Q3 & 9M FY2011 Investors/Analysts Conference Call

February 8, 2011

Urvashi Butani: Thank you. Good evening ladies and gentleman. Welcome to Jubilant Foodworks Conference Call for Investors and Analysts. The call has been hosted to discuss to the financial performance and share operating highlights for the quarter ended December 31 2010. I have with me on this call today Mr. Ajay Kaul, CEO of Jubilant FoodWorks and Mr. Ravi Gupta, CFO. We will commence the call with comments from Mr. Ajay Kaul followed by Mr. Ravi Gupta and post that we should open the floor for Q&A session where the management will be very glad to respond to any queries you may have. I would also like to mention that certain statements made would be forward-looking in nature and the actual results may vary significantly from these statements and the company does not offer to update these publicly to reflect the changes in performance. A detailed statement in this regard is also available in JFL Q3 FY11 Release, which is available on the company's website under the investors section. I would know like to invite Mr. Ajay Kaul to commence by sharing his views on the performance for Q3 and 9M FY2011. Over to you sir.

Ajay Kaul: Thank you, a very warm welcome to everyone joining us this afternoon. The quarter has been yet again an exciting one for JFL and it is clear that the strategy and ideologies put in place over the years continue to gain traction. We are pleased with our results for the third quarter of the fiscal. Clearly the momentum that we had seen in the first half of this year has continued for JFL even in the third quarter. Moving on to the financial highlights for the third quarter and also for the nine-month ending 31 December, 2010.

Our business continued to build momentum with Total Income of Rs.1857.1 million in the quarter, up 58.2% year-on-year. Our Net Profit for the quarter was Rs. 189.6 million up 66.7% as compared to Rs. 113.7 million in Q3 FY2010. For the nine-month period, JFL's Total Income stood at Rs. 4846.4 million. The corresponding net profit stood at Rs. 526.7 million up by 133.4% over the same period last year.

It's been a successful quarter and there really is a lot to be excited about. We believe we have built an authentic brand which provides great value and consequently customer satisfaction. This quarter was part of many festivities as well as the end of the year celebration, which was also one of the factors behind our higher sales. Besides this, we remained focused on our key initiative which is to expand our presence in existing and new cities. We have during Q3 FY2011 continued this drive on a national basis with commitment on enhancing penetration levels in tier II & III cities. Today our stores are spread across 87 cities in India. Today there are total of 364 stores including two sub-franchised stores in operation. This quarter we set out our footprints for the first time in several new cities such as Patna, Bhubaneswar, Bhopal, Howrah, Salem, Saharanpur, Zirakpur and Bilaspur. When we look at the sales figures of these towns, we are extremely excited with the positive response we have received. Everywhere we go the response has been very heartening; there is so much pent-up demand for the products offer and plus our consistent communication through national media has created a strong affinity for the Domino's brand. We are no longer surprised to see hardcore pizza enthusiasts in these towns, which are not behind at all, when it comes to consumption. This is very encouraging for us as a company as it reinforces the success and the bond we are able to establish with our consumers across the country.

For us innovation and quality form the essence of our products and their success. This is what keeps rolling. During the quarter, we saw the introduction of the delicious Double Burst Pizza, which is our effort to create a new experience for our customers. We have received positive feedback and this encourages us to further strive for innovation. Besides this, we also continue to receive appreciation for our previous launches such as Pasta Italiano and Mexican Wrap.

Moving ahead, the food industry and the pizza space in specific continue to offer great opportunities for us to progress and increase our foothold across the country. There continues to be a major shift in food habits in metropolitan cities, which we believe brings growth in the QSR space. Factors such as rise in dual income level and standard of living and convenience continue to drive the growth in the QSR space.

We believe that JFL is well positioned to capitalize on such opportunities in the industry. We have all the right ingredients to scale up our model in my belief. Moreover, we do realize that in such a dynamic market, we need to constantly keep ourselves abreast with the needs of the customers' palate. While at the same time, make employee empowerment a key result area. We have always been ahead of the curve with respect to industry learning, consumer engagement, taste and innovation. We view it imperative to consistently invest in our brands to drive growth in order to further scale our business.

With this in mind, we hope to continue to improve our operational performance and expect healthy revenue growth and expansion as a natural outcome. This brings me to the end of my remarks. I would not like to hand over to Mr. Ravi Gupta, our CFO who will take you through our financial performance in greater detail. Thank you.

Ravi Gupta Thank you Ajay, a warm welcome to all once again. I shall briefly provide you with an overview of our Company's performance for the quarter and nine-months ended 31 December, 2010.

We are delighted to share a solid set of numbers with you this evening. In Q3 FY2011, our Total Income was Rs. 1857.1 million with a robust growth of 58.2% over the third quarter last year. Growth is our sales is primarily related to the increase in our network of stores to a total of 364 stores which includes 2 franchised stores and also the addition of the new variants such as the Double Burst Pizza to our menu.

Our same store sales growth for Q3 FY2011 was at 35.7% as compared to 23.1% in Q3 2010 and this growth is attributable to enhanced penetration together with an increase in number of orders received.

Moving ahead, with respect to profitability during the quarter, our EBITDA was reported at Rs. 322.5 million compared to Rs. 197.2 million in the same period last year. While our EBITDA margins were at 17.4% as compared to 16.8% in Q3 FY2010. We are pleased to note that our principled approach right from the start is translating into such excellent numbers.

We believe in pressing ahead systematically with utmost importance to our criteria such as quality, value, and innovation for our customers.

For FY2011, we had set a target of opening 70 stores of which we have successfully launched and inaugurated 58 stores, across the country. This quarter, we set our footprints in 8 cities in this quarter, 18 cities in 9M, and today, we have presence in total of 87 cities.

Given the pace of our business expansion, we maintain our commitment to implement an efficient expense management system at every level. While we are optimistic about our growth and that of the industry, we certainly do not discount the risks intrinsic to our business. As part of the food industry, JFL is constantly faced with the concern of the inflation, which can put pressure on our margins. However, our scale and prudent measures of cost containment, which we religiously apply at every functional level that have helped us generate healthy earnings in a scenario of rising costs.

Another important area that helps us curb our exposure to inflation is an efficient logistics system operating at JFL. Our robust supply chain, follows a policy of centralized- sourcing from an optimal number of vendors, warehousing and distribution, this further facilitates cost efficiencies. Further, we continue innovating and working on new ingredients, new recipes, and more efficient processes to ensure that we are able to reduce cost. We also work closely with our vendors and share knowledge to help them improve their productivity and reduce cost. Such focus on the logistics helps JFL attain consistent quality, get better prices from vendors and ensure time bound delivery of articles to the store. In such a manner, we are able to align our costs to the increasing sales witnessed.

Moving on, our interest cost in the quarter stood at Rs. 0.14 million as compared to Rs. 20.8 million in Q3 FY2010. The reason for such a decline is primarily the repayment of term loans in the previous quarters in this year.

Finally, our PAT of the quarter witnessed a robust increase of 66.7% to Rs. 189.6 million as compared to Rs. 113.7 million in Q3 FY2010. This is again related to our solid performance at the operating level.

Now coming to our performance for the nine month duration. JFL's Total Income stood at Rs.4846.4 million registering a growth of 61.5% as compared to 9M FY 2010.

Our expansion during nine month period has been increasing at a steady pace and as a result, we today have 364 Domino's Pizza stores operating at the national level. We are also introduced some of the new products in this period. We started the year with the successful launch and positive acceptance of Wheat Thin Crust Pizza. By popular demand, we re-launched Pizza Mania, which continues to be truly liked by customers. In July this year, introduced Pasta Italiano and Mexican Wrap, adding more variety and choice to our existing menu and thus giving more reasons to our consumers to order from Domino's Pizza. This quarter we also introduced the Double Burst Pizza, an indulgent and delicious pizza for the connoisseur, which again has been well accepted by our customers.

Our EBITDA for 9M FY2011 was Rs. 871.2 million compared with Rs. 471.4 million in the corresponding period last year. The EBITDA margins stood at 18% as compared to 15.7%9M FY2010. Lastly, JFL's PAT for the nine month period was at Rs. 526.7 million witnessing a growth of 133.4% as compared to PAT of Rs. 225.7 million in 9M FY2010. The corresponding PAT margins were at 10.9% and 7.5% respectively.

Domino's Pizza India is very serious about delivering quality product to our consumers and quality performance to all our stakeholders. Our real growth driver is our focus on our core consumers. This keeps us pointed in the right direction. We have quite amicably managed the food price inflation, launched new campaigns and products and have delivered growth. The opportunities for QSR are growing and we believe we are a player that can move cleverly in this crowded market place first to reap rich performance dividend.

In summary, we are looking forward to end the year with a positive note and expect continued accelerations in our overall growth as well as market share. With this I would like to conclude my opening remarks and would like to request the moderator to open the call for Q&A. Ajay and I will be happy to address any queries that you have.

Moderator Thank you very much sir. Our first question is from the line of Pritesh Chedda from Emkay Global. Please go ahead.

Pritesh Chedda: We have seen for the quarter that the cost of goods sold as a percentage of sales has increased and the gross margin has taken a bit of hit, (a) What is the year to date cost inflation that we are seeing in the business and correspondingly, what are the price increases that we have implemented?

Ravi Gupta: Pritesh, the price increases that we have taken are consistent. Moreover the price increase decisions are normally taken about 2-3 months in advance for the particular time when we want to implement it. So typically, like price increase was 2%-2.5% twice in a year and that's what we have done so far in this year. However food inflation is slightly higher than that one and this has slightly impacted our margin for this quarter. We could not increase our prices higher than what we normally do, because the price-increase decisions are normally taken 2-3 months in advance. So it takes about a quarter or two for all this to adjust.

Pritesh Chedda: So at this juncture, the price increase is not equal to the corresponding material price increase that we are seeing in the system.

Ajay Kaul: Absolutely, if I may just add to that, inflationary pressures have been present in the past as well; it is not something which is new. However, in the last couple of months, I must admit, that the pressure is coming particularly from one ingredient which is milk leading to cheese, which is obviously our bread and butter, that's our core ingredient and is putting a bit more pressure. I am sure, you must have read articles about it. Having said that, I must also say one thing that being the fastest growing brand in the country, thereby our requirements being more than lot of people put together, in all modesty, I am saying this, we are able to work along with our business partners to either help them get economies of scale or in advance they are able to invest in further capacities and manufacturing that they are able to bring the unit cost down. So despite whatever you may be reading that there is 15%-16% kind of inflation in the market, it is far lower than that for JFL so far. So I am just trying to give you some comfort on that the fact that it is not that as high as what you may be reading in the newspapers, infact it is far, far lower. But having said that, firstly our intention is never to pass on huge increases to the customer despite whatever pressures, so twice a year, 2%-2.5% we believe is good enough for the elasticity to exist where customers don't feel the pinch. In this particular instance, within the last couple of months in November-December, the increase in inflation has been a bit more which is reflected in our COGS or call it raw material cost.

Pritesh Chedda: Okay, so if I just take cue from what you said currently and most likely that the year to date price increase that we must have taken should be about 4%-5%.

Ravi Gupta: This year we have taken 4%-5% price increase.

Pritesh Chedda: Secondly on the employee cost side, any significant action taken there. I know quarter three generally is a high employee cost typically because of being a much larger season and a better season for you, versus other quarters, but other than that if there is any input on the employee cost side.

Ravi Gupta: Pritesh, if you recall in the last con-call, we had discussed that in September, which is at the end of Q2, we had increased the salaries of the team members at the store level. And at that point, I had discussed that this will impact the whole of the next quarter. So it has impacted only one month in Q2 and all the three months in Q3. There is no further increase which has happened specifically for the team members' level in this quarter. Although, we have put our new scheme of incentive for the next level to the store managers, which is a level below store managers we call it 'Shift Manager'. So that is a new development which has happened, but the good impact is for the increase which we have done in September.

Pritesh Chedda: Okay. But these are quarterly incentives or these are actual salary increases taken whereby the base for the next year then has to be considered?

Ravi Gupta: These are performance driven incentives which are given from October onwards.

Pritesh Chedda: Okay. Only for that quarter?

Ravi Gupta: No, I say Q3 onwards.

Pritesh Chedda: Okay, it's ongoing.

Ajay Kaul: See just to kind of highlight one thing again here Pritesh for everybody's benefit. One, our own requirement of people at all levels is far, far higher than anybody in industry. Secondly, having created, in all modesty again, a fairly successful food brand, we become almost a pot of good people, which is easily available for others to kind of go for. We are not as much fussed about the second part, because we have enough exit barriers which we create for our people in terms of culture, in terms of the environment we give them. You are aware that we have one of the best employers in the country. But this is being done to make sure that we are developing good managers for our futures, so that progressively as we increase similar numbers of stores in future, we have staff who have been with us for sometime, who know the Domino's way of working or used to the Domino's culture and are just ready then to take charge of these stores. So for your information, this incentive plan is actually unique, because nobody else at that level in our industry offers an incentive plan. A variable incentive plan which is EBITDA led, which is driven by the EBITDA generated by the stores.

Pritesh Chedda: Your expansion in these newer cities, just if you could highlight Mr. Kaul, generally these cities, what is the upper limit for opening pizza stores, maybe Domino's or maybe Pizza Hut doing of it, so generally these cities can absorb what count of stores if it is possible to?

Ajay Kaul: See it depends from city to city, if I look at quarter three alone, we have opened 8 new cities from Patna and Bhubaneswar and Bhopal which are like almost capital cities, to Zirakpur and Saharanpur, which are in their own rights, much, much smaller cities and so on. So the potential in each is different, one can't put them in the same bucket or category.

Pritesh Chedda: If you could take two cities, Bhopal on one end and Zirakpur on other end.

Ajay Kaul: I think Zirakpur in all fairness, is like a suburb of Chandigarh, I think one good store that we have opened is good enough for, I would say the foreseeable one to two years. But Bhopal for example, we already have opened the second store also in Bhopal. So there are already two stores in Bhopal. Similarly if you are going to look at Bhubaneswar and Patna, they are clearly a two to three stores market, so all that hunt is already happening. So it's a mix of this and that, but I must also tell you that, on one side there is the pent-up demand and all those factors which Ravi was talking about earlier , but more than that the pace of change in terms of habits is also pretty stupendous and as a result what may be relevant or what may be yardstick or benchmark today, becomes almost irrelevant a year, year and a half or faster than that from now because there is such an upsurge in terms of consumption and acceptance for fast food like ours.

Pritesh Chedda: So when you say one store for Zirakpur with 50% market share, there can be a possibility of one more store from other competitor, if I just take it forward?

Ajay Kaul : No, 50% market share, I never mentioned, where did that come from.

Pritesh Chedda: No, I am just putting an example.

Ajay Kaul: The way Domino's model works, it is delivery centric, we go by households in that neighbourhood which we address and there is a certain number which we normally feel should be adequate for it to become sustainable. It is almost independent of what our competition is doing because their models are footfall driven and their customers could be coming to them from anywhere.

Pritesh Chedda: Lastly the cricket season, the three month season, is it fair to assume that there would be positive impact on same store sales growth and in the past whenever such an event has occurred, what has been the impact on same store sales growth?

Ajay Kaul: Okay, there are two parts to the cricket season, one is the World Cup and the other is the IPL. Now IPL has become an annual feature, so year-on-year in comparison, it may not show incremental results, unless the number of matches go up and the teams are, this time, ten and you can argue that there are few more matches and so on. But the World Cup, definitely associated with cricket and especially matches which happen around dinnertime, have positive bearing on our business. To that extent, there will be a small upside we believe which will come along the World Cup cricket.

Pritesh Chedda: Okay. What would be the taxation for this year and the next year and is it that we are getting into full taxation next year?

Ravi Gupta: As far as next year is concerned Pritesh, we will be moving to the full taxation, absolutely no doubt about that. For this year, our overall taxation for this year will be about 22%-23%.

Pritesh Chedda: Okay. Many thanks.

Moderator: Thank you. Our next question is from the line of Jaibir Sethi from CLSA. Please go ahead.

Jaibir Sethi: Could you share with us what has been the quantum of the hike which you took, because I was just looking at the per store calculation on staff cost and that seems to have gone up more than 40% year over year.

Ajay Kaul: See we are not in a position to share this breakup with you. However, all we will say is that the trajectory which we are following in terms of growth is a bit different from anybody else So investments in people and also given the fact which I was saying a little while back that we take pride in the fact that we are regarded as one of the best employers in the country whether it's the Hewitt Best Employer survey, whether it's a Great Place to Work survey. And when our requirement of people is high in terms of future growth, we build more bench strength like you must have heard; a lot of IT companies do that. So we believe in all that. So there are investments on people we have to make, whether it's in terms of keep them engaged, keeping them enthused, motivated, maybe a bit more salary variable play related to higher EBITDA generation and as importantly bench strength. So while on one had you may reach there a conclusion which you have just reached, but it's predominantly going into building our future.

Jaibir Sethi: And during say the seasonal peaks for example, what you had seen around December, do you bring in a lot of temporary staff into the store level as well or is that a practice, which you avoid?

Ajay Kaul: You see it happens, see unlike a tap which you can open and close so easily, in this case, you have to bring in people, you have to train them and, yes this is probably the only seasonality in our business where December tends to be a definitely higher than let's say November and to that extent a bit for January also. So December we do tend to rely a bit more on call it part-timers, wherever they are available, although it's not so easily available in India, but we do have part timers. We also believe on weekenders especially talking about the 25th December and 31st December part of the year. And as we move into January and so on, it's some of these people that obviously are not a part of the system and so on.

Jaibir Sethi: Okay, but that's not a major component for you?

Ajay Kaul: See, it is component to an extent that it is a labor line and it is important and given the fact that we had increased salaries recently, we constantly watch productivity in our stores, how our efficiency and labor productivity only increases and doesn’t go down. We watch such aspects very, very closely. We have productivity models, we have manpower models and we are constantly working on them.

Jaibir Sethi: Alright. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Amnish Agarwal from Motilal Oswal Securities. Please go ahead.

Amnish Agarwal: I have a question which is primarily related to our new stores, because we have added around 25 stores in the current quarter. So how many of these stores are in the Tier II, Tier III cities? How many of these stores are actually having some fine dining associated with them and how has the store economics, the stores in the Tier II, Tier III cities are panning out vis-à-vis the stores which are in the metros?

Ajay Kaul: Speaking specifically of quarter three, we have entered 8 new cities in the quarter and the total number of stores in these 8 cities are 9, because in places like Bhopal we have opened more than one store. But if I were to go beyond this and classify stores into the top 10 cities and then the next set of the other cities where we are already present, I would have to take a guess right now, but probably 50% of our stores would be coming from the Tier II, Tier III cities and the other 50%, as of thumb rule in general would come from our top 10 cities.

Amnish Agarwal: Okay and the top 10 would obviously include all the major metros

Ajay Kaul: It will include right up to Ahmedabad and Hyderabad, Chennai, Kolkata, Bangalore, Mumbai, Delhi of course, Pune, so it would be all these who would contribute to maybe 50% and everybody else would contribute to 50%. I give take one or two points; I am speaking a bit from my memory right now. But in the 50% and there would be a substantial portion which has this time come from new cities because there are as many as 8 new cities.

Amnish Agarwal: Okay. And out of these stores, which you have opened, how many of them have fine dining?

Ajay Kaul: In fact all Tier II, Tier III cities have, I would not call it fine dining, because that's not what we are in. We have created dining environment which are good and congenial for consuming fast food, where you can sit with your family and friends and maybe chill out to some extent. So again it's going in terms of number of seating is that qualified my statement, anything from 40-60 seating in such places, because real estate and all that in such places does not play such a significant role. Of these stores which have been opened, let's say in the top 10 cities, the big ones, in Delhi's and Mumbai's, the number of covers we normally go for is 20-25 and in other places it can go up to even 30-35 in places like let's say Bangalore, Kolkata, Chennai, and so on. And interesting piece is that our delivery business is growing as fast as our dine-in business.

Amnish Agarwal: Okay. And if you have to look at this store economics then these cities particularly in Tier II, Tier III where we are having some sort of a dinning environment being provided to the consumers, so how different is store economics in these cities vis-à-vis the store which are not having the dining environment experience?

Ravi Gupta: The criteria we use internally is the same criteria which we apply whether we open a store in metro or we open store in Tier II or Tier III store. The criterion is that the store should pay back the investment in three years or less. As long as the store payback within three years or less, we normally do not differentiate between how much bottom line a store generates or doesn't generate or the top line. To give an example, a store may have rental 4 times higher than another store, in that case, the first store has to generate revenue which is much in excess than the second store. In terms of percentage you must say it is still lower. But we don't at look percentage, we look at the absolute amount of payback, the absolute amount whether it's contributing to an extent that we get our payback from the store in less than three years. So long that happens, we are happy to invest. And we are pretty happy with the performance of the stores in the new cities and they have been meeting our benchmarks.

Amnish Agarwal: Okay. If we have to specifically look at the stores which have been say opening in the say past twelve months or so, if you look at your aggregated EBITDA margin of say around about 18% odd, so are the stores which have been opened in the past 12 months also around the same level or is there a huge differential between the stores opened recently in those opened 2-3 years back?

Ravi Gupta Amnish, what happens is that when a new store is opened, typically its sales are lower than the sales of the matured stores. There is no definition of a mature store,; but you can say these are stores opened may be 3-4 years earlier, because when a store is opened, penetration and frequency keep on increasing in the delivery area and as a result sales keep on growing. When sales keep on growing, margins also keep on rising. So whenever we open a new store, the margins compared to the older stores are lower. And as they mature, their margins keep on increasing.

Amnish Agarwal: No, to put it differently, if I have to look at say the 5 or 10 best stores of yours in the country, would they be making say an EBITDA margin of 25% plus?

Ravi Gupta: See we will still not like to comment specifically about top 10 stores or bottom 10 stores, but they definitely make higher margins than the bottom stores.

Amnish Agarwal: Okay, thanks a lot.

Moderator: Thank you. Our next question is from the line of Hiren Dasani of Goldman Sachs. Please go ahead.

Hiren Dasani: Hi thank you for the opportunity. Just in terms of store opening, considering that we already opened 58 stores so far, are we still sticking with 70 or it could be somewhat better than that?

Ajay Kaul: Of the guidance we had given in the beginning of the year and we have consistently maintained is 70 stores and we believe we will definitely meet that number.

Hiren Dasani: Meeting is obviously a very easy task now considering that 58 is already out.

Ravi Gupta: But we need to appreciate that first two quarters, we could open only 33 stores, so we can say an average 16 stores, it's very difficult to say at this moment that whether we can exceed the target, so we will like to stay with target of 70 right now.

Hiren Dasani: Okay. And any sense on the next year, would it be similar to this year as well?

Ajay Kaul: Given that over the last 3 years we had been doing 60 odd, last year we did 65, this year we will definitely end at 70, given this pace and given that at the consumers' sentiment level and the opportunity level, there don't seem to be any major changes or negative appraisal happening. We do believe that you can logically extend the past, present, into the future.

Hiren Dasani: As far as the store opening are concerned?

Ajay Kaul: Yes the store opening part.

Hiren Dasani: Okay. And few data points in terms of what would be number of employees at the end of the quarter?

Ajay Kaul: See the number would be on higher side, somebody rightly told us that in December we have to beef up our staff, I think the exact number probably would be in the vicinity of 12,000 or so. But as you move into the January, this number would tend to fall because for the December due to actually we have beef up our store strength and everything.

Hiren Dasani: Sure, it was 10,750 as of September if I am not wrong

Ajay Kaul: Right.

Hiren Dasani: And gross debt and cash and cash equivalent at the end of the quarter?

Ravi Gupta: The debt is not there in books at all. And we have cash in hand is about Rs. 45 crore as of December end.

Hiren Dasani: And what would be the CapEx for the nine months, cumulatively over the nine months?

Ajay Kaul: About Rs. 55 crore.

Hiren Dasani: And virtually all of that would be on the store related only?

Ravi Gupta: Most of it is store related, I would say, both for new stores as well as existing store. Since we are doing 39% same store growth, we need to reinvest in existing stores also, in terms of additional equipment and other things. So we keep on reinvesting in existing stores, so majority of the portion goes to the stores.

Hiren Dasani: Whether it would be about more than 90% roughly.

Ravi Gupta: Yes close to 90% you can say, for both new stores as well as existing stores.

Hiren Dasani: Okay. And new would be 60% or new existing would be 60-40 or would it be equal in terms of new versus existing?

Ravi Gupta: Ballpark you can say 70-30 new Vs existing but it could vary year to year.

Hiren Dasani: Okay, great thank you.

Moderator: Thank you. Our next question is from the line of Natraj from Quantum Mutual Fund. Please go ahead.

Natraj: How long or how far can the same store sales keep going, and at a certain stage you will decide to put another outlet near the same outlet, is that how it will work, or how should we read the long term scenario on that side?

Ravi Gupta: See periodically we keep on doing this exercise what you just mentioned and we do this not because of the store volumes are growing, or something like that. What happens is, a store has a defined delivery area, over a period of time because of traffic congestion and other factors, our service to the periphery areas starts suffering, and when the consumers start receiving the order on the 30th minute or 32nd minute or maybe in 29 minutes and the pizza is not very hot, he doesn't enjoy the pizza and in a matter of time, his frequency reduces. Now we don't want that situation to arise. So before that happens we tend to open another store in the vicinity of the store, although the store is able to deliver them within 30 minutes but still to improve our customer satisfaction, we normally open another store in the vicinity. And we have been doing that consistently. At any point of time, is you consider the last couple of years, at every point of time there will be about 30 stores which we call split stores at any point of time.

Natraj: Okay. So at any point of time the reinvestment has to keep happening so the existing 360 stores may entail over it 5 year period, you could be doubling within the same cities itself, if at all the same stores keep going at the same rate. I am saying that same stores sales continue to keep going at the same level or at the lower level, in the existing cities that you have already a presence, the number of stores have to increase significantly.

Ravi Gupta: See number of stores in the same cities has been growing, we just mentioned earlier in the con-call saying that in the top 10 cities also we open the stores and still the same store sale growth is at 39% for first nine months, it is after the splitting of the store, in the sense that whenever you open a store in the vicinity, sales reduces for the store after accounting for the reduction also there is a growth of 39% in the first nine months.

Natraj: Okay I am just one last sir, you have plans to launch another brand of food chains, any updates on that. Any other brand if you look at besides Dominos.

Ajay Kaul: Yes, let me update everybody on that. Compared to our last discussion we when we had also talked about new brand but being discrete about it; we still haven't reached a stage, although I must admit that we have clearly progressed in our discussion with I would say more than one brand. The idea is not to launch the multiple brands, the idea is to launch one brand but we are in discussion with more than one. And I would reckon that we have reached the stage where in the next 4 to 6 months, we should be in a position to announce and hopefully also start the activity related to launch of the brand. Why it may have taken a bit longer is, that firstly the brands- both organizations us as well is them, they need to come close not only commercially which is most obvious but even ideologically in terms of the way we look at customers, employees and everything the whole ecosystem and that is taking a little bit of a time. But I'm hopeful that in next 4 to 6 months we should not be only able to announce but start from really material work in this direction.

Natraj: Thank you.

Moderator: Thank you. Our next question is from the line of Atul Bhole from Tata Mutual Fund. Please go ahead.

Atul Bhole: How many employees are there on the admin and backend and second question is how do you see the leverage panning out as you grow the number of stores and stores mature from the supply chain, backend employee side, etc.?

Ravi Gupta: See in the commissary and the backend so as to say there are about 700 employees and rest are all related to various fronts in operations.

Atul Bhole: Okay and there would not be any growth in that number of employees?

Ravi Gupta: No, that has to grow but that does not grow at same pace as in the growth in the business normally.

Atul Bhole: Okay and my question is over FY09 you have seen some 5% improvement in margins and over FY10 some 2% to 3%. So how do you see the margin panning out further, next 2 to 5 years that period not for the next quarter or so?

Ajay Kaul: We will not be able to comment in terms of quantified projection on those. While the plan for next year is underway and we are kind of freezing that but what I can say is that we have moved 2% - 3% points improvement in last year compared to the year before that and so far this year again it has been around 2%. We believe that there will be marginal improvements in our margin in over the next 4 to 5 years.

Atul Bhole: Okay and you mentioned about maintaining bench strength, so can quantify that, will that be 10% to 15% of the employees on bench or lesser than that?

Ajay Kaul: The rate at which we are growing, we have not quantified it in terms of percentages. We look at it more in terms of what our plan are for opening stores and what level of requirement is there because there could be store managers, there could be district managers, there could also be people who we take as bench strength to fill up the second level of management within the store who are able to pick up & grow as manager store after maybe 1.5 to 2 years. But clearly we are bringing in our science into that, we may not be able to express and percentage.

Atul Bhole: Okay thank you.

Moderator: Thank you. A next question is from the line of Krishnendu Saha from Qunatum AMC. Please go ahead.

Krishnendu Saha: I just want to understand your business a little bit better, do you take price rise equally all throughout in the sense Pizza is selling for Rs 100 in big city is it selling for Rs 100 in TierII city?

Ravi Gupta All our prices are almost uniform across the stores. We procure centrally all the ingredients at the four commissaries and this happens in those four points. We thus have the benefit from volumes leverage, even for the stores which are maybe in far flung areas. Thus we are leveraging our volumes with our vendors so that we can negotiate a better rate. So that is the reason from a consumer point of view we have kept the same rates. Otherwise somebody can argue the other side saying that tier II, tier III cities you should have a low price. One can also argue saying that you have higher cost of delivery there, you should have higher price. They can argue either way actually. But we have kept the prices almost uniform.

Krishnendu Saha: Reason I'm asking is if I am looking at for the past couple of quarters your costs have been around 24% to 25%, 26% of this quarter accepted because of inflation whatsoever and the prices are fixed. Where I am trying to understand the prices are fixed, is uniform all throughout India. So where do you get the leverage, you get the leverage in rentals and other income which has been going on constantly from 11% to 8% right now or on other expenses which is going down from 29% from 31%? I'm just trying to find the leverage factor and where is will come from.

Ravi Gupta: Leverage may come from most of the heads, but in short term we don't foresee a leverage coming from raw materials and staff costs. So in the short-term we don't expect any leverage to come from there but on a long-term basis leverage can come from there because we keep on working on innovation in raw materials. As and when innovation happens normally we keep that margin with us, although our endeavour is to keep on delighting the consumers so that overall food costs remains around 25% range. But if there is innovation we may have a marginally growth in that case.

Krishnendu Saha: So the EBITDA levels that can expect leverage in this quarter from the rentals and all those other expenditure?

Ravi Gupta: SG&A will always give you leverage, rentals will always provide you leverage. We have seen that in the past too, I think 7-8 quarters results are available with you now, and you can see that consistently factors like rentals and other fixed costs can give you leverage.

Krishnendu Saha: Are those are basically SG&A?

Ravi Gupta: They are kind of fixed costs or some variable costs of stores or corporate; exclusively you can't call them SG&A.

Krishnendu Saha: And then at the EBIT levels the depreciation kicks in through. All right I get that, thank you.

Ajay Kaul: Thank you.

Moderator: Thank you. Our next question is from line of Subramanyam PS from Sundaram Mutual Fund. Please go ahead.

Subramanyam PS: The same stores sales how much would it be as a percentage of your total sales?

Ajay Kaul: We can speak in terms of number of stores, when we started the year I think 241 stores were qualifying for the same store calculation, out of the total of 306 stores. So right now, as we speak, we have 241 stores which fall into the same store category. There are 65 stores which are not same store but which had opened last year but will run for the full-year this year, but they are not same stores and we have opened 58 fresh stores this year so far. So there are three buckets basically. So the number is variable at the beginning of the year it probably was 241 by 306 and by now it has become 241 divided by 364 so it is a much smaller number.

Subramanyam PS: How much would these 241 stores be contributing in terms of your overall sales of Rs. 183 crore during the quarter?

Ravi Gupta: Approximately it will be about 75%. But at this point in this it is close to the ratio, just say 241 divided by 339 (store at the beginning of the quarter) you will get similar kind of ratio, with a difference of few percentage points here and there.

Subramanyam PS: But ideally this percentage should be higher than the store?

Ravi Gupta: This will be higher definitely but very significantly.

Ajay Kaul: Another way to look at it is as these are published numbers, our system level growth for this quarter is 58% and our same store growth is 35%. So the differential obviously is coming from everything else which is non-same store. So that may help you to also arrive at some numbers in terms of percentages.

Subramanyam PS: Okay and of your same stores, what kind of same store sales growth would you be expecting? Do you think some of them have hit a saturation point and you need to open up new stores?

Ajay Kaul: See new stores will keep happening and I do admit that new stores sometimes can cannibalize a little bit of sale from the existing stores. But let me answer this question without actually talking about the future very directly because we do not do that, at a principle level. We do not give the clear guidance on what our same stores number is. If I take you that into history, this year so far is unprecedented and I must admit that. As per our for first nine months, same store growth number is at around 38.7% which is unprecedented, in our history we have never done that. Last year we did 22% same store growth and if I look at the block of 5 years before that our averaged out same stores growth would be in the vicinity of around 18%. If you were to back out one bad year when the downturn had happened I think almost every year we had been doing around 18% to 20% same store growth. This is past. In the present year we are clocking at around 38%, this quarter has been 35.7%. I can easily say that these numbers are not sustainable in future such high growth numbers 35% and all that. However, where will they go and gravitate towards is something which I would not hazard a guess right now.

Subramanyam PS: Any guidance on your overseas stores expansion plans?

Ajay Kaul: Yes all I can say is that we had said we would want to enter Sri Lanka and open our first store this year. I think we are on course of that, it maybe end of March or it would be early April, but we should be able to open our first store in Sri Lanka in the next 2 to 3 months. Our commissary or factory is also under construction there so that will all happen simultaneously and while the potential of Sri Lanka despite an improved touristy climate, improved economic climate looks very positive but it is still far, far lower than what India would offer or for that matter issue as a compared Colombo to Delhi and so on. But nonetheless we are upbeat about Sri Lanka and in due course our plan for Sri Lanka would also unfold. We are in the midst of also finalizing our plan for next year for Sri Lanka.

Subramanyam PS: Okay thanks a lot.

Moderator: Thank you. Our next question is from the line of Umesh Gupta from Reliance Wealth. Please go ahead.

Umesh Gupta: You mentioned in the beginning that inflation is not a big risk as far as your raw material side is concerned; you have been fairly able to pass on. And the second thing you mentioned your MRPs are more or less same across the stores be it Tier I, Tier II, so from the demand side this inflation especially in the smaller cities the way the prices are rising not for the pizza but for the other things. So from the wallet share perspective what kind of risk are you foreseeing or is there any risk in your view from the demand point of view?

Ravi Gupta: Consumer is experiencing this inflation across all categories. Income is also probably rising higher than inflation right now because in real terms the income is also increasing for the consumer. For a consumer, the moment the disposal income rises, the first category which gets impacted is always food. So he tends to spend more on food. Our belief is so long as the income keeps on rising, inflation should not impact his spending on the food.

Umesh Gupta: On your EBITDA margins, I don't know whether you said it clearly that you expect a little growth in EBITDA margins going forward. Since your tax rate is going to work significantly from this year to next year, so until and unless there is not a dramatic improvement in EBITDA margin but you need a significant improvement in EBITDA margin to mitigate the impact of the tax rate on the bottom line. So one could say that since you are earlier in the losses and they have been accumulated and now since you are coming into profit. So for the first few years which we have already seen in the last two but till the time you move in to the full tax rate your margins should keep on improving continuously at least my opinion is about 200-300 basis points next year for you to mitigate that risk. So do you see that scenario going forward or not that much?

Ravi Gupta: As far as next year is concerned we will come with a thought process at the end of the year because we are in the midst of the preparing plans for the next year.

Umesh Gupta: That’s true but as far as tax rate is concerned you are fairly aware of the same.

Ravi Gupta: Last year also we had a similar question saying the next year you will start paying tax, your margin will get impacted but still we are ahead right now. So at this point of time I will not hazard a guess for the next year since we are already in the exercise of business planning for next year. Probably when we are through with that exercise we have some better thoughts at that point of time.

Umesh Gupta: Okay on your same store growth and the system wise growth. Is there any significant difference in terms of the very old stores growth and the growth in the maybe the one-year-old between and the three year old kind of growth numbers?

Ravi Gupta: Only one thing I can say there, there is no significant difference. When we say 39% growth is there for the nine months. Definitely the older stores are couple of percentage point lower and the newer stores are couple of percentage higher. But I will say that no significant difference between the growth rate. The older stores are also growing at a very fantastic rate except for cases we decide to split them.

Umesh Gupta: Okay and out of the total stores what is the breakup in terms of top-10 cities, how many stores you have and the remaining?

Ravi Gupta: Top-10 cities we will have about 65% stores.

Umesh Gupta: Okay thank you.

Moderator: Thank you. A next question is from the line of Kalpesh Makwana from Quant Capital. Please go ahead.

Kalpesh Makwana: When we consider the staff cost last quarter was around Rs. 32. 5 crore. It has sequentially grown by only 18%. Frankly I was expecting it to grow at much higher rate considering the flight that you had taken 18% to 20% wage hike in that quarter and additionally you have increased the workforce by around 16% this quarter. So was there any non-recurring number in the last quarter that I should take-off to come at a recurring number?

Ravi Gupta: Kalpesh only thing that I can add here is increase was done effective September.

Kalpesh Makwana: Correct so that was for one month?

Ravi Gupta: Yes one month was there in Q2 and so as to say additional two months came in this quarter in comparison. And we report the total number of employees at the end of the quarter. So they may not be employed for the whole of the quarter. So this December month is a great month for us. We start recruiting by end of November or so. So that will get tilted in terms of numbers, so exactly working will not be possible for you to work out things like these.

Kalpesh Makwana: Was there any one-off number in Q2 staff cost which is not recurring?

Ravi Gupta: Not at all.

Kalpesh Makwana: And out of these 25 new stores this quarter how many were done in the last month of the quarter?

Ajay Kaul: The last month of the quarter which means December?

Kalpesh Makwana: Yes.

Ravi Gupta: About 8 to 10 stores were there.

Ajay Kaul: Probably around 8 to 10 stores, maybe one-third number would be in December.

Kalpesh Makwana: Okay thank you.

Moderator: Thank you. A next question is from the line of Prachi Kodikal from Bay Capital. Please go ahead.

Prachi Kodikal: How much of your same store sales growth comes from new products?

Ravi Gupta: We don't differentiate between which products are contributing to the same stores growth. What happens is we keep adding new products to the portfolio and also discontinuing some products. Because we have to keep our make line very simple, so that it facilitates the 30 minutes delivery. So in order to keep that simple, whenever we introduce new products there is a pressure for us to take our one of the old products from the kitchen. So in that context, we don't differentiate between what is the contribution of the new product, older product because that is our decision, to introduce a product or to discontinue a product. I hope that clarifies

Prachi Kodikal: Okay, out of the total 364 stores how many would have dine-in facility?

Ravi Gupta: As of now maybe a significant majority I can say have some kind of dine-in; now the extent of dining can vary and it is not a fine dining where you can have a cutlery and all we don't offer in a cutlery anywhere. It is a kind of functional dine-in where there is self-service; people have to take and eat out of the box. So significant majority of the stores there are some table and chairs there, we call them cover.

Prachi Kodikal: Okay thank you.

Moderator: Thank you. A next question is from the line of Nisha Harchekar from Way 2 wealth. Please go ahead.

Nisha Harchekar: What is your franchisee fee per store?

Ravi Gupta: Nisha we don't want to disclose that franchisee fee. You mean what we recover from the franchisee or what we pay to the Domino's International?

Nisha Harchekar: What you pay to Domino's international?

Ravi Gupta: We pay 3% of all the sales to Domino's International.

Nisha Harchekar: Alright thanks.

Moderator: Thank you. Our next question is from the line of Brijesh Ved from Enam Asset Management. Please go ahead.

Brijesh Ved: I would just like to broadly understand the management philosophy; you have mentioned about one more brand coming in at some point in time, probably in 4 to 6 months' time. Just when you probably get into a business which will be a similar business like this where you required to do a little bit of investment, what will be your philosophy on capital dilution? Also the overall capital employed in business right now should be around Rs. 150 to 200 crore, so where would that go in terms of when you are getting into next phase of business growth?

Ajay Kaul: The capital employed is close to about Rs. 150 crore or so. That is what has been already deployed in the business. The philosophy is simple that having created the leveragable strength let us say the Domino's brand under the JFL umbrella of people, of supply chain efficiencies, of shared services which could be in the areas of legal, finance, HR and so on. We believe that whatever the new brand is and it will definitely require some capital expenditure and I do agree there but there will be leveragable noncapital expenditure/ services or call it leveragable features which are going to bring in profitability faster than what probably was seen in the Domino's case years ago. So how it is going to unfold in terms of exact P&Ls and so on over a 5 year period or 10 year period is something which we can't hazard a guess right now because the brand is not finalized. But the intent is obviously all these brands put together will be delivering enough return on investment, and return on capital employed and as importantly EBITDA and PAT, to the bottom line of the combined entity.

Brijesh Ved: Sure and of course right now you are not leveraged at all and your business doesn't require capital as such for growth. But what are your thoughts on capital dilutions in case if it is required for a next brand or for further expansion, what is the thought process of the management?

Ajay Kaul: I think we are open to that and there are enough examples even within our own system where outside of India, were multiple brands we have been brought and they have made very successful businesses out of them. So we are absolutely open to that.

Brijesh Ved: Okay. Thank you.

Moderator: Thank you. A next question is from the line of Sangam Iyer from ALF Accurate Advisors. Please go ahead.

Sangam Iyer : Would you share the average sq ft per store that you have, is there any ballpark figure for that?

Ravi Gupta: Actually we don't measure and keep track of it but typically we can say our store size is on an average 1200 sq ft. But we don't track this as. This is not an insightful parameter of our business.

Sangam Iyer: Okay and in terms of other expenditure that we see which is around 26% of the total revenues, could you give a breakup in terms of stores level and corporate expense in that?

Ravi Gupta: Our SG&A are spread over across the heads. It is not a part of other expenses alone and it is spread over the staff cost also, it is spread over the rent and other expenses also.

Sangam Iyer : So what would be the breakup for other expenses?

Ravi Gupta: Other expenses consist of our advertising publicity, the franchisee fee payable, power and fuel, repair and maintenance and all sort of other miscellaneous expenses.

Sangam Iyer : And finally on a mature stores level basis, how should one be looking at the average margins for the Company, would it be fair to assume that on the mature basis for the last three years, mature stores are producing around 20% kind of EBITDA level or 22%, if you could give some figure on that front?

Ravi Gupta: Normally we do not share these figures. As the store matures the margins keep on growing and we have not seeing the growth coming to halt as of now in normal circulstances. When the stores are growing right now when we saw 39% growth in the first nine months, all categories of stores are growing and when stores keep on growing the margins keep on improving. So very difficult to pinpoint saying that okay this is a peak point the store can reach.

Sangam Iyer: Okay thanks.

Moderator: Thank you. The next question is from the line of Sumit Duseja from SPA Securities. Please go ahead.

Sumit Duseja: Can you please provide me the breakup of revenues that comes from delivery versus from dining at the store, some rough idea on that?

Ajay Kaul: I'm afraid, we will not be able to because we believe delivery is something which is a key part of our business which differentiates us. And this is some information that we would not like to talk probably because it maybe giving some insights to our competition on what we are up to.

Ravi Gupta: But to add what Ajay said, if you talk about total Pizza market or Pizza delivery market we believe our share is somewhere between 67% to 70% . This is our own number; you can challenge this number by couple of percentage point here and there.

Sumit Duseja: So I can take that the significant majority would be coming from delivery as a rough estimate.

Ajay Kaul: As a qualitative answer to that question, the answer to that question is no. When you said significant majority, the answer to that question will be no.

Sumit Duseja: Okay fine and how many stores are owned and how many are rental? I believe they mostly are on rental basis.

Ravi Gupta: All stores are on 100% rental.

Sumit Duseja: What is the franchisee period from Domino's International?

Ravi Gupta: The period of the franchising was 15 years, starting from April 1st 2010 and ending on December 2025. It is renewable further at our option for another 10 years after that.

Sumit Duseja: Okay fine.

Moderator: Thank you. Our next question is from the line of Raj Mohan who is an individual investor. Please go ahead.

Raj Mohan: What I was trying to understand was, with the two major cost components of staff and materials giving persistent pressure to your financials. Do you still feel you have the same levers to keep on improving your operating margins with your higher scale or has that dynamic undergone some kind of a change with this persistence of inflation and staff cost?

Ajay Kaul: Staff cost and food inflation, as we have always maintained, they will throw up challenges for you and this is nothing new in this quarter, it has been all through. How do we manage them, how do you still make sure that we being a best employer, being the fastest-growing company we manage bench strength, we still have salary levels which makers competitive enough to retain people. So it is a part and parcel of game so that is going to continue, it is nothing new for us. Food inflation in the last couple of months is probably a bit more than we have seen in the past but we again believe while our last resort always is to pass on a part of it to the customer to kind of cover up for it, that is our last resort. By working closely with this kind of growth rate of 50% to 60% along with our vendors and business partners we're able to diffuse lot of this impact because of that. But these challenges are there and they will continue. If you see the last three years while the operating margins may have increased for other reasons also we have increased our EBITDA margins from around12% to around 17% to 18% right now and inflationary pressures as well as people pressure have been kind of there in the last couple of years.

Raj Mohan: I was essentially insistent on this question because over the last couple of months or 3 months we have been talking in the global arena about inflation persisting for a seriously longer period of time, with food shortages across the globe, Australia everywhere and most of the basic commodity prices showing an upward trend. So that is why I was more worried whether that will have some material impact on a longer-term basis.

Ajay Kaul: I would reckon no, the pressure will be there and we will have to work with these challenges around that.

Raj Mohan: And again based on your scale based material acquisition and their actual sourcing happening right now, have you moved head of the pressure curve because you said you have 2 to 3 months lag before you negotiate prices with material suppliers. Have you currently moved ahead of that pressure curve?

Ravi Gupta: Normally what happens is from the time the price increase happens of the ingredients, it takes the couple of months for us to pass on to the consumers, that is, if we decide to pass on to the consumers. if the price increase happens we may absorb it for more than 1 or 2 quarters before we pass onto the consumers. That was the concept we have normally use.

Raj Mohan: Because you also mentioned that you revise prices only twice a year?

Ravi Gupta: Typically we increase only twice a year you are right.

Raj Mohan: Okay but then if there is abnormal material cost increase then you will have to do your price increase more than twice a year right?

Ravi Gupta: Yes.

Ajay Kaul: In fact three years back we did increase price three times in a year and the quantum of increase can also vary. Right now we believe at 2% and 2.5% at the customer level we do not see any drops because of inelasticity. But time will say what the decision will get taken at that particular time.

Raj Mohan: Okay next for the top-line, though the performance has been robust on the top-line front. Do you think the absolute growth numbers are a shade lower because in the second quarter of this financial year you did incremental sales of about Rs. 28 crore over the first quarter while in this quarter over the second quarter you have done incremental sales of about Rs. 22 crore and this quarter is supposed to be the best quarter in the year and you have also added a record number of stores. So is there is there a disconnect or has it largely got to do with slightly lower same stores sales?

Ajay Kaul: Indeed, there is a certain bit of seasonality. So if you were to compare one quarter versus another, then he will also have to go into the previous sales number and make some comparisons but having said that there is one key thing which I want to leave with you, it was somewhere in December of 2009 then our same stores sales started climbing from less than 20% points into 30 % plus. And then even went to 40 progressively, so December 2009 and going into February, March, April and all that up to 2010 and then this year started and we kept seeing some really high same store growth numbers, unprecedented numbers. As we hit December of 2010, we were comparing December 2010 with December of 2009 which was also a 35% of same store growth. So same store growth in December has clearly fallen a little bit compared to some of the other months and I must say here that expecting same store growth of 35% for rest of this year will not be right. I will not pledge a number to that but my word of caution is that it will not operate in the 35% to 40% zone for sure.

Ravi Gupta: The reason being that Q4 last year was 38% same store growth, the base is pretty high from Q4 last year.

Raj Mohan: Okay I was essentially wondering because in the previous quarter, when I said previous quarter I meant the second quarter of this fiscal wherein you had an incremental sales of Rs. 28 crore while this quarter December end you had incremental sales of Rs/ 22 crore. So I was wondering in spite of with being the best quarter why food intake exceeded Rs. 28 crore incrementally.

Ravi Gupta: Quarter-to-quarter when we look at the same store growth numbers also, the first quarter number was 37%, second quarter was 44% and now third quarter is 36%. So indeed it is 8% down then the Q2 and when you look at quarter-to-quarter growth and not previous year's, Q2 was higher growth than Q3. So that may fluctuate slightly here and there.

Raj Mohan: Okay then you did mention negotiations with more than one brand to be consummated within 6 months. Has it got to do with you covering your own risks of negotiating solely with one brand and the deal falling flat or are all the brands equally appealing for you to start a negotiating with them right from the beginning?

Ajay Kaul: All the brands, I will not say equally appealing but all of them have a definite appeal of their own. They can never be equally appealing and given the choice we could go into a marriage with anyone of them. All we're trying to check out is, if we have the liberty of one against the other and also on the standalone basis how much do they gel with the way we have built an infrastructure, our strength and their strength will so on. So we are in a fairly advanced stage of discussion with more than one.

Raj Mohan: And is there a possibility of consummating more than one?

Ajay Kaul: I don't think so. It will not be right for us to put so much strain on our business because the leveragable strength which we have talked about in the last half an hour or so, will get overstretched whether it is our supply chain, system, whether it is our people base, quality pool of talent. I think if we launch simultaneously more than one brand it will definitely put more strain and that is not advisable most certainly.

Raj Mohan: In the previous call you have mentioned absorption capacity of the Indian QSR market to be about 1000 odd restaurants or 1000 outlets. Has that undergone some kind of a change with the rapid urbanization happening in India or has that figure not been revised as such?

Ajay Kaul: No we can't recall when this number has been quoted by us. Was it in the previous conference call or today we have definitely not talked about it.

Raj Mohan: Not today but previously, in one-on-one interaction I have gathered that about 1000 odd QSR potential lies in India, has that undergone a change with the urbanization is something which I wanted to understand on that broad figure which you will go by even today?

Ajay Kaul: No we firstly cannot relate to that number of 1000 that we will say 1000 QSR, we probably could have said a number of Domino's because what we often say is that as we speak there can be as many as 750 Domino's stores in India. But we can't comment about QSR but I can tell you one thing without even batting my eyelids that whatever may be the number quoted by anybody, couple of years back the potential today would have grown significantly. That is the pace at which the QSR space is growing. I'm not talking about this Pizza alone here and I am talking of QSR space.

Raj Mohan: Okay thanks.

Moderator: Thank you. Our next question is from the line of Abhijeet Kundu from Antique Stock Broking. Please go ahead.

Abhijeet Kundu: Could categorize the top 10 cities and tier II, tier III cities very broadly what would have been the same store growth?

Ravi Gupta: Couple of percentage points here and there keeps on moving because we split the store. So there is no significant variation.

Abhijeet Kundu: Okay and in terms of contribution from the Tier-2 and Tier3 cities, how has it changed over the last three years in a way?

Ravi Gupta: We have been opening quite a lot of stores in Tier-2, Tier-3 cities whereas earlier say three years back we had only 47 cities and today we have about 87 cities. So 40 new cities we have entered into. So earlier our concentration was the metros and state capitals and all that. So going forward we are putting about 50% of stores are coming in Tier-2, Tier-3 cities and Tier-4 cities but still a proportion of top 10 cities in the overall number remain around 65% . It is significant number right now; it will continue to significant if you do any arithmetic and keep on adding even 50% stores in the Tier-2, Tier-3 stores.

Abhijeet Kundu: I'm saying in the top 10 cities, the per store revenue would be substantially higher than the Tier-2 cities?

Ravi Gupta: What happens is the revenue per store is linked to the age of the store also. We are present in the top 10 cities earlier compared to the cities like which we have entered recently, so definitely it is true. As the store matures the sale keeps on rising because penetration and frequency keeps on growing. People's habits towards Pizza eating keeps on changing.

Abhijeet Kundu: No what I was pointing at was if you look at a store in a top 10 city, a new store as compared to a new store in the Tier-2, Tier-3 city so obviously the spending habits in top 10 cities would be far higher right?

Ravi Gupta: We don't look at the business that way; we look at what is the contribution a store makes to the bottom line. Our target is the return on investment. Because point is, if suppose a metro store has four-times the rentals as compared to non-metro stores, then it will definitely desire higher sales so then it is contributes the same amount of margin to us. So point is it is a different way of looking at it.

Abhijeet Kundu: Okay thank you sir.

Moderator: Thank you. A next question is from the line of Anikhet Thakkar from Karvy Stock Broking. Please go ahead.

Anikhet Thakkar: Could you share some statistics relating to bills per customer per year, maybe you have these WOW clubs- so any unique customer and average number of bills from those ones?

Ajay Kaul: Sorry we will not be able to share this specialized information with you.

Anikhet Thakkar: Okay you just mentioned that you have a lot of outlet openings at the Tier-2, Tier-3 level of cities also and you have mentioned previously that there is been this request from public as into re-launch the Pizza mania and all so that simply forms an opinion that for the Tier-2, Tier-3 level of customers Pizza is like the simply veg Pizza and Pizza manias and all are more famous. As their wallet cannot afford those ones, so any plans to launch any simple level Pizzas in future?

Ajay Kaul: See we are constantly evaluating options that we can offer to our consumers. There are entry level Pizzas in smaller cities or main cities where we enter, there is a bit more focus on Pizza Mania as an entry level Pizza but having said that we are constantly evaluating our portfolio or mix of products and depending on what the customer wants at the end of the day is what we will keep launching.

Anikhet Thakkar: Okay thanks a lot.

Modertaor: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor over to Mr. Ajay Kaul for closing comments.

Ajay Kaul: Thank you very much for joining us today everybody. It was really nice we had an encouraging nine months period and we are optimistic about our growth going ahead. Should you have anymore queries, questions please do get in touch with us and we would be happy to address them. Thank you very much from my and Ravi's side.

Ravi Gupta Thank you.

Moderator Thank you. On behalf of Jubilant FoodWorks Ltd that concludes this conference call. Thank you for joining us and you may now disconnect your lines.
