



Jubilant FoodWorks Limited

Investor/Analyst Conference Call Transcript

November 7, 2012

Urvashi Butani: Thank you for joining us on Jubilant FoodWorks' conference call today to discuss the financial performance and share operating highlights for the quarter ended September 30th 2012. We have on this call today the senior management with us including Mr. Hari Bhartia – Co-Chairman of Jubilant FoodWorks, Mr. Ajay Kaul – CEO and Mr. Ravi Gupta - CFO. We will initiate the call with opening remarks from Mr. Hari Bhartia and followed by insights from Mr. Ajay Kaul and Mr. Ravi Gupta after that the management will be happy to respond to any queries that you may have. Just to state as a standard disclaimer certain statements made on this call today may be forward-looking in nature and a note to that effect has been sent out to you in the release earlier. I would now like to invite Mr. Hari Bhartia to share his perspectives with you, over to you sir.

Hari Bhartia: Thank you. I am really pleased to share with you our results for the second quarter and first half of FY 2013. Our growth story has continued, hallmarked by consumer focused innovation, value offerings combined with our powerful brands. Domino's Pizza and Dunkin' Donuts both have made it a priority to understand their respective customers, which I think is really the cornerstone of the exciting pace of growth that we are seeing. In the case of Domino's Pizza we have transcended the deep consumer connect and have reached an emotional level with our new positioning "Yeh Hai Rishton Ka Time". While at the same time we are providing more avenues to customers to access their favorite pizza, be it through a single national number, a very user friendly website or platform specific applications for today's smartphone generation.

Dunkin' Donuts on the other hand, true to its positioning as a restaurant chain with all-day part food dining options is witnessing an encouraging start. Our customized and local offerings have very well being accepted by customers, feedback from the first couple of stores has been very heartening. We are confident of scaling up this brand, replicating the success we are seeing in the Delhi NCR to the other towns and the cities of India. We honestly believe that it is our continuous reinvestment in our successful business model that has helped us to broaden our reach and appeal. We have continued to increase customer satisfaction by introducing new products at competent prices, prudently invested in marketing and promotional activities. All our efforts have borne fruit and have helped us to maintain a healthy pace of growth.

In conclusion I would like to say that in terms of our people products and execution I could not be more proud of where we stand today. We have a strong growth and expansion story, we expect the same to continue in the future as well. I am going to request my colleague Ajay and Ravi now to continue with their presentations.

Ajay Kaul: Thank you Hari. I would like to first highlight our performance along with key developments related to the company post which Ravi will give a detailed overview of our financials. In Q2 FY 2013, we registered Total Income at Rs. 3421 million, which is a 42.3% increase y-o-y, while for the first half, we witnessed a total income increase of 43.6% to Rs. 6566 million. This increase in revenue reflects the strength of our portfolio and was achieved through a combination of growth drivers. Correspondingly we registered 36.7% increase in PAT to Rs. 324 million during the quarter and 38.1% increase to Rs. 647 million in H1 FY13.

Now moving on to the performance of our brands. Let me first update you on Domino's Pizza, where we opened a total of 26 new stores in Q2, which effectively takes our network of stores to 515. During the quarter, we entered new cities such as Vijayawada and Bharuch with each city getting its first Domino's Pizza store. We also launched a new store in Srilanka at Rajagiriya which now translates to a total of 3 stores in Srilanka. This market will continue to be one of our focus areas as we are not only encouraged by the response received, but also believe that we have just begun to scratch the surface of the potential in Srilanka.

Our Online and Mobile ordering platforms continue to add a new dimension to customer service and are gaining popularity amongst a wide range of consumers. In fact thus far, our mobile app has witnessed 1.4 lac downloads and counting as we interact. This convenient mode of ordering continues to gain traction and currently contributes 13.6% of our delivery sales, while mobile orders contribute 10% to total online sales. The feedback and these results are very encouraging and demonstrate that we are in the right direction to tap the immense potential that e-commerce as a segment has to offer.

Domino's Pizza as a brand continues to be as strong as ever, with an increasing loyal customer base. We are pleased with the connect the brand has with its consumers and believe that our new positioning – Yeh hai Rishton ka time - will only strengthen our bond with them, as we move through.

We continue to stimulate our brands with fresh product initiatives, innovative concepts and creative marketing and branding techniques which are the key facets of our continued success. Some of our initiatives this past quarter have been the launch of innovative side orders such as Potato Smackers and Spicy Twistyz While our other initiatives like launch of pizzas with exotic toppings and re-launch of Pizza Mania, which took place in Q1, continue to gain traction and are well appreciated by our consumers. Our very recent launch that took place in the month of October – Taco Indiana is a unique blend of Indian and Mexican tastes and is being very well received and appreciated by consumers.

As I always emphasize consumer feedback is important to us, as it helps us to explore new and exciting opportunities that allow us to use our core strengths to offer consumers great culinary

experiences. And we believe that the innovation is a significant component of and a driver of growth going forward too.

At this point, let me give you a quick update on our progress of Dunkin' Donuts and our strategy there. The feedback on Dunkin' Donuts brand is very heartening. We are gaining steady traction at all 5 stores that are now in operation and the response is extremely encouraging and positive. We are today more confident our roll out plans. I can contribute this successful to the adaption of the menu to the Indian palate. The same menu has been crafted to cater to all day meals and thus increasing our clientele. We have also used our expertise gained in establishing Domino's as a formidable brand to successfully build and grow the Dunkin' Donuts brand across India. Our goal is to establish the brand as an all-day part food restaurants, offering right from bagels, baked savories, egg preparations served as breakfast to a variety of fresh filled sandwiches to serve as lunch and dinner replacements.

We have confidence that our strategy and the many new initiatives we have underway bode well for our future performance. We are committed to growing JFL in the food service industry by optimizing our brands, while at the same time attracting and nurturing new, up-and-coming talent. We will continue to invest in our leadership team, operational infrastructures and maintain our product and marketing commitments to deliver profitable growth. I would like to reiterate our strategy of connecting with our consumers with a delectable offering and making his experience truly delightful. We believe we are an accessory to happiness, a necessary ingredient which brings people together and relationships to the fore - Yeh hai Rishton ka time. With this I would like to conclude my remarks and would request Ravi to take the call forward.

Ravi Gupta: Thank you Ajay. Good evening and thank you once again for joining us on today's call. Our strategies and business philosophies enable us to drive growth in a sustained manner and we are committed to strengthening our position in the industry for years to come.

The Company maintained a healthy stride in expansion of network with respect to both Domino's Pizza and Dunkin' Donuts. We generated total revenue of Rs. 3421.0 million, registering an increase of 42.3% over Rs. 2403.8 million in Q2 FY12. This reflects that we are in the right strategic direction. Our growth is aligned to increased sales for our new as well as existing stores, led by penetration of our network and novel ordering platforms. Our success is also driven by our continuing emphasis on introducing exciting and innovative items across our menu.

On the other hand, the response for Dunkin' Donuts is impressive and instrumental in our strategy for the future. I believe that we are in a position where we can leverage our knowledge for sustainable progress of Dunkin' Donuts too and take it to the next level in a systematic manner. We are already seeing traction for the 5 restaurants that are operational. Thus while we are confident of our plans for Dunkin' Donuts, its contribution to total revenues is marginal, at present.

On the expenditure front, the rise was aligned to our business growth which can be broadly attributed to our raw material consumption, personnel expenses and other manufacturing expenses which would largely comprise of our rental expenditure. An important point to note

here is that the personnel expenses increase in Q2FY13 is on account of increase in number of employees, which stand at 18,451 as compared to 13,539 in the corresponding quarter last year, and this is due to growth in operations of both Domino's and Dunkin' Donuts. Along with this we have taken our annual increase in salary in July for Store Managers & above in operations and all support staff at Domino's Pizza.

During the quarter, our EBITDA stood at Rs. 586.8 million, which is an increase of 34.5 % over the same period last year. Even as we move ahead, vigilance in our costs will remain prime to our operations along with timely and prudent price hikes to optimize our margin performance. Moreover, the impact of the 2% increase in service tax rates along with our efforts to build and strengthen Dunkin' Donuts, its development expenses do have a visible impact on our margins.

In summary, our Profit After Tax in the quarter stood at Rs. 323.5 million, showing an growth of 36.7% from Rs. 236.7 million in the same period last year. To briefly capture the half year's performance, our Total Income generated was Rs. 6566.0 million, an increase of 43.6% y-o-y. EBITDA increased 35.4% to Rs. 1159.8 million, while our PAT increased 38.1% y-o-y to Rs. 647.0 million.

Moreover, we continue to hold a debt free balance sheet and with such a solid financial framework as a backdrop, we remain focused on growing top line revenue and profitability in an efficient manner.

As we move ahead, we will further build upon our solid financial platform, maintain a disciplined approach on our expenditure and simultaneously leverage our scale. On our network, we have successfully launched 50 stores in H1 FY13 and have now set our target at opening 110 stores for FY13 as compared to our earlier target of 100 stores.

With respect to Dunkin' Donuts we plan to open 10 restaurants in FY13 and as of October 06, 2012, we have inaugurated 5 Dunkin' Donuts stores. In conclusion, I believe we that the course we've charted for JFL, positions us well for long-term success, and we are committed to creating shareholder value by driving sustainable sales and profitability growth for both our brands.

I would now request the moderator to kindly open the question and answer forum. Thank you

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Nillai Shah of Morgan Stanley please go ahead.

Nillai Shah: Sir, the first question I had is on the margins, I am a little surprised to see the dip in margins in conjunction with 20% Same Store Sales Growth and why do I say this because obviously as far as your SSG in the past has been growing ahead of your expenses and your margins have kept expanding. With the 20% increase in SSG why is your expense growing faster than that?

Ravi Gupta: Let's look at the last year's Q2 financials. Our EBITDA margin for that quarter was 18.2%, while in Q1 FY12 it was 19.4% This year our first quarter margin was 18.2% and second quarter is around 17.2%, now when the dip which was there last year also and this year also

typically signifies two things. First thing that we take an annual salary increase in the month of July, and its the full impact gets reflected in this quarter itself and this increase happens typically for the store manager level and upwards. Second aspect that we need to consider, which is applicable only for this year, is the Dunkin' Donuts expenditure, which we were earlier reporting as an exceptional item and we have now started reporting it as part of our EBITDA . We had discussed in the last quarterly concall also that the impact for this is about 70 to 80 basis points. Thus the 3 main factors are - Dunkin' Donuts plus an annual increase in the salary and there is a third factor which is excise and service tax which was increased effective from April 1st this year. Service tax has gone up from 10% to 12% and this has an impact of about 40 to 50 basis points. So, these are the couple of factors which have led to this decline and but if you try to look at the margins, they would have gone further, it is because of the leverage of 20% same store growth that our margins sustained at this level.

Nillai Shah: On account of this, so basically is it then that from now on you may have to take more than the 5% price increase which you take every six months?

Ravi Gupta: Well Nillai our plan is not to take more than a 3% price increase twice in a year, like this year we have taken one price increase already at 3% and then we plan to take another price increase in this year. We have not decided the extent of that but our estimate will be that we will take about 6% - 6.5% price increase in this full year. However, having said that we will also continuously leverage our volumes. We have been growing for past five – six years at 50% kind of system growth and this gives us the leverage to negotiate with our vendors who have also been growing at the similar pace and this leverage has helped us to shield our customers from the kind of inflation which we are facing in the market. So, we reduced the impact of inflation for our customers and we are confident that we can have good margins by increasing the prices by about 6% - 6.5% this year.

Nillai Shah: Any guidance for this margin at least in terms of the trend not so much for numbers but just in terms of trend over the next year, three years?

Ravi Gupta: See, next three years definitely we will not speak about but as far as this year is concerned let me give an analogy again. Dunkin' Donuts about 70 – 80 basis points as we discussed earlier and excise service tax has an impact about 40 – 50 basis points, so last year full year margin was 18.7%, and if we factor these two aspects, our margins should have gone back may be about 130 basis points down, we are still confident that our margins for this full year will be slightly below 18%.

Nillai Shah: Second question is on the number of employees 18,000 plus employees is just a staggering number. What are you doing to control this risk and two, have you started thinking of sub-franchising now?

Ajay Kaul: Okay let's just take both the parts one by one. On one hand you may call it risk but honestly the majority of these people are at the front-end consumer facing level, which are our team members. There, honestly, the challenge is not in terms of supply side; while we are today in 112 cities, we are present in 515 locations but we do not see a supply side imbalance so only thing that we do is we have created what I would call almost a factory like approach but with a

heart of recruiting people at the team member level. The moment it comes to managers and so on you need to have a more discrete and a more scientific approach to it and that's what we do because with managers we believe there is an issue of supply and demand and quality plays a very, very crucial role there and so on. So, while you may call it risk, we do not call it a risk because there is no issue of getting more and more people in fact we take pride in saying that when we go to these places we are generating so much of employment especially when we go to the new cities.

Ajay Kaul: On franchising, we still do not believe that with the kind of levels of sensitivity towards sanitation and hygiene, human practices, quality standards that we have a solid case of franchising. The fact that capital is not an issue, the fact that we are able to get our return on investments that we make in a new store in timeframe which is three years and less. Our return on capital employed numbers look very, very healthy - in excess of 50% and so on. So we don't see compelling reasons for us to just sub-franchise and let that store be at the mercy, if I may use that word, of a third-party which is a sub-franchisee where human practices, sanitation and hygiene standards are compromised. So, I think for the foreseeable at least 2-3 years we don't think we will sub-franchise.

Nillai Shah: In terms of the numbers of stores which you can physically open in a year based on softer constraints around how many have been actually opened, what is your view can you open up like 150 stores in the year based on what you have as an infrastructure?

Ajay Kaul: We won't comment on that. All we can say is this year our guidance says that we will open 110 stores minimum and if you see of the past we have been improving on this number, last year we opened 87 stores. So it's your call to extend that logic into the future but 110 stores we believe is something which we would do this year and we will be hopefully at least able to replicate that in foreseeable future.

Moderator: Thank you very much. Our next question is from Sanjay Singh of Standard Chartered please go ahead.

Sanjay Singh: Just wanted to know while it's heartening to hear good comments on Dunkin' Donuts but we are always very greedy and can we get some more numbers to it?

Ajay Kaul: I wish we could share some numbers with you, it is still in such an iterative stage and I like your comment that as most consumers or I would say majority of our consumers are giving raving remarks about their experience in the store, the look and feel of the store and most importantly the offerings there, all the categories that are present which is the doughnuts which is of course the door opener, the coffee and the other Indianized beverages and also the all day part food led by our sandwiches and the pricing at which we offer and thereby value for money. So on all fronts we are getting some raving consumer reviews as much as you, you just said it but the key point on Dunkin' Donuts is that it is still in the highly iterative stage, when your ambition is to open at least 80 to 100 stores in the next five years and to take it on a trajectory similar to Domino's over a larger period of time you have to get all the aspects of the model correct, whether it is in terms of size, whether it is in terms of location, whether it is in terms of format, whether it is in terms of the customer proposition which is what the menu is, what the pricing is,

how should the look and feel be and so on, so there are still so many variables there which we are playing with that it is difficult for us to tell you that what is it gravitating towards. In terms of cost but at a very, very large level, I mean we believe the stores would cost anything from Rs 60 lakhs to 120 lakhs right now but it will obviously get closer to some number as we move along and we also believe that it should have breakeven similar to what Domino's has. But I would say it is still early days for us to give any concrete number.

Sanjay Singh: But on a like-to-like basis because if I see the numbers what you are saying and try to do the quick maths and extrapolate the numbers, basically cost of Rs. 60 to 120 lakhs and breakeven similar to Domino's would imply a sales per store similar to Domino's, so this means are you relatively confident with your little experience in Dunkin' Donuts that sales per store in Dunkin' Donuts will be probably be largely closer to or EBITDA per store will be largely closer to what you are currently doing in Domino's?

Ajay Kaul: EBITDA we can't say anything right now. As far as sales is concerned, as far as the new store is concerned, any new store that we opened I think it is dissimilar than Domino's but again I would say it has not reached a steady state where we can reach conclusions. Some stores in the beginning obviously have opened at a very, very high sale so one should not get even fooled by that because there is always the euphoria and there is always a novelty and so on. So I would still say early days because sales tend to come down, it tends to gravitate at a certain level, lot of our stores, out of the four stores there are still two of them which are less than I would say two months old, so can't reach any conclusion.

Sanjay Singh: And just in terms of price increases, was there recently a price increase this quarter?

Ajay Kaul: We did take a price increase in June which was of around 3%.

Sanjay Singh: No, I meant this quarter, the earlier ones I am aware of.

Ajay Kaul: No, there wasn't any.

Sanjay Singh: Nothing in November right?

Ajay Kaul: No, we are planning to do a price increase in November but that is Q3, but I can't tell you when and to what extent but as we have said earlier also we would plan to take around 3% – 3.5% price increase in November.

Moderator: Thank you very much. Our next question is from Pritesh Chheda of Emkay Global, please go ahead.

Pritesh Chheda: One on the Dunkin' Donuts - you gave us the impact number of about 70 basis points. Is it possible to give the revenue and the cost figure for the quarter?

Ravi Gupta: See as Ajay just mentioned, we think that initially the sales are pretty high whenever you open a store and then the pace gets slower later on. It is similar to Domino's Pizza also

whenever we enter a new city we see a good response and then same adjustments in about three to six months, we are trying to stabilize after that period and then start growing. So, at this stage I think it is not appropriate to look at what kind of sales we are generating. At a point in time when the sales stabilize, I think at that point we will have a relook and then we will probably have a discussion whether we can start sharing these numbers.

Pritesh Chheda: On the employee cost side if I have heard it correctly you mentioned about an annual salary increase, right which would have effected in this quarter which means that the high number ideally has to be extrapolated for the future quarter or there is any one off?

Ravi Gupta: See if you look at the past also, when you look at in Q2 every year there is a spike which happens. Now, this quarter there were two factors that impacted us. We have also increased our bench strength for the store managers considering that we have consistently revised our targets from 90 stores to 100 stores in Q1FY13 and then from 100 stores to 110 stores. So that entails that we need to increase our bench strength so that we have good trained managers who can open profitable stores, which can generate future returns. Obviously, all these investments not only in terms of the store managers but also in projects, business development everything. So, those investments also added to this line of personnel expenses.

Pritesh Chheda: So, there is no one-off here.

Ravi Gupta: No, there is no one-off here.

Pritesh Chheda: And my last question is if you could give us the CAPEX figure for fiscal '13 and if you could break that up in to Domino's Pizza, Dunkin' Donuts and commissary and other areas that you are going to spend?

Ravi Gupta: Definitely we can do that, see Domino's Pizza as we have discussed that we will open about 110 stores, the average cost is about Rs.9 million, so that is one figure. As far as Dunkin' Donuts is concerned, average cost we can take a similar figure of Rs. 9 million although ranges from Rs. 6 million to 12 million depending on the size because we will be opening all format stores in the first year.

Pritesh Chheda: Those are 10 stores?

Ravi Gupta: 10 stores and now there are three more commissaries out of which one is already operational in Calcutta, second commissary will be operational within this month, which is in Mumbai and third one is in progress and is close to Chandigarh. So these are three commissaries which we are building and then there is another line item which is additional equipment which we need for the stores to manage the increase in same store sales plus the replacement of the equipment in the existing stores when they have lived their life, like we have to replace the bikes after five to six years, we have replace furniture also by similar timelines and all that, so these are the buckets overall in nutshell. We can say our overall CAPEX for the full year will be in excess of about Rs. 150 crore.

Moderator: Thank you. Our next question is from Shariq Merchant of Ambit Capital, please go ahead.

Shariq Merchant: In the Tier-2 and Tier-3 cities that we are expanding in, do we see these stores also reaching the same sales for the stores at the ones in the Tier-1 cities and if not what would be the difference in sales per store?

Ajay Kaul: In the first year these stores are marginally lower than let's say about some of the old stores in main locations, metros and all that, in the first year but over a period of time, in a couple of years' time they tend to catch up and then they become a part of the main stream.

Shariq Merchant: Right so if you would compare a mature store, say store that is three years old in a Tier-1 and Tier-3, how would they perform on sales per store basis or even a sales per square foot basis?

Ravi Gupta: See, let me add what Ajay has indicated. Our new stores typically open at 70% to 80% sales or what is the system sales is for the company. Now, we do not actually concentrate on how much sale you are generating in Tier-3 and Tier-1, I think we have discussed this concept earlier also, our focus is on EBITDA. What is the payback we generate because at the Tier-1 stores the cost is also higher. I can take Mumbai example because most of the people are from Mumbai, look at Mumbai itself - a suburban store say our Dahisar store versus a South Mumbai store, the rental differential will be kind of in the ratio may be 1:4 or 1:5. For hypothetical reasons let's take an example saying that the Dahisar store has rental of Rs.1 lakh and the Colaba store has a rental of say Rs.4 lakh. Now, to generate our three year payback on a Rs. 9 million investment you required about Rs 2.5 lakh worth of EBITDA every year or incremental cash from the store, so Rs. 2.5 lakh worth of EBITDA has to be generated from our Dahisar store. Let's assume that it requires a sale of about Rs.12 lakh to generate an EBITDA of say Rs.2.5 lakh but do you think that same Rs.12 lakh sales can generate an EBITDA of Rs.2.5 lakh from the Colaba store, the answer will be no. Okay, so point is our focus is to look at the EBITDA margins, not on the sales per say.

Shariq Merchant: And my second question was trying to understand the revenue growth for the quarter so of this 42% roughly 20% would be same store sales growth and the entire balance would be from expansion of new stores?

Ajay Kaul: Yes.

Ravi Gupta: I said that you have to break in the three components of the sales, one is same store sales growth, one is new stores as you rightly said and third is the stores opened last year which has a full year impact of this year.

Shariq Merchant: Okay so if I look at last year's figure of total number of stores and take this year's figure and that percentage increase divided by two for a rough, just to get a rough figure that would not be the correct way to look at it and I will add one entire year of stores.

Ravi Gupta: Right.

Shariq Merchant: And lastly just wanted to understand on the rental cost it has gone up almost 50% year-on-year despite same store sales growth of 20%, what would be the reason for this?

Ravi Gupta: See, there are two three reasons, first reason is the service tax which has gone up from 10% to 12%, and it has a marginal impact of 0.1% . Second is Dunkin' Donuts, although the number of stores are not large but Dunkin' Donuts is high footfall driven model so the rentals are slightly higher than normal. Now, our same stores are giving good leverage but the new stores typically since we have opened at 70% to 80% of the sales, they typically come in at little higher rental than what the system average is, so when you increase your aggression for opening number of stores, the rental number tends to be little higher because the new stores come typically at higher percentage which is natural because the sale is not matured fully in there, we have not realized full potential of that store and over a period of time they will adjust.

Moderator: Thank you very much. Our next question is from Hiren Dasani of Goldman Sachs, please go ahead.

Hiren Dasani: I just wanted to clarify this Dunkin' related impact on the EBITDA, I know that you had said you will not disclose the sales and operating numbers for Dunkin', but when you say 70 – 80 basis points impact on the margins that means that it is the net loss at the EBITDA level, I mean if I were to just look at Rs. 342 crore of sales for the quarter 80 basis points would be Rs 2.7 crore and is my understanding correct that if we look at Dunkin' separately only Domino's then the EBITDA would be higher by Rs 2.7 crore.

Ravi Gupta: Yes, that would be the ballpark analysis there.

Hiren Dasani: Yes, I mean if I take 80 basis points then it would be Rs. 2.7 crore, if I take 70 it would be slightly lower but net-net the EBITDA impact is Rs. 2.7 crore or 70 – 80 basis points.

Ravi Gupta: I will not comment on exact numbers but ballpark figure is there. So the message is actually when you look at 80 basis points our EBITDA is in sync with the last year margins. 18.1% was the EBITDA margin last year's Q2 and if we add 80 basis points to the current year, you are closer to the last year's margins, which is despite the excise and service tax impact of about 40 to 50 basis points which we add.

Hiren Dasani: Sure, and just wanted to make sure that these 80 basis points is net expense basically, sales less operating expense of Dunkin'.

Ravi Gupta: Yes obviously.

Hiren Dasani: The other question is that the rent to sales is also more or less stabilizing at about like 7.9% - 8% for the last few quarters, are there any operating efficiencies we can derive from there or you think these ratios will remain more or less close to that?

Ravi Gupta: See, at the same store level so long as the inflation is lower than our same store growth, efficiency keeps on coming but the speed with which we have keep on opening the store and the new stores typically when they open 70% to 80% sales level and the company

average, obviously they add to the percentage but more or less we can say it will be range bound, it will not be haywire to 10% tomorrow.

Ajay Kaul: Also having said that since we have increased our guidance, last year we opened 87 stores this year it is 110 so when you are a bit more aggressive on opening new stores because there is a huge opportunity we believe that exists and so on, we also see that in the market there is a bit of upward mobility on rates and this is true not only for let's say in the metros it probably may be a bit more stable but the moment you go into Tier-2 Tier-3 kind of cities clearly those cities are hot, there is lot of action happening there and the terms come at fairly good rentals, still lower than metros but still high, so a mix and match of all these will lead to the number being in that vicinity of 7.5 odd percent.

Hiren Dasani: And lastly you mentioned that EBITDA margins for this year will be about 18% compared to 18.7% after factoring in let's say 70 – 80 basis points impact on Dunkin' Donuts as well as some impact due to the higher service tax and all, but I am saying I mean if you look at excluding Dunkin' Donuts then we are looking at basically similar margins compared to the last year so does that mean that the operating leverage in the business is now more or less not there anymore or I mean the margin bend would stabilize between 18.5% - 19% going forward as well?

Ajay Kaul: See, the second part of your question we would not like to comment upon but we do still believe that if everything else remains same there are still leveragable opportunities in the business, yes I do agree that it can't endlessly keep moving year after year and end of let's say being at crazy 25% kind of number but there are leveragable opportunities and some of it may not be visible to you because there are so many other factors. Like Ravi rightly explained the impact because of service tax is inbuilt and despite that we have been able to kind of retain our margins of course after factoring the Dunkin' Donuts cost there is also pressure on food cost which continuously keeps coming in and so on and so forth. So, we do believe while opportunities are becoming lesser but they still do exist.

Ravi Gupta: I would just like to add what Ajay has indicated. Now, on the food cost front I think in Q1 also we explained that as we had increased our business aggression and as a result of the discounting the food cost had gone up. Now, that was factor related to economy, since the economy was not doing pretty well, there is a forecast the consumer's spending power is going down so we wanted to maintain our share of the business and increase in the same store growth, so we had taken a hit on the food cost in the first half definitely. And that has probably resulted in saying that on an overall basis looks like the margin expansion is not happening but if you take out that impact of this food cost hit which we have taken in this year or first half we have already taken so the full impact may be visible probably in the later year. Second aspect is the bench strength which we have created, which I earlier discussed that when you are opening that many and more number of stores, obviously bench strength, the projects and VD and other infrastructure are required to be created. And in that year, when you are changing slightly, obviously this appears as if the leverages are not there, but the leverage continues, our G&A, marketing are providing good leverages as the ratio of the new stores to the old stores keeps on decreasing, old store being more profitable compared to the newer stores so they are leveraging the entrants.

Hiren Dasani: On the consumer sentiments of the other retailers have commented that there is a noticeable improvement in may be late September and early in this quarter so do you also share that sentiment?

Ajay Kaul: We would admit that September and coming into October has been a bit more positive than it was in July and August but having said that I would still maintain that those early warning signals which we have maintained last time also, they haven't gone out of the way so it is not as hunky-dory as it was may be a year back. So, I would say that the consumers are still showing signals of either not reducing frequency but not growing frequency at a pace as it was in the past or there are probably migrating from high end orders pizzas to may be downwards, they are not reducing orders but we are moving downwards and this is visible in lot of other categories as well. So, we would rather stick to the stands of wait and watch. While 20% same store growth is still a very healthy number, but when you compare it with the 26% and 30% we have done last year that is good enough a signal for us that there is something happening but personally we are very optimistic honestly because we believe that a few good moves from the government and we can swing back into the numbers we have been doing in the past.

Moderator: Thank you. Our next question is from Manish Jain of Nomura Securities, please go ahead.

Manish Jain: I have just one question see we have been upping our guidance on new store openings for almost every quarter now, I mean it was 90 at the beginning of the year it was 100 last quarter, it is 110 now and if I look at it on 16, 15, 18 month period time we have gone from like almost 60 – 70 that we were looking at beginning of last year to 110 now, has there been a change in thought process, I mean what is this happening I mean is it something that is always a part of the plan or it is something that we have changed in terms of the thought process or is it competition, what is driving this basically?

Ajay Kaul: It is basically opportunity which is driving this. If you go a bit more into history from 25 it became 52 then it became 60, 65, 72, 87 that's the last five year's scorecard so it is always being our ambition to keep growing this number year after year and no doubt the market has been responding. We have been also infrastructural process wise and people wise building our capabilities to kind of move on to a higher number but most importantly the readiness of the consumer and the market being present has been the largest driver. We do believe that this year we have upped our guidance because we can clearly see that even in the hinterland as much as in the larger cities which is the metros and even the next level of cities typically the Lucknows and the Jaipurs of the world there is an opportunity and I will go back to 2-3 things, I think one the fact that we are easily the largest and the fastest growing brand in the country. We seem to have got lot of consumer insights just bang on over the years, whether it was in terms of "30 minutes or free" followed eventually by emotional positioning of "Khushiyon Ki Home Delivery" and more recently now we are talking about "Yeh Hai Rishton Ka Time" supported by product launches which have product after product, category after category whether it is our pasta, whether it is the recent one which is Taco Indiana they have been run away successes. Now, all this has been playing in consumer's mind and the consumers clearly can relate and kind of resonate with our brand what we are trying to say and what we stand for and because our stores are opening with some fantastic response whether it is a metro, a non-metro or a Tier-4

city , all are giving us this encouragement that just go ahead and open a store, they will do well, they will give you return on investments in timeframes which meet your financial considerations less than three years and so on. No need to sub-franchise and so on and so forth. This is also supported I would say by two – three more things, one is getting supply chain under control which has always been so. We are building our own commissaries we are building our own infrastructures. Operationally, we are rated as one of the best operations of Domino's anywhere in the world, so that gives us confidence that we can keep opening stores supported with operations, supported by training of course and most importantly people because we have been rated year after year in the last five – six years as one of the best employers in the country so it is basically people who are motivated enough and bringing excellence of operations into everything that we do and satisfying customers in the process. I think mix of all this is giving us the confidence that yes we can open more and more stores so our guidance for this year is 110 stores.

Moderator: Thank you very much. Our next question is from Varun Lochab from Religare Capital Market, please go ahead.

Varun Lochab: My question was pertaining to the consumer environment again, if you can just throw some light on the same store sales growth in terms of how has been the split between say the order growth and the average billing value are you seeing cuts in average billing value compared to previous quarters, what has been the trend between these two elements of same stores sales growth?

Ajay Kaul: See, the order growth is marginally lower than our same store revenue growth but we will not be able to share the split with you. All we can say is that a part of the price increase does give us clearly an increase in the ticket size and the rest is all order growth but these are handsome numbers still and marginally lower than what the 20% number for revenues.

Varun Lochab: So, basically probably average realization is growing at a slower pace than the price increases that you are taking that would be the assessment?

Ajay Kaul: Yes, corollary to that yes.

Varun Lochab: And just on Dunkin' Donuts in the total employee base what would be the number of employees of Dunkin' if you could give?

Ajay Kaul: It is very, very small I mean Dunkin' Donuts' employees would probably be 150 or 170 employees today, whereas Domino's has in excess of 18,000 people.

Varun Lochab: Okay so basically the hit on employee cost is not so much because of Dunkin' Donuts, like it is very largely because of Domino's.

Ajay Kaul: Yes.

Moderator: Thank you very much. Our next question is from Vikash Mantri of ICICI Securities, please go head.

Vikash Mantri: Just wanted to harp on the employee cost point again, the way I see it is that bench strengths since we just talked about or rolling out 2% more stores that would not have impacted employee cost by more than 2%. The sequential increase in cost per employee is close to 11%, now if I look at last year it was around 5% and the year before that it was 11% and the argument for the two years prior was that there was an increase taken for other team members also whereas last year it was only for store managers and this year the argument is that it is only for store managers and still we see this steep hike in cost per employee, so can you help me with that and also what kind of an increase has been taken per employee if I were to take it only for the store managers and above category?

Ajay Kaul: See, firstly these numbers which you are talking about, we do not have a frame of reference on them but all I can tell you is the extent of salary increase will obviously have a role to play in whatever those numbers manifest into, so it can't be seen in isolation. All I can say is that when we have 500 plus stores and every of our other competitors or call it the catchment area is so small, whether it is our competition or whether it is retail industry in particular, nobody is growing at this kind of pace. So we have to fortify ourselves to have low turnover rates of these managers to ensure that we have a sustainable engine of growth, so there is a price you have to pay, I can't tell you what kind of salary increases we have been giving to people but there are more handsome than what they have been in the past only to do two things, one to keep growing same store at that level retaining these people and also to fill up position in new stores and there is a price you have to pay for that. Second point is even below the store manager level which is what we call the associate and assistant managers who are future store managers, we have taken a certain stance in terms of salary increase because we recruit these people from hotel management institutes and again a handsome increase has been given to them because we want to retain them and we want to have them in the system and let them become store managers after two, two-and-a-half, three years. So if we are looking at an organization for future where we can keep adding 110 stores year after year we have to create these kind of bench strengths by offering these kind of handsome salary increases. So, you can't make a direct comparison to what happened last year and the year before last and this is you can say is way of ensuring that we have sustainable growth in future.

Ravi Gupta: One more point I would like to add here is that in case of Dunkin' Donuts, earlier the employee cost was being reported below the line, now those employees also get merged with the current employee cost. Hence factors like Domino's Pizza's bench strength, new Dunkin' employees are practically leading to this visible increase.

Vikash Mantri: That's employee per cost so that wouldn't really matter and it is just 1% Dunkin' employees. Sir, basically the way I understand here is that as our organization grows larger and larger the cost of retaining employees will be higher going forward is that a fair assessment, generally it is the other way round?

Ajay Kaul: It's a fair assessment. It is a question of how do you build infrastructurally your organization from people and process perspective and once you have that infrastructure created or machinery created then you leverage it. If you go back nearly five – six years when we were jumping from 25 to 50 stores, which was like a double, in those years our margins actually did improve because we were building these capacities, so you can argue that a part of the margin

creation or the leveraging ability probably does get eroded when you are creating this kind of bench strength or creating this kind of machinery but it's clearly with future in mind because we want to open at least 110 stores every year.

Vikash Mantri: Sir, in case of the Sri Lanka operations just wanted to understand our strategy there, these three stores that we have opened and more stores that we have planned to, is it very similar to India or these are completely on the high street as of now and how would the revenue profile be compared to the Indian stores?

Ajay Kaul: See the model is a bit different from India to an extent where focus is clearly on delivery no doubt but similar to India is the fact that consumers there also like going out and dining and eating and so on, so the stores are that much more high streetish, they are slightly larger also in size, and they are obviously that much more visible. So that is you can say a slight variation from what the stores in India are, more high street, more dining space but no doubt that there is a strong delivery focus because delivery is still new there and we are building on it and customers are really receptive to that. Now, since we had built only three stores, it is very early to say what is the steady state store size, whether it is similar to India, still early days to say and again similar to Dunkin' which we were saying a little while back alternations are going on but all that will happen and ultimately we will settle for some models or a mix of models and so on but the key point is that we see a very optimistic view about Sri Lanka after their economy has opened, tourism is increasing in a big way, the government seems to be very pro, stability and building economic reforms and stuff, so we are hopeful that in five years' time we will have at least 25 to 30 stores there.

Vikash Mantri: And Sir in terms, the Dunkin' menu today we heard that you were going to add Indian flavors to it, something like Rasgulla or whatever so is that more of consumer feedback that we have seen in this kind of change?

Ajay Kaul: So basically, it is a tactical, it is only right now because we are around Diwali and Diwali is probably the biggest festival in the country, so we believe in making a donut even more relevant and closer to everybody's heart in Diwali. So the customer didn't tell us that he wants a Rasgulla donut but he is used to eating Rasgullas at Diwali time. We have infact crafted artistically, innovatively donuts which have these elements built into it. So these are very innovative fusions between the traditional Indian sweets and western donuts. I would urge all of you this Diwali to kind of consume it whosoever is Delhi based and actually gift it to your friends and your near ones because it is an exciting alternative to the traditional Indian mithai. I would urge you.

Moderator: Thank you. The next question is from Nikhil Vora from IDFC please go ahead.

Nikhil Vora: Just one thing on the Dunkin's Donuts, what's your sense of Dunkin's growth as we move forward, specifically not so much on terms of number of additions that we do but the fact that Dunkin's globally is 60% coffee chain which in an Indian context possibly will get fairly well penetrated over the next couple of years. And second parallel to that is will the Dunkin's model need to be drastically different to Domino's given that Dunkin' is likely to remain a retail

platform whereas Domino's is obviously a known consumption business so just your thoughts on that?

Ajay Kaul: Right let me go in that sequence. As far as Dunkin' Donuts' offerings are concerned we believe it is spread around, unlike what it is let's say in the U.S. or in some of the other markets. It is centering almost equally around the donut, where we are category leaders anywhere in the world and it is a new category in India. Coffee and beverages which is again a strong pillar of what we have to offer and third where we have actually made a departure from the model from elsewhere in the world is all day part food led by what I would call sandwiches. We are actually focusing on all, some less and some a bit more but without losing sight of anyone of these three because we believe in totality is where the story of Dunkin' lies. The moment you look at the Indian terrain and the way some of these QSRs and cafés have evolved, QSR is typically in a very clinical, quick fashion, serving an order across the counter, limited offerings but replicable transaction after transaction, environment which is kind of QSRish but is not too great to write about. A café which is predominantly hinged around coffee and as a result has alienated itself from food, somewhere between these two lies the sweet spot we believe of a model or of a format which actually encompasses food at the same time has got elements of coffee, beverage and everything into it. So it is a mix of both worlds as a lay person I could say that and we believe this compelling reason for us to say that this is where the business lies because the café struggled to bring in food into the picture and QSRs struggle on giving the right ambience and all that because by definition they are that. We think there is a tremendous opportunity in the food space to offer an all-day part solution to our consumers and with these three categories flown in it is complete in itself. So, it will be different from the traditional US model that's why we call it "Dunkin' Donuts and More" and it is one of the first times anywhere in the world Dunkin' Donuts has allowed anybody to use the term because they also believe there are compelling reasons to do that.

Nikhil Vora: Yes basically the difference between the Dunkin's and Domino's model?

Ajay Kaul: See Nikhil anywhere in the world it is a footfall driven model and so whether it's in terms of real estate consumption which means where we will be, it will be that much more high streetish, mall-ish versus Domino's. Although today, you will also see Domino's stores, a lot of them in malls, in high street locations and so on but still they are predominantly delivery centric, the Dunkin' Donuts model is predominantly I would say right now it is total dine-in centric which means consume on premise or takeaway, where people on the go, pick up some donuts or coffee and they run, so there are different models and they will stay like that in times to come.

Nikhil Vora: My only question is that does the retail platform model which is more a non-home consumption model, will that be firstly - as scalable or even partially as scalable as Domino's has been? And second is will it make the returns which ideally you have got used to as an organization in this platform?

Ajay Kaul: Having done all the iteration with only five stores in our kitty, the simple answer is we are iterating and we will reach these answers at some stage to give more qualified answers but I would say theoretically and at a modeling level because we have such a huge confidence on the model, on the proposition, and eventually that it is going to do as well as Domino's that is why

we went in ahead with Dunkin' Donuts in the first place and our confidence remains at the same level. While in times to come we will get proven right but right now that will be my long and short answer to your question. The other compulsions which you are talking about will stay but we also believe that when Domino's Pizza started in India 15 years back Indian market was that much more primitive. Today, Dunkin' Donuts is entering at a time when Domino's Pizza already has 500 stores. The market is that much more ready today for such concepts than it was 15 years back when Domino's Pizza tried to kind of tell people, what a Pizza was, what the category was and so on. If I have to break down categories, let me just say a few things. On cafés alone, which is coffee shops you will hear consultants talking about an opportunity of growing from a current level of 1900-odd stores to 5000 in the next two to three years. So just coffee consumption is an opportunity, whether it is in terms of per capita, cups per person and so on, there is a huge opportunity. As far as donuts are concerned you know we are the leaders worldwide. The category is still at such a primitive stage in India. It can only look Northwards and nowhere else. So there is a huge room to grow with wide opportunity. And as I said a little while back the food opportunity which nobody seems to have exploited well combining them into one format is something where we see tremendous opportunity and when we look at customer's feedback on let us say our food and I am not talking of beverages and Donuts here, they are absolutely optimistic about it, they are loving our food. So we believe all put together is going to redefine in a way this format is or in the way so-called coffee shops on a standalone basis have grown or the QSRs have and we will have hopefully a lot of statistics to share with you in times to come it will prove a point.

Ravi Gupta: Just to add one more point as at globally, both the brands, Domino's Pizza and Dunkin' Donuts have about 10,000 stores globally and Domino's Pizza is present in about 70 countries but Dunkin' Donuts is in a lesser number of countries, I think in about 40 countries. So that shows a sign that kind of intensity they have per country, on an average per country the number of stores are much higher for Dunkin' Donuts model compared to the Domino's.

Moderator: Thank you. The next question is from Ennette Fernandes from Phillip Capital. Please go ahead.

Ennette Fernandes: You indicated that the number of employees for Dunkin' Donuts is around 150 to 170. Considering that we have five stores opened right now, it means that employee per store is equivalent to Domino's Pizza?

Ravi Gupta: This is the total number of employees including G&A staff and everything.

Ajay Kaul: And also staff who are going to get into future stores.

Ajay Kaul: There is always bench strength there. When your base is small, as a percentage the numbers will look high because you already have people in the system who are getting trained for the fifth and the sixth and the seventh and the eighth stores because they will all come up.

Ennette Fernandes: Also if you could share that in the past two years the number of new cities that we have entered into under the Domino's Pizza model, how many of those cities have we established an additional store?

Ravi Gupta: About half of the cities, we have still one store, in about 50 cities we have two stores and on an overall basis I can answer saying that about half of the stores this year will be opened in top 10 cities and the rest half will be in the rest of the cities and including the new cities.

Ennette Fernandes: Coming back to Dunkin' Donuts, is it possible for you to share what would be the revenue contribution of beverages versus foods?

Ravi Gupta: No, we will not be able to share that.

Moderator: Thank you. The next question is from Binoy Jariwala from Sunidhi Securities. Please go ahead.

Binoy Jariwala: You said we have taken impacts because of service tax about 40 to 50 basis; does this include the impact from service tax on rent also?

Ravi Gupta: Yes, it does.

Binoy Jariwala: So basically the other service tax is about 30 to 40 basis points. Now, as I understand our price is on a YoY basis would not be more than 12 to 15% but our gross margins have kind of improved about 40 basis points on a YoY basis. So if you could highlight what has happened on the raw materials front or is it our bulk buying that is coming through?

Ravi Gupta: If your question is regarding raw materials inflation, I think our estimate for the year is that we will have a high single-digit inflation in terms of raw materials which we will leverage with our volumes and with the business partners and try to reduce the impact of the same. We believe that the residual inflation we should be passing on back to the consumers which is our plan also, which is about 6 - 6.5% price increase which we will do this year. So raw materials will not give the kind of pressure which was visible last year where we have to take about 12% price increase in three tranches. So let us see how the environment goes further and we do not think that will give you more pressure than this year.

Binoy Jariwala: What I am saying is that we must have taken price increases to the extent of 12 to 15% over the past 12 months at various intervals, right. Now, there has been significant raw materials inflation over the past 12 months despite ahead of our prices increases and despite this we have been able to improve our gross margins by 70 to 80 basis points. Now, would this be attributable to some kind of sourcing arrangements or something like that?

Ravi Gupta: Last year, in Q2, our food cost was about 26.4% and this year it is about 26%. So your question is just 50 basis points improvement in the raw materials cost. Is it because of sourcing or something else? What happens is when inflation hits us; we do not pass the whole of the impact of inflation to the consumer in one-go. We shield them from this impact. So last year as I was explaining that we had an impact of inflation which we have slowly passed on back to the consumer. And having passed on to the consumer, our raw materials cost declined. In the first quarter this year again, you will see that food cost is higher. That was basically the impact of the discounting. We had increased our aggression and there were some offers to the consumers.

And in Q2, those offers were lesser but we had anniversaries. Anniversary offers are basically offer, 'Buy One, Get One' schemes to our consumers. So the overall discounting was slightly higher which typically happens in every year second quarter. So, those two impacts together practically has led to this about 60 basis points decline in the food cost.

Binoy Jariwala: So basically there have been no strategic changes in sourcing arrangements or something of that sort?

Ravi Gupta: That is a consistent effort. I think Ajay explained very clearly earlier that consistently we keep on leveraging our volume and I also explained that although there is a high single digit inflation in the raw materials still we will manage our raw materials cost this year by increasing prices about 6-6.5%.

Binoy Jariwala: Last question is on the 100-odd stores that you opened in the past 12 months. How are they ramping up? Are the ramp-ups significantly better than the matured stores?

Ajay Kaul: We have tried to answer this question earlier that new stores do not open at same sales. In fact, they are lower than what the matured stores are and for obvious reasons. But we have no reasons to in fact worry, because we have got some outstanding, I would say, reception or sales from a lot of new cities we have entered or the second stores in existing cities. So without sharing numbers we can safely say that we are very, very encouraged by how we are getting sales from some of these new cities.

Binoy Jariwala: What would be the mix between Pizza to non-Pizza sales?

Ravi Gupta: Pizza sales remain significant, slightly less than 80%.

Moderator: Thank you. The next question is from Pratik Biyani from Standard Chartered. Please go ahead.

Pratik Biyani: Just on same-store sales growth. You were earlier guiding of around 18 to 20% SSG for FY13-14 and given that you have seen some uptick in September-October. Is the uptick more compelling for you to revise your guidance upwards or you would still maintain it at 18, 20%?

Ajay Kaul: In fact, the guidance which we have given now for the full year is 18% and we will stick to that.

Ravi Gupta: This is for this financial year, not FY13-14.

Moderator: Thank you. The next question is from Satish Ganesan from Merisis Advisors. Please go ahead.

Satish Ganesan: Can you throw some light on the online sales model, what is the revenue, whether it has been profitable or a drag on the overall profitability?

Ajay Kaul: Simple statistics. Nearly 13-14% of our orders today, the delivery orders, come through the online route. 10% of these come through the mobile route which means orders booked through the mobile phones. In terms of profitability they are as or more profitable than our conventional business. I would say still early days because once the volumes become large, we will be able to reach more conclusions.

Satish Ganesan: Any idea on the customer acquisition cost and the repeat purchases?

Ajay Kaul: On that front, the cost right now maybe a bit high. That is why I am saying we have to reach a steady state before we can reach full conclusions. But profitability terms they are at par with our conventional business. Volumes are low right now, but we have to look at it on a steady state basis.

Satish Ganesan: And going forward are there any plans of the making that a separate businesses, centralized kitchen for that? Currently, I assume most of the deliveries done through your outlets whereas going forward is there any plan that separate kitchen will be put up at least for cities like, Mumbai?

Ajay Kaul: This model nothing changes. All the orders are still being delivered through the stores. There is only one medium through which a customer can contact the store, place his order, and in this case without physically or through a device contacting, through a phone line or something contacting the store. Other than that everything has remained the same. The order goes to the store closest to him and the thing that gets delivered to him in 30 minutes or less. Nothing changes. No centralized kitchen and nothing like that.

Moderator: Thank you. The next question is from Sanjay Singh from Standard Chartered. Please go ahead.

Sanjay Singh: Just wanted to know that in terms of new store openings, it has been constantly increasing, I appreciate that consumers in India have kind of moved up the ladder but still in two years your number of stores opening has doubled. So is it that only consumer tastes have been changed or is it that your capability was a constraint or if I may add maybe incremental thought process has been there because when I look at Yum! In China with 4,000 restaurants adding 600 per year, this looks pretty small. So what can change it pretty radically if at all something is possible?

Ajay Kaul: The moment you compare China and I will take the Part B of your question first. China, if you look at these top five, seven brands, if you were to add the numbers, it will be probably 8 to 10 times of our number which is an indicator of two things. How much ahead in the curve China and Chinese consumers are because there is always a developmental stage, second is adoption of certain models and clearly, it is again several years ahead of us. We can only draw some inspiration from there. Now going into Part A which is that there were some organizational level constraints or things which were preventing us, no, it is an evolution, when we open 110 stores there is no MNC brand in the country which is even half that number, so there is no such limiting factors. In fact, even when we were opening, even today when we have 515 stores we know there is potential to have a much, much larger number, probably double the

number of those stores in India with the potential of doing that. Our philosophy is that have it on your plate as much as you can chew and we believe we can open good profitable 110 stores this year, so we are achieving that number. And that is all I can say about now. As far as future is concerned the way the economy is moving, and if the GDP actually goes back to that 7 -8% level how it translates into disposable income, the multiplier involved and as a result even discretionary spends on items like ours, we believe the future is much more optimistic and rosy than the past was. So there is a huge opportunity.

Sanjay Singh: As you know 20% same-store sales was very good and probably highest in the world but it is still lower than what we have been doing in the past few quarters. And recently, in this current quarter we have seen even staple companies reporting lower volume growth and also within that there has been a clear thought that urban is doing a little more worse than rural or the gap between urban and rural growth has widened over the last couple of quarters. So, any view between your metro top ten cities versus the rest, any kind of difference between SSG, between these two segments?

Ajay Kaul: The answer to that question is a straight no because what we have to realize to the contrary is that there are more cities which surprise us because all the expertise thrown in, we also have estimates of what a particular new city is going to generate and we have been surprised more often than not. I think by virtue of some cut-through advertising the brand has got such strong saliency developed over the years that we are present in people's mind in cities where we are not present physically already and build a layer of aspiration, pent up demand and so on, probably also because of the first reason.

Sanjay Singh: That is what I am asking. Is the Tier-1, 2, 3 towns doing much more better in terms of SSG than the metros?

Ajay Kaul: Similar. When we do all our analytics there is not statistically significant differences sitting there which can point in a certain direction. So it is holistic growth, it is coming from the large cities, the medium cities, the new cities and so on. So we are pretty optimistic about the whole thing. Coming to that question of what retail industries are reporting some numbers, as I have said, in the past also, as a company our philosophy is not to give guidances which are highly optimistic and we believe that when we say 18% same-store growth for the whole year we should deliver. We are highly confident that we will deliver that number. So you can work backwards and see what are we saying Q3 and Q4 would look like.

Moderator: Thank you. The next question is from Ravish Kumar from Narnolia Securities. Please go ahead.

Ravish Kumar: Do you have some kind of store opening split between the Tier-1, the metros and the Tier-2 going forward for the current fiscal year as well as for the next fiscal year? And based on your response, what kind of payback time you typically estimate for Tier-2 or Tier-3 cities. Are they lower because their payback time is faster because their upfront costs are lower or their payback time is lower because maybe the sales traction is a bit slower?

Ravi Gupta: Second part of the question is our target payback period is about three years. It is Tier-1 store or Tier-2 store or Tier-3 because cost of the opening store is similar. I think your assumption was the cost of opening store is lower in those cities, it is not, and rather it is marginally higher because the stores are slightly biggish. Why? Because in those cities the delivery as a concept has not yet penetrated fully. So people try to enjoy the first dine-in experience or takeaway experience in the store and slowly they become a delivery customer because delivery as a concept is not yet prevalent in those cities. So that answer is very clear. Your first question was how many stores we opened in Tier-1 and all that. A ballpark answer to that is about half of the stores which we are opening will be in top 10 cities and rest half will be in the rest of the cities including the new cities.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Ajay Kaul: Thank to everybody for joining us today. It has been a delight interacting with you all on the call. In the event that we have not been able to address your particular queries today please do get in touch with us and we would be happy to respond to that.

Moderator: Thank you, gentlemen of the management. On behalf of Jubilant Foodworks Limited we conclude this conference call.