion?
- Sameer Khetarpal:** A good question. I think there are two different playbooks. On Hong's, we are building the playbook, on Popeyes there is an existing playbook that we are customizing to India. So, therefore latter should be faster than developing grounds-up invention.
- Moderator:** The next question is from the line of Avi Mehta from Macquarie Group. Please go ahead.
- Avi Mehta:** I just wanted to understand the CAPEX numbers. So, for the first half, we've done almost close to Rs.400 crores of CAPEX. If you could help explain what has been the reason for sudden increase, it implies that per store CAPEX has risen sharply? And in turn, what would be the number that we should kind of assume for FY'23?

- Ashish Goenka:** Thanks, Avi. So, I think overall CAPEX has followed our store our expansion. Our per store CAPEX have seen a marginal increase which is in line with inflation; we have seen about 8% to 10% increase per store. A larger CAPEX outflow has also been because of this of the opening liabilities which has got paid out this year. Overall, I would say we would be close to Rs.650 to 700 crores in terms of overall spend CAPEX this year, because a), as I said earlier, we will continue to invest in store expansion, we are also building commissary and large part of investment about close to Rs.200 crores will go into our new commissary that we are building in Bangalore, and some amount of our investment in our usual maintenance and digital assets that we are building. So, I think a combination of these three should take us to that.
- Avi Mehta:** The second part is just following up on the earlier participant. If I look at the difference between the headline sales growth and the LFL that we give out, that number has moderated despite the store addition as a percentage actually going up. You did highlight the split stores is not the reason, that percentage has not risen. Would it mean that the new stores are taking longer to kind of flow through or any help in guidance or understanding on that?
- Ashish Goenka:** I think our new stores continue to do well. Sometimes, it's also a function of the timing of the opening of the new stores. Most of them have been skewed towards the end of the quarter. Also, with dine-in coming in, in a big way now and growing sequentially as well as year-on-year. As I explained earlier, there is also a slight bit of channel mix that has come in. And therefore, when you triangulate all of this together, you will see a slightly higher diversion between LFL and revenue growth this quarter.
- Avi Mehta:** Last, just a bookkeeping. If I heard you correctly, just if I could infer, you would expect margins to remain at current levels if inflation does not kind of expand and it does seem that inflation is broadly kind of stabilized at this level. I'm not sure if I heard it correctly. So, I just wanted to clarify.
- Ashish Goenka:** That's right, your understanding is correct.
- Moderator:** The next question is from the line of Tejas Shah from Spark Capital. please go ahead.
- Tejas Shah:** My first question is for Sameer. In your opening remarks, you mentioned the digital agenda of the company and then you spoke about very entrenched digital assets on the customer side. So, just wanted to understand, obviously, early days, but whatever sense you have, how do you see the role of tech playing on the backend and supply chain customer acquisition improving store efficiency side?
- Sameer Khetarpal:** There are multiple pieces, Tejas to your question. Firstly, there is an element of our digital applications to acquire new customers, engage them through our loyalty programs, and make sure that they can track their orders - the full fulfillment, acquisition, fulfillment and engagement piece, that is working extremely well, and we'll roll that out to all international geographies which hasn't done and to all brands. So, that's kind of the piece over there. There is of course next

version of those apps and more modules that will continue, for example, promotions could be another, personalization could be the next. So, there is a clear roadmap over there. Second, you are absolutely right, what goes inside the store or in the kitchen also needs to be digitized and automated. How we manage our stores, inventory, point of sale systems, how our manpower and the store manager is operating the store, there is big room to digitize those processes and make life simpler in our store. Third piece, you spoke about is the real back end, which I believe is our strength, and I visited the Greater Noida food tech park, and I was very impressed with the level of automation that I see not only in our production lines, but also in warehousing, where we are using advanced robotics for storing and taking out materials. Of course, there is room to make sure our logistics forward and the middle mile planning, that can be more data driven, but that is par for the course in my sense. Does it answer the three areas that you touched upon?

Tejas Shah:

Yes, very much. Thanks for the detailed answer. Second, obviously, all talk and based on your guidance as well, that the playbook for Popeyes was relatively simpler, and it's relatively simpler versus the other initiatives that we have. But, in this quarter in particular, store expansion has been muted. So, it seems that at best achieve a lower end of our guidance on 20 stores and not 30 stores. So, just wanted to understand, is it typically the second half of the expansion that we will do or you bet on guidance as well?

Sameer Khetarpal:

Again, I will not read too much into this at the moment like for any new brand to come into India even with an existing playbook. You still need to customize the taste, flavors, product, and build the brand salience, we are in that phase. I don't worry too much about it.

Ashish Goenka:

And I think on your question of store guidance phases, I think as I said, we are planning to accelerate in the second half, and therefore we should be at the lower end of the guidance that we had given earlier, which is 20 to 30 stores addition this year. We're also looking at opening in two more cities in the South. One of them should go live in this quarter, and we are looking at opening one more towards the end of Q4. So, we have a robust plan in place, but as Sameer said, sometimes new brands take a little longer than you plan for. But I think we are currently on track to be at the lower end of our guidance.

Tejas Shah:

In the previous quarter, I had asked, the Russia-Ukraine has still continued, and there's one more international chain which is actually ejected out of Russia. So, just wanted to know where do we stand, is there any pressure from global partner on rethinking on that investment or it continues business as usual for us there?

Ashish Goenka:

DP Eurasia is a listed entity. So, we wouldn't like to really make a lot of comments, but the management has recently announced that they would be limiting their investments in the Russian territory. And their primary focus now currently is on the safety and well-being of their employees and customers. So, I wouldn't want to comment any further on this.

- Moderator:** The next question is from the line of Vishal Punmiya from Nirmal Bang Institutional Equities. Please go ahead.
- Vishal Punmiya:** So, my question is on innovations. So, apart from the couple of regional launches that we have done this quarter, we couldn't really see launches in other part of the country, especially in the current festive and the sporting season. So, what are the plans going forward, are there any big plans in terms of innovations and new launches?
- Sameer Khaterpal:** I think it's a constant endeavor, Vishal. I think we started with Paratha Pizza. I want to remind all of us, right, that's where our first innovation came this year, and we've taken from there to east, then to west, and I think this quarter itself, we have planned to launch more products. I think you should hear about it very soon in November itself.
- Vishal Punmiya:** And secondly, in last quarter we mentioned that the dine-in recovery was very close to the pre-COVID level. So, what kind of growth have you seen for this particular quarter if any?
- Ashish Goenka:** Vishal, in terms of overall revenue, we are seeing fruitful recovery and growth over even pre-COVID period. Our dine-in recovery has been very, very robust. And both sequentially, and year-on-year, we are seeing robust growth in dine-in and dine-in plus takeaway put together as well.
- Vishal Punmiya:** So, it still hasn't reached about the pre-COVID levels, right?
- Ashish Goenka:** In terms of overall revenue, as I said, it has crossed the pre-COVID level, in fact, we are growing from there. But, of course, there is significant headroom for growth in the dine-in. Because we have always focused on being an omni-channel player. The good thing is that our delivery being a dominant contributor continues to deliver very robust growth for us and continue to see the momentum, and we're also seeing significant uptick in our dine-in demand, and we also see a significant headroom for growth in dine-in. And therefore, we're taking a number of dine-in in specific interventions as well to continue to ride the growth on dine-in.
- Moderator:** The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.
- Sheela Rathi:** I just had one question. Sameer, my question to you is that during your tenure at Amazon, you have been involved in the incubation and scaling of lot of new businesses, Amazon Fresh Food, and a few others. So, just wanted to understand any learnings from that experience that could help scaling of all the new businesses which Jubilant has forayed into such as Popeyes, Hong's Kitchen and EKDUM?
- Sameer Khetarpal:** Thanks for that, Sheela. And firstly, I have to build upon the foundation that I am inheriting, right. So, I think I'm very cognizant of that versus purely applying one model on the other. Having said that, there are several learnings and especially three I would like to call out. Firstly, the customer obsession piece. And you would have seen in my narrative, and my initial time

that I've spent reading about a lot of customer reviews, meeting them, in fact, reading their e-mails, answering to them. So, that's one culture I want to drive, not only in the front end, but in our commissaries and also in corporate office. So, I think that's a really long-term value creation for us. The second piece is the agenda of technology and data forward. That piece like I have again touched upon it. We are already running five different apps in three different environments. And along with that, if you bolt-on data and customer backward thinking, I think we can grow at a faster clip. The third piece is on operations excellence. Ultimately, we are in the business of serving a customer a hot pizza, and he or she really be having a delightful meal experience. So, that needs to come together with a fast pace of growing the stores, having the culture of hustle inside the kitchens and making sure delivery is flawless and on time. So, operations excellence, continuous process improvement is something which I have not only picked up in Amazon, but also in McKinsey, GE and Hindustan Unilever. So, I will bring that to the fore. So, these are my big areas, Sheela.

Sheela Rathi: If I may just ask the follow up here, which among these three would be the easiest one to do and the toughest one?

Sameer Khetarpal: I think for a hot pizza on your table, all have to come together. I wish there was one silver bullet. I think there is a great momentum of store opening, right, and and culture of hustle, which like I said, which I'm inheriting, I need to build upon that. I think digital, definitely, we will move faster and forward with my experience, and bring the customer centricity. I think these two probably if I add on to the strong foundation that we have, we will deliver better in this quarter and enter next quarter far better.

Moderator: We'll take the next question as the last question from the line of Robert Marshall-Lee from Cusana Capital. Please go ahead.

Robert Marshall-Lee: So, I'm just wondering if you could talk more broadly about the development of the competitive environment, do you see increased pressure in particular places as we've seen some of the other quick service restaurants, KFC, etc., consolidating, so I was wondering whether you see any kind of material impact of that and how you adapt the strategy with that in mind?

Ashish Goenka: India as a market presents a huge growth opportunity and the kind of macro trend we are seeing is what everyone else is also seeing. So, we're not surprised with the increase in competitive intensity. And therefore, what we are focusing on is building on our strengths as Sameer alluded to, and also stepping up our store expansion, which we have actually stepped up quite well in the last few quarters. So, we will continue to focus on the customer and continue to focus on build on our strengths and continue the pace of store expansion that we have embarked on.

Sameer Khetarpal: Also, competition actually also help in growing the market. But yes, we will double down on our strengths, number one being deeply penetrated store footprint, second is digital and our own assets, and third being world-class supply chain that we have.



Robert Marshall-Lee: There is an increase in competitive investment overall, but actually potentially helpful in growing the market as well, is that right?

Ashish Goenka: That's right.

Moderator: 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.