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Transcript of the Q2 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. Avi Mehta – IIFL **Mr. Manoj Menon – Deutsche Bank** **Mr. Rahul Arora – Nirmal Bang** **Mr. Nillai Shah – Morgan Stanley** **Mr. Amit Sachdeva – HSBC Securities** **Mr. Puneet Jain – Goldman Sachs** **Mr. Pulkit Singhal – Motilal Oswal Asset Managment** **Ms. Latika Chopra – JP Morgan** **Mr. Vivek Maheshwari – CLSA** **Mr. Arnab Mitra – Credit Suisse** **Mr. Vikash Mantri – ICICI Securities** **Mr. Prasad Deshmukh –Bank of America** **Mr. Gaurav Bhatia – Deutsche Bank** **Mr. Prashant Kutty – Emkay Global** **Mr. Manjeet Buaria – Solidarity Investments**

Urvashi Butani: Thank You and Good Evening, Everybody and Thanks for joining us on this call today. We have with us the senior management of the Jubilant FoodWorks including Mr. Hari Bhartia, Co-Chairman of Jubilant FoodWorks; Mr. Ajay Kaul, CEO; and Mr. Ravi Gupta, President and CFO. We will initiate this call with key thoughts from Mr. Bhartia followed by Operating and Financial discussion by Mr. Kaul and Mr. Gupta, after that the management will be happy to respond to any queries that you may have.

Just to state as a standard disclaimer: Certain statements made on this call today may be forward-looking in nature and a note to that effect is stated in the release sent out to you earlier.

I would now request Mr. Hari Bhartia to share his perspectives on the company. Over to you sir.

Hari Bhartia: Thank you, Urvashi. Good evening and welcome everyone present on this call. Q2 and H1FY16 results have been instrumental in indicating that JFL has created a unique strategy that has sharp focus on long-term goals which at the same time is agile enough to adopt to the short and medium-term market scenarios. Over the past few quarters, Jubilant FoodWorks has remained true to its growth strategy despite a very testing market situation. All our key pillars supporting Jubilant FoodWorks growth stem from our goal to enhance customer satisfaction. Thus, we had diligently focused on brand development, innovations, and geographic expansion by taking our brands in existing and new territories. We believe all the strategic decisions that have been made such as investments in technology, commissaries, new and improved restaurants will all enable us to strengthen our business model. We have steadfastly remained loyal to our goals of delivering the best food service experience. Every investment that we incur, be it in technology, commissaries, and associated infrastructure, refurbishment of restaurants, menu innovation is done with a view to position JFL to take decisive next steps to grow restaurants as the opportunity unfolds.

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, sir. Good Evening and Thank You all for taking the time out to be with us today. I am pleased to announce that in Q2 Financial Year '16 the increased sales drove positive same-store sales growth and expanded the reach of both our brand as planned. These numerical ones again are giving us the confidence that the execution level JFL has got the right mix of fundamentals in strategy that supports growth. On the overall industry level, however, we are not witnessing increase in consumer demand and the consumer sentiment is not showing significant shifts. Nonetheless, we are still confident of the potential that this space has to offer as we stay committed towards the implementation of our major strategic initiatives that are expected to drive growth in the future.

Quickly moving on to our Network: Q2 saw the launch of 39 New Domino's Pizza restaurants and we saw our entry in 8 new cities. At present in terms of network, we are spread across 218 cities in India with a total of 959 Domino's Pizza restaurants.

With respect to Dunkin' Donuts, we are growing at a very well planned pace and as on date have 67 restaurants spread across 23 cities.

Innovation is the hallmark of our operating approach. We have used this tool to better various aspects such as menu, accessibility, and ambience as well as on several internal processes. As a result, we have been on the forefront for adopting technology that has allowed us to build a superlative Online Ordering platform for Domino's Pizza. This has enabled us to facilitate both customer conversion and loyalty, and as a result we have seen a healthy increase in our Online Sales which today stands at 36% of our delivery total sale. We truly believe that we will be able to leverage this and attract a larger audience through e-commerce. It also goes without saying that JFL’s commitments to innovation is reflected in our Menu Offerings which are designed to appeal to a broad audience while giving emphasis to local tastes and linked with consumers. The success of our Chef’s Inspiration Italian Pizza range which we launched earlier in Q2 has been a runaway hit and continues to be a favorite.

Under Dunkin’ we launched our latest innovation and menu addition which are Donuts Cakes which also mark our entry into the Packaged Food segment. Donuts Cakes is our unique attempt to capture the indulgence of cakes and fun of donuts. We have launched these in an attractive pack with six different varieties of Donuts Cakes besides deliciousness, its USP is that each one of these Donuts also individually packed and comes with a shelf life of two months. The success of our new launches helps to foster excitement amongst consumers to try our product innovations as well as encourages them to come back for more.

With the aim of engaging more deeply with customers, we have this week itself tied up with Online Grocery Delivery platform, Grofers, to deliver our Donuts and Packaged Donut Cakes to customers’ door steps. We believe that Jubilant FoodWorks is the first of its kind in the QSR space to tag with such a delivery platform. Though very early we are excited with this innovative channel and are confident that they will serve the purpose to take our brands closer to our consumers.

As we enter the second half of the fiscal, we are confident of achieving our planned target of opening 150 New restaurants for Domino's Pizza and 30 New restaurants for Dunkin' Donuts. We have of this successfully opened 74 and 12 restaurants respectively in the first half of the financial year. As we progress, we remain well aligned to the potential in the space as well as the industry dynamics that are prevalent. We are confident that with the right investments being made, we will be able to grow our brand and remain leaders in the Food Service industry in terms of product offerings, customer preferences, and of course, operating performance.

I would now like to request Mr. Ravi Gupta, our CFO to take you through our Financial Performance.

Ravi Gupta: Thank you, Ajay, and Warm Welcome to All of You. I shall briefly discuss Financial Performance for the Quarter: In Q2FY16 total revenues increased by 17% to Rs.5,875 million, which is primarily on the back of successful network expansion, launch of new and varied menu offerings, along with use of efficient marketing tools. While consumer spending patterns have not changed significantly from Q1, with our targeted efforts to enhance customer engagement, JFL has been able to grow our top line positively. This also included the partial benefit of the price increase taken towards the end of Q2.

Our same-store sales for the quarter stood at 3.2% and 3.9% for H1FY16. Total revenues for the half year period stood at Rs.11582 million which is increase of 18% Y-o-Y. Total expenditure in Q2FY16 witnessed a rise of 19% to stand at Rs.5238 million.

On the raw material front, we did witness some softening in prices; however this was offset by the higher expenditure on employee cost linked to the growth in the network, annual increase in compensation and enhanced pay scale for the team member due to adjustment in the minimum wages and also the higher incentive payments. Overall, the total increase in expenditure is in line with our business growth.

Important to note that we continue to utilize several efficiency tools such as Six Sigma to bring out improvements in our processes and systems.

Total expenditure in H1FY16 was at Rs.10240 million. In Q2FY16 EBITDA stood at Rs.637 million up 4% and Rs.1342 million in H1FY16 which is up 12% Y-o-Y. PAT in Q2FY16 was at Rs.239 million and Rs.534 million in H1FY16.

To conclude: I would like to add that we are optimistic of sustaining our growth momentum on the back of two great iconic brands, our robust infrastructure, dedicated team and more importantly, our ability to relate with our customers and gauge their preferences. We remain optimistic on achieving our objectives as we continuously refine and strengthen our key strategies, make requisite adaptions and eventually maximize our financial performance.

On that note, I hand over the call the moderator for the Question-and-Answer Session. Thank you.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We will take a first question from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: Actually two questions; on the demand front while the SSS growth that we have seen at 3% much better than what we have seen for Yum!, but it is on a moderating kind of base, the base is also very favorable. Does it suggest that the demand has actually deteriorated from the first quarter levels or could you throw some light? What is the reason? Are you still sticking to the target of high single digit, low double digit kind of growth over the next four quarters because second half base also becomes more adverse? That is why I am just trying to understand this.

Ajay Kaul: In terms of, call it demand or call it consumer sentiments, compared to what we have seen in the last few quarters, we do not see any change whatsoever in that. So, as a result, while 3.3% may look lesser than 4.6 which we did in the previous quarter or 6.6% which we did in the quarter before that, we are not seeing any upwards or downward movements as far as the consumer sentiment is concerned. So, it is more of the same. As far as our forecast which we had made some time back that we were confident of doing in four quarters' time a high single-digit same-store growth, it is a little bit of optimism thrown in, we do believe that in four quarters' time we may start hitting high single-digit numbers. But there is a bit of optimism in that.

Avi Mehta: If you are saying demand is the same, the base will start weighing on this going forward. Would that be a fair assessment or no, the base is not something that we should be looking at?

Ajay Kaul: The base factor should not play a role because as it is we are talking of not some high same-store growth numbers coming into the base, it is still a low single digit number. I do not think so that should be a factor, but honestly given everything which we believe the government is trying to do with regards to implementation of policies and so on, we believe that while it may look a bit stretched, somewhere soon some visible impact should start emerging and in four quarters' time the numbers should climb up a little bit.

Avi Mehta: The second question is on the CAPEX. If I look at the first half balance sheet, it suggests that the CAPEX in the first half is almost at about Rs.90 or 95-odd, 100 crores. What would be the full year target now? Are we changing that, and is there a change in what was the plan that you shared earlier?

Ajay Kaul: Not really. I do not know granularly if we can share the number with you, but if your question is more with regards to investments as a result which we will make, I said earlier in my speech also, opening 150 Domino's restaurants and 30 Dunkin' Donuts restaurants during the year we are committed to that, and if you would have already noticed we are almost at the mid-way mark for with 74 what we have opened for Domino's Pizza and 12 for Dunkin' Donuts. We believe that we will be hitting that 150 restaurants and 30 restaurants number, we are positive about it. On that front there is no reduction in CAPEX

Ravi Gupta: The overall CAPEX that we have indicated is that it will be around Rs.250 crores. There is some deferment, large portion of the Greater Noida commissary getting deferred to the next year, although work will start this year itself. Typically our CAPEX in second half is higher than the first half. May be we will not exactly touch Rs.250 crores, but we will be close to it.

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

Manoj Menon: A couple of questions; one on employee cost. If I see the presentation you are actually highlighting three elements for the inflation, which is growth in network, annual increase in compensation and the enhanced pay scales essentially the minimum wage part. The question is essentially regarding the annual increase in compensation. When I look at the past few years, whenever there has been a fair bit of lower demand, you have been able to minimize the employee inflation also. Is it something different this time in terms of the availability of labor and you have actually been forced to give this. I am talking about the component which is outside of the minimum wages which is discretionary.

Ravi Gupta: There are three components, Manoj, as far as the salary is concerned; one is the component which you mentioned as 'salary increase'. Overall salary increases year-on-year basis when we look at, it is in the range of about 9-9.5% approximately. I think you would have noted that we have not taken price increase in Q1FY16. Typically, we take price increase in June. This time we have taken a price increase only in September. Because of that overall increase in the sale price which we realized in the last quarter was about 4.5%. That leaves about 5% kind of impact on inflation which was visible in the numbers. So that is one factor. You park that aside. Second factor was the incentive payments. Last year in Q2 due to (-5.3%) growth and there were two consecutive quarters of the negative growth, the level of incentive earned by the employees both at the restaurant level and the corporate level was almost negligible. As compared to that this time we have done a positive growth and as a result people have earned some incentive and some provisions have been made for the incentive payment. That is the second portion. And third which is the smallest portion out of it is the three new commissaries have come into operations. So our employee cost has increased. These three factors combined together explain the increase in the labor costs. Now the next question will be, "Will it continue in the future?" Impact on the sale price increase will get fully reflected in the financials in the next quarter because we have taken price increase only in the month of September. This increase in the sale price will fully dilute all the costs including the payroll cost. Payroll cost will not fully get diluted because we have not taken that extent of price increase. But from EBITDA margin perspective probably it looks like that the part of the dilution in the margin would get nullified by next quarter.

Manoj Menon: If I understood it correctly, is it fair to say that basically the employees had met a certain target and got their incentives; and secondly, the labor market conditions actually essentially warrants certain level of inflation also. What I am just trying to say is that, while retail may be struggling, industry is struggling, but a labor market level you actually have to give to be competitive. Is it right, probably those two conclusions you would agree?

Ravi Gupta: Yes, with the speed which we are growing right now, with the infrastructure which we are establishing, we will have to continue to have momentum, we are confident that market will emerge very-very big and it is evolving, and we definitely have to take care of the people as well.

Manoj Menon: On the consumer feedback on your September price increase and the status update on the differential pricing strategy which you were piloting in the last quarter?

Ajay Kaul: As far as consumer feedback is concerned, there is nothing untoward in it. We like hawks measure consumers in terms of frequency increases or drops, the qualitative feedback and so on, but we are not seeing any adverse impact whatsoever. As far as differential pricing is concerned we have done some trials. Some findings have emerged, but we have still not arrived at any conclusive decision on having differential pricing across the cities or across the regions and so on. Still some more work needs to be done before we reach a conclusion.

Moderator: Our next question is from the line of Rahul Arora of Nirmal Bang. Please go ahead.

Rahul Arora: With Yum! reporting as bad numbers as they are, what exactly are we doing different that we have reported in four consecutive quarters of positive same-store growth? And second is slightly more basic question; when you look at same-store growth, are you just supposed to optically look at that number or you would view it in relation to something like inflation? If I have inflation at 8-9% then I need to have about 12-13% SSG, but we should be able to adjust to a lower SSG if inflation is lower. If you could just throw light on both those aspects?

Ajay Kaul: There are three questions in what you asked and I will try to give you hopefully lucid answers. #1, What are we doing differently? We have been trying to answer this question over the last so many quarters. Different to Yum!, who is our honorable opposition and we have lot of respect for them. While they may be having their own set of problems and that is for them to handle, we believe that this has been the time which has to our mind brought the best out of the team in terms of doing lot of micro innovation and they were trying out a lot of things. When times are tough, you obviously stretch yourself at all levels, from the front end restaurant people to people sitting in the corporate office like us and trying to do something mega as well as, as micro as it can get to get the efficiencies out of the system. Supporting that also have been some strategic approaches to Online Ordering where we have been constantly investing, investment we are putting behind the brand, and as importantly, as Ravi was saying a little while back on our people, because the funny thing is that while our same-store machinery is not growing significantly, it is growing at a small single digit number, but within the company we are still growing, we are adding 150 new restaurants in Domino's, 30 in Dunkin'. So the message is still of growth. In a growth environment to send messages which are contrary to what a growth company would do, we do not believe that is the right thing to do. As a result investing on our people, on training them, building leadership pipelines, because after all this the company is being built for future, it is not for today. You need to see it in that light, that we are trying, even in these tough times to play some of our cards right on investments for now and into our future, innovation for now, innovation for future and that is probably setting us apart compared to what our opposition is doing. As far as your question on 3% was concerned, when you are looking at consumer level inferences, you need to look at 3% in isolation and when you compare this 3% with what we did exactly a year back which was negative, it may seem like there is some pick up in some sentiment or demand, especially when you look at three quarters now where we have done 6, 4 and 3% kind of growth, there seems to be some pickup in consumer sentiment. To that our answer is that it is actually not some big change in trends and so on. In fact, at the ground level especially when you see it in light of what some of our honorable opposition is getting, this 3-4% actually is not reflecting any change in consumer sentiment. The market could always behave better than that. However, the moment you use this 3% growth and start looking at how it builds into your P&L, then you realize that against inflation which always hovers around everything put together in the range of maybe 7-8% the machinery is clearly taking it backwards, because you have to somehow recover that 8% somewhere and do more than that to deliver a positive trickle and 3% SSG puts pressure on your EBITDA line and that is probably the reason while you have seen at an overall business level our margins actually are going down a little bit over the last few quarters. So that is the way I would say we should look at these numbers.

Rahul Arora: Can you share with us how your same-store growth has been for say the restaurants you opened over the last couple of years, say newer restaurants vis-à-vis your legacy or your older ones, would you be mapping that?

Ajay Kaul: We like hawks watch those numbers and see if there is any opportunity, we are missing or is there any gap in the way we are running our business, but unfortunately, what we realize is that across the board against ageing, against city types, against call it most of those other levers or axes on which you can compare restaurants, the differentials are very marginal, they are not statistically significant which means the problem is almost nationwide and it is not restricted to any restaurant type or any region type.

Moderator: Our next question is from the line of Nillai Shah of Morgan Stanley. Please go ahead.

Nillai Shah: Sir, my first question is on this quarter, the revenue growth is looking slightly weak despite a +3% SSG. Is there some view that some of the restaurants were opened up towards the fag end of the quarter, etc. which is driving only 17% growth in the top line vis-à-vis 19% point-to-point restaurant addition on 3% SSG?

Ajay Kaul: The answer is 'no'. While 3% is 3% and it is now given, we know it was there. The restaurant additions happened evenly throughout the quarter. In September, there were a few more extra restaurants opened compared to July and August, but that is a random thing, it is not orchestrated to get a bit lopsided towards the end of the quarter, but that may have some role to play, but do not read too much into it.

Nillai Shah: 17% revenue growth vis-à-vis 19% point-to-point space addition plus 3% growth plus Dunkin revenue contribution, why is it then that the revenue growth is slightly below the summation of these three or four factors?

Ajay Kaul: As the base is increasing, progressively there will be an impact like that and it may be because that some of the restaurants the way they opened, they may have opened at a lower sale, but to us that is not something which is something permanently going to happen, it is probably only with regards to those 5-10 restaurants which we opened in that month or so. So I think It should clearly catch up. That should not be a reason for worry.

Ravi Gupta: Typically, we have said new restaurants open between 70% to 80% kind of sales. So that factor remains.

Nillai Shah: Second question is we have been listening to a lot of commentary from some of the other consumer facing companies and they seem to suggest that the Dussehra period has been very strong and that momentum is ready to carry through to the 3Q numbers. Is there anything that you are seeing on the festive season start that has been encouraging at all like some of the other consumer facing companies that are talking about?

Ajay Kaul: We refrain from making any forward-looking statements so to that extent do pardon us for not giving you more answers to this question. The only thing I would like to say here is that whichever numbers, whenever need to be seen in light of what exactly was happening in the same month, same quarter of the previous year, for example October last year there was Diwali, there was the Dussehra and all those things happening, and this year in October we have some Shraad and there was no Diwali while there was a Dussehra sitting there. So as and when the numbers come out and you see them, not only for us for anybody, I think it has to be always seen contextually and not otherwise, but we would never make any statement which is forward-looking on a subject like this. I hope you understand and appreciate.

Nillai Shah: When you say that consumer sentiment has not changed, it is in context of last quarter then, not something that is seen today?

Ajay Kaul: It is purely based on what we have seen in second quarter.

Nillai Shah: The third question is that for your 150 restaurantaddition plan, do you envisage any debt requirements for FY16?

Ravi Gupta: Not at all, you may have noted we have a surplus about Rs.117 crores as of September. So there is no need of any additional capital or borrowings from the market.

Moderator: Thank you. Our next question is from the line of Amit Sachdeva of HSBC. Please go ahead.

Amit Sachdeva: One observation, Ajay, I make is that if you look at rentals and if I look at last several quarters and say rental per restaurant it seems that in this quarter rental was actually down Y-o-Y per restaurant I am talking about.

While we are also going aggressive in Dunkin where I would assume that rentals would typically be higher, is there some change in this because last 4-5 quarters I used to see some low to mid-single digit kind of number that was positive Y-o-Y on a per restaurant rental, but this time it is actually down, for the first time I see a negative number. Is there some recalibration of location happening? Is there some change there?

Ravi Gupta: No, there is no change in that, absolutely, it is a mix of some variable rental and fixed rental and straight lining of the lease rental and all that. Fixed rental typically there is no movement although internally we have a scheme for reduction of rentals. We have launched an incentive scheme where if the rental is reduced the employee can get some incentives. So there is some traction on the rental reduction definitely; on the variable rental and straight lining marginally keeps on varying.

Amit Sachdeva: Is it fair to say that at least you are trying to be more efficient with the rent increases which were generally assumed that will continue to rise by 5% to 7% including the resetting of the rentals, you are sort of recalibrating the entire model, is this a fair assessment of the situation?

Ravi Gupta: That may be a stronger statement because when recalibration happens it may not happen for a longer duration. When the times are tough, messages are given for the restaurants saying that "Okay, we need to make the restaurant profitably grow and all that." In that context, the rental may get reduced for a shorter duration may be one year, two years and all that. It may not be a longer term calibration if that is the expectation.

Amit Sachdeva: I am just trying to understand that okay, it may be a short term phenomenon that everybody agrees with the lower increases and things like that because times are tough.

Ravi Gupta: Not lower increase, even reduction we have.

Amit Sachdeva: When I look at same-store growth, obviously, Ajay has commented that consumer sentiment has not changed and while this is a result of innovation and execution on the ground, but do you also worry that there are obviously a tech food sort of startup phase which has started across the cities and I am sure some people may have asked you this question time and again. But just to get your views here, how are you really planning to tackle this challenge and do you do any measurement how it is impacting you, for example, in your data base as you see people ordering, do you see how the split of your loyal customers or one timers, how is this changing really? What is the frequency of your top 20 consumer ordering again -- has that come down because I would say loyals would be large part of the revenue and then one timers would be just a small fraction, how do you see those things in that totality?

Ajay Kaul: Let me break down your questions into two halves and I will take the second half first. "Do we do analytics with our whole consumer base and look at their frequency, penetration data and where it is moving and so on and so forth?" I think we, to some, extent paralyze ourselves with this kind of analysis and we watch this data like hawks and we are not seeing any inferences coming out of the data as far as the question you are asking, but be rest assured that to me when somebody asks us the question that "What stands us apart?" I think the way we do our analytics and use it for our business stands us apart. Coming to your first question which was "with regards to the integrators." Again, you probably are aware that we are already aligned with people like Food Panda, but at commercial rates which clearly suit us and it took us some time to get into those kind of deals with them. We watch the orders which come through Food Panda kind of sites like hawks. We are also now aligned with Zomato. We are sure about one thing that the good thing the food aggregators and this whole space is doing is it is increasing delivery and delivery occasions in the minds of the customer. Our challenge and our job is to make sure that we stay relevant in these occasions of delivery, consumption and pizza is right up there, which it still continues to be. Also, net new customer additions which come even through these routes are fairly high and so on. The day we believe we are not getting value, we will align ourselves out, but if you see even in these tough times our delivery business is doing better than what is consumed on premise. So that is indication of how the delivery space is growing. May be the food aggregrators are helping it to grow and we are clearly riding that wave also. In the long run, it is going to be beneficial for the industry and we are quite certain about that.

Amit Sachdeva: One thing that perplexes me, this one is like Ajay that is participating in that wave, since these channels are available and you are being part of those channel that is fair. But do you see structural fragmentation or threat that could emerge and then why do not you participate as one of them as well rather than just being a participant there? You had an opportunity to have the supply chain, you have the city-by-city infrastructure to deliver and these are like new people who have no capabilities on the ground, no execution track record, they are just using tech to aggregate. Why could you use that disruptive force yourself than let others do and disrupt it?

Ajay Kaul: We can leave this discussion for some other day. It is an interesting thought and not that it is new. Something can preclude us from getting into a mass delivery business and we are dealing with some formidable global brands. They can preclude us or they are precluding us from getting into that space while we have evaluated it. But you would also realize that some of these brands as it is are having their own issues. Without trying to singularly name them, you read about them in the newspaper everyday including today's Economic Times, how some good names who are apparently doing good work in this space are also now having enough troubles. So there is enough volatility in this space. We need to watch this space very closely and it is not something that you jump into the space and you become a sure shot success. But overall if I were to leave a message with you I think food aggregation is going to increase the delivery consuming occasions in the country, pizza always scores very high in this and we believe we will be beneficiaries in this run.

Moderator: Thank you. We will take our next question from the line of Puneet Jain of Goldman Sachs. Please go ahead.

Puneet Jain: My question is again between the gap between sales growth and same-store growth. Could there be a possibility that our new restaurants which you are opening in smaller cities may settle to a lower restaurant throughput once they stabilize and that could be a reason why the sales growth is lower?

Ravi Gupta: Whatever restaurants we have opened this year, their sales are lower than last year. But the second question is whether it is in the 70% to 80% ballpark range on the system average and all that it is very close to that, still within that bracket. But since the overall sales itself is declining because the averages are declining, that is the reason the new restaurants also are opening lower.

Puneet Jain: But the restaurants which opened last year, are they moving back to system average?

Ravi Gupta: It takes some time for them to move to system averages. At times depending on what kind of times are, in good times they used to go to the system averages, which is the old system average may be in two to three years, but when the same-restaurant growth itself is impacted and it is growing by 3% and all that, it takes a longer number of years to reach the system average.

Puneet Jain: Because if you look at fourth quarter versus second quarter, the differential in Y-o-Y sales growth is around 780 basis points while if you look at differential in terms of same-store growth 40 basis points. Though there have been some difference in restaurant additions, but the difference seems to be increasing between sales growth and same-store growth, and this has been a trend for the last two to three quarters.

Ravi Gupta: That I think Ajay tried to explain that could be primarily because of the base impact itself. When the base keeps on growing, these differences will keep on emerging.

Puneet Jain: Second question is with respect to losses because of Dunkin' Donuts. Now, is there any change of guidance towards breakeven of Dunkin' Donuts? And how much was the contribution of losses in this quarter?

Ajay Kaul: I will just address Part-2 first. We believe 200 basis points impact is what Dunkin would do to the Domino’s P&L and render itself to the full JFL results. As far as Dunkin’ Donuts is concerned in terms of how they are performing, the answer to that is no different from what we had said last time. Because it is a Dine-in only model with very marginal delivery and as we are seeing the challenges in the marketplace with regards to consumer sentiment and so on and so forth; seems to be they are more for Dine-in business than for delivery because delivery is still probably growing a little bit because of whatever the ecosystem, the food aggregators and so on. So challenges continue to be there, but we do not think so we are changing our stands on when will it become profitable. But one thing we need to realize overall and that is a message we always want to leave with you is that as and when Dunkin starts becoming profitable its impact on the total JFL P&L will always be one really small miniscule thing. Even if when you go look into the future let us say a few years from today, Domino’s brand by the time would be so significantly high that Dunkin' contribution will be small. So you need to always see that in that light.

Ravi Gupta: To add to what Ajay said, let me just explain a little more; earlier, our guidance for our Dunkin' dilution was 180 basis points, now it is revised to 200 basis points and this is the annual number. And the way to apply this number is that whatever EBITDA is reported, say, whatever the annual number is reported, if we add 200 basis points, we will get Domino’s EBITDA. Don’t apply this 200 X turnover as the Dunkin’ loss. Because that will give you a wrong figure. That is the way we need to work it out.

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

Pulkit Singhal: The first one is on same-store inflation. Can you tell me that figure for 2Q and first half?

Ravi Gupta: Same-store inflation is close to the SSG right now for the Q2 and if I do an average for the first half also it is a similar number actually, there is no differential.

Pulkit Singhal: That is around 3.2. So, you are increasing margins on a same-store basis in first quarter and second quarter as well?

Ajay Kaul: Yes, more or less something neutral kind of you can say.

Pulkit Singhal: So that is pretty positive because you mention 5-6% in 1Q and now you are saying it is probably closer to 3-4%?

Ravi Gupta: Yes, that is the expectation saying that, okay, that overall inflation for this year will be 5-6%, but so far it has been lower.

Pulkit Singhal: In terms of your SSG, in 1Q you had roughly around 4.6% SSG, but that was with 6% kind of price hike incorporated, while this time you have 3.2% kind of SSG without any price hike. So, is it fair to say that …?

Ravi Gupta: This is the price hike but a delayed price hike you can say, the overall impact of the price on a year-on-year basis is about 4.5% in the current number, yes, September onwards we have increased the price.

Pulkit Singhal: But in 2Q, it would not have reflected much?

Ravi Gupta: Yes, it did not fully reflect, you are right.

Pulkit Singhal: So therefore, the volume increase in this quarter on YoY basis versus in the first quarter, is that a fair enough kind of inference?

Ravi Gupta: Volume is almost similar one because on 4.6%, you are saying 6% was inflation and in 3.2% we are saying the inflation is about 4.5%, a similar ballpark.

Pulkit Singhal: Your differential pricing, are you looking at for a city by city basis or within city itself, different centers, how is that and when will it be incorporated?

Ajay Kaul: It will all depend on what comes out of the various trials that we do and the consumer should actually give us the answer to this, whether their ability and willingness to pay is differentiated at a city, at a region or at a national level. So far as I said earlier also, the trials are not throwing up anything which is glaring and significant in terms of opportunity. But this is something which we are not going to leave so easily. We believe there should be pockets of opportunity in this. So even over the next few months and even as we speak we are doing such trials and so on and as and when such opportunities come up, it will clearly come and reflect itself in terms of the pricing and you will also get to see it visibly. So we will let you know at that time, but right now we cannot share anything more than this because there is not something which has emerged clearly as an opportunity.

Pulkit Singhal: Gross margins are I think at the highest level at 76% throughout the history for the last 5-6-years, but at the same time you are incorporating a price hike. So I am just trying to understand because you did accept that Pizza are kind of expensive. So how are you looking at gross margins – do you think this is a more sustainable level or this should come down?

Ravi Gupta: We are saying that labor cost, personnel cost has a tendency to keep on going up because on a longer-term basis also we have been discussing that while prices have been increased 6-7% every year, the labor cost continues to increase by about say 10-12% on a year-on-year basis. Personnel cost is a double-edged sword; one side it brings consumer to us and other side increases the cost. We need to look at the levers towards more productivity, that is one lever, other is we need to look at margin expansion in some other ways also. In developed countries also, in other countries when you look at where the labor cost is higher, there are some other levers which are triggered at that point of time. So, I think more or less the gross margins in a longer term should improve. And this improvement which you have seen should sustain for some time unless and until we encounter a high level of inflation again because if you remember when 5-years back the food cost was lower, then it increased, because we encountered high level inflation, we could not pass on the whole impact of inflation with the consumer, we absorbed for the period and now we are trying to bring those margins back.

Moderator: Thank you. The next question is from the line of Latika Chopra of JP Morgan. Please go ahead.

Latika Chopra: In the press release, you have talked about exploring own brand or investing in some of the domestic brands. Would be helpful if you could elaborate a bit more on your strategy regarding the same? Also, are you closer to implementing either of these in the next one-to-two-years?

Ajay Kaul: Our position on this is no different from what we have been saying in the past. We are constantly evaluating global brands although opportunities I must admit are kind of drying up because there are not very many such global brands, recognizable brands which are not there in India, we are also looking at some Indian opportunities whether it would be creating something on our own or looking at opportunities which may emerge from home grown brands which may not be very big today but which we know we can scale up to a big level. Is anything in the happening in next one or two years? I think two years is a long enough window and surely something may come up in the timeframe, but "Are we in a position to announce something immediately?" The answer to that is "no".

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

Vivek Maheshwari: My first question is since you mention on SSG do not look at the base. If I look at the last three quarters 6.6%, 4.6% and 3.2% same-store sales growth, I understand you mention that there is an optimism in your number when you say in four quarters high single digit to double digit. Still I want to know what is giving you confidence -- can you just give one or two points why you think it can hit to that level?

Ajay Kaul: Based on everything that the government is trying to do through various policies and more specifically to push for more jobs being created, productivity enhancements and so on and so forth, which will translate into higher call it disposable incomes and thereby more discretionary spend, a bit more as a result a change in sentiment because we are a high impulse purchase categories. So a change in sentiment also would have a positive rub off on us. I think we believe that it has been a bit more protracted that this so-called no change in sentiment or dampen sentiment has continued. So, it is a mix of I would say a bit of feel and a bit of what we believe will come out quantitatively in the next four quarters for sure. From our side, we believe that with all the things that we are trying to do, initiatives of the ground levels, putting money behind the brand, creating infrastructure or factories which are going to support growth and putting money behind our people, Online Ordering, product development, micro innovation, and all these things, we do believe that all this will lead to pick up in the demand or maybe we are doing better than maybe our opposition is doing and things going up to around high single digit number in four quarters time. But I will say that there is a bit of optimism in this.

Vivek Maheshwari: In that context, if I look at the numbers reported or whatever the media talks about Flipkart, Amazon, billions of dollars being spent by consumer, if I just purely go by that, I know there will be some displacement from Mom & Pop's to these online retailers. But the reality is that those news will never give you a sense of any slowdown whatsoever. How do you think about that bit as well? Is there a possibility that there is a shift of wallet towards more of those electronic gadgets or whatever it may be?

Ajay Kaul: I do not think so. Categories at the end of the day are categories and one does not buy a phone and not eat at a QSR or not buy a shirt instead. If operating in adjacencies, there may be a bit of a flip-flop but not as bizarre as cell phone versus not eating out or not giving yourself that bit of entertainment, especially when it is an impulse purchase category whereas phone is not. But we will leave this discussion for some other day because this can go on for hours, but the larger point is that a little bit of shift in consumer sentiment, a bit more positivity and especially when outlay for any transaction, let us say, in our case, is some \$6-\$7 at best, we believe it should happen fast, the moment there is a change in some sentiment.

Vivek Maheshwari: On your 'Presentation' about restaurant Expansion you have included a term "Pragmatic Expansion Approach." This is very different from whatever presentation that you have put in so far. What does this mean and is there a change in thought process?

Ajay Kaul: As of now, we do believe that even this year we will open 150 new Domino's restaurants and close to 30 Dunkin' restaurants. As I was saying a little while back, the period of so-called dampened consumer sentiment or unchanged consumer sentiment and not becoming a positive consumer sentiment has become a bit protracted. This question has been asked to us in the past also. So, with a little bit of caution, we are saying that if things were to change tomorrow then I think there is no difference in our thought process, we can add 150 new restaurants in Domino's year-after-year for the foreseeable few years. So there is probably a bit of that when we make a statement, a more pragmatic approach. Theoretically, if the same dampened consumer sentiment we have to continue far beyond what our expectations were. But, one must also look at the whole thing and this is probably answering all the people who are with us today. There are a lot of emerging opportunities, for example, the Railways, the metros which we are not able to quantify or monetize today clearly, but would start emerging as alternate opportunities apart from the conventional restaurants that we open. Railways, the IRCTC, the railway stations today, the government wants to do a lot of things centered around the railway station. So these will emerge as opportunities for us. We are already present at something like 15-20 metro stations in India all across the country – Mumbai, Delhi, Hyderabad, Chennai and so on – So we believe even that should emerge as opportunities and we have actually crafted new models which are not the conventional Domino's models, but which are on the go-models, for example, at these kind of metro locations, where consumers are kind of transiting, how you can fulfill their orders, not in the usual 8-10-minutes, but probably much quicker in 5-6-minutes, they are at a lower CAPEX, they come in smaller formats, maybe 200-300 sq.ft. formats, they of course have a limited menu, but they are typically suited for consumers on the go. So we are even trailing that, we have trialled a few on railway stations. You are probably aware that we have a leadership role with IRCTC where you can book a Pizza while you are booking your ticket and it will get delivered to you on your train at your seat. While these numbers today look small, but these are clearly opportunities over and above whatever we are speaking today.

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

Arnab Mitra: On pricing growth, as you said, there was 4.5% year-on-year pricing in the second quarter. So with the follow-through effect of the September price hike, on a year-on-year basis how would third quarter look and what was the exact quantum of the pricing hike that you took in September?

Ravi Gupta: The price increase, Arnab, was 3.8%, you can say around 4%. On a year-on-year basis, Q3 should see around 7%.

Arnab Mitra: Ravi, you made a comment, with the pricing coming in, the cost effect would get diluted. So would this basically mean that you would look at maintaining margins if the SSG was to remain in the same range?

Ravi Gupta: I think we will not be specifically saying that, what margin will be there. I think the statement was a good explanatory statement. I will stop at that.

Arnab Mitra: The reason why I am asking the question is that your margin this quarter is 10.8% and there is 13% actually which is the base of the second half. So, in the context that you said the cost inflation in employee cost would have been diluted, I am just trying to understand does the pricing in your view mitigate that employee cost inflation part?

Ravi Gupta: You have to look at base as a Q1, do not look at the last year or something like that.

Arnab Mitra: On the pricing part, any reason why you actually delayed the pricing was it because sentiment was weak and you wanted to hold off? And if that is the case, why are you kind of confident now to take this price hike?

Ravi Gupta: Arnav, I think on Q2 concall also, we explained saying that why we are delaying the price hike. We were doing certain experimentation around what kind of price hike, which product we should do, how much price hike we should do and post of the experimentation only we have taken a price hike. So that is the reason. Since those experimentations were going on selective basis, selective restaurants were under experimentation, even differential pricing was also tested at the same time and some testing still will be happening. So after that then we decided, saying that price hike, how much exactly we should do, which products and all that.

Arnab Mitra: On the minimum wage part, any major states where you have seen a big increase in the last 3-4-months and is that the major component of the employee cost inflation even now?

Ravi Gupta: Team member level year on year around 7%. It keeps on coming actually; every six months some or other states if keeps on coming, we are present in 25 states, so some other states keeps on coming forward saying that now the minimum wages increase. So specifically I do not remember that in the last three or four months which are the states which have gone up, but year-on-year impact is about 7%.

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

Vikash Mantri: Just wanted to understand a year back or so, we did mention that we are seeing some decimal points impact of cannibalization and therefore you try to shift our new restaurant rollouts to newer cities than current cities. Any further data points on that -- how is that panning out, are we seeing increasing cannibalization or something like that and how do you measure it?

Ravi Gupta: No, Vikas we are continuing with the same strategy, so there is no change. Last year whatever strategy we have started actually year before that kind of. So we are continuing with that and it definitely has impact of reducing cannibalization and we are continuing for the strategy till the time we see reversal in the overall consumer sentiment.

Vikash Mantri: Is there a marked difference between new restaurants that you open in newer cities opening rates or opening quantum than what you open in existing cities, are they imminent that 70-80% of that city average or company average?

Ravi Gupta: We do not want to look exactly on the basis of how much sales we are doing. We look at based on how much is the payback for each of the restaurant, because sales levels at times can be little disguised. Sales may be high, but profitability we are not achieving because the costs are very high, rentals are high, whereas at times with the lower sales also we can achieve the profitability. So core fundamental for us internally is to look at what is the payback period for that restaurant is. In terms of payback period across Tier-1, Tier-2, Tier-3 and all that we are not seeing any significant difference as far as the new restaurants are concerned. Older restaurants can have because older restaurants were present earlier in the Tier-1 cities and they have been growing for 20-years now, so they grow in terms of sales and profitability, but when we look at new restaurant when we open today in Tier-1 versus Tier-2 versus Tier-4, there is no significant difference in the payback period.

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

Prasad Deshmukh: Two questions; firstly, do you track same-restaurant sales growth for different regions separately, and if so, how was the trend across the East, West, North, South?

Ravi Gupta: We do track. I think Ajay tried to explain saying that we do analysis across circles, around cities, around geographies, practically all the ways and the kind of dispersions which we have seen in terms of growth of the sale is not too dissimilar.

Prasad Deshmukh: A couple of times during the call you have mentioned you want to improve employee productivity. So, what kind of levers are available for you other than probably after that Online reaches a particular level, you can cut down on one employee at the counter. Other than that what kind of levers are available for you to improve the productivity?

Ajay Kaul: In terms of deployment of latest HR and IT tools outsourcing some of the activities and thereby reducing dependence on internal people, in various spheres like the way we manage our factories, how we can do more of automation in the factories, especially which are labor-intensive like tray washing and some other activities. There are a lot of opportunities and we are constantly looking at that. We did speak about how at a micro level we are trying to look at efficiency more than cost cutting. So labor efficiency is clearly is something which we look at very closely and we would work on that.

Prasad Deshmukh: Approximately, what is the timeline to achieve all these?

Ajay Kaul: It is an ongoing thing, which never stops and you say that now I am not going to do innovation anymore and especially in tough time when I was explaining earlier that internally the company is still in a growth mode, we are adding 180 new restaurants every year. There is no such example probably in the country where any company is adding so many restaurants. So when you have an army of around 30,000 people, you cannot give them confusing messages. So the message is still of growth. So at the same time you cannot then say that in a growth phase we wanted to do cost cutting. So the whole I would say ecosystem is centered around efficiency, productivity gains and so on. As we have explained sometimes in the past we have programs like "Sankalp" which engages every single employee; 30,000 employees to give from micro to macro level suggestions to improve and even in a year like now or last year the kind of suggestions we get nearly 16,000 suggestions, out of which 10% got implemented, and they were anything from one rupee to even a 1 crore of rupees. So all that is going on. It does not stop. It is like an ongoing thing.

Ravi Gupta: In addition to what Ajay said, we have a Six Sigma model also for labor productivity especially at the restaurant where the model can say that how much labor should be there based on the number of orders, based on how many orders that are coming with online, based on the spread of the order across the day. So it is a kind of productive tool.

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

Gaurav Bhatia: While explaining on the difference between sales growth and restaurant addition plus SSG you have mentioned that because of the base of restaurants, new restaurant are opening at a lower sales per restaurant. I think this is a very profound statement. Do you think that at 950 restaurants we are reaching some level of maturity where incremental restaurants not are adding as much, and we should probably look at a lower total number of possible restaurant opportunity?

Ajay Kaul: I think we also mentioned saying that we are opening in a new format also which have a lower CAPEX, lower sales also obviously, different limited menu, "On the Go" we call them internally. So that is also actually contributing to this because we opened I think about 8 to 10 such restaurants so far, this year alone. So we need to actually keep a track of this also. But having said that if the consumer sentiment does not improve for say a couple of years, then definitely we will have to look at this 150-number at some point in time.

Gaurav Bhatia: Sir, my question was on total opportunity size of this market over the longer-term. And if at 950 restaurants we are hitting a wall, possibly then we need to scale back the expectation of total opportunity size of the market?

Ajay Kaul: Total opportunity side as we speak, Gaurav, I think it is about 1300 to 1400 restaurants and it has been growing. Now the growth has been slower in last couple of years because of the overall economic sentiment, overall growth of the economy has been slower than expected. We believe that once the economy starts growing back, the growth in the overall potential, the number which is at 1300, 1400 will also be faster, and by the time we reach 1300-1400 number, definitely, the potential would have emerged to maybe 1800 to 2000 restaurants. However, if the consumer sentiment does not improve and GDP growth does not kick in, and all the reforms which the government is talking about, do not happen, obviously, then it becomes very difficult to predict the future.

Gaurav Bhatia: What essentially you are saying is that this is a cyclical issue and not a structural issue, is that the correct way of looking at it, of lower incremental sales per restaurant?

Ajay Kaul: Yes, I will say so.

Gaurav Bhatia: Let me ask this question again in a different way; for the new restaurants that you are opening, is the payback period expectation gone beyond your three-year limit that you had set for yourself earlier on?

Ajay Kaul: Not yet, I would say it is still in the same zone, and so to that extent our upbeat-ness on opening 150 new profitable restaurants is within expected norms as expected from our stakeholders, our board and our investors, we are still confident about that.

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

Avi Mehta: Just wanted to understand, while there has been no promoter stake sale, is there any thought process around it and what level the promoter is more comfortable with?

Hari Bhartia: As you have seen in the past, there is no definite number that we look at in terms of promoters' shareholding, but we are at the high 40s level and we continue to look at opportunities in our own group if we need funds to either invest in new opportunities or reduce borrowing if any. So across the group we look at our own requirements at the founders level, but I did not understand your question, are you asking on the immediate context?

Avi Mehta: No, sir, what number are you comfortable with in terms of the promoter holding, have you reached that number, is there any thought around that is what I was trying to understand?

Hari Bhartia: I would say anywhere between 40 to 50% we are comfortable and this has been the trend in almost all our group holding level and sometimes if we find opportunity to increase, we do that in some of the companies, but at the founders level I would say that is a comfortable level.

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

Prashant Kutty: With regard to the Dunkin' Donuts side, has the breakeven number of restaurants changed because the impact has been changed to 200 bps or something?

Ravi Gupta: Not really, because we were expecting the economy to pick up by this time a little bit, but since the pickup has not happened, there is a temporary blip we believe. I think the overall number of breakeven which is given earlier remains intact.

Moderator: Thank you. The next question is a follow up from the line of Nillai Shah of Morgan Stanley. Please go ahead.

Nillai Shah: So, what is the price increase that you effected from 1st of September?

Ravi Gupta: 3.8%.

Nillai Shah: This is higher than what you normally take. Any particular reason for that?

Ravi Gupta: Nillai, we are trying to explain saying thing that we have done a whole amount of study and trialing around the pricing; what kind of price increase we should do and based on that we have done the price increase.

Moderator: Thank you. The next question is from the line of Manjeet Buaria of Solidarity Investments. Please go ahead.

Manjeet Buaria: I wanted to get a sense from you on how you look at the Dunkin' Donuts brand today -- have the consumers found a connect with certain products or is it like over the place for them?

Ajay Kaul: In terms of the various, call it axes on which brands get built, starting of course with the overall strategy and thereafter how do the consumers respond to your positioning to what you are trying to do on the people axis, where are you building your restaurants, which means the look, the feel, the size, the locality and so on, pricing, how is your menu mix, whether they respond to the various sub-categories that you operate in and a few others, but these are the main ones. I would reckon over the last three years we have been able to iterate and reach reasonably comfortable levels on most of these axes. Particularly the one on pricing we seem to be there in terms of the work which we have done on the food side of menu which is building a burger brand, which today often is regarded as one of the best burger places in wherever we operate in, good work happening on the doughnuts side, coffee probably we still need to work a little bit. So again there are some good work is happening. On the people side on the way we have positioned our brand, "Get Your Mojo Back", typically you target at audience which is adult, youth and so on, we think we are kind of there. The tough economic environment I will be honest has made it slightly more tougher for a new brand to kind of reach the levels of profitability or expectation that we had of it. But, we are quite happy with our all day part positioning, the way at various times of the day consumers always find something exciting in our menu and which makes it exciting for them. So we are only waiting to spread our network a bit more. We are also waiting for a bit of change in consumer sentiment and personally as an organization we are quite happy with the progress.

Manjeet Buaria: Just to follow up on that, as an organization, do you see this brand evolving specifically as a burger chain or it is like you wanted to be a mix of doughnuts and burgers?

Ajay Kaul: Not at all burger chain, surely not, burger is one of the places where we have landed well, it resonates well with our consumers, but we want to build a brand around all the three verticals that we have and probably equally emphasized if I may, that is on the food axis where burger is of course one important thing, there are wraps, there are sandwiches. On the beverages axis, which is of course driven by coffee, we believe that should again be a big differentiator, we are synonymous with coffee in the US, especially the way America consumes coffee and we want to obviously bring that kind of culture and that kind of brand recall even in India and the third of course which is in our name, which is Dunkin' Donuts. So how to take doughnuts consumption to a different level? It is a new category we realize. There are not very many players who have popularized this category. But we believe that there is a lot of head room for us to bring doughnuts more emphatically into lives of people in India which is a sweet tooth country. So, that should not be a problem. But the emphasis will be on all these and not just being one burger player or being just one doughnut company.

Manjeet Buaria: If I take a 5-7-year horizon, do you see this brand becoming a delivery brand also or do you want to concentrate only on dine-ins?

Ajay Kaul: It will be predominantly a dine-in brand but we are bringing in delivery elements into our overall proposition. In some restaurants which have a good delivery catchment in their area, we are seeing some good traction for delivery and I can name some pockets especially in Delhi, where delivery is high. So believe that with all our proficiency in the delivery space, delivery revenues from these restaurants should also increase in future, but they will always remain predominantly dine-in models.

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

Amit Sachdeva: The employee mix as I see is down 10% on is per restaurant basis. Is this a temp mix change or is there a productivity change? While the costs are going, up per restaurant basis, per employee; but this number a little I thought you can just clarify?

Ravi Gupta: Restaurant employees are always based on what is the average volume of deliveries are there, in the restaurant. So when you look at the same-store growth is lower and the new restaurants opens at the lower end, the average employee strength also automatically reduces.

Amit Sachdeva: So largely it is a temp labor that you sort of let go off?

Ravi Gupta: Actually the attrition rates are high, it may not be temp labor exactly, but we do not fill up if attrition happens.

Amit Sachdeva: Ravi, the number of employees that you report is the permanent employees or it is all employees?

Ajay Kaul: It is all employees on the rolls of the company, including temporary.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the floor back to the management for closing comments.

Ajay Kaul: Thank you, ladies and gentlemen for taking the time and joining us on this call. Hope, we have been able to address all your queries. Should you need any further details, please feel free to get in touch with us. From our side, Mr. Bhartia, Ravi, and of course the Jubilant Family, we Wish Everyone A Very-Very Happy Diwali. Thank You and Have A Great Festival Season.

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