



Transcript of the Q4 & FY15 Conference call for Investors & Analysts

Call Duration : 1 hour 22 mins

Management Speakers : Mr. Hari Shankar Bhartia – Co-Chairman of Jubilant FoodWorks
Mr. Ajay Kaul – CEO of Jubilant FoodWorks
Mr. Ravi Gupta – President & CFO of Jubilant FoodWorks

Participants who asked questions

Mr. Avi Mehta - IIFL
Mr. Puneet Jain - Goldman Sachs
Mr. Vikash Mantri - ICICI Securities
Mr. Abneesh Roy –Edelweiss
Mr. Prasad Deshmukh - Bank of America
Mr. Pritesh Chheda - Emkay Global
Mr. Amit Sachdeva - HSBC
Mr. Naveen Kulkarni - Phillip Capital
Mr. Arnab Mitra - Credit Suisse
Ms. Rajasa Kakulavarapu - Jeffries
Mr. Vivek Maheshwari - CLSA
Mr. Krishnan Sambamoorthy - Nirmal Bang
Mr. Pulkit Singhal - Motilal Oswal Asset Management
Mr. Gaurav Bhatia - Deutsche Bank
Mr. Prashant Kutty - Emkay Global
Mr. Manoj Gauri - Equirus Securities
Mr. Manish Poddar - Motilal Oswal

Urvashi Butani: Thank you for joining us on Jubilant FoodWorks conference call where we shall discuss the financial performance and share operating highlights for the quarter and year ended March 2015.

We have the senior management on the call with us, including Mr. Hari Bhartia –Co- Chairman of Jubilant FoodWorks, Mr. Ajay Kaul - CEO and Mr. Ravi Gupta – President and CFO. We will initiate with key thoughts from Mr. Hari Bhartia and follow that with the operating and financial discussion with Mr. Ajay Kaul and Mr. Ravi Gupta. After that the management will be happy to respond to any questions that you may have.

Just to state our standard disclaimer, certain statements that may be made or discussed on the conference call today may be forward looking statements and the actual results may vary significantly from the forward looking statements made. A detailed statement in this regard is available in JFL's Q4 & FY2015 release & presentation which are available on the company's website, under the investors section. I would now like to request Mr. Hari Bhartia to share his perspectives with you

Hari Bhartia: Good Afternoon and welcome to this call. The results of this quarter underline the resilience of our business model and strategy. Q4 results speak of our sustained efforts towards our business as well as for our optimism and belief in the potential of the Food Service Industry in India. As we speak, we believe we have countered and treaded the worst in terms of stress in consumer sentiments. I would like to reiterate the two major factors driving our growth; the first being in the expansion of our network of our iconic brands; and the second being our ability to create meaningful innovative products in an evolving consumer sector. Our new launches have been met with positive response that has helped draw in customers and maintain a good momentum. Along with this, I believe the rapid growth in Online Ordering system and e-commerce will enable us to serve our customers in new and exciting ways.

I am pleased to announce that the board has recommended maiden dividend of 25% for the year-ended March 31, 2015.

As we enter a new fiscal, we carry with us key learnings captured in hopefully an altered economic landscape in FY-2016. We take them as critical markers on the road to long-term success for Jubilant FoodWorks Limited. We will continue to nourish and strengthen our beliefs and are excited to increase the pace of innovation and capabilities to ensure we are well placed to serve our customers. Thank you very much. Over to you Ajay.

Ajay Kaul:

Good evening and thank you for joining us today to discuss our performance in Q4 FY15. Though challenging, the importance of this year can't be ignored. We not only stood tall through a moderating consumption environment but also successfully implemented strategic initiatives which included restaurant rollouts, exciting menu additions, novel offers and thrust on OLO. Our sustained expansion on all these fronts and infrastructure in a tough market was driven by our faith in the potential on the food service industry.

In Q4 we successfully delivered both solid sales and earnings growth. Topline increased 25% y-o-y, whereas profitability witnessed 26% increase as compared to last year. SSG in Q4 was at 6.6% and was almost flat in FY15. From the last two quarters our SSG has come back in positive territory, it was around 1.9% in Q3 and around 6.6% in Q4. While this is encouraging for us, we are yet to see any concrete signs of revival in the QSR space. We believe that our positive SSG is primarily due to the success of our new

product launches and marketing promotions and its great execution at ground. Suffice to say, if this positive trend continues for another few quarters and also spreads to the QSR space in general, we would be confident enough to comment on a positive turnaround in consumer sentiment. Nonetheless, we are upbeat about the future and believe that we can achieve high single digit Same Store Sale Growth in the next two to four quarters.

Coming back to our quarterly update, throughout our organization, we are focused on innovation and the importance of seeking new opportunities. As a result we saw a good momentum on menu expansion. We have recently launched under Domino's Pizza, a new side order Zingy Parcel which is a unique anytime anywhere snack with Paneer/BBQ Chicken topping rolled over a layer of Harissa Sauce inside a Buttery Crust. We also introduced the Fresh Pan Pizza in Regular size. This variant of crust, let me share has received very positive customer response. Some of you would know that currently underway is the AHA value festival which again is receiving high positive response from customers. Under Dunkin' we continued to add excitement with new introductions such as the Crunchy Joe burger that was launched with an absolute value for money proposition with it being priced at Rs.49 only. Delighting our customers is a strong motivation for us and one of the reasons why we have shown this performance.

Coming to our next business driver- expansion of restaurants. Domino's Pizza added 38 new restaurants in Q4 and till date our network stand at 887 restaurants over 199 cities. In Q4 we entered 11 new cities. I'm pleased to mention that we have been able to achieve the target of opening 150 new restaurants for Domino's Pizza that we had set at the start of the year.

Dunkin's expansion remains well on track as per our plans and we opened 8 new restaurants in Q4 and today we have a total of 56 Dunkin' restaurants. In case of Dunkin' we are steadily moving towards new cities and recently entered Hyderabad.

While offering our customers with a broad assortment of offerings and value remains high on our priority list, we also wish to make their ordering experience easy and convenient. Hence over the last few years we have consistently enhanced our thrust on online ordering. In Q4 OLO contribution to delivery sales stood at 29%.

On the commissary front, we have progressed as per our plan and Guwahati and Hyderabad facilities are operational now. The mega facility on the anvil at Greater Noida is advancing as per plan. Every new day at JFL, we believe we are just beginning to harness the power of our brands as we believe the scope for us to grow and create value remains tremendous. Thus on that note, for the coming year we plan to open 150 Domino's restaurants and 30 Dunkin' Donuts restaurants. It will be our concerted effort to broaden our reach wider, exploring new cities and at the same time penetrate existing markets. To conclude my remarks, I would like to mention that we have a strong foundation for future growth with potential to gain additional market share as we progress. We are motivated, dedicated and equipped to realize our business goals and at the same time maximize shareholder value

With that I shall hand over the call to Ravi. Thank you.

Ravi Gupta:

Thank you Ajay and warm welcome to all of you. I would briefly discuss JFL's performance for the fourth quarter and year ended 31 March 2015.

As we look back on FY15, we see a difficult operating environment, yet we exited the year with an uptick in sales. However we are yet to see such trends being mirrored in the market. Backed by a strategic plan

and solid brands we registered 25% increase in revenues during the quarter to stand at Rs 5,421 million. This was attained by combining restaurant expansion, new innovative offerings and consumer focused marketing on a sustained basis. Our unwavering and sharp focus on customer satisfaction has not only enabled us to retain old customers but also successfully attract a new set of audience. As a result of all our initiatives we also witnessed SSG at 6.6% in Q4, as mentioned earlier.

Total Expenditure in Q4 FY15 increased by 25% and stood at Rs 4,720 million. The uptick in expenses is broadly attributable to the Company's growth and expansion. Here I believe our operating efficiencies, advantages in scale and capability, have enabled us to better manage our cost profiles.

Consequently EBITDA for the quarter was at Rs 701 million an increase of 26%. PAT stood at Rs 315 million for Q4 FY15, which was 26% growth over last year. With regards to full year results, total revenues were up 20% to Rs 20,745 million, EBITDA stood at Rs 2,628 million and PAT was at Rs 1,233 million

We enter FY16 on a positive note, knowing that despite the challenges in the last fiscal, our operational and financial strengths enabled us to accomplish numerous initiatives. This helped us stay true to our vision and make successful investments at the right time, which we are confident will have a high impact on the company going forward. With this I conclude my remarks and request the moderator to open the forum for Q&A discussion

Moderator: Thank you very much, sir. Participants, we will now begin with the question-and-answer session. The first question is from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: I had three questions: One was on the milk price. We have seen a deflation. I wanted to understand the impact on cheese price if there is any and do you see upside risks on gross margin, is there kind of benefits that are coming into us on that front?

Ajay Kaul: Yes, after a long time milk prices seem to be in a stable zone, and if it continue to be at the same level it will get us some advantages in terms of the inflation not being as crazy as it used to be in the past.

Avi Mehta: Other than that, could you kind of comment on the remaining gross margin, is there any other driver or how the input cost behaving, can you throw some light on that?

Ajay Kaul: At a very general level, food inflationary pressures this year or for the last few months has been relatively lower than what we have seen in the preceding period let us say 12-months period. So that is all we can say right now. With the threat of monsoon and earlier rains that came and destroyed some of the crops, now what role that is going to play, we do not know. So overall we are kind of positive that the inflationary pressures will not be as high as it was in the past but we cannot comment granularly in terms of exact percentage drops or improvements and so on.

Avi Mehta: The second point I wanted to understand, you highlighted that while there is an uptick, it has not been seen across the industry, is there any geography-specific uptick that you are seeing, this 6.6% specifically in some geographies or is it format-specific, is it on delivery, can you throw some light?

Ajay Kaul: In fact, the good news is that the 6.6% same store growth and preceding that 1.9% which we did in the previous quarter is coming from all quadrants of our business by and large, there are no such pockets which are over-performing or some which are highly under-performing. So that is good news that its overall growth, which means we are doing something at new product launch, at advertising, and at may be online ordering level which is affecting equally all parts of our business. However, as we said

earlier on, and I will kind of repeat here, that our performance over the last couple of quarters may seem like a marginal upswing, but when we look around in the QSR space, fortunately or unfortunately the similar upbeatness is not visible and you know the numbers which have been reported by some of our honorable opposition. So we believe that change in consumer sentiment, if that is a question which is in your mind, whether we are seeing stuff like that, we would still refrain from making any positive statement about mega change in consumer sentiment.

Avi Mehta: You have announced a dividend. I just wanted to understand, is it that we are now going to follow some kind of dividend policy or should we treat this as as-on basis would it be decided every year or if you can kind of comment on that a little bit?

Ajay Kaul: All we could say is that if everything else remains kind of moving in the same direction, we hope that we should be able to pay some dividend every year.

Moderator: Thank you. The next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.

Puneet Jain: I have got a couple of questions: My first question is, you actually mentioned that large portion of same-store growth came in from launch of new products. Would you like to quantify it? If that is the case, for how long it can be sustained? My second question is actually that you have a target of 150-store openings in FY16 which is very similar to that of FY15. Any thoughts on the same, can it be more and what can drive store openings more in FY15?

Ajay Kaul: As far as 6.6% same-store growth of this quarter is concerned, we need to remember that it is set against exactly five quarters back which was in the negative territory. So to that extent it is a bit cosmetic in its appeal, but because 6.6% is positive and it is a good healthy number we believe that a lot of it is coming from some good things that we are doing – innovative products, good advertising, efforts at the ground level and so on. To granulize this or to say how much of it has come from our own efforts and so on is never an easy affair, but we believe lot of it is coming from that, but the moment we look around in the QSR space we do see that some of our honorable opposition is reporting negative same-store growth numbers that probably reinforces this perception in our mind that it is not some big time economic sentiment changes that is contributing significantly to these numbers of ours, but it is probably our own efforts which is differentiating us from competition and we are able to report such numbers.

Puneet Jain: That is very clear, but in the previous quarter also, the base effect were very favorable, you had 1.9% same-store growth and there has been some acceleration compared to the previous quarter in terms of demand. So, what possibly changed in this quarter compared to the previous quarters besides what you are mentioning, any thoughts you can throw on that?

Ajay Kaul: My thoughts are not dissimilar to what I just said that comparisons on same-store are always made with respect to the exactly the same quarter four quarters back. So to that extent it is not an apples-to-apples comparison 1.9% versus 6.6%, but, clearly, 6.6% optically looks better than 1.9% and given that we had 3-4 quarters of negative SS growth, it clearly looks very good. We do believe that majority of it is coming out of some good things which we are doing at the ground level and not because of some change in consumer sentiment and thereby offtake which is leading to it. So that is the answer to your first question. Your second question is “why only 150 and why not more.” We believe that for 2-years in succession, against a tough background of economic sentiment downturn and all that, we have been able to open 150 restaurants and we believe that as the worst of this economic downturn is behind us opening 150 restaurant is doable. Can we stick our neck out and say that we will do more than that?

We do not want to do that because we will only wait for some definite economic sentiment change to make any statement in future.

Puneet Jain: So will it explain in less stores splitting as we move forward and more targeted in new locations?

Ajay Kaul: Relatively yes, we have been saying this for some time that by going into a lot of new cities and opening less number of stores in the cities, where we are already highly penetrated, the pressure on splitting would come down, even in the forthcoming year when we say 150 restaurants, we do believe we will enter a lot of new cities.

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

Vikash Mantri: Two things: One is trying to understand whether the SSG growth was largely volume-driven or can you help me with the price impact? Related to that, given that there was a benign inflation to our raw materials, did we try to push volumes more? The second question is the environment seems to be weak and the real estate more so weak, still we seem to continuously see inflation on the rentals much more than our growth. Can you help me with that line item as well?

Ajay Kaul: As far as your part-a of your question is concerned, which was with regards to price and volume, I think in this quarter which happens to be what we call a good indulgent quarter, where new product which was launched in December continued in January also. We do not necessarily focus on one of these two, our focus is on both, and thereby both seem to have moved forward in a similar direction. We did take a price increase somewhere in November which did have a full quarter impact in Q4 but the differential between the revenue impact and the order impact is not very dissimilar from what it has been in the past. Orders obviously being lower than revenue, without trying to share any numbers with you here.

Ravi Gupta: To add to what Ajay said, we have taken two price increases when you compare on a year-on-year basis; one was done in June last year- of about 3% and then 3% further in November. So on year-on-year basis we have taken about 6% price increase and on the context of that we had around 6.6 % same store growth. Now your second question was inflation on rentals. Now, same-store growth for the full year is flat; however, on a same-store basis there is inflation in the rental. As per agreements itself there is 5% inflation in the agreement because every 3-years the rental goes up by 15%. Now, if I just look at only this 5% and flat sales growth in terms of percentage, the rental increases year-on-year because absolute amount also keeps on increasing and percentage rental also keeps on increasing. The new restaurants typically open at about 70% to 80% of the system average sales. So even if assuming they are coming at the similar rental or maybe slightly lower rental, because sales is at 70%-80% level, in percentage terms, the rentals percentage are always higher, their weighted average for all of them becomes higher. So that is the reason on an annual basis when you look at the rentals, it has gone up from 9% to 9.9% and these are the basic reasons for the rentals to be high, because inflation is there in the rental where sale growth is flat.

Vikash Mantri: Just because the environment is weak and we have seen it otherwise when it is strong, people tend to ask for higher inflation, so can we not negotiate on the other side for lower inflation wherever the three-year contracts are ending? And b) whenever the newer or the 150 new Stores that we have, adding those should come relatively on lower rentals is what I thought given the weak environment? And c) How much is Dunkin impact on EBITDA margins?

Ravi Gupta: You are absolutely right; they are coming at the lower rentals, but since they are at 70 to 80% of the system average sales, in percentage terms they may not be lower in absolute terms. Now on the first query you were saying that “can we go and renegotiate” Now look at a contract which is signed 5-years back, in 5-years there have been many cycles where our sales were growing at 30% and whereas rental was growing only at the rate of 5%. During that period also, the landlord has not come back to us demanding that since market rentals have gone up and please increase my rental. So in a similar way for us also, it is very difficult to go back to the landlord asking that now since the market is benign, please reduce it, because on a long-term basis we have seen the rentals to go up at around 7 to 8% whereas the agreement inflation is only 5%. So when you look at over a 5- 7- 10-year periods we actually pay lesser than market rentals on consistent basis over the life of the contract term. Your next question was on Dunkin’ Donuts. The Dunkin’s full year impact is about 180 basis points, so you can say if were to arrive Domino’s Pizza margin you add 180 basis points to JFL margins, you will get the Domino’s Pizza margin.

Vikash Mantri: You should help us with the revenues impact of Dunkin as well to be able to do that?

Ravi Gupta: Revenues of Dunkin’ are in single digit in terms of percentage of total JFL revenue and it will remain single-digit for next 2-years also.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir, my first question is on SSG. Was there any favorable impact from World Cup although it was not night timings? #2 is you had tie-ups with Foodpanda, etc., so is that also helping?

Ajay Kaul: The impact was very marginal. So if you are alluding to say that would lot of this 6.6% come from the World Cup impact I would say hardly, - it was very-very marginal. As far as your second question was concerned with regards to the food aggregators. We are watching that space very-very closely, on one hand, yes, they may seem like our competitors because they are generic food delivery guys and so on but at the same time we do realize that market-by-market when we study them and I am talking of markets where they have been around for some time including United States, Australia, UK and so on, they will thrive, they will actually succeed. As far as we are concerned, we are already available through most of these people whether it was Foodpanda and earlier TastyKhana and Just-Eat and everybody which have of course been bought by Foodpanda now, we are also available on some of the other food aggregators sites like Zomato and so on, but we believe that a differentiated proposition in the Pizza space which we offer, we have a strong saliency or call it patronage, loyalty of Domino’s. So we do not see them as a threat but they are people who you want to work alongside and grow our business.

Abneesh Roy: My follow-up was in some of the mature markets if you could comment how much percentage the food aggregators can eventually be? And second, in terms of margins, inherently, food aggregators should be lower margin, right, because you will have to share some revenues. So if you could elaborate how much lower margins they can be currently?

Ajay Kaul: Part of your question you should ask the food aggregators and not us, but having said that we are actually seeing the positive thing in food aggregators, because they are only going to grow the food consumed out of home but also at home which is the delivery segment. And pizza always emerges as a very-very strong call it food in the consideration set when it comes to delivery and Domino’s Pizza is clearly four-fifth of that market, we are 70-75% off the Pizza market. So we are also seeing a very positive side in this whole development. As far as the actual dynamics, the commerce and all that is concerned, it is a very iterative and in a dynamic state. So we will not be able to comment on the commerce side that

what are the percentages and how large will this market be, but we need to be clear in our minds that they will become big and they have done that in USA, in Australia, in UK, in Mexico and in other countries.

Abneesh Roy: One more follow-up on the SSG was, in Q2, you had said it will take 4-8 quarters for you to reach high single digit, you have reached pretty close to that. So are you revising that 4-8 quarters which essentially means Q2 FY16 end?

Ajay Kaul: We had made the statement actually one or two quarters back, so to that extent now if you heard our earlier statement, we did say that high single-digit almost may be knocking to become double-digit- we should achieve in 2 to 4 quarters, we will stick to that, the reason being that while 6.6% you may argue seems like a good number and jumping from 1.9 to 6.6% logically should take us there faster, but if this growth was supported by general, I would not call it a euphoria, but a general improvement by all various players in the QSR space, we could have made this statement with a bit more confidence but given that some of our opposition is still showing negative same-store growth is not giving us that confidence.

Abneesh Roy: My second question is on the market share data. If I see the numbers of the other Pizza company... we do not get exact data, but if you see the Yum! results last two quarters, there has been a marked deterioration in their numbers. So, what is your own study saying and why you are gaining market share, is it the innovation and all that? Is OLO, etc., which has seen a sharp jump, is that also helping in this?

Ajay Kaul: I would say a lot of things, you have said many of them, and there are a few other reasons also why we believe we are gaining versus our opposition but we do not like talking too much about our opposition. I think we are playing the game the way we believe it should be played the best. Basically do lot of product innovation, keep serving the customers the right way, keep building new stores, make sure that your positioning is right, supported with technology and Online Ordering, and I think most of these things are working. Why they are not working for our opposition? You should go and ask them.

Abneesh Roy: Why is OLO up sharply this quarter and where do you see that stabilizing it is up 200 bps quarter-on-quarter and sharply YoY?

Ajay Kaul: Lot of our investment is going into building not only the backbone for OLO, but also popularizing it amongst our customer base. If we look around other markets and see the trajectory which OLO has taken in those countries, it is only going to go sharply northwards. Without trying to quote a certain deadline and so on, we do believe OLO from its current 28-29% levels has the potential of becoming 40-50% in the next 2 to 3-years.

Abneesh Roy: Sir, conceptually if you see some of the Online Retailers not in this space are shifting to app only kind of mode. I am sure it is too early in your lifecycle but at some stage do you also think that app only can also be one of the options?

Ajay Kaul: Whatever brings business to us we will keep looking at all distribution ways of reaching our customers giving them accessibility.

Moderator: Thank you. The next question is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

Prasad Deshmukh: A question on Dunkin' Donuts again. How many of your stores are now profitable at a store level? Could you give us a number for the margin impact in 4Q?

Ravi Gupta: We have 54 restaurants as of March 2015. Most of the restaurants at the restaurants level are profitable; typically, in the first year itself they are profitable and cash positive. To your second question, we are not sharing quarter wise performance as to how much impact is there. For the full year, if we have to segregate the company margin and arrive at the Domino's margin, the dilution impact is 180 basis points, so add to the company margins that 180 basis points you will get the Domino's margin.

Prasad Deshmukh: Second question is on your expansion in Tier-2 and Tier-3 cities. You are the only player who is aggressively expanding in the Tier-2, Tier-3 cities, whereas most of the competition right now is focusing on metros. So, is there any difference in the strategy that you follow in terms of giving promotions and advertising or any such initiatives that you take in Tier-2, Tier-3 cities versus what you are doing in metros right?

Ravi Gupta: Actually, our strategy remains the similar between Tier-1, Tier-2, Tier-3 with a small difference is that the space for dine in is bigger in smaller cities because delivery as a proposition is not popular or is not seen by the consumer initially, quite a lot of consumers try the brand while visiting the restaurant with their families and over a period of time the delivery sales go up. So when we size up the restaurant in those cities, the size is slightly bigger as compared to the Tier-I cities. Other than that in terms of price, in terms of product, in terms of other things, all are similar restaurant.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.

Pritesh Chheda: On the Dunkin' Donuts side, you said it is about 180 basis points and it is a cash profit store level.

Ravi Gupta: No, it is not cash profit, it is a total burn at the brand level.

Pritesh Chheda: But the store level is profitable, right?

Ravi Gupta: Yes, store level if you aggregate all the restaurants together it is profitable, most of the restaurants individually when you look at they are profitable.

Pritesh Chheda: So then 180 basis points is about Rs.37 crores on the total top line of Rs.2,074 crores. Can you tell us what is the capital employed in this business?

Ravi Gupta: Actually, it is not Rs.37 crore, it is a lower amount. The capital employed is about Rs.120 crore.

Pritesh Chheda: I still cannot understand store level it is profitable. If you could throw color to the extent of this 180 basis points?

Ravi Gupta: The G&A, marketing and the supply chain cost cannot be recovered only with just 54 restaurants. So at the store level while you are profitable, the cost recovery for the G&A for the marketing and for the supply chain does not happen at this level, and as a result of this there are losses at brand level.

Pritesh Chheda: At what scale should this business can then be profitable...?

Ravi Gupta: Our belief is that at the level of about 120 to 150 restaurants when we will start doing advertising on national media, at that point of time at the brand level it is expected to breakeven.

Pritesh Chheda: Two other questions on Domino's side: One, what is your experience on Domino's now in terms of system level sales on opening and payback? Second, on the competitive environment, the price-led competition was suddenly happening until last month. So if you could give some color on both these questions.

Ravi Gupta: The new restaurant's opening sales are at around 70 to 80% of the system sales, so that formula remains. However, at the same time I should also add that the system level sales have gone down over last 2-years because on a same-store basis we were flat last year and at 1.6% for the year before. So even we say that they are opening at 70 to 80% of the system average sales, the sales have declined; however, the payback period remains at 3-years or lesser, so there is no change in that. You are right, the competition intensity has increased, - whether its pizzerias or burgers chains or some other food chain which has opened or Foodpanda, Tasty Bytes. But that is an exciting space where eventually more people will be willing to consume out of home food and it will help in faster expansion in the market. So overall we are excited even though temporarily it may have some of the impact on us, but on a long-term basis it is a very-very positive move for the whole of the market, that the market may expand exponentially in the future.

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

Amit Sachdeva: Sir, my first question is on the gross margin. You have obviously maintained a very consistent narrow band of gross margin regardless of the input prices pressure which were prevailing in the last 2-years and now they seem to be sort of easing a bit and you also said in a few calls if I remember correctly that the consistent price increases taken were also one of the main reasons for impairment of the demand which resulted in negative same-store growth. Given this environment, and when I look back that you have also taken the two price increases – one in November and one in June of 6% – so, demand is weak, you are still taking price increases, even the input prices are coming down. Would you not be maximizing same-store growth through more orders and keeping the pricing element low and why sticking to 75% gross margin, have you done any study that demand could be maximum at say 70% gross margin or 65% margin and your economics can improve on a same-store basis, so can you guide us into how to think through your business say for next 5-10 years, what should be the ideal margin to maximize demand?

Ajay Kaul: Let me take it in a random order and try to answer all your questions; firstly, looking at 5-10-years is too long a time to look into although we have some perspectives to future, but in a dynamic world like today we do not look as far as 10-years and have definite positions on that; however, we believe that whenever we have done our value for money indexing or referencing or how do consumers perceive us, we can clearly see that vis-à-vis all key players on the market, we are still being seen as a very good value for money player. But having said that in the last couple of years particularly, our value for money scores have actually come down a little bit. That is why that prompted us to launch our AHA plan in April where for various group sizes and for various occasions, we had solutions starting from as low as Rs.29 which is to me is a breakthrough price and it is such an outstanding product we believe because consumers are lapping it up, so it starts with Zingy Parcel at Rs.29, then we of course have Pizza Mania which still start at Rs.49, then we have the Junior Joy Box in its new avatar which is for the kid segment, and all of them are doing well and finally the family combo offer which we have. So we believe this is a better way of addressing the pricing or the value for money expectation rather than just about looking at pricing and seeing that as the only tool. Now while all this is happening on one side we do believe that nominal increases of 2-2.5% couple of times in a year is something which consumer is not averse to and there is hardly any impact by virtue of the elasticity on the consumer offtake. So it is a good balance which we are trying to maintain. Going forward, our thinking is that as economy becomes a bit more

resilient or the positive sentiment starts coming back, and our economy is predominantly a consumption-driven economy we believe that there will be a certain amount of price increase which we will take and which the market place will absorb also and there is enough evidence coming from the past in the good days when such a thing happened. So we are not too fussed with taking heavy price increases but marginal we will, but I would say our 70-80% of our mind space is always focused on orders building more consumers, increasing penetration, increasing frequency and so on.

Amit Sachdeva: So the reason I ask this question is for example, your main staple products which most people will order say medium size Pizza and things like that and some of the newer smaller price items, etc., for example, Joy Box, there might be a small percentage of revenue, at least the bulk of the products would be still price to value ratio. According to you, in your study relative to competition considering offers, etc., do you see that it is very appealing and can sustain its pricing and things?

Ajay Kaul: It is, in fact, vis-à-vis competition, as I said, we fare very well, but yes, our value for money score still on an absolute basis did slip a little bit in the last couple of years and that is a reason for worry, because we are mass consumed products, we are present in 200-cities, we want to have that magical appeal to the middle of the pyramid, and that is why we need to be watching our value for money score closely and that is why this AHA, value for money campaign is basically addressing that.

Amit Sachdeva: What would be your total taxation incidence which would make GST neutral, what sort of number would that be?

Ravi Gupta: We are charging about 14% VAT to the consumer and 5% service tax, so that makes 19% and 2% of the taxes which we absorb, which we cannot pass on or we can take benefit out of it. So, the neutral is 21%.

Moderator: Thank you. The next question is from the line of Naveen Kulkarni from PhillipCapital India Private Limited. Please go ahead.

Naveen Kulkarni: Sir, regarding the tie-up with IRCTC on 120 trains and 12 stations, how are you seeing this picking up, and what are your plans for the future the tie-up with IRCTC have any impact on the last quarterly numbers and what kind of expansion is possible on this front?

Ajay Kaul: We are very excited about IRCTC from a futuristic perspective, looking at the next 5-years, because it is in a make-believe-zone where how you can deliver a Pizza to one seat, 15A on a train which is passing a certain station. But honestly the numbers still are yet to build, the numbers are still very-very small. That is because it is not being popularized still and given that we have to move along with IRCTC, there are restriction in terms of how we will popularize, at what speed we can go, we do not want to overcommit also, but this 50-stations or 100-stations and the number of trains will increase manifold so to say, so we are very-very positive. But "Is it giving us some big numbers?" Like for example in the last quarter, not at all, the numbers are still very small. But over the next few years, the numbers should swell and become big.

Naveen Kulkarni: Of course, considering it was only in 12-cities, so it would not be a big number, but if they contribute to the improvement in same-store sales for those stores

Ajay Kaul: Almost negligible, the numbers are too small even for those 12 stores. So there is a lot of upbeatness and we are excited but numbers are still very small.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: My first question is again on Dunkin'. I just wanted to know what kind of guidance you can give on losses next year or the EBITDA impact next year? Secondly, on an absolute PBT basis, when you go to (+80) stores, would you be seeing a reduction in the losses or the losses in absolute terms will also expand before coming down?

Ajay Kaul: We would not offer any guidance on next year's losses as far as Dunkin' Donuts is concerned. As Ravi had rightly said sometime back, that as the number of restaurants increase, and probably at a figure of around 120-150 should the whole business start breaking even, is our estimate as of now. So needless to say, progressively, when we move from our current state of around 55-60 restaurants to maybe 90-100 restaurants by the end of next year, we should start reducing these losses and start gravitating towards a zero loss scenario. Timing is anybody's guess, but we believe it will take us a couple of years to reach there.

Arnab Mitra: In terms of your experience till now, does it seem to have payback period similar to what you have in Domino's or is it longer than what you have seen in Domino's in the past?

Ajay Kaul: It is clearly more than Domino's Pizza; Domino's Pizza is a well-oiled machinery, it has got 18-years of experience behind it and the payback periods are clearly less than 3-years. Our aspiration is to also at some stage, have Dunkin' Donuts delivering similar payback periods but right now they are not in 3-years or less than 3-years category but they are more. But, as we move forward, we believe in cities we have been around for some time and where the model has kind of been tried and tested in some ways, achieving those kind of payback periods like Domino's in the long run is possible, is doable and that is what we are working towards.

Arnab Mitra: Second question is on the CAPEX. If you could just tell me how much actually done in FY15 and how much is balance in FY16 especially on the commissary side? And after this round of Commissary expansion, the back end is ready for how many Stores then?

Ravi Gupta: The last year we spent about Rs.305 crore of CAPEX, that is the gross amount, next year also our plan is to spend in excess of Rs.300 crore, , most of this money will go for the 150 Domino's Pizza and 30 Dunkin' Donut restaurant expansion . In terms of commissary, we will start construction of the Greater Noida Commissary, you are aware that we have already purchased land for that, so construction will happen this year and maybe some of the equipments will also be purchased , but the actual commissioning of the commissary may happen in the next financial year. Similar amount which is spent this year on the three commissaries together, maybe spent on one Commissary itself, because it is the largest commissary which we are going to open and with all the commissaries coming into operation; three of which have been commissioned last year and one which will become operational in the next year, we should be able to support about 1500 restaurants across the country.

Arnab Mitra: Just one book-keeping question: What is the income tax rate we should expect for F16?

Ravi Gupta: FY16, it will go up, this year it is about 28.35% because we have got the benefit of investment allowance for two years, next year, it will be somewhere in between 30% to 31%.

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

Rajasa K: My first question is on Online Ordering. Definitely, for Domino's, the percentage of Online Ordering has rapidly gone up, but when we look around for certain other food companies, the percentage is even higher, I have heard numbers of anywhere between 40 to 60%, of course the scale is very different, the delivery portion for Domino's is certainly much higher. I am wondering if the difference is because of scale or are there some food operators who are genuinely ahead of the curve in this particular aspect?

Ajay Kaul: Some of the food operators who you are talking about, we do not know who they are, they maybe small players. There are some large aggregators but who are only delivery focused, so for them percentages maybe higher, but they are still much small compared to what we are. I think it is a question of scale in terms of being at the forefront of the technology, the backbone, the platforms, I think the kind of investments we are making and the kind of platforms we are developing, we believe, we are at the forefront of everything. You need to understand one thing that when we say that we are nearly 29% to 30% of our delivery orders are Online, we are talking of lakhs of orders, these are not 20,000 and 30,000 they are running into lakhs, that is the base, but I would be more forward-looking on this, that this figure of 29% - 30% and all that has got the potential of becoming 40% and 50%, and then it will probably be in millions of such orders being delivered in a couple of years' time.

Rajasa K: Sir, does the 30% include orders from food aggregators or is it just on your ...?

Ravi Gupta: It does.

Rajasa K: One related question; I observe that on Online Ordering, you do tend to have higher discount. So does that still make Online Ordering more profitable or do the discounts kind of neutralize at equation?

Ajay Kaul: At a general level, the discount offered on online as well as offline, the overall weighted average discount is similar. But, in Online Ordering the number of orders having a discount attached to it tends to be more because that seems to be the way the consumer is expecting that when you said online order, he needs some discount and it cannot go without a discount. But, yes, controlling discount on online as well as offline is always a big task of ours. And we believe we have innovative ways which are primarily led by consumer behavior which is coming out of the past data of these consumers as to what is the most appropriate discount. And the good thing with Online Ordering is that you can actually target market at each individual in the way that it gives the appropriate discount and thereby gets a response to a stimuli. So, overall, we are not fussed with the discount which we are offering.

Rajasa K: Sir, the entire Online Ordering, the platform and everything has been developed in-house?

Ravi Gupta: Yes, but, we obviously have partners who are some of the best names in the business, who work with us and build these platforms for us.

Rajasa K: One thing I wanted to confirm, has there been any change in the way you calculate same-store sales growth?

Ravi Gupta: No, absolutely not.

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

Vivek Maheshwari: First, I am a little confused on your commentary about same-store sales growth. Could you please repeat that? What I have understood is you are talking about a high single-digit SSG for the couple of quarters and thereafter it is double-digit? Is that understanding correct?

Ravi Gupta: No, Vivek, I think, Ajay has repeated this twice, what we used to say that it will take about four to eight quarters to reach high single-digit or double-digit growth, now since two quarters have already passed, that is why we are saying that it will take about maybe two to four quarters to reach high single-digit or double-digit same-store growth.

Vivek Maheshwari: What would you say for the next couple of quarters, would this current trend...?

Ravi Gupta: We are not giving any guidance for the full year or quarter wise performance guidance, we are just giving an estimate and our estimate saying that how the market should be behaving, how the market should be growing, we are not experts, but this is an expectation that we have with regards to the improving economic sentiment and based on that we have been holding on that statement which we made two quarters back, that definitely the sentiment should keep on improving quarter-by-quarter.

Vivek Maheshwari: Second, on the gross margins, this gross margins as I see it was highest with the same 75.3 being maintained in fourth quarter, I know there is some accounting adjustment but if I take the top number, would you need to take prices in the next month customary by annual price that you take or you may have lesser price hike this time or no price hike?

Ravi Gupta: We are evaluating the price hike decision, we are doing a study and based on that study only we will take a decision as to whether price hike has to happen or not, and then how much quantum and what kind of various changes need to be factored in the pricing mechanism. So, after the study is over, then only we can comment about whether we will take price increase or not take price increase or to take higher price increase.

Vivek Maheshwari: Considering the consumer sentiments are weak and you obviously had a great quarter but most of the discretionary consumer categories, the managements are clearly highlighting pressure. So I was just thinking if there is a thought process on margin versus volume at the moment? And third thing, on the dividend side, while it is a great one to see but you have been scouting or looking for another third brand to add. Does that also then imply that because you are not getting any option that is why the dividend payout decision or perhaps I am reading too much into it?

Ajay Kaul: You are reading probably too much into it, we are still looking at a third brand, but we are in no tearing hurry to launch one or we are not in any state of readiness to launch one tomorrow or even in the next six months to a year. It will happen at the right time, the economic sentiment downturn, we must admit has kind of slowed this whole process because we are focusing more on Domino's Pizza and Dunkin' Donuts, but that objective or that thing is still very much on our plate, the dividend decision is unrelated to this third brand.

Moderator: Thank you. The next question is from the line of Krishnan Sambamoorthy from Nirmal Bang. Please go ahead.

K Sambamoorthy: One thing that is also noticeable about your results was the performance on the working capital front. Negative net working capital increased by about 43%, and this was primarily driven by an increase in trade payables. Anything that you would like to call out the factors are behind this?

Ravi Gupta: I think this is a normal increase in the trade payable, there is nothing abnormal and it is in line with increase in the business and trade payable includes both vendors for the normal food product and expenses and it is related to the CAPEX also.

K Sambamoorthy: So nothing in particular?

Ravi Gupta: Nothing in particular.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Motilal Oswal Asset Management. Please go ahead.

Pulkit Singhal: Just looking at your operating expenses per store, that is employee plus rent plus other expenses as reported by you, over the last two years, we have just seen hardly a 1% or 0.8% kind of increase YoY. I would like to believe it is because of demand slow down because in FY09 also you decreased just 2%. I think there might be an element of the new stores being opening in cities where there is much lesser operating expenses store. So, are your new store openings of much higher margin than the existing one because your sales per store is still 70% of the average?

Ravi Gupta: I think new store margins, as I explained earlier, is lower than the system average, and the reason primarily is that the sales are lower at 70% to 80% system average, so your question on whether the margins are higher, I do not understand.

Pulkit Singhal: No, what I am trying to understand, is the margin impact... I understand it is 70-80%, and it is contributing probably negative margin initially but is the dilutive impact of that much lower than what it used to be?

Ravi Gupta: No, the dilutive impact is similar as last year in terms of if I look at percentage, whatever percentage margins were there last year for the new restaurant, similar percentage margins we have observed this year as well.

Pulkit Singhal: I am talking over a 5-7-year period, last two years have been very good in terms of maintaining operating cost per store, so that is what I am trying to understand, the reasons why operating expense per store has grown only 1% year-on-year for the last 2-years?

Ravi Gupta: Actually, I typically get the reverse question that why they are growing, this is the first time I am receiving saying that why they have grown only 1%. You can say very efficient cost management which we have and our incentive plans are driven by achievement of the topline and bottom line at the restaurant level, so each of the restaurant manager looks at his cost, when the sales were not forthcoming and they had negative sales for the previous quarters cost was only the element for them to focus on, so that they can earn their incentives because the moment they achieve bottom line target, they can achieve incentives. Basically, we are very cost-focused company, there is a Six Sigma extended to all the functions, and not only to all the functions internally in the organizations but it's also extended to business partners. So, practically we control the cost very efficiently. One specific area with regards to cost reduction which I feel I should mention here is the prices of energy such as diesel, LPG, or petrol which has favorably impacted us during this quarter specifically.

Pulkit Singhal: When I look at operating expenses for FY10-13, obviously, there was between 11% to 22% YoY. So that is why I am just wondering why these two years were particularly just 1% and going ahead is there some structural element to it that we should expect a lower increase in these expenses as you add stores?

Ravi Gupta: No, there is a factor of sales growth and inflation in the number. So if the inflation is lower in a particular quarter or a particular year, obviously, the increase will be lesser, and if the sales growth is also very high then also you will say that increase will not be there or there could be decrease also in those numbers, because the numbers become more efficient in % terms. So you get leverage on the fixed cost, and for variable cost you get impacted by the inflation number. If inflation is lower, then it is better for us.

Pulkit Singhal: What percentages of operating cost would be fixed cost?

Ravi Gupta: Actually, quite a lot of costs are fixed costs. The raw material cost and packaging is about close to 29%, which is fully variable, leaving out the EBITDA margin at around say 12%, which is there right now, so that leaves us the cost of around 60%. Out of 60%, I will say 40% tends to be towards semi-fixed costs and balance is semi variable.

Pulkit Singhal: Going ahead, what level of same-store sales would you kind of require to maintain the same EBITDA margins assuming gross margins are same?

Ravi Gupta: It will depend actually on the inflation in a particular year. Now, if the sales grow at say 10% and costs also grows by 10%, then EBITDA margins should be similar on a same-store basis. However new restaurants are margin dilutive. So to have the neutral impact of the new restaurants, same-store margin has to increase which means the same-store growth should be higher than the increase in the cost. How much higher depends on what inflation number is there in a particular year.

Moderator: Thank you. The next question is from the line of Gaurav Bhatia from Deutsche Bank. Please go ahead.

Gaurav Bhatia: If I look at the employee number, YoY it has grown by only 9%, our number of Domino Stores have gone up by 21% and we have virtually doubled our Dunkin' Donuts Stores. How is that possible?

Ravi Gupta: When volume gets impacted, this year we had flat growth despite that we have taken two price increases. As the volume comes down, the employee number automatically gets adjusted because of the variable manpower which automatically gets reduced.

Gaurav Bhatia: If I look at the last 4-5 quarters, this was negative SSG for 4 and then mildly positive for the fourth quarter. We have always grown employees almost in the same direction as the number of new store openings. Only in this quarter and probably slightly in the last quarter we have seen a slightly lower number. What I am trying to say is that average number of employees per store going down, probably in a quarter where we have grown 6% SSG, does that indicate that probably our volume growth will still remain low for the next year and probably we will only see 6% price increase as your SSG?

Ravi Gupta: We are not giving, Gaurav, any guidance for the year, because indirectly what you are asking what will happen. But as far as the employees are concerned, employee numbers typically peak out in Q3 because December is a big quarter for us, we recruit people around November- December period, and after that in Q4, the number comes down. So, when you look at even previous three years number which we have reported, every year in Q3 the manpower peaks out and Q4 the manpower comes down, the extent of coming down may differ from year-to-year depending on what outlook we have for that quarter or that month.

Gaurav Bhatia: My second question is just housekeeping question on how much was your absolute ad spend during FY15 and how does that compare to your competition?

Ravi Gupta: We will not be able to comment about competition, but ad spend was marginally higher than last year; last year was about 5%, this year is about 5.5%.

Moderator: Thank you. The next question is from the line of Prashant Kutty from Emkay Global. Please go ahead.

Prashant Kutty: Firstly, while you just highlighted that the consumer sentiments have not seen an uptick which you probably would have expected, could you give us some early trends of April and May if you would like to highlight anything?

Ajay Kaul: We do not want to give any comments on April and May, and as far as our last quarter is concerned, for everybody's benefit who may have joined us a bit later and because this is an important statement we are making, that our numbers over the last quarters are showing seemingly some sort of upbeatness, but it is probably restricted only to us and not as much to our overall generic QSR space, and this may be because we have had some differentiated offerings, some cut-through advertising and some work which we are doing on the technology side and so on which is lending this kind of 6.6% same-store growth to us. So, in other words, what we are saying is that overall consumer sentiment change is something which we still believe is not visible in our industry.

Prashant Kutty: Secondly, if you could also address my question related to Dunkin', I do understand it is a relatively smaller, but if we would have anything on same-store sales growth, I do not want a number, but any direction towards that?

Ajay Kaul: Dunkin' is still at a stage, which is like less than three years in existence and so on, where we have been launching new categories, we have been bringing up new subcategories into our fold, so making comparison on a like store basis or a same-store basis is never a great way to look at things, especially in new brands. I do not think so it will make much sense for last year. But, progressively, as we move forward, maybe such numbers may still make some sense.

Prashant Kutty: Thirdly, just you spoke about OLO, which is currently almost about 29%. There is a chance that this number could actually to be as high even 40% or 50% as well, are there any margin levers which can be thrown on this side because of this which we feel so?

Ajay Kaul: When numbers start becoming large like 40%, 50%, we do believe there is anecdotal evidence coming from other countries, where some leveraging happens, because obviously, the person taking the phone call at a very rudimentary level I can say they get obviated in the process. But to monetize it or to kind of give some number to it as an efficiency factor and all that, we cannot comment.

Prashant Kutty: Just want to ask that while we are just saying that we are looking at about a single-digit SSG number over let us say a couple of quarters, but when would we be in a more stronger position to actually give a guidance as far as SSG is concerned or have we stopped doing that?

Ajay Kaul: We do not normally give guidance at all and we refrain from doing that on SSG too. You may argue that in the past we used to, but because of the volatility in the market, I would say we are a reasonably conservative company and have stopped giving guidance on SSG, and we will continue doing that, but when we say two to four quarters, it is six months away from today, which is almost like a

guidance. We believe that two to four quarters, high single-digit almost touching double-digit is a number which probably is doable.

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

Manoj Gauri: I just wanted to understand like as earlier on the calls you have always mentioned that the side orders proportion have been around 20% to the total revenues. Like recently due to new additions, it makes me feel like the average size per bill must be going down because new variants in side orders would lead to lower bill size, so this ultimately leads to volume growth, so which will be a positive thing for the Domino's. Is it so?

Ajay Kaul: No, it is not so, our overall mix in terms of side orders to Pizzas is by and large at the same level, and while we have launched a very successful Rs.29 Zingy Parcel as a side of product and to that extent you are right that it is a very exciting product, but at the same time, we have also launched "The Family" offer and before that we have launched in winter some exciting Pizzas. So the mix is not changing dramatically at all. If at all it is probably a decimal level percentage change here or there which is very marginal.

Manoj Gauri: On Dunkin', like recently I saw in some flash that 9 of the items have been discontinued from the Dunkin' Stores, I am sure it is not in the Burger category. Is it on the doughnuts side or Beverage side?

Ajay Kaul: It is on all the sides, and this is not only true for Dunkin', it is true for all food brands including Domino's, there are products which come and go, and there is always some exciting news which we have to keep giving to our customers, at the same time, we have to manage wastages, we have to manage certain number of SKUs, their supply chain and so on. So, this is not something which you should read too much into this, the fact is that we have been launching some exciting new products, the latest one being the Crunchy Joe Burger, and I hope you have tried it, if not, you should try one today it is an exciting new product which has come into our portfolio.

Moderator: Thank you. The next question is from the line of Manish Poddar from Motilal Oswal. Please go ahead.

Manish Poddar: Just wanted to understand, with the gross margins being flat YoY, and the milk prices softening, have we not realized any raw material benefit in this quarter or our discounting activity has increased substantially?

Ravi Gupta: I think it is a favorable impact of the lower inflation on our last year Q4 to this year Q4, but on the other side, we have also launched new products which typically are not at the similar kind of food cost. Further, in Q4 last year, there was an adjustment which was done and it was discussed in the Q4 concall also that contribution received from one of the business partners was adjusted in the raw material, and as a result, that quarter raw material expenses were lower comparatively. So if you just look at the actual raw material cost was not 24.7% in Q4, it was higher than 24.7%. So in fact we have received advantage vis-à-vis Q4 last year, but that is not fully reflective in the account because of that adjustment.

Manish Poddar: Where do we capture the discounting in our P&L – the sales line or the raw material cost line?

Ravi Gupta: Sales level.

Manish Poddar: Could you tell me what is the internal cost inflation index trading at right now?

Ravi Gupta: It is very difficult, it is our internal benchmark, so overall for the year, the cost increase is in the range of about 6% to 7% across all categories including labor, raw material, security guard, bank charges and everything, all combined together.

Moderator: Thank you. The next question is from the line of Naveen Kulkarni from PhillipCapital India Private Limited.

Naveen Kulkarni: Wanted to understand gross margins for Dunkin'. Are the gross margins significantly different than Domino's for Dunkin'?

Ravi Gupta: Gross margins are not too different across both the brands in a similar ballpark range.

Naveen Kulkarni: You said that on the store level, Dunkin' Donuts outlets are profitable but when we look at it on an aggregate basis it is loss-making. So, does that mean there is a significant overhead corporate overhead expenses which get allocated to Dunkin' Donuts or what exactly is it and if we are adding 30 new stores next year and on a store level they are profitable, so does that mean that this 180 basis points would come down significantly?

Ravi Gupta: We are not giving guidance for the next year that how much dilution will happen, but there will be dilution next year also because we have also mentioned in the call that it will take some time for this brand to break even. So, over a period of time, the losses will keep on coming down, and another two to three years' time, we expect this brand to fully break even and start generating profits for sure. The under recovery of the overhead in terms of G&A, supply chain, etc. internally we follow our method that whatever cost can be apportioned to respective brands is done. And as a result of this methodology of costing, because it is the best way to look at the brand wise profitability, because otherwise all the costs will get loaded to Domino's brand not to the Dunkin' brand and we will be happy believing that the brand has become profitable but in fact it has not. So we are allocating all the costs which are attributable to the Dunkin' brand and as a result we have given this number to you saying that what the dilution in the margin it created.

Naveen Kulkarni: Does that mean in the 180 basis points, some costs are apportioned to Dunkin' Donuts, but they are not necessarily existing only because of Dunkin' Donuts?

Ravi Gupta: Not exactly, basically, we have implemented this incremental cost concept only right now,. So these 180 basis points we talked about is an incremental cost concept only.

Moderator: Thank you. That was the last question from the participant. I would now like to hand over the floor back to the management for their closing comments. Over to you, sir.

Ajay Kaul: Thank you, all for joining us today on this conference call. Should you have any more queries, you may please get in touch with us and we would be glad to address them. Good Evening.

Ravi Gupta: Thank you.

Moderator: Thank you very much, sir. Ladies and Gentlemen, on behalf of Jubilant FoodWorks, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.