



**Transcript of the Q3 FY16 Conference call for Investors & Analysts**

**Call Duration** : 1 hour 17 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. Abneesh Roy- Edelweiss  
Mr. Vivek Maheshwari – CLSA  
Mr. Manoj Menon - Deutsche Bank  
Mr. Manoj Menon – Deutsche Bank  
Mr. Pankaj Tibrewal -Kotak Mutual Fund  
Mr. Prashant Kutty – Emkay Global  
Mr. Sanjay Singh- Axis Capital  
Mr. Avi Mehta – IIFL  
Mr. Amit Kumar - Investec Securities  
Mr. Gagan Thareja - Comgest India  
Mr. Manoj Gauri - Equirus Securities  
Mr. Varun Lohchab - CIMB  
Mr. Puneet Jain – Goldman Sachs  
Mr. Gaurav Bhatia – Deutsche Bank

**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 nine months ended December 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 Q3 FY2016 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**

Thank you. Good evening and welcome to everyone present on this call.

During Q3 FY16 we continued to leverage JFL's strengths to drive our strategic plans further into the longer term. We continue to be dedicated towards building business operations well and remain true to our belief of the immense potential that the sector holds for our brands.

Expansion which forms critical and dominant part of our growth blueprint is progressing on track. We are extremely delighted to have crossed the 1000th restaurant milestone for Domino's Pizza, which underscores our efforts to increase our presence with the goal of reaching out to more and more customers.

Going ahead we will proceed with measured initiatives to tap new opportunities in the Food Service Industry and more importantly to remain relevant and be part of a growing industry. We are committed to reach new heights through constant innovation and with the zeal to delight our customers.

I would now request our CEO - Ajay Kaul to take this call forward and provide you with greater insights on the quarter.

**Ajay Kaul**

Thank you and very warm welcome to all present with us on this call today.

I shall begin with giving you a brief on our results and initiatives during the quarter. Before we move into details, a quick mention on the overall demand scenario which governs our performance during the quarter. The consumer sentiment remains largely muted with Q3 not displaying at a broader industry level, any significant movement either ways. Nonetheless, the key ingredients of our strategy remain intact as we believe all of them will serve well to fuel our long term growth.

According to us it is a combination of a strong footprint across the nation, a wide and appealing menu range which is supported by multi level customer focused marketing that has enabled us to grow our sales profile. As a result we have delivered a positive SSG at 2% in Q3 and 3.3% for 9M FY16. Network expansion as mentioned earlier crossed a new mark with Domino's Pizza having over 1000 restaurants in India. A true moment of pride for our team and a reinforcement that we are on the right track. Dunkin' Donuts too is progressing in a measured manner which bodes well with our overall business philosophy. We have opened 4 new Dunkin' outlets in Q3 and as of date we have 70 restaurants spread across 24 cities.

Innovation is as you may be aware the DNA at JFL and something we believe that sets us apart and enables us to deliver a range of offerings which then cater to a wide audience base. In Q3 some of our launches included the Double Cheese Crunch Pizza and Custard Bliss.

In Dunkin' we have introduced a line of items across all the categories of all day part food that we operate within. We launched a range of 5 new burgers which we termed as the 'Too Much Burgers'. We have the Choco Fix range of Donuts in desserts and lastly a range of 4 new coffees which though as very recent in the launch are garnering positive feedback.

From early days, JFL has been at the forefront of marrying technology with its business operations. Our proactive investments towards this have given us a unique edge with our very popular online ordering platform in Domino's Pizza. Our online ordering sales stood at 36% of delivery sales which is a marked growth from 27% in the same period last year and mobile ordering contribution to delivery sales is at 38%.

We have also forayed into online ordering within Dunkin', but we are still in the nascent stage and limited to Delhi NCR. We have tied up with Grofers and Zomato.

On the whole, we are optimistic on the bigger picture that we have our eye on. We are committed to strengthening and improving our execution

capabilities, our systems and processes and more importantly our backend commissaries which serve as the backbone of business.

With respect to the plan for restaurant openings in FY16, we have till date launched 1004 new Domino' Pizza restaurants and are confident of achieving around 150 new Domino's restaurants by the end of the fiscal year. In Dunkin' Donuts we should open around 20-22 new restaurants by end of FY2016.

With that I would like to conclude my comments, and will request Ravi Gupta to take you through our financial performance.

**Ravi Gupta**

Thank you Ajay. JFL's Q3FY16 results truly demonstrate the resilience of our brands and our business ability to be agile and proactively address evolving consumer patterns.

As Ajay mentioned the demand environment remained rather subdued, however we have reported a good increase in our topline performance. This is primarily led by a systematic and continuous expansion program of brand network across the country, launch of innovative additions to various categories of both Dunkin' Donuts and Domino's Pizza.

We have also been focused on our marketing activities in order to increase customer ordering, retention and re-ordering. As a result topline grew 14% to Rs 6,339 million in Q3 FY16. For nine months, revenue stood at Rs 17,922 million, up 17% y-o-y

Total Expenditure in Q3 FY16 was up by 16% to Rs 5,580 million primarily attributable to increase in employee expenses which is again aligned to overall expansion in operations of our brands and due to revision in remuneration. Rentals are up largely due to the addition of new restaurants in Q3 along with the impact of escalation as per agreement terms. And thirdly, as I mentioned marketing activities during the quarter were on the rise, which is also reflected in contribution to total expenditure. So on the whole, while expenses have risen we believe these were commensurate to our growth plans. We however continue to scrutinize this portion of the P&L very closely and have all efforts directed towards operating with excellence and continued cost discipline

From a profitability perspective, in Q3FY16, EBITDA stood at Rs 759 million, up by 4% and Rs 2101 million in 9M FY16 which is up 9% y-o-y. PAT in the quarter stood at Rs 318 million and Rs 851 million in 9M FY16.

Before I close. I would like to reiterate a few points. We believe we have a strong foundation which has put in place the building blocks to take our growth levers to the next level. We see growth coming from our

commitment to growing our channels to reach the consumer through our store network and online presence, innovation and by leveraging our marketing program. We will as an origination be committed to add meaningful value to our business operations and financial growth. On that note I hand over the call to the moderator for the question and answer session.

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:** My first question is in terms of the tie-up in Dunkin' Zomato and Grofers. So my question is in Domino's similarly, what is the impact of all these? Sir, you have your own delivery team and then we are seeing Swiggy, etc., tie up with so many other small and bigger chains. So what is the impact of that because in spite of so many innovations and price hike, the same-store growth is still languishing in that broad low single digit numbers?

**Ajay Kaul:** You have to disassociate the two and I will tell you why. As far as the general consumer sentiment is concerned, our stance is that being such a large player and also taking into account some of the other large players who have been around for a long time who have reported numbers and a lot of them are in the negative territory. We do not see any significant changes in consumer sentiment. So that is one thing. We welcome honestly the food tech companies, the Zomatos of the world and so on because they are helping to grow the so-called net of delivery business in the country. For your information, you can book Domino's Pizza through many of these Foodpandas, TinyOwls, Zomatos and so on. The contribution of business which is coming through these is very low. In commercial terms, we have some very-very sweat deals with all of them, but what is more important is that these companies themselves are in a state of flux and I would not like to deliberate too much on how some of them get reported in the press for wrong reasons, you must have noticed of late. I think the space in the state a bit of turmoil, let it stabilize, but overall if you ask me we are happy that such players are around because they help to grow the delivery part of the business and if you see our own delivery business compared to our dine in which is consumed on-premise, business actually is doing well for the last three-four quarters and we believe a part of the reason is that because more and more people in the country are taking to delivery.

**Abneesh Roy:** My follow on question is if I see your one-on-one offers trend, that has increased, earlier it was once a month, then it became twice, then thrice, and now more than 1,000 stores and in last few weeks we are seeing that sustained 50% off is there. So in spite of increase in promotion, same-store growth is not reflecting that. So would you say it is working because if it is

not working, then customer is obviously waiting for those offers and then it may not translate into incremental sales at all?

**Ajay Kaul:**

Where we disagree is that as the market is evolving and if QSR industry or the Food Service industry is still only 20-years old and we often drive a lot of inspiration from markets where Domino's and other brands have been around for a much larger period. Discounting as a tool is something which does come in all markets. We watch this space very-very closely because every time we discount we are watching the EBITDA trickle like hawks and we do believe that with whatever promotional activities we do, we do not lose sight of EBITDA at all and in fact they have to be significantly EBITDA accretive, only then do we go ahead with these activities. I do however admit that what used to be for example once a month activity of giving on a Friday or something, "Buy One Get One Free" offer has increased to around two per month, which to our mind is fine because when I compare the discount levels of our business here compared to other discount levels of Domino's business in other flourishing markets worldwide and I am comparing here USA, UK, Australia, whatever, we are far-far-far lesser I can tell in terms of discounting. So we are still evolving. You asked whether it gives us net incremental same-store growth? It is same-store growth accretive. Apart from so many other things which we do right, we do believe that we play this card also well so that it gives us incremental SSG and also more importantly incremental EBITDA. Because the numbers are still small, they are single digit they are small, you probably keep wondering that whether it is actually getting us incremental SSG but the answer to that is definitely yes, it may be small though.

**Abneesh Roy:**

Sir, a follow-up to that, same-store growth trend has not revived, it is still positive, but promotions have increased. So, has the sentiment at least on Pizza buying turned worse, will it be fair to say that? You are getting the same same-store growth by more promotions. So is competitive intensity there that people are buying non-Pizza, is that the reason or within Pizza, the sentiments have turned worse? What is your analysis?

**Ajay Kaul:**

No, our analysis as we have said in the past also is there is no doubt there is enhanced competitive activity which is good and the competition is actually coming from not as much from Pizza companies because we have a good 72% share of the market and we are a formative player. But it is coming in, for example in the last 2-3-years, a lot of international brands have come into India, they may not be from Pizza space, for example, Dunkin' Donuts, Starbucks, Burger King, Wendy's, Carl's, a lot of these companies have come in the last 2-3-years. The amount of PE investment or activity happening in the Foods Service market all over the country, the number of deals and the investment, has also increased in the last two-three years. The food aggregators have also come in the last two-three years. If you ask me, the numbers are not looking bad. Honestly, this is an evolutionary

moment which every market goes through and it is overall good for the market because it helps for the market to expand and become large. Now, because there is a bit of tightness on SSG, that is why these questions are being raised. Otherwise, dispassionately, we have to look at it, it is all very good, the market will expand, consumers will get into the habit of eating more and more, our per capita consumption or frequency of consumption in India is still so abysmally low compared to most other markets even when you compare with the developing markets. So, I have no doubt in my mind that it is all good except that, yes, it is building a bit of competitive pressure, and because SSG numbers do not look very rosy, that is why these questions are being raised.

**Abneesh Roy:**

In terms of “All Day Part Menu”, you are doing a lot of work in the Dunkin' Donuts part. So, how much is the ability to do that in Domino's? Similarly addressing the health concerns, burger chains globally are working a lot on addressing health concern. So in your case also, Pizza definitely suffers from the same issue. So on these aspects, if you could elaborate what is the plan, how much is the ability to do in this segment?

**Ajay Kaul:**

As far as health concern is concerned, there is a very-very small segment of people who are becoming health conscious. We do not disregard them. We very-very closely watch them. But if you look at our overall business of Pizzas, we are the leaders in this business. Our overall frequency of consumption across our customer base in a year is still 3-4. So once in every 3-4- months is when an average Domino's customers eats us, on that particular occasion, the customer clearly tells us “I am not going to be talking health today, health is important maybe for some other occasion, not now.” So we have a long way to go. We are concerned about health, but we do not lose over sleep over it but we watch that space. To your first question, Dunkin' Donuts model is based on All Day Part because between the food, beverage lever including Coffee and the Donuts' there is a relevance at every time of the day. So the idea is that right from 11-12 in the morning until 11 o'clock in the night at every hour at every day part there is some part of this menu which is relevant to you. Pizza inherently for example even find it tough for consumption at breakfast time. A lot of our consumption does happen around lunch and dinner but I must also tell you that even between 4 to 7 and so on, which normally is the no man's land between the lunch and dinner, a lot of our consumption happens even in this period, people in this country has started consuming Pizzas and our side items even then. So probably compared to Dunkin' Donuts the opportunity is lesser but things like what we have been doing right now, the Happy Hours, 50% discount which we have offered as a Thank you to all our consumers in the country over the last 20-years who have supported us and who have brought us to the stage of 1,000 stores in India, this is like a thank you to them, it is actually happening within these Happy Hours which is 11 to 5.

- Moderator:** Thank you. The next question is from the line of Vivek Maheshwari from CLSA. Please go ahead.
- Vivek Maheshwari:** Firstly, in September you took up prices by around weighted average 3.8%. There were some more hikes in this quarter. Can you quantify the weighted average price hike?
- Ravi Gupta:** Vivek, in the second quarter the price hike was of about 3.8% in September and in November it was 3 %
- Vivek Maheshwari:** Could you tell me the rationale if input costs are lower, are you pushing the envelope and taking perhaps too much price hike?
- Ravi Gupta:** What we were actually telling in past also that on value for money index our consumers were giving feedback that we have been trending downwards. So we were worried. What we did actually this year that before doing any price increases, we have done pricing trial. For doing this pricing trial we have engaged with one of the big consulting firms... I cannot share the name of the firm and then we created various hypothesis and we actually trailed each of those prices in the various restaurants which we segregated into various groups After doing all these trials, we decided on what works, what does not work, what kind of price increase we should do, on which products we should do price increase etc etc. As a result of all these trials, our price increase also got delayed. Basically, we generally do price increase in June and November. That is why the June price increase got delayed to September period. So, after going all those studies, which gave us indications on what kind of price increase, on which products, what should be the timing or what should be the gap between the two price increases be. After that only we have taken these price increases.
- Vivek Maheshwari:** Ajay, you mentioned about the food aggregator points and related to this price hike. My only worry is like a few years back organized retailers were in a denial mode when e-Commerce was picking up. Now, I know after three years life looks very different, the private equity tap is kind of closing down. But the reality is in the last 3-4 years brick-and-mortar or these organized retailers have faced issues. I just want to get this reassurance that the price hike that you are talking about compared to what Swiggy or all these guys... in fact, there is a deflation over there. So I do not understand the reason why should you be taking so much price hikes when input cost generally are okay and the market dynamics are very different right now.
- Ajay Kaul:** Your question is kind of hinged on four-five things. So let me try to kind of summarize all of what you are saying. #1, the price increase was based on some intricate price elasticity activities that we did over a sustained 8-9-months period and price increases only of those products on a weighted



average basis was taken up which had higher price elasticity which means they had higher capacity to take a price increase without adversely impacting consumer demand and we are already noticing that trend. Obviously, it will have a better EBITDA trickle. So, that is one part of it. The other part to your question was with regards to the players - food aggregators, we are not at all taking them off our radar. In fact, if you ask me, we do not take anybody out of our radar screen as a company. We do not know where learnings will come from and where a competitor may come from. We watch them closely, we have aligned ourselves as I was telling you about Food Panda, Zomato and all that, we are also on their side. In fact, when you look at Domino's in various parts of the world even in the developed markets, there are divided views on whether we should align or not align with these food aggregators but we believe in India we have to. We are closely watching net new incremental customers in business which is coming through them. We are at commercial terms which are as sweet as they can get. So it is not that we are disregarding them or I do not know what you meant by alluding to the retailers when they disregarded some of these e-retail players, we are not disregarding them at all, we are watching them, we know them so well, we are in constant discussion with them. They will disrupt the market a little bit. The market will go through a lot of promotional activities and maybe while price increase may be happening on one side, we also realize the pressure of probably doing a bit more extra discounting as a result, even to those consumers who are discount seeking and not every customer who is discount seeking. So we try to maintain a balance somewhere between discount seeking customers, value seeking customers, the customers who want a product and they do not mind paying that extra bit. So that overall we end up in a good state.

**Vivek Maheshwari:** Basically my reason was if I have to order Domino's, I need not go through any of these apps because it is any which ways convenient. So when I say disregard, it is more about the product price hikes which is worrying me more than anything else. Last question, how much would be one-off in the staff costs in this quarter?

**Ravi Gupta:** It is about 110 basis points right now for the one-off. Basically for a period which does not relate to this quarter because whatever the cost for this quarter I am disregarding that because that cost would have come. So EBITDA margin would have been higher by 110 basis points had that expense not been taken for the retrospective impact.

**Moderator:** Thank you. The next question is from the line of Manoj Menon from Deutsche Bank. Please go ahead.

- Manoj Menon:** Just a couple of questions; one, if you look at the SSG for the quarter in the context of the price hikes and see the last few quarters, would it be fair to say that there is a volume deceleration year-on-year?
- Ravi Gupta:** Yes, Manoj.
- Manoj Menon:** Secondly, I was going through the outlook slide in your presentation this quarter as well as the few earlier ones. So I was looking at Page #14 of the second quarter wherein you actually had put the word 'pragmatic expansion'. Suddenly when I look at this quarter Page #15 again the outlook one, it has now changed to broaden geographic reach. So you seem to have dropped this 'pragmatic' word. So, is there something which we should read into it in the context of if I understood Ajay correctly when he was on television a few days back talking about 120 to 150 sort of band for an expansion thought process for next year, is there something which you are conveying here?
- Ajay Kaul:** As far as the first two statements, between having said 'pragmatic' and the other word was 'broadening', maybe you are reading a bit too much. Our approach always will be pragmatic, has been pragmatic. We like hawks watch the profitability and the payback periods of stores and the moment we believe we are compromising on that will we clamp ourselves before anybody else does. So having said that we have maintained for a while like two years we delivered 150 net new restaurants for Domino's Pizza, we believe even this year we should be delivering around that number. But if we come shy by 5-stores here or there, it should be seen as pragmatic opening as opposed to anything else because 145 probably is a big number. When you refer to some number, I was quoted the other day 125 I cannot recall honestly, but I may have said 140-150 basically is the same pragmatic approach that sometimes some store openings may be delayed, sometimes getting the licensing, approvals and all that may take time and since we are heading towards the end of the quarter some stores may go either in this quarter or that quarter. Having said that I want to make one final point on this and that is that with continued should I say sentiment remaining unchanged as far as the marketplace is concerned, a little bit of pressure is building on store signing which means that we have to be that much more pragmatic and careful in terms of identifying sites to ensure that our payback periods still happens within 3-years norm which we have internally and so on. So that is a message I want to leave with you that unless in the next two-three quarters things do not actually turn up really-really positively, our approach may become a bit more pragmatic and we may actually have to say that we probably will open not 150, but probably 130 or whatever 125-stores. But as of now, our forecast is to open around 150-stores for Domino's Pizza.

**Manoj Menon:** I completely agree with actually what you said in terms of the pragmatic because ultimately the external environment does matter. Maybe, just one question on the payback for your new stores. Again I am repeating what typically gets asked every quarter. Is there any change in the payback period whether it is in the last quarter or the last one year, anything which you would want to call out for the new stores?

**Ravi Gupta:** The payback has been increasing. No doubt about it. I think time and again we have been saying that, like the payback earlier used to be much lower than three years. Now, they are still lower than three years but it has gone up compared to what it was two years back.

**Manoj Menon:** Could you quantify, is it materially increased because what I am just trying to understand is that when I am just looking at your ROC matrix etc., just trying to understand what is the significant contributor -- is it the new stores or is it the existing stores slowdown?

**Ravi Gupta:** All the three factors are impacting us right now. At the existing stores level, which is you can term as same-store, they are also being impacted. As far as this quarter is concerned, on a same-store basis our margins are not lower if you just exclude the one-time impact and all that. Even at the company level itself actually the margins are kind of stable if we just ignore that one-time expenses. So even if I take nine-months of this year, on a same-store basis, our margins, excluding the one-time expenses, are stable to increasing. The new restaurants opened this year and the last year they have comparatively lower margins, and as a result the weighted average becomes slightly lower than last year. This has been the similar trend for the last two years or so where same-stores are not generating much leverage and the new stores are taking a little leverage.

**Manoj Menon:** On the price increases, I remember you spoke about the substantial pricing which you implemented based on this extensive consumer study. Have we utilized all the headroom available or is it still something left? What I am essentially trying to understand is that is the next price increase largely near away or kind of how are you looking at that?

**Ajay Kaul:** We do realize that taking price increases is one of the last resorts. Even in the past whenever we used to take it, they used to be nominal 2-2.5%, two times a year and there was enough evidence to show that consumer was not reacting by and large to any such price increase. Given that we also watch our value for money score so closely and they are so important and that is the message which the consumer tells us. We believe we will not like to take price increases as much as possible in the next 12-months. Any food inflation and let us face it there is a bit of food inflation which is there, although overall inflation may look seemingly under control which may push us to take a very nominal price increase during the course of next 12-

months but it will be far less than whatever we have done in the past. That is a general statement I can give you right now. As we are in the midst of budgeting season, which is the time when we budget for next year, we have not frozen our approach but we believe that is the direction in which we will go.

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

**Puneet Jain:** With respect to Chennai floods, was the impact meaningful in this quarter to quantify it?

**Ravi Gupta:** No, Puneet, it was not very meaningful. We have about 50 restaurants in Chennai, they got impacted a little bit but the impact is only marginal, not worth quantifying.

**Puneet Jain:** You mentioned that there has been 110 basis points impact which is not linked to this quarter. Was it impact on account of bonus which is linked to this quarter and possibly more recurring?

**Ravi Gupta:** This is the impact for that only which I mentioned. Recurring impact will be about 30 basis points.

**Puneet Jain:** I have a broader question on the employee cost. As the company gains scale, there should be some productivity that should kick in. Though obviously same-store growth has been weaker in the last two years but if you look at the sustain trend for the last four to five years, this component has seen massive increases. So, is there something which the company can attempt to do to rationalize this employee cost and possibly move closer to the rate of 20% which used to exist maybe two years back?

**Ravi Gupta:** Puneet, labor cost is one cost which can keep on increasing for some time although we are working aggressively to increase the productivity and have more efficiency in this cost. Now, let us look as last three years specifically on a same-store basis. On same-store basis, our same-store growth is almost negligible; one year it was 1.6%, last year it was 0% and this year so far it is 3.3%, whereas the remuneration increase, salary increase, and even in the minimal wages increases have been in the double digit range. As a result on a same store basis itself, the remuneration or the salary cost has gone up. Now, we are working consistently on productivity; we have Six Sigma model also around productivity and we are focused on it. Despite all those pressures, since there is a double digit increase in the remuneration and the same-store growth is almost flat, there has been increase in this one. Now, when you look at 5-7-years basis our effort will be saying it should not increase significantly at the speed which it has increased over the last three years. Moment there is economic recovery, the same-store

growth also starts moving in a positive direction like maybe high single digit maybe to double digit also. In that case, then it comes very closer to the increase in inflation in the remuneration that both can move in tandem or maybe the remuneration in percentage will not increase at the speed which it is increasing today.

**Moderator:** Thank you. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal:** My question pertains to the same question which the earlier gentleman was asking on employee cost. You are of the very few companies in India where the employee cost inflation is so high for the last so many quarters compared to the number of people you are adding. What is the company doing on course of that where the sales are not growing in line but seems that the incentives and the bonus part or the wage inflation is much-much higher? Can you give us some medium-term outlook on that which will help you increase your margins because the gross margin seems to be improving quite healthy, but that does not seem to be translating into the profitability?

**Ravi Gupta:** Let me divide the restaurants in two categories – same store and new store. On a same store basis, I explained that the remuneration increase is close to double digit. When we look at the team member, because minimum wages are going up or even when you look at the restaurant manager, because these resources are hired from the market. Whereas, the sales growth at the same time have been negligible on a same store basis. As a result, in percentage terms despite the productivity improvement and all that, there has been increase in the remuneration percentage. Now, coming under the new restaurants, they open at about 70-80% of the system average sales, typically at lower sales and in terms of percentage of sales thereby the salary cost in % tends to be higher. Now, since we have been opening quite a lot of restaurants in the last couple of years, look at 150 restaurants every year, about 450 restaurants have been opened in the last three years itself, as a result, a number of new restaurants in the overall game is higher and they are operating at comparatively higher percentage of remuneration. When you look from outside, saying that percentage of remuneration is going up consistently, it comprises of the new restaurants as well as the older restaurants. So older restaurants there is a productivity gain also, but inflation has been higher than the productivity gain and as a result there is a percentage increase in the remuneration. And in new stores I have already explained to you. So net-net all the three factors are getting combined together which is resulting into the increase in the percentage.

- Pankaj Tibrewal:** What is the medium-term outlook on this expense and the overhead expense, how do you want to control it so that profitability flows from gross margins to your EBITDA margins?
- Ravi Gupta:** The outlook will depend actually on what is the outlook on the same-store growth. Once the same-store sales start contributing, maybe high single digit or double digit definitely this number will become stable. I do not expect this number will improve significantly but at least if it became stable or grows at a lesser speed that should be our objective right now.
- Pankaj Tibrewal:** Can you help us understand what could have been drag of Dunkin' Donuts on the profitability in this quarter?
- Ravi Gupta:** Whole year the drag will be about 200 basis points which is similar to last quarter we have indicated.
- Moderator:** Thank you. The next question is from the line of Prashant Kutty from Emkay Global. Please go ahead.
- Prashant Kutty:** Typically in the last time when we had highlighted about that Dunkin' Donuts should start breaking in at about 120-odd Stores, so, this 200 bps should ideally start coming to our bottom line from the next year onward assuming that it gets to 120-Stores in the next year. So, is there any change in that number as of now?
- Ravi Gupta:** The overall sentiment in the market as Ajay explained earlier is not very positive. Dunkin' Donuts is also having the similar kind of outlook and because it also operates in the same kind of environment. We are confident that when it is around 120-150 restaurants it should become breakeven at least and start contributing to profitability. But unless and until the environment improves and same-store growth also improves, it may be difficult to say. But we are fairly confident that about 120-150 restaurants the brand should become breakeven and start contributing to profitability.
- Prashant Kutty:** The other expenses proportion which has seen an increase of about 14%. You did highlight that there has been a rise in the promotional intensity. First of all, if we could know that at the same point of time was there any other cost measures which was taken which is why your other expenses growth is still lower as compared to the previous quarters?
- Ravi Gupta:** Actually there is some benefit in other expenses. LPG is one such expenditure. In power and fuel where we got some benefit in this last quarter. Then generally advertising was marginally higher, we hired the consultants, so there was a onetime expense related to professional

services. Net-net I think overall control on the expenses has lead to us seeing lower growth in the other expenses comparatively.

**Prashant Kutty:** How much was your ad cost for the quarter?

**Ravi Gupta:** Around 5% only.

**Prashant Kutty:** Obviously, I get the fact that the SSG growth has been tapering down in the last couple of quarters. You were earlier highlighting about three to four quarters kind of a number before getting back to a high single-digit or a double-digit kind of a SSG number. Any take at this point of time in this?

**Ajay Kaul:** Yes, in fact, we did expect a certain turnaround even though it may have been marginal in the macro environment situation which means consumer sentiment and thereby discretionary categories like ours. When we said four quarters it should become a high single digit, I think one quarter has passed since then, we would refrain from making a statement like that going forward.

**Moderator:** Thank you. The next question is from the line of Sanjay Singh from Axis Capital. Please go ahead.

**Sanjay Singh:** Just wanted to know what is the CAPEX for this year and next year?

**Ravi Gupta:** This year CAPEX will be about Rs.220 crores or so. And next year number we will finalize once we announce the annual results. At that point of time we will give you guideline about CAPEX for next year because that includes the plan to open restaurants too.

**Sanjay Singh:** Out of this Rs.220 crores, how much is for Commissary and how much is for Stores?

**Ravi Gupta:** We are planning to open about 150 Domino's Pizza and about 20-22 Dunkin' Donuts. So in all about 170-175 Restaurants which are there. So altogether that will consume about Rs.170 crores or so and rest is for Commissary, for other offices and all of that.

**Sanjay Singh:** Do you see more expenses for Commissaries going forward in FY17 or I think it is over as of now?

**Ravi Gupta:** This year we have not incurred much expenditure on the Commissaries. Greater Noida Commissary where we want to invest a good amount of money, the construction has just started this quarter itself but majority of the cost in the Greater Noida Commissary will get incurred next year. This year we have so far incurred about less than Rs.10 crores on the Commissary.

**Sanjay Singh:**

No, actually I was asking this sir because I think earlier Manoj was asking on expansion and I think given the scenario, if I look at last three years you had a PAT of almost close to Rs.400, 380, 375 crores plus if I add the depreciation of around Rs.225 crores in three years, it is close to Rs.600 crores of PAT plus depreciation, but the actual cash flow has been just Rs.20 crores which is post CAPEX and it has been an impact on margins also, so maybe profitability would have been higher. So I think at this point of time and juncture given the environment, do we need to not debate on 120 or 150, but take a step back and say we need to maybe improve profitability or cash flow rather than expansion and say 120, 150 is the right number because you are not even competing with anybody, you are way ahead of everybody else, so there is no competitive reason also which pressurizes you to open more stores and stuff like that, in many cities there is nobody else also and the cities you are going there is nobody else coming also. So, what do you think about this as a thought?

**Ajay Kaul:**

This as an alternate call it way of thinking or strategy and a few more is always the multiple plans that we work with. If you looked at our trajectory in the last 4-5-7-8 years, honestly, we have never looked at our competition or competitive activity as the guiding force for where we want to go and what we want to do and it has benefited us in ways more than one. Even right now as we speak while we constantly keep debating and that is why a little while back when I said, pragmatic store opening, the day we realize that we do not need to open 150 but probably 125 itself is the right number of profitable stores, that is what we will align with. Now, the key question is that how much of confidence do we have going forward that the so-called consumption based story of India, the middle of the pyramid explosion, I think we are intrinsically very-very confident about it. I did say a little while back that how a quarter back we had said that in four quarters time we do believe a high single digit number SSG is possible. Now the same person of the same team is saying that being a company with a bit of conservative approach we are actually taking that statement back because for whatever reasons the optimism which we had in the macro environment it has belied us a little bit. But that is very too short-term an approach. We are building a company for medium-term to long-term. The investments we are making on opening new stores, the investments we are making in creating new facilities which is factories, Ravi probably did talk to you about this grand facility we are trying to create in Noida which is going to serve for future stores in 2020, 2022 and so on. We have said this sometime back that the overall potential we believe even as we sit right now in India we believe 1700-1800 Domino's Restaurants can be opened. So all these infrastructure is being created to at least serve that. In the interim, as we move along, the potential will only grow up. Investment on brand, the kind of money which we are investing on technology for that matter, 36-37% today of our overall delivery revenue comes from Online medium, of which a substantial 38% comes from the Mobile platform. So a



huge amount of investments go there and on people because even while our growth on same-store maybe low but at a system level we are still growing by a good 15-20%, so we need managers, we need supervisors, we need vice presidents. So investing money in training them, building leadership pipeline and so on. I am giving a long answer to your question and maybe this will answer a lot of other questions which may come in future that we are building a company for medium to long term. Short-term blip can confuse you sometimes but we have to take a more matured medium to long term approach to the whole thing and that is why we have chosen this path.

**Sanjay Singh:**

What is it that you look at in terms of sales growth because many companies for them the competition has begun, right, because market share is the most important thing, you do not want to lose market share, in your case market share is a very vague word because what is the market, it is Pizza, QSR or the overall Food Service market. Because you are no longer a young company now, it is a 20-year old company with 1,000 Restaurants, so it is not a small company or young company anymore which is looking at only growth. When there is no cash for some time now, even if I add three years I say Rs.20 crores, even if I add five years it maybe Rs.100 crores or Rs.120 crores. So at what point of time you say now this business needs to throw cash. So is cash generation a benchmark that you look at or is it just a market share, profit growth, sales growth, what is your agenda?

**Ajay Kaul:**

Sales growth probably no, but from a financial perspective, any investment that we make, whether it is in a store, firstly, we look at whether the payback period given by the stores is within limits that we want, whether the cash generation or the lack of it, as a result of that is putting pressure in terms of borrowing money and so on. I know and I will again say all this is getting colored because of the market sentiment. If it was not like that this is probably the first cycle our industry is seeing in India and we have not seen this before in the Consumer Food Services space is what I am talking about. Maybe one is kind of getting a bit more measured and that is why the pragmatic approach and so on. But the moment the consumer sentiment changes, the moment the 8-10-12-14% same store growth returns back, we are not only far ahead of anybody else, we would have created the right investments which at the time will give us those kind of results which you and me will be laughing about it at that time.

**Moderator:**

Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.

**Avi:**

This is Avi here. Sir, actually I had a question on Dunkin'. I understand that you are saying 20 to 22 Dunkin' Stores which was around 30 a few quarters back. But what I am trying to get here is in this context the fact that you are being measured, you are looking at the store level, etc; however, can you

give us any guidance on the impact? Should it start moderating because 180 bps was what it was in FY15 and then it became 200 bps, how should we look at it going forward -- is it profitability now that you would be focused on in expansion, are you over the peak?

**Ajay Kaul:** Our strategy always is a prudent mix of growth but not irrespective of profitability, especially in new brands you may have probable seen our strategy in the past also we do not kind of at the sake of giving a profitability look at growth for sure, even though we are in a formidable leadership position. Yes, you are right, we have been talking about opening 30 Dunkin' Donuts restaurants in India this financial year, for the first time we are tempering it down to around 20-22. Because we are realizing the same sentiment which I was saying which is not diffusing to change is as much impacting Domino's as it is impacting Dunkin' Donuts and we do believe that for us to open profitable Dunkin' Donuts restaurants like we would do anywhere for Domino's probably a figure of 20-22 is the right number for this year. So to that extent, you are right, we are toning down the figure but this is not at the expense of profitability for those 20-22 restaurants. 8-restaurants which we are planning to give up would be because we are probably not getting the right size which will give us the right return on investments and so on. We do believe that this 200 basis points impact is kind of at its peak and it should not become severely different from here in future. Ravi, if you want to add to the last piece, you may from your side?

**Ravi Gupta:** What you are saying is right. More clarity will be there once we are making the business plans and maybe next concall we can have a better discussion around that.

**Avi Mehta:** The second question that I wanted to kind of understand is on the price hikes, you highlighted that you will be measured in price hikes for the next 12-months. Just wanted to understand because I missed that part, is it got to do with the consumer sentiment that is driving that decision now and possibly the increase that we had taken, retrospectively, we would have rethought given our SSG growth number. Could you kind of help clarify why...?

**Ajay Kaul:** Partly true, partly not true. Having taken by virtue of that exercise which we did on price elasticity and we are getting good gains of that, we believe when we did in September and the increase which we took in November, the impact as a result on EBITDA would be good according to us and it is not going to have a severe adverse impact on our orders. But having said that when we look at our value for money indicators which come from various sources, we are still in a very healthy state compared to all our opposition, but they are going down a little bit and that is a concern for us, as a result of that we believe that standalone price increases for the next

12-months we would be very-very measured and we probably will at best stake one price increase and should not be a high one is what my stake right now would be.

**Moderator:** Thank you. The next question is from the line of Amit Kumar from Investec Securities. Please go ahead.

**Amit Kumar:** I just wanted to understand on YoY basis, what is the effective cumulative price increase?

**Ravi Gupta:** This year we have done a two price increase -- One was 3.8 and other was 3. So when you look at this quarter YoY also it is aggregate of these two numbers only.

**Amit Kumar:** But the last 3% was in November. So does that sort of change the method - - will it be like closer to 6% than closer to 7%?

**Ravi Gupta:** 3.8 plus 3 will become closer to 7.

**Amit Kumar:** Could you give me a similar number for Dunkin', how has that sort of trended on a YoY basis?

**Ravi Gupta:** The number for Dunkin' is also similar one actually; about 7% increase on YoY basis we have taken.

**Amit Kumar:** As far as Domino's is concerned, very clearly it is a lunch and dinner part kind of model. So, is there sort of any differentiating trends that you are seeing on those two time parts essentially -- lunch and dinner?

**Ajay Kaul:** Not really. Taking both brands separately what we have achieved in Dunkin' Donuts by virtue of an All Day Part strategy is that between 12 and around 8 to 9 in the evening if you were to draw an hourly graph you will see it is almost like a table top, which means any hour there is some part of our menu which is relevant to the consumers, whether at the peak lunch and dinner time, it is the so-called Burger and may be a light drink along with it, 3 or 4 o'clock snacks, where a Donut and Coffee does the job, at 6, 7 o'clock there is something else which is as relevant may be Sandwich or a small Burger or something. So we have kind of achieved our objective as far as Dunkin' Donuts is concerned on Day Part. However, the only thing which we need to do is we need to increase overall sale of all the three categories that we have which means Food driven by Burgers, Beverages driven by Coffee and Donuts which is an integral part of our offering. As far as Domino's Pizza is concerned, we are constantly looking at increasing relevance at other day parts although I would say dinner is our primary time for consumption, but even between 4 and 7 o'clock with lot of exciting snacky options that we have, you will be quite surprised that the

consumption even in those hours is fairly high. I must admit here that Pizzas do not find much relevance on 10, 11 o'clock during breakfast and so on. For example, this promotion which we are running right now as a thanksgiving to our millions and crores of customers in India for the support they have given us over the last 20-years to bring us to "1,000 restaurants" I think is Happy Hours time which is between 11 and 5 and not dinner time and it gives 50% off and not "Buy One Get One Free", and it will go on for nearly 20, 25 days. So it is constant ongoing everyday offer or a thanksgiving to our consumers. That should also give a bit of push to these "Day Parts" where we are not doing probably relatively as well.

**Amit Kumar:** Actually my question was based on that only that typically whenever we have given that (BOGO), Buy One Get One Free kind of offer that has typically been there for the entire day here we are keeping it constrained within 11 to 5. Is it that lunch or those "Day Parts" are doing on a trend basis significantly worse off than dinner?

**Ajay Kaul:** Significantly worse off may not be the right terminology. They do not do as well as dinner and for obvious reason. Because we have to thank our customers in India and they are all over the country and they have supported us over and brought us to this "1,000 restaurants" milestone. We are incidentally the only country outside of the US for Domino's Pizza with so many stores... "1,000 plus restaurants". So having said that we thought let us do thanksgiving, but if we have to run it for two-three weeks, we cannot do it for the whole business like even dinner included. So we made it restrictive and we did 50% discount and not Buy One Get One Free.

**Moderator:** Thank you. Next question is from the line of Gagan Thareja from Comgest India. Please go ahead.

**Gagan Thareja:** If one were to assess the store level economic parameters by building geographical cohorts or by classifying your stores in tier-1, tier-2 city categories, would there be reasonable differences in these parameters across the two classifications?

**Ajay Kaul:** From a SSG perspective same-store growth number wherever restaurants will qualify into the same-store calculation. We do not find statistically significant differences when we try to do it not only on the access of tier-1, tier-2, tier-3, also in terms of ageing, also in terms of metro versus whatever non-metro and so on. However, you need to realize that the stores which are more matured and which are older or which are in Tier-1 kind of cities, tend to be basically larger in their throughput than the stores which are let us say in the tier-2, tier-3 cities, but same-store growth as a percentage does not vary significantly.

- Ravi Gupta:** Just to add to what Ajay said, in terms of payback period also, there is no significant difference between tier-1, tier-2, tier-3 cities as far as when we look at the new restaurants are concerned; so if a new restaurant is opened in a metro city versus a tier-2 city, the payback period will not be significantly different between both of them; however, if we compare age in the sense the older restaurants in the tier-1 city because most of the older restaurants are there in the metro cities and the tier-1 cities because they were opened long time back in the tier-3, tier-4 cities that we have been entering in the last three, four years. So in that terms definitely the older restaurants will have a better payback.
- Moderator:** Thank you. The next question is from the line of Manoj Gauri from Equirus Securities. Please go ahead.
- Manoj Gauri:** I have a couple of questions; If we look at Domino's when you entered in India for the first time and currently looking at Dunkin' like we have already started Dunkin' since 2012, so is it more difficult for Dunkin' to penetrate in the market as compared to Domino's in those early years?
- Ajay Kaul:** You know between Ravi and me, we are not belonging to that period, so we do not have actual evidence, we can only go by some quantitative manifestations of how difficult it may have been. So it is difficult but I do not think so it is fair also to compare. When Domino's came into India, at the same time thankfully you know McDonald's, Pizza Hut, KFC, we all of us came into together. But at that time not only we are not only not used to eating out, they also did not know what a pizza was, what a burger was and so on other than probably Nirulas in Delhi people had very little clue of what these things were. So the tasks were onerous but there were tasks of a different type. Today, while people know what a Donut is and what Coffee is and what burgers are and so on and so forth, but there is also that much more competition. So there is a much developed market but there is also competition and thereby competitive activity at the same time. So the tasks are totally different and they have their own challenges and they have their own approaches and strategies as a result.
- Manoj Gauri:** But the result that you got the time taken for Domino's to penetrate and the Dunkin', is it significantly differing, both circumstances might be different?
- Ajay Kaul:** It is so tough to answer this question not only because we do not belong to that period but times are totally different, these 20 years is too long a period to kind of say that you make some macroeconomic indicator stationary and then react to hypothetical questions like yours, it has got its own challenges and it will behave in a different fashion. I do not think so you can even compare the two.

- Manoj Gauri:** On the employee cost, as I understood from the call, it is about the bonus, the 110 basis point impact?
- Ravi Gupta:** Yes.
- Manoj Gauri:** Now going forward 30 bps will be the impact?
- Ravi Gupta:** Yes.
- Moderator:** Thank you. Next question is from the line of Varun Lohchab from CIMB. Please go ahead.
- Varun Lohchab:** The difference between your sales growth and SSG seems to be magnifying, in the sense if I look at the same quarter last year, you had sales growth of 21% with SSG of same number 1.9% Vs 2% this year. Whereas the sales growth has dipped to 14% whereas your number of store openings and all is still pretty good even on the new base. So, are the new stores opening at a much lower throughput compared to what you used to see 1 or 2-years back also? What explains this sort of much sharper slowdown in sales growth vis-à-vis the SSG slowdown?
- Ravi Gupta:** Varun, we have been opening a similar number of restaurants every year; 150, 150, 150. As a result in proportionate terms the number of restaurants become lower. Suppose if you have 1000 Restaurants, you open 150, it becomes 15%, next year on 1150 restaurants, you open again 150 restaurants, the proportion will come down. So this is one of the factors saying that when you look at the base becoming higher and higher obviously the percentage becomes a lower one. Second factor, our new restaurant sales typically between 70% to 80% of the system average sale. This year also it is within the bracket excluding the 10 restaurants which we opened in the metro station, that Metro Restaurants in Mumbai, Hyderabad and “On The Move Restaurants, 100 to 150 sq.ft. restaurants and all that. If we exclude that the Restaurants are behaving in a similar ball park range. But having said that we also should realize that our system average sale has been declining and the factor is that same-store growth is not that robust, it is almost a flat one and the new restaurant opening at 70% to 80%, that is the reason on weighted average basis, the system average is not declining. So while the new restaurants are still within the ball park range, but they are opening lower than the previous one.
- Varun Lohchab:** But the new restaurants are still opening in the same range as you said, 70% to 80% what used to be 2-3-years back or so?
- Ravi Gupta:** Yes, if I exclude this year number and those kind of restaurants which are on the go 100 sq.ft. and all that because they are not comparable.

- Moderator:** Thank you. The next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.
- Puneet Jain:** So you did mention that the same-store growth number has become lot more uncertain because of consumer sentiment. Could that also be linked to the fact that e-Commerce has had some impact on that and part of the tepid same-store growth may actually be a result of some market share loss on account of e-Commerce?
- Ravi Gupta:** Puneet, I think Ajay explained this in detail what is the impact of the competition and e-Commerce and all such heads. So definitely there is some impact on all of them but we are present in all those segments also. We have a tie up with Foodpanda, Zomato, TinyOwl, we have our own e-Commerce portal also. In terms of whatever kind of discounting they are doing, we are also doing some bit of discounting, but not all the days except this thanksgiving and all that. So does it impact? Yes, for short time definitely there will be an impact. For the long term Ajay mentioned and I am repeating , that we are confident that all these activities, all such increased competition will help in the growth of the business and we will see faster growth in overall Food Service business and as a result the market will grow faster.
- Puneet Jain:** If the same-store growth remains at a similar level so the margins will also possibly remain at a similar level in the short-term or are there any other margin levers which you can look forward to take the margins up if same-store growth does not improve to maybe high single digits?
- Ravi Gupta:** Same-store growth and margins are linked together because I have explained this equation a couple of times earlier because one side there is inflation in the cost and other side there is a same-store growth. So same-store growth has to be higher than the inflation in the cost for the margins to be sustainable. When I look at this quarter also the inflation has been very low. The only big inflation impact we had is because of the bonus and that also because of the retrospective impact of it. But had we just looked at only this quarter probably despite that we would have had the similar margins for this environment because inflation levels are lower... and when I am talking about inflation I talk about weighted average inflation, not only commodities but all the aspects including the personal expenses, including the rental and everything, altogether. So both these things has to be looked together -- inflation in the cost as well as what is the same-store growth. So if they go together, I think the margins can be sustained.
- Moderator:** Thank you. Next question is from the line of Gaurav Bhatia from Deutsche Bank. Please go ahead.

- Gaurav Bhatia:** So, this question is on the 50% Discount Scheme that you are running. Is there a pickup in volumes commensurate to the price cut and so are volumes more than compensating for the price cut? But is this EBITDA accretive?
- Ravi Gupta:** Gaurav, just wanted to say this is a thanksgiving event, first thing. We should not be talking about while thanksgiving saying that how much is the fixed stuff we are getting. Definitely when you discount there will be some extra business, you definitely will be getting. But first and foremost what we want is out of this is a real thanksgiving to our customers.
- Ajay Kaul:** 20 years of brand building and support which we have got from our consumers, honestly, even if it would mean shelling out a penny or two from our pocket to kind of sincerely tell them that how much their support is meant to us, I think it is worth it. Yes, but at the same time we are running a business so we would not do something which would be foolish. We do believe that it is not going to impact our EBITDA, to the contrary, we do believe that while we have never run in the past 20, 21-day promotion 50% off, we have not run. So we only believe that if you run it for 20, 21-days like this it should give us still a positive EBITDA trickle but we will see as we go along till the promotion finishes. But the larger objective as I have said and as Ravi also reiterated is, "Thanking our consumers in India."
- Gaurav Bhatia** I have a question on your consultant study which you did on your price value equation. What we are seeing is two price increases in two successive months, then a gross margin expansion and then a sudden 50% discount I know it is for a promotional reason. But could you share with us what is the outcome of that study?
- Ajay Kaul:** I had probably on two occasions clearly said what that study talked about and may be you missed out. The summary is that we took price increases only on those SKUs where empirical evidence through hypothesis testing showed that price elasticity was high, which means in those SKUs you could take a price increase without affecting the demand and as a result it would give definitely a positive EBITDA trickle. So we took price increase only on those. It was not a random across the board price increase and everything. That is why they came in two quarters one after another and so on. We would not do that. As far as 50% increase is concerned, I would again reiterate, please do not link the two, we happen to open our 1,000 restaurants now, it could have been 10-months later, it could have been 10-months prior also. So whenever it would have happened, we would have run some promotion and in this case we have run 50% discount promotion.



- Gaurav Bhatia** Sir, did that consultant study say anything about volume growth for when you do a price cut? So if you do a significant price cut let us say 15%, will that give you commensurate volume increase?
- Ajay Kaul:** No, it did not obviously suggest that and we did those null hypotheses testing and so on. Obviously, the route which we have now taken is the most optimum in terms of revenue increase, may be some impact on volume but definitely positive impact on EBITDA.
- Gaurav Bhatia** Now this quarter probably will be very heavy on volumes because of the cricket season and this 50% discount. But if I look at your employee per store number, that number continuously keeps decreasing quarter-after-quarter. Now that seems to suggest that you are not building up employees for this volume surge. Where is the disconnect?
- Ajay Kaul:** Ravi, you may want to answer that but I do not know where your analysis is coming from and maybe we should ask you a few questions.
- Ravi Gupta:** I think we need to look at what is the mix of the people between part-timers and full-timers, you will not have a full view saying that what is the mix of both of them. So what we do is actually for our business the since business is two hours during lunch and two hours during the dinner, we keep on encouraging quite a lot of part-timers and weekenders to our business. The number of people which we report is a total number of people including part-timers and all that. So any kind of meaningful analysis just looking at the number may not be feasible and especially in the Q3, December 31st and Christmas are the peak ones and always in this quarter you will see number of people increasing disproportionately, although you may wonder saying that it is only for one day or may be one week of sales and all that, but we are seeing that it has longer term implications as well. As a result, you will see that always in the Q4, the number of employees comes down because whatever the peak we have achieved in December, in Q4 the number of employees comes down. So I think once we have a detailed one saying that what is the employee cost per hour and what is the productivity per person? Those will be the meaningful but we will not be able to deduce anything outside from those numbers.
- Gaurav Bhatia** No, sir, my question was typically in Q3 your number of employees per store spikes up and that checks out for all the previous quarters as well. In this quarter, you had a decline in number of employees per store and this includes the temporary employees as well.
- Ravi Gupta:** So number of employees is always linked to the volume. Whatever the volumes are there in the quarter the employees will be in accordance with that.

**Moderator:** Thank you. That is the last question from the participant. I would now like to handover the floor to Mr. Ajay Kaul for his closing comments. Over to you sir.

**Ajay Kaul:** Thank you everybody for being with us today in this conference call. I hope we were able to answer all of your queries. We will be more than happy to kind of answer your queries in future also. Good Day and Good Evening to Everybody.

**Ravi Gupta:** Good Evening, Everyone.

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