Management Discussion & Analysis

Economic Environment

The Financial Year (FY) 2018 was a period of transition for the Indian economy with the implementation of several structural reforms. The foremost among these were the Goods and Services Tax (GST) and the Insolvency and Bankruptcy Code (IBC). The temporary disruption caused by GST implementation slowed down the economy. As per the Central Statistics Office (CSO), the GDP growth in FY 2018 is estimated at 6.6% as against 7.1% in the previous year. Rising crude prices, low levels of private investment, less job opportunities, rural distress, and fiscal slippages related to GST collections were the significant challenges.

On the positive side, in FY 2018, India made a 30-point jump to join the top 100 countries in the World Bank's "Ease of Doing Business" Index, and the country's sovereign credit rating was upgraded by Moody's Investors Service for the first time since 2004. These have been primarily attributed to the steady pace of reforms and a consequent expectation of sustainable growth.

In FY 2019, the Government's focus on reforms, ensuring progress on stressed assets under the IBC, and improving farm income are expected to speed up growth. Infrastructure remains a top priority of the Government, and this should have a cascading effect on other sectors. The International Monetary Fund (IMF) has projected India's economic growth to clock 7.4% and 7.8% in 2018 and 2019, respectively.

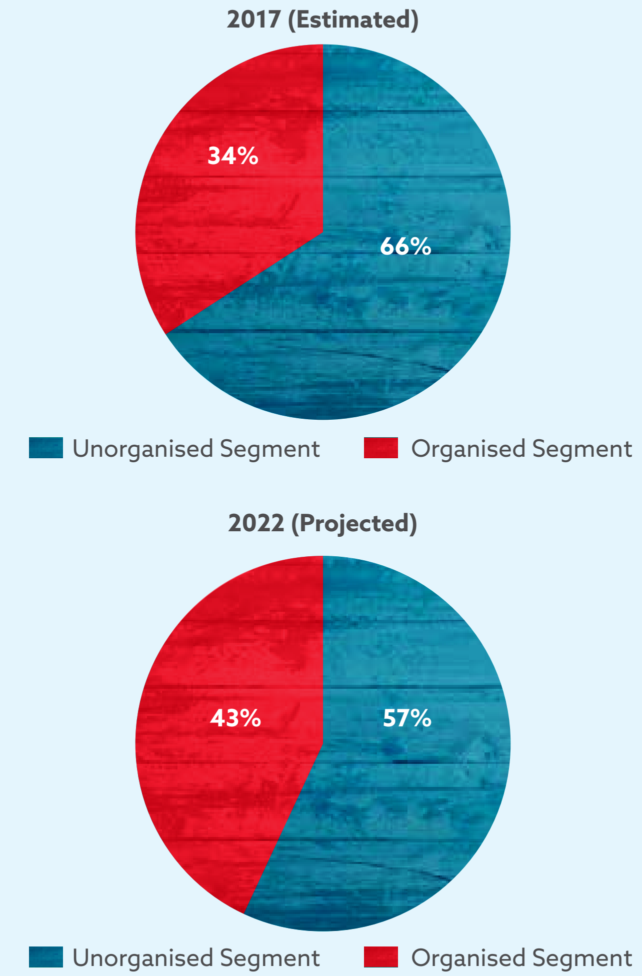
Industry Structure and Developments

The fundamentals are in favour of the Indian Food Service Industry (FSI). The GST implementation on July 1, 2017, did cause an initial disruption, but in the medium and long term, it will benefit organised players. So far, the unorganised segment has been dominant, with a 66% market share. With GST implementation, they are being brought within the tax net, and thus their price advantage will not be the same. This gives the organised players room to increase their present 34% market share.

Another positive factor is the reduction in GST rate for the FSI. The initially imposed rate of 18% was slashed to 5% (for both air-conditioned and non-air-conditioned Restaurants) on November 1, 2017, with withdrawal of input tax credit. This has been regarded as a very progressive step by the FSI and is believed to improve consumer spending at Restaurants, both in volume and frequency.

Jubilant FoodWorks seamlessly migrated to the new tax regime, without any downtime or adverse business impact. The Company ensured that its systems, processes and the IT backend were aligned and updated. It also worked closely with business partners in order to ensure smooth transition. GST benefits were immediately passed on to the customers, on the day of implementation. This was made possible by meticulous planning and flawless execution by a cross-functional team. A calibrated price increase on some of the products was taken, to partially cover both the input credit loss on account of rate cut from 18% to 5% and normal inflation.

Market Share for FSI



Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

As per Technopak Report titled Indian Food Services Industry: Engine for Economic Growth & Employment, the FSI stood at an estimated ₹ 337,500 Crores in 2017 and is projected to reach ₹ 552,000 Crores over the next five years. While the total FSI market is projected to grow at a compounded annual growth rate (CAGR) of 10% during the period 2017-2022, organised players are expected to grow at a more rapid pace of 16% as compared to 7% for unorganised players.

The major contributors to the total FSI are the eight top cities alone – Mumbai, Delhi NCR, Chennai, Kolkata, Pune, Ahmedabad, Bengaluru, and Hyderabad make up 42% of the pie. Smaller cities, too, are slowly emerging as attractive markets, driven by youthful aspiration, a part of which is enjoying a Restaurant meal.

Prospects for the Restaurant chain segment

In the organised market, the chain segment is expected to grow at a CAGR of 21% to reach ₹62,000 Crores by 2022 from ₹23,500 Crores in 2017. Quick Service Restaurants (QSRs), with an estimated market size of ₹10,500 Crores in 2017, are the single-largest format followed by casual dining Restaurants in the chain segment. QSRs are forecasted to continue driving growth for the organised segment, with its market size projected at ₹30,500 Crores by 2020. Additionally, QSRs are expected to be the most preferred format across metros as well as Tier 1 and Tier 2 cities. Centralised commissaries and robust supply chain form the crux of QSRs' operating model, and this is expected to help the chains grow in smaller towns.

QSR Market Size	QSR Market Size
₹10,500 Crores	₹30,500 Crores
2017 (Estimated)	2022 (Projected)

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

'Ordering-in' is the new eating out

Ordering-in has become an integral part of the eating experience as customers do not have to travel, wait-in-line or compromise on the food quality. While speed and convenience are the two major driving forces behind this shift in consumer behaviour, technology is the enabler making it happen. The convenience of smartphones and presence of food aggregators have led to a spike in replicating the Restaurant experience at home. Driven by these factors, the online ordering and food delivery market has been steadily growing.

Role of social media

People are increasingly using photo-sharing social networks such as Instagram and Facebook to share what they are eating, as well as to decide where to eat. Food service players are also leveraging the power of social media to stimulate consumer connect, receive feedback, and devise strategies accordingly.

Growth Drivers

Among the world's fastest-growing economies and with a vibrant population characterised by favourable demographics, India is today regarded as among the most attractive market for consumption-oriented sectors including the FSI. As explained below, the interplay of several factors - economic, social and cultural - is expected to drive the growth of the FSI.

Headroom for Growth

As of now, Indians eat out only 4-5 times per month, while residents in Singapore and Hong Kong do so almost 28 times a month. Per capita expenditure on meals outside home in India is also low vis-à-vis other countries. So the Indian market is very far from being saturated. If all the pieces fall in place, there is much room for growth.

Eating-out frequency per month

Singapore/Hong Kong	India
28 times	4-5 times

Per capita expenditure on meals outside home

US	China	Brazil	India
$1,870	$750	$745	$110

Source: Zomato, Technopak Analysis

Higher Urbanisation

2015 **33%** | 2020 **35%**

Working Women

25%
women employed in service sector by 2020

Demographic Shift

50%
population younger than 24 years

GST Reduction

18% to **5%**

Food Safety

88
new guidelines issued by FSSAI around food safety in recent times

Digital & Social Media

+91 Million
Posts with #Foodporn on Instagram

Macro drivers

Urbanisation, more women in the workforce, and a youthful population are the growth drivers. Busy lifestyles and higher discretionary expenditure characterise these consumers. Also, Indians today are far more experimental with increased exposure to the culture of their western counterparts. Overseas travel, food channels on television, food blogs, food coverage on websites etc. are making consumers keener to try global cuisines.

External drivers

Reduction in GST rates; emergence of new retail avenues thereby resulting in growth in the FSI space; and stricter laws on safety and hygiene compliance will give the organised players an edge. Digital and social media, which is increasingly being leveraged by the organised segment as well as consumers, is also causing reallocation of what and how people are eating; boding well for the organised segment. The convenience of digital payments and cashback and discounts by food aggregators are encouraging spending on food.

Challenges for the Chain FSI

Operational challenges: Availability of commercial real estate to open new stores, and high rental across malls and high street spaces are a rising concern for food services operators. Employee retention, availability of trained and skilled labour are the other challenges.

Ease of Doing Business: Despite several initiatives taken in recent years to facilitate FSI growth, regulatory hurdles still exist. Multiple licences are required for the opening and smooth operations of Restaurants. The process is not yet centralised and requires filing applications with different authorities, making the entire exercise cumbersome and expensive. A Single Window Clearance system will remove the bottlenecks.

Jubilant FoodWorks Business

The Company has two strong international brands in its portfolio, Domino's Pizza and Dunkin' Donuts addressing different food market segments. For Domino's Pizza, the Company has exclusive rights to open and operate Domino's Pizza Restaurants in India, Sri Lanka, Bangladesh and Nepal. Currently, Domino's Pizza is operated by the Company in India and Sri Lanka, and the Company has just announced its entry into the Bangladesh market through a joint venture. As on March 31, 2018, JFL had 1,134 Domino's Pizza Restaurants across 266 cities.

For Dunkin' Donuts, the Company has exclusive rights to operate and develop Dunkin' Donuts Restaurants in India. As on March 31, 2018, JFL had 37 Dunkin' Donuts Restaurants across 10 cities.

With robust business model, efficient supply chain, extensive network of certified partners and presence across the Country, JFL is positioned well to utilise growth opportunities. The high deployment of technology has led the Company stay ahead in the online delivery segment, a growing area in India.

Business Strengths

Infrastructural Excellence	1,170+ Restaurants 11 Supply Chain Centres
Visionary Leadership	Experienced Senior Team at Strategic Level
Pan-India Presence	Located across 260+ Cities
Committed Team	Driven by 27,000+ Talented Employees
Technology Driven	Leveraging disruptive technology across operations
Certified Partners	Network of 120+ HACCP certified food business partners

Thrust Areas

CLEAR STRATEGY FOR DRIVING
PROFITABLE GROWTH

JUBILANT FOODWORKS

- Product & Innovation
- Value for Money
- Customer Experience
- Digital & Technology
- DD Break-even

Efficiency and Productivity

Domino's Pizza India (DPI)

To harness the opportunities of the changing world, the Company identified four strategic pillars: Product & Innovation; Value for Money; Customer Experience and Digital & Technology. During the year, several initiatives were undertaken against each of these pillars which led to visible difference in sales, efficiency and productivity. Cost optimisation was also one of the key focus areas throughout the year.

DPI's Same-Restaurant Sales Growth (SSG) witnessed a strong revival during the year at 13.9%. SSG is a key financial metric in the QSR industry, and the recovery indicates increase in frequency and value of ordering by existing and new customers.

Product & Innovation

DPI constantly innovates to meet evolving customer expectations. This year too, new products were launched with quality and taste being key differentiators.

- **All New Domino's:** An all-round, comprehensive upgrade of quality was made across all pizzas. The new pizzas offer a softer and tastier crust, new tomato sauce made from imported Californian tomatoes, and more cheese and toppings. The packaging was revamped to an attractive blue and white colour to highlight the changes. The upgrade in core pizza saw acceptance by both new and existing customers.

  The launch of All New Domino's was supported by an aggressive 360-degree marketing campaign with the tagline 'Aapne Kaha, Humne Kiya'. The positioning was chosen to reiterate that the new product upgrade was an outcome of insights gained from customer feedback, market research and Restaurant observations.

- **Speciality Chicken Range:** Further diversifying its side product offerings, three new formats of chicken products were launched with international flavours: Roasted Chicken Wings in Peri-Peri Seasoning & Classic Hot Sauce; Boneless Chicken Wings in Peri-Peri & Lemon Pepper Seasoning; and Chicken Meatballs in Peri-Peri Seasoning & Sriracha Sauce. The range appealed to non-vegetarian consumers and has received good feedback.

- **Paneer Makhani Pizza:** The pizza is topped with veggies and paneer on a Makhani sauce, giving customers, especially vegetarians, a pizza experience in a distinct local flavour. The new offering has received a favourable customer response.

- **Chicken Tikka Pizza:** The pizza is designed to deliver the delectable indian taste with a new chicken tikka topping on a Makhani sauce base. This is part of our core menu and is available across 3 sizes and crust formats. The new offering has received a favourable customer response and is among the most popular non vegetarian pizzas within one year of its launch.

Value for Money

The DPI positioning is that of high-quality products being offered at value-for-money prices. Initiatives were taken during the year to reinforce this.

- **Every Day Value:** A new approach was rolled out in the form of 'Every Day Value', where customers are offered a standard affordable price every day instead of deep discounts on select days. From April 2017, under Every Day Value, two medium sized Pizzas are available from ₹ 199 each. This sustainable way of providing value for money has improved consumption frequency, as reflected in high-transaction order growth. Following this success, the scheme was extended to regular-sized pizzas from March 2018. Customers can now buy two regular pizzas at ₹ 99 each. This attractive pricing is expected to provide greater value for customers. A marketing campaign was launched across television, digital, press and radio platforms to drive DPI's 'Every Day Value' proposition. The commercial with the tagline 'Jab Dil Boley, Domino's' drove home the message that 'Any Day is Value Day' when celebrating with Domino's Pizza. DPI's marketing is timed with Indian cricket matches, music shows like 'Voice of India' and TV reality shows, along with special and festive occasions. The marketing campaigns connected deeply with customers.

- **Super Value Menu in small cities:** A super value menu, with select items from the DPI menu offered at low price points, starting @₹ 49, was launched in small cities. This has strengthened customer engagement in small towns.

- **Passing of GST Benefits:** The Company ensured that all benefits from reduction in GST were passed on to the customers immediately. A calibrated price increase on some of the products was taken, to partially cover both the input credit loss on account of rate cut from 18% to 5% and normal inflation. Reduction in effective prices for customers on account of GST was communicated aggressively through advertising.

Customer Experience

Several measures were taken by DPI for enhancing customer experience, both functionally and aesthetically.

- **Late-night delivery:** Matching pace with the changing lifestyle of customers, DPI launched late-night delivery across multiple cities. As on March 31, 2018, this facility was available across 7 Cities and 52 Restaurants. This new growth vector created positive brand association and connect with younger audience.

- **Restaurant reimaging:** DPI Restaurants are being reimaged to ensure that the ambience and infrastructure are in sync with contemporary preferences. For delivering on this objective, DPI has tied up with a leading global design firm.

- **Centralised call centre:** DPI has now put in place a centralised call centre for enhancing the telephonic order experience. The call centre receives the order and transfers the order to the concerned Restaurant instead of customers having to call up the Restaurant in their locality. This enables the Restaurant team to provide uninterrupted service to guests visiting the Restaurant. With this, both delivery as well as dine-in experiences have improved.

- **Domino's-on-the-Go:** DPI has extended its presence to Metro stations in select cities by setting up 'Domino's-on-the-Go' outlets. This format offers a curated menu to people on the move. The Company is an official IRCTC

(Indian Railway Catering and Tourism Corporation) partner and is keen on expanding its services at railway stations. DPI offerings are now available across 206 railway stations as against 134 in the previous year.

Digital & Technology

JFL continued investing in digital and social media for delivering personalised experiences to consumers.

Online ordering: DPI continues to leverage digital technology for driving convenience and transparency in online ordering (OLO). A new version of Domino's Pizza Mobile App was launched with improved functionalities, including a more intuitive and user-friendly interface, lighter web pages for faster loading of menu and quick checkout, and an in-built digital wallet. The app has also been integrated with Google Places to enable users to choose their location accurately and easily. Tie-ups with all the major payment gateways and wallets on the app make it convenient. Technology upgrade has provided a faster acknowledgement to the consumer that the order has been received.

Improved functionality and performance of the Company's digital assets, especially the app, have gone a long way in driving online sales and within that, a shift towards mobile ordering.

Particulars	FY 2017	FY 2018
Share of Online Ordering Sales to Delivery Sales	46%	**58%**
Share of Mobile Ordering Sales to Online Sales	57%	**74%**
Mobile Ordering App Downloads (Cumulative)	69 Lakhs	**127 Lakhs**

Dunkin' Donuts India (DDI)

During the year, DDI focussed on improving the appeal of its core products of donuts and coffee and reducing the losses. The initiatives comprised providing better value offerings, rationalising the cost and consolidating the Restaurant network. The focussed strategy halved DDI losses and the Company is on track to achieve DDI break-even by the end of FY 2019.

Chocotella, White Choco Cheesecake, Choco Symphony, and Coffee Toffee were the new donuts launched. The new beverages introduced were Shaken Iced Coffee, Caramel Hazelnut Latte and Tiramisu Latte. On the food side, Toasties (Chilli Cheese and Chicken) and Big Joy Mayo Burger were added to the menu. Attractive festival packs of donuts were launched as a gifting proposition for Rakhi, Diwali, Valentine's Day etc. The concerted push to the core product categories has driven coffee and donuts consumption and guest footfall.

During the year, DDI experimented with a smaller Restaurant size ranging from 300 square feet to about 650-700 square feet. The Company is optimistic that smaller formats will fetch better returns on investment. Also last year, the DDI network was consolidated with 28 unprofitable Restaurants being decommissioned, unlocking resources for profitable growth.

In addition to in-store and other offline channels, DDI continues to spend on digital advertising to boost brand affinity and stay connected with its guests. Marketing on social media platforms such as Facebook, Twitter and Instagram has driven guest engagement.

Key Business Differentiators

State-of-the-art Infrastructure

Given the complexity involved in the Restaurant Supply System - 99%+ fill rates required for perishable food ingredients, with temperature-controlled storage and transportation, and the constraints in all metro cities related to no-entry zones - the Company's supply capability is a definite source of strength.

The Company has 11 Commissaries/Supply Chain Centres (SCCs) at strategic locations around India. These serve as manufacturing and distribution facilities for DPI and DDI, thus enabling the Company to achieve economies of scale. Lean and Six Sigma techniques are being leveraged across all the facilities to drive operational performance. During the year under review, JFL reduced its manpower dependence by almost 20% at its SCCs despite increased business volumes, achieved with the help of automation and better staff deployment.

Among the most important developments during the year, JFL commissioned its state-of-the-art facility in Greater Noida. This has been a prestigious accomplishment, as this SCC is the largest facility in the entire Domino's Pizza worldwide, as on date of report. The first to be fully owned and operated by JFL, the Greater Noida facility will be supplying food and non-food ingredients. It has the capacity to supply to around 550 DPI and 100 DDI Restaurants, reducing the need for outsourcing. This highly automated facility will make greater cost and quality control possible.

In FY 2017, the Company had set up two new distribution centres at Ahmedabad and Chennai. Strategically situated close to the market, the centres helped reduce logistics cost and improve responsiveness. Now JFL is examining the prospects of distribution expansion to more locations.

Strong Technological Adoption

The Company continues to deploy advanced technology across all its functions and processes. The use of SAP has been entrenched across all the Commissaries/SCCs. The SAP data provide improved understanding of demand trends, tracking of stocks across the supply chain, a more efficient procure to pay process and improved supply planning capability, all in real-time.

A new digital team has been created to improve customer experience in various ways - by upgrading digital assets, driving data analytics, developing Restaurant technology, and strengthening digital marketing.

To tightly control processes while also staying agile, the Company is using SAP Ariba for consolidating and controlling all sourcing activities in a simple, efficient and transparent manner.

The Company has implemented the fleet management software LogiNext for automated delivery route planning, real-time tracking of trucks, temperature monitoring etc. Restaurant managers can now track the supply trucks on the mobile platform.

Almost 80% of JFL's Restaurants have now moved to Energy Management System so that temperature compliance and electricity consumption are monitored online. The operation of key equipment can now be controlled centrally. All Restaurants have moved to LED Lights from CFLs.

Food Safety and Quality Assurance

The Company ensures that stringent quality and food safety standards are implemented across the entire value chain. It continuously upgrades, improvises and validates the quality of its products and processes.

Other measures in place to reinforce the quality standards of products and processes include:

- Much strengthened level of surveillance of the Restaurant operations through frequent, unannounced audits
- Introduced Antibiotic Policy for chicken and chicken products
- Introduced an automatic on-line helpdesk and audit management system called Microsoft Dynamics for real-time complaint handling and monitoring / tracking of all food safety / quality audits across the supply chain i.e. suppliers, Restaurants and supply centres
- Appointed a food safety supervisor at each Restaurant. The Restaurant managers / food safety supervisor are regularly trained by FSSAI certified trainers (FoSTac)
- Most of the Restaurants, vendors and supply chain centres (commissaries) are Food Safety Management System (FSMS/ISO 22000) certified
- 100% statutory and quality compliance for raw materials, in-process and finished products

Sri Lanka and Bangladesh Business

In the past year, the Company announced entering into the Bangladesh market in addition to its on-going operations in Sri Lanka.

JFL entered into a joint venture (JV) with Golden Harvest QSR Ltd. (Golden Harvest) to launch Domino's Pizza Restaurants in Bangladesh. After investment in the JV, JFL will be the majority shareholder with 51%, while Golden Harvest will have 49%. Bangladesh, the eighth most populous country in the world, has an emerging middle and affluent class, with a young demographic that is ideal for JFL businesses. Leveraging JFL's operational expertise and Golden Harvest's local insights, the JV entity is poised to make an impact.

JFL has been steadily expanding its business in Sri Lanka. As of March 31, 2018, the Company had 24 Domino's Pizza Restaurants, versus 23 in the previous year. Like India, even in Sri Lanka, the Company rolled out the Every Day Value proposition. New pizzas and sides were also introduced to fuel excitement. The Company maintained healthy sales growth of approx. 10% in this territory, given tough macro conditions. Much effort has been invested in future growth here.

Financial Review

JFL reported a healthy financial performance, validating its recent strategies of pursuing profitable growth, delivering better value to customers, and optimising costs.

Total Income

The total income for FY 2018 stood at ₹ 3,003.2 Crores as against ₹ 2,560.6 Crores for FY 2017, up 17.3%. DPI's Same-Restaurant Sales Growth (SSG) for the year stood at 13.9% as against (2.4%) in the previous year, the sharp revival driven by launch of All New Domino's and the Everyday Value proposition.

Total Expenditure

The total expenditure for FY 2018 stood at ₹ 2,534.1 Crores as against ₹ 2,299.5 Crores for FY 2017, up 10.2%. The total expenditure on raw material and provision consumed before FY 2018 stood at ₹ 751.4 Crores as against ₹ 616.0 Crores for FY 2017, up 22%.

Personnel expenses for FY 2018 stood at ₹ 604.1 Crores as against ₹ 584.5 Crores for FY 2017, up 3.3%. Cost pressure is mainly attributable to increased demand for manpower, led by the entry of several new players not only in the Restaurant space but also delivery-only start-ups and food aggregators, along with natural wage inflation.

EBITDA

The EBITDA for FY 2018 stood at ₹ 446.4 Crores as against ₹ 246.6 Crores for FY 2017, up 81%. EBITDA margin stood at 15% in FY 2018 as against 9.7% in the previous year, witnessing the expansion of 530 bps. Higher traction in revenue combined with tight cost control measures helped improve margin expansion. The Company renegotiated some of its rent and media/advertising contracts and gained some additional savings on account of GST input credits.

Profitability

The Profit before Tax (PBT) for FY 2018 stood at ₹ 313.2 Crores as against ₹ 97.8 Crores for FY 2017, up 220.4%. The Profit after Tax (PAT) for FY 2018 stood at ₹ 206.4 Crores as against ₹ 67.3 Crores for FY 2017, up 206.9%.

Return to Shareholders

For the year ended March 31, 2018, the Board has recommended a dividend of 50% (i.e. ₹ 5/- per equity share of ₹ 10 face value), subject to the approval by the members at the ensuing Annual General Meeting of the Company.

The Board has also recommended issue of Bonus shares in the ratio 1:1, i.e. issue of 1 Bonus share of ₹ 10 each (fully paid) for every 1 equity share of ₹ 10 each (fully paid) held by the shareholders of the Company on record date. The Bonus Issue is subject to approval of the shareholders. On approval of issuance of Bonus shares, the dividend payout will work out to be ₹ 2.5/- per equity share on enhanced post bonus share capital.

Human Resources

JFL recognises that a committed, empowered and thinking team is the most important asset to maintain its leadership position in the industry. Development and retention of talent, providing employees with cross-functional experiences, extending enriched learning, an array of awards and recognition programmes, and supporting personal and professional aspirations are some leading HR practices being followed at the Company. The Company's friendly, innovative and digitally-savvy image has enhanced its reputation not only for its customers but also for the internal audiences, its employees. The Company's efforts towards building an enabling and engaging work environment have been time and again acknowledged and awarded. In FY 2018, JFL was accorded the recognition of being 'Great Place to Work – Certified' by the Great Place to Work Institute for building a high-trust and high-performance culture.

Key initiatives undertaken in the past year to reinforce a progressive work environment:

Leveraging technology: Following the successful launch of the revamped human resource information system, iManage, JFL has further improvised it by making it more user-friendly and in line with the best digital platforms. JFL uses biometric installation at most of its locations keeping in line with its digital agenda.

Optimising human resources: Hiring of apt talent and ensuring role optimisation to improve efficiencies has been a key focus area. The Company has further optimised Operations manpower by enhancing supervisory ratios.

Capability building: The Company launched JFL University to support all its Learning & Development initiatives. The university has been pivotal in providing need-based learning as per individual requirement. JFL launched multiple interventions for different employee groups, namely, the IBM Watson Development Centre for mid-level managers; 360-degree Developmental Feedback for managers; need-based Management Development Programmes for managers with premier B-schools in India, etc.

Risk Review

Risk management is a holistic, structured, and disciplined approach. It involves identifying potential events that may affect the Company and formulating a strategy to manage these events. The Company has developed and implemented comprehensive risk assessment and mitigation procedures as laid down in the Company's Risk Management Policy.

The Company has institutionalised a risk management framework, which comprises processes for risk assessment, prioritisation, mitigation, monitoring and reporting to the top management and the Board. Elaborated risk rating methodology based on Impact, Likelihood, Vulnerability and Velocity is followed. Risk drivers and key definitions are recorded, risk owners are identified for key risks, and mitigation plans are defined with timelines.

Vital elements of JFL's risk management framework are:

Establish context: Provide the guidelines for risk assessment, defining/refreshing and prioritising the risk events.

Assessment: Identification, analysis and prioritisation of risks based on standard rating criteria.

Mitigation: Formulate mitigation strategies and plans for managing the critical risks.

Monitoring & Reporting: Periodic review and reporting of the status of mitigation plans to the management.

The table shared below lists the key risks that may affect the Company and highlights the mitigating plans in place to manage those risks. The table, however, is not intended to be an exhaustive list of all the risks and uncertainties that may arise.

Risk Statement	Mitigation Plans
Inability to meet prescribed food health and safety standards	◆ Stringent quality specifications and defined quality parameters ◆ Quality assessment of vendor before the appointment ◆ Training sessions for employees on food handling
Hiring of employees with questionable credentials	◆ Employee background verification ◆ Maintain employees database for those not meeting defined criteria
Adverse publicity of JFL & associated brands in India or abroad leading to reputational damage	◆ Monitoring of Media Sources ◆ Media and Publicity Management
Disruption of operations at Supply Chain Centre (SCC) leading to inability to meet consumer demands	◆ Food safety/Quality compliance ◆ Material Management ◆ Preventive machine maintenance ◆ Labour Engagement ◆ Business Continuity Management at SCCs

In addition to the above, JFL has also proactively built a competent cyber resilience practice based on International Security Standards IS/ISO/IEC 27001:2013. The Company's corporate office, regional offices and few of its commissaries are certified as per this Standard. The ordering platform of Domino's Pizza is certified as per PCI-DSS (Payment Card Industry-Data Security Standards). The Company has implemented appropriate physical, electronic and managerial procedures to safeguard and help prevent unauthorised access to information and to maintain data security. These safeguards take into account the sensitivity of the information that is collected, processed and stored by the Company and the current state of technology. The security team has deployed cyber security management framework based on "NIST Cyber Security" and reports its implementation to management on regular intervals. To further improve cyber security posture of organisation, the Company is in the process of implementing key initiatives like "Cyber Security Operations Centre", multi-factor authentication and whole drive encryption.

Corporate Social Responsibility

JFL continuously strives to evolve and ramp-up CSR activities in socio-economic and environmental spheres. The Company is supporting the United Nations Development Agenda (Sustainable Development Goals or SDGs) through various activities in local community. Out of the various SDG goals, JFL is focussing on Zero Hunger, Good Health and Well-Being, Clean Water and Sanitation, Decent Work and Economic Growth & Responsible Consumption and Production.

In order to promote Good Health & Well-Being, Clean Water & Sanitation, JFL supported the Swachh Bharat Abhiyan by the adoption of New Delhi Railway Station as the model station. JFL conducted regular awareness and sensitisation drives at this railway station. Passenger awareness workshops were organised through walkathons, street plays and personal interviews. Through stakeholder awareness drives, cleaning staff, porters, auto / taxi drivers and vendors / hawkers were sensitised.

The Company installed plastic bottle recycling machines at 10 locations to promote the plastic-free campaign. Beach and lake cleaning, especially after regional festivities such as Ganesh idol immersion, were conducted in the west and central region.

JFL was involved in a Farmer's Development Programme in Pune, Maharashtra to enhance farmers' income and empowering them socio-economically. The programme was initiated to enhance cattle productivity through improved feeding, breeding, and management practices.

To promote road safety awareness and well-being, a Road Safety Programme was initiated in Delhi, Mumbai, Bengaluru and Kolkata. About 8,000 youth were sensitised on best road traffic safety practices.

JFL was also actively involved in Rural Development near the Company's Greater Noida SCC; upscaling of speech and hearing impaired candidates, intellectually disabled, transgenders and acid attack victims; and under Hunger Relief programme 28,000 meals were provided to underprivileged children.

Internal Controls and their Adequacy

The Company has a well-defined and structured internal control mechanism, commensurate with the size and nature of the business and complexity of its operations. Internal audit is conducted periodically to provide comprehensive risk-based combined assurance plan.

The Company not only has internal audit procedures but also has adopted Control Self-Assessment (CSA), Self-Validation of Process Controls and subsequent development of remediation plans. CSA involves the employees taking responsibility and ownership for developing, assessing, maintaining and monitoring of internal controls. Self-Validation of Process Controls enables the Company to monitor the adequacy and effectiveness of the internal control environment and the status of compliance with operating systems, internal policies and regulatory requirements.

JFL follows a risk-based audit approach, which involves preparing an annual audit calendar and defining audit scopes covering critical processes. These processes are defined on the basis of a comprehensive risk assessment exercise and on management requests. Criticality rating of observation and audit report is based on approved Risk Rating matrix.

JFL follows stringent procedures to ensure accuracy in financial information recording, asset safeguarding from unauthorised use, and compliance with statutes and laws. All employees adhere to high standards of ethical conduct inspired by formally stated and regularly communicated policies.

Outlook

The Company's sharp focus on product innovation, providing better value for money, and leveraging technology has significantly enhanced customer experience and delivered strong sales. Also, tight and disciplined cost control ensured a satisfactory performance. All these strategic areas will remain equally relevant in this year.

The Company continues to be upbeat about the pizza story in India with a significant opportunity to expand. However, the priority will be to optimise DPI's existing network and enhance SSG by targeting all consumer segments.

For DDI, the focus on primary offerings of coffee and donut, rationalised expansion strategy along with the reduction in Restaurant size worked to reduce losses considerably. The stabilisation of business model is expected to help DDI achieve break-even by the end of FY 2019.

Overall, the Company will continue to execute against its strategic pillars of Product & Innovation; Value for Money; Customer Experience; and Digital & Technology. These strategic priorities coupled with a deep commitment to cost optimisation and higher productivity, positions the business for continued growth.