



Jubilant FoodWorks Limited
Q2-FY14 Post Results Conference Call
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Urvashi Butani

Thank you for joining us on Jubilant FoodWorks con-call where we shall discuss the financial performance and share operating highlights for the quarter ended 30 September 2013. Today we have with us on the call the senior management team including Mr. Hari Bhartia – Chairman of Jubilant FoodWorks, Mr. Ajay Kaul – CEO and Mr. Ravi Gupta – President & CFO.

We will initiate the call with opening remarks from Mr. Hari Bhartia followed by Mr. Ajay Kaul and Mr. Ravi Gupta, after which 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 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 with you. Over to you sir.

Hari Bhartia

Thank you, a very good evening to all of you for joining us on this call. As an organization that is part of a highly dynamic industry and then to be successful we believe we must perform in a sustainable manner and deliver results. And Jubilant FoodWorks Limited is sharply focused on its strategies which revolve around innovation, customer satisfaction and growth. Our priorities are thus defined and we continue to execute on everything with utmost dedication, making disciplined decision in order to ensure we operate responsibly and generate long term value.

The macro environment was again presented us with a set of challenges nonetheless our brands, people power, scale, infrastructure give us a competitive edge that we are utilizing to grow the company profitably. The source of our enduring strength is our commitment to the development of our brand and operating model that has served us well for over a decade now. During the quarter, we continued to grow earnings while maintaining investments for future revenue and earnings. With these investments we not only aim to enhance our systems but also to keep innovating to roll out exciting new products that will help us to tap the potential in QSR space and address our consumers' expectations. To

summarize our orientation towards customer satisfaction and innovation is fundamental to everything we do and we are confident of unlocking great growth for both of our brands, Dominos' Pizza and Dunkin' Donuts in the coming future. With this thought I would like to conclude my remarks and wish all of you a very happy Diwali and now request Ajay to further dwell on company's performance this quarter.

Ajay Kaul

Thank you Hari. Good Evening to all of you joining us today. Before I delve into the discussion, I would like to quickly update everyone on our performance. Total revenue in Q2 FY14 stood at Rs. 4,367 million which is 28% increase over last year. While our PAT stood at Rs. 332 million during the quarter. Similarly for H1 FY14, total revenues stood at Rs. 8,332 million, up 27% and the PAT which is at Rs. 673 million.

Jubilant is built on a solid foundation and we have been very meticulous about adding the right building blocks over the years. Our model has the inherent strength to adapt to economic changes and thereby sustain the momentum of our strategy so as to keep our long term growth trend intact. There is resilience in our model, the economic stimuli such as rising inflation, slowing growth, contraction in discretionary spends. So while the sentiments may be one of caution today, our vision for growing both our brands remains progressive. We are treating this as a period of opportunity to re-invest in those aspects of brand that impact the consumer. This will include everything from enhancing product variety, making our offering more accessible and affordable to anyone who may feel excluded due to economic factors, to enhancing our communication. And all this is possible because our model has that flexibility.

In that context it gives me even greater pleasure to highlight that our brand Dominos' Pizza was accorded with the "Best Customer Service Award" and the "India Restaurant Awards 2013"; in fact this would be our second consecutive year for this award. Additionally Dominos' Pizza India was recognized as the Most Admired Retailer of the year in the food services category by Images Retail. Such recognition by prestigious industries bodies in times of stress gives us an indication that all our actions and strategies are working well cohesively. Based on Euromonitor report 2013 we have further enhanced our leadership position in the organized pizza space with 67% shares in India. In an uncertain economic environment we have maintained our efforts to build a stronger business to support an even stronger future that we envisage for JFL. I would like to discuss both our brands and the various initiatives individually. In Q2 FY14 we continued with our expansion of both our brands adding profitable new restaurants in new and existing locations at a discipline and targeted



space and invested in infrastructure as well as technology to improve our operating efficiencies.

With respect to Domino's Pizza our aim continues to be to make the brand widely accessible. We continue to leverage Domino's Pizza's brand attractiveness to enhance our earnings; we are doing this by not only opening new restaurants but also tapping the very resourceful tools available to us such as e-commerce and m-commerce, social media etcetera. To that affect Domino's Pizza is rated has one of the top five brands in the country which makes the best use of Facebook by Fitch magazine. Our initiatives also involve strengthening our bond with our customers through various marketing initiatives such as the recent one-on-one Wednesdays, Magic Mondays and our weekend offers.

Another focus area is Online Ordering (OLO), which is a unique platform for us. Currently we have over 9 lakh downloads of our Domino's Pizza application and the average OLO contribution to sales stood at around 18%. During the quarter, while investments in online ordering were strong and delivering positive results we have taken another step and introduced a mobile ordering site. The results are surely exciting though yet in the nascent stage. To add some more color to this our mobile order sales contribution to overall OLO was around 12% in this quarter.

Hence efforts to leverage this arena will remain strong and we are committed to prudently investing our capital and resources in such initiatives that will further differentiate us and give us another unique edge. Domino's Pizza has made rapid strides in restaurant expansion and today we have 650 Domino's Pizza restaurants serving around 8 million pizzas every month. With the response we are getting from our consumers we are only encouraged to take this iconic brand to the next level. Our step in this direction is our Pizza Theater, a concert which was launched at our Vasant Kunj, Delhi outlet which was our 600th store. The idea is to draw out an emotional conversation with our key audience thus building affinity for the brand. We have added 74 new restaurants in the first 7-months of the year. New cities where we have entered this year such as Amravati, Mathura, Silvassa and Pondicherry have been very responsive to our brand and this just points to us that we need to maintain our efforts and keep branching out to new locations and as well as penetrate deeper in places where we see potential to grow.

The next catalyst for us is innovation. In order to be at the top of our game in a sector which is always abuzz, we believe this is our tool to not only remain relevant to consumers but to also carve a niche and leave a mark



in the consumer's mind. In this quarter we launched 3 exciting new products to our menu the Spicy Big Chicken, the Lebanese rolls and the very recent Pocket Calzone and I must add that all the three additions have been very well appreciated.

On Dunkin' Donuts we are progressing well and on an ongoing basis moving up in the learning curve with each restaurant addition giving us new learnings and insights which will only help us to better ourselves and cater to the variant needs of consumers. We are currently expanding and investing in brand Dunkin' Donuts. In this quarter we launched variety of burgers in Dunkin' which have been appreciated very well by our consumers. These investments are essential as we want to make this globally iconic brand strong in India too. At present we are systematically growing in our initial targeted regions. We recently entered Jalandhar and Dehradun and currently have total 19 restaurants spread in Delhi-NCR, Chandigarh, Punjab and Uttarakhand. By strengthening connect with customers we are able to enhance the brand's growth and eventually create value. Similar to our strategy in Dominos' here also our mantra is innovation and in line with this and keeping in mind the festive spirit of Diwali, we have launched the Dunkin' Donuts premium donuts collection. The range which includes 8 new gourmet donuts. With our past experience we are able to gauge the needs of creating a strong brand connect and we are well on track to do this for Dunkin' too in a steady and most importantly in a sustained manner.

All in all I believe we have what it takes to increase our success and enhance our growth: an effective strategy, strong brands, efficient systems, talent and expertise and a robust infrastructure to support our vision to be a leader in the QSR space. On this thought I would now request Ravi our President and CFO to take you through the financial details.

Ravi Gupta

Thank you Ajay, I shall take this opportunity to brief you about the company's financial performance.

JFL reported 28% increment in Total Income in Q2FY14 to stand at Rs 4367 million, over the corresponding period last year. Delivering robust topline has always been a priority for us. With a combination of a growing restaurant count, novel promotional offers, ease of ordering through online and mobile mediums and by providing a very attractive menu full of options and toppings, we have delivered growth that stands ahead of the averages in the given operating environment. Our Same Restaurant



Growth stood 6.6% this quarter, which is reflective of the moderating trends witnessed in discretionary spending.

Total expenditure in this quarter increased 31% to Rs 3696 million. The incremental expenditure stemmed primarily from growth in overall business along with increased input cost inflation, increased level of sales promotion and higher spends on marketing necessitated in an environment of weaker consumer sentiments. It also includes increase in costs to support expansion that we are witnessing for Domino's Pizza and Dunkin' Donuts.

Our EBITDA which stood at Rs 653 million showed an 11% growth y-o-y. Because our core is strong, being prudent on costs comes naturally. Having said that, our ultimate agenda is that every action of ours across the system, is focused on ensuring our strategies and tactics resonate with customer satisfaction. In the current scenario, the primary challenge has been to meet inflation head on without upsetting the consumer sentiment.

Our framework has always been molded in a manner that enables us to drive superior efficiencies at all points in time. Innovation, as you are aware, is one constant pillar in all decision making processes. Innovation in technology, implementation of practices such as six sigma, brainstorming new approaches to better our cost functions, fortifying strategic relationships with vendors – all these elements are well ingrained in our day to day work perspective.

PAT for the quarter stood at Rs 332 million which is reflective of higher depreciation charges which can be attributed to the investments made towards our increasing network and associated infrastructure.

To finally summarize the corresponding values in H1FY14, Topline increased 27% to Rs 8,332 million, EBITDA stood at Rs 1,320 million and PAT was at Rs 673 million.

That wraps up our financial review. Now I'll spend few minutes on our outlook for the remainder of the year. In terms on restaurant openings, we at the beginning of this year had a target of opening 125 Domino's Pizza Restaurants which we are now increasing to 135 restaurants. Out of which, till today we have successfully opened 74 new restaurants. For Dunkin' Donuts, I'll once again reiterate, our philosophy remains the same, grow but at a steady rate, a rate which we can ensure the profitability. This is important for long-term success as we believe this



approach will allow us to deliver meaningful market share gains for the future. We are increasing our target to open new Dunkin' Donuts restaurants to 20. Out of this thus far we have opened 9 restaurants.

In summary, we have had resilient profitability in testing market environment. Our priority going ahead will be to continue our careful approach, investing where necessary to ensure we generate more value. And as a result of our initiatives over the many years, I believe we stand well -aligned and well-positioned to drive sustainable growth.

I would now request the moderator to take the call ahead and open the forum for Q&A session. Thank you.

Moderator

Thank you. Ladies and Gentlemen we will now begin with the question and answer session. We have the first question from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta

Just wanted to understand on this offer that we have run this quarter, we've had a very strong promotions which is more seasonal but how would you see this going forward, in the festive season. Is this likely to continue or is the increase in orders that you would have seen on the back of this promotion sustaining and if you could help with that?

Ajay Kaul

Okay I presume you are referring to the one-on-one Wednesday buy one get one free offer which we started from 1st of July. We plan to discontinue that offer from somewhere in the middle of November because almost at the same time we also plan to launch a new indulgent pizza product in the festive season which would go on until December-January, we believe that this new product - new pizza is going to do a lot of good things to us. Let me also, since you have raised the question, tell you what exactly this one-on-one Wednesday promotion did for us. If you look at the industry at a much larger scale and to put say let say the top 5-7 players together, we believe and it's a concerted view of ours that the industry at the same store level actually is going through a negative growth period in the last 3 or 4 months, probably minus 2 or minus 3% would be the industry same store growth rate. Given that background when you look at our Q2 same store growth up around 6.6%, you will realize that we have done far better than what the industry was doing. I must admit that a part of this one-on-one promotion and also the advertising which supported it, is an incremental expense but it was also done strategically to firstly give reasons to our customers to be with us, bring in new customers and keep customer loyalty intact even in times like this. You know we have been seeing this for some time as much as we still



say that there is an eminent downturn, consumers are shrinking or they are restricting their discretionary spends and in tough times like this to have your customers retained with you is one of your biggest challenges. So we believe this promotion has done very good for us in terms of helping us retaining these customers, also bringing in new customers and we do believe it has done its job, so from middle of November we will discontinue this offer and thereafter our the new product launch in the mid of November should then takeover and do rest of the magic for us.

Avi Mehta

Sir, that should actually help and the expense kind of moderate going forward, if I were to just extend that ...

Ajay Kaul

It would and additionally something which we want to leave with you. We also plan to take a price increase which we always do in November. Even in this November we intent taking a price increase around the middle of the month. Because of some inflationary pressures which are unprecedented primarily lead by milk price increase which you must have also seen in the market. We normally use to take 3% price increase, but this time it will be higher than that, may be in the vicinity of 5%.

Avi Mehta

Sir two more questions if I could, just on first bit you have upped the store addition target to 135 I understand because you have seen in the history that you should invest in times like this, but I just wanted to know how would the margin behave if our expectation of environment actually improving does not play out, do you see margins actually declining further going forward from current levels? And second question on Dunkin', little long term but what is the expectation on Dunkin' break even on a corporate level, what time frame are you looking at or number of stores that you think is what you would be looking at internally? These are the two things.

Ajay Kaul

Okay let's take each question in turn. First and foremost I think the relevant point you have raised, you know sometimes these blips in the market place on the short run which is being seen right now by the Indian economy, we have always felt this you know, we remain a bit unfazed because we have not lost sight at all of the medium and long term growth story of the country and thereby and maybe I will be a bit repetitive here, not only have we increased our guidance for number of stores in Dominos' Pizza from 125 to 135 and even on the Dunkin' Donuts side we have increased it from 18 to 20 but what also it means is that our confidence in opening profitable good stores continues and you will be surprised that it's a mix of going to new cities like Amravati, Mathura, Silvassa and Puducherry in this quarter which have given very good reception to our



brand and our product there, as much as going to existing cities where we have opened lot of these stores, is giving us this confidence. We are also investing a lot on our factories or commissaries and mind you these all cost money and but we are not shying from all this capital expenditure because we still believe that the consumption story which is often talked about with respect to India is still intact and as we come out of this tough phase hopefully in the next 5 to 6-months or whenever, we will be the best set to reap the benefits of such a growth strategy. How do we manage in the short run, is of course the challenge and we are not losing sight of that. Our plan for Investment on stores and in commissaries will go unfazed. As far as Dunkin' story is concerned again with launch of burgers and some of the other things which we are trying to do in the Dunkin' side is helping us to grow it profitably, in a certain direction, lot of stores actually are giving a positive ROI already and our aim is that going forward after we are able to settle down with the model fully, I must admit, that whether it is on the type of store, the size of store, the localities, the people axis, the pricing model, the menu mix there are of course all these variables but gradually with iterations we are able to get answers to most of these questions. So hopefully soon we will be in a position where we can run and say that okay from here on we need to grow Dunkin' at a much faster pace. As far as profitability is concerned, I will not be able to comment on that but I think with all these iterations happening we are making a very good pace towards making stores profitable; some of them already are profitable as I was telling you a little while back. Hopefully in the next 3 to 6 months we should be able to answer this question with much higher clarity for you.

Avi Mehta

Okay and thanks a lot sir, just you are not revising your revenue growth and EBITDA margin guidance for the year right. Sir I just wanted to end with that and thanks all from my side?

Ajay Kaul

As far as same store growth at EBITDA margin is concerned we do believe that there is a fair amount of volatility or turbulence in the market place. Normally we like putting our finger on some number at least but given the way September behaved as far as last quarter was concerned because July and August for us were good months is where we believe we would not want to commit ourselves to some numbers, however, what we can say is that our earlier guidance of 16.5% EBITDA we now believe we will come lower than that and even 8 to 10% same store growth for the full year which we had given a guidance earlier we now believe we will come lower than that. But what exactly will that number be is difficult to say right now. But our third aspect of our guidance which is with regards to opening new stores, clearly we are upbeat in that direction and as I was



saying a little while back, 135 Dominos' Pizza restaurants at least and 20 Dunkin' Donuts restaurants is our new guidance in that area.

Moderator Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman Sir, couple of questions from my end, firstly on your commissaries, last quarter you had mentioned that you will be opening 3 new commissaries in the next few quarters. On that could you just tell us what the capacity in terms of these commissaries will be in terms of servicing stores?

Ajay Kaul Okay let me give you a bit of a background, see till last year we had 4 commissaries each in the main city of that region for example Noida for North, Mumbai for West, Kolkata for East and Bangalore for South. Then towards end of last year we added Chandigarh because we realized that as regions are becoming bigger and bigger we also need one more smaller commissary not of the size like the one we have in Noida which will service some of the hinterland let's say in that respective region. Having seen that is giving us good returns this year we plan to open or we have already started and initiated work for three new commissaries - one in Hyderabad to supplement what we do out of Bangalore, one in Nagpur which is going to service lot of Central India and one in Guwahati up Northeast because that's an area which is a bit distant but important and then will again require some support. And last but not the least is relocation of our existing North facility which is in Noida we are going to upgrade it with state of art technology, probably 2.5-3 times the size of our existing commissary. In terms of number of stores the one in Guwahati should service we believe around 30-40 stores at least. So we can easily look at the next I would say 4-5-years. One in Hyderabad and Nagpur are clearly created for servicing at least 100 stores and sometimes we are able to stretch them also with minimal additions over a period of time and clearly the one in Noida which I was saying is a state of art facility is being created for around 300 stores if not more. So in a nutshell all this is being done and huge investments will go in this area for creating a business going forward.

Aditya Soman Okay and on your cost I notice that your employee cost sort of per employee did not go up in the quarter despite this being a quarter in which you typically give out raises so was there any specific reason for this?

Ravi Gupta Actually at this stage it's become very difficult probably to analyze per employee cost because it includes part timers as well as full timers so the



mixture of the part timers as well as full timers keeps on changing and as a result you will not be able to find out exactly where how many employees were there in respective months.

Aditya Soman

Okay but the employee raise that happens in this quarter has happened is it?

Ravi Gupta

Yes see whatever changes are there like we are governed by the Minimum Wages Act, so we are following the law of land and also in July we have an annual increase which is done for employees other than team members. Like store manager of course gets a raise in every year July so if you look from Q1 to Q2 the percentage of salary have gone up, personnel costs have gone up so that increases happen but for the team members we take the increases at not a particular point of time but they are governed by Minimum Wages, we try to be ahead of the minimum wages but right now we are growing in line with the minimum wages growth.

Moderator

Thank you. The next question is from the line of Ankit Babel from Shubkam Ventures. Please go ahead.

Ankit Babel

My first question is just to understand the scalability of the business, whenever you open a new store what is the quantum of customers you target to service from that particular store and that too at peak levels of utilization and in other words say your each store is capable to service a locality of say of 50,000 people or a 1 lakh people beyond which you will open a new store so what is that quantum?

Ajay Kaul

See normally when we open a new store more than looking at population what is more relevant for us is to look at households, so as far as large cities is concerned where we already have high penetration levels but there the brand also is in a highly, I would say, progressed stage of acceptance, the number of households required are far lesser than when you go to let's say a new city or a city which has got only one odd store because those cities also tend to be not as much vertical but more horizontal, so the number of households may also be lesser or more because new stores also tend to open at a far lesser let's say at 70-80% sale of what a mature store does. So it varies but the right way to answer your question is that we have some internal benchmarks in terms of return on investments on capital employed for opening these stores and these are fairly stringent governed by the Board and so on. Those haven't changed firstly and secondly we are very happy the way that our returns are coming in. That is giving us encouragement of opening more and more stores and obviously profitability.



- Ankit Babel** What is your target for ROIs and all those broadly?
- Ajay Kaul** We cannot share the ROI targets with you, but these are obviously stringent norms and if you look at an overall business level last year and if you look at overall return on capital employed which of course entails few other things also, is moving in around 50% zone so that will tell you that the investments are happening in the right way.
- Ankit Babel** So that you believe will be maintained going forward?
- Ravi Gupta** What Ajay has discussed is at the system level what is happening. Let me explain, even Avi had a question asking how the margins will get impacted. First new stores are open at around 70 to 80% of the system average sales. In view of that sales are lower than system average, the margins are also lower compared to the system average. Every year they keep on growing and typically they grow faster because that area is under penetrated and then you try to penetrate within that. So when the store keeps on growing the margin keeps on increasing.
- Ankit Babel** My second question is that you are majorly concentrated in metros and big cities and now you are also starting in Tier-1 and Tier-2 cities, just wanted to understand how much is the difference between the profitability and the return ratios between stores in the big cities and the Tier-1 and Tier-2 cities? Definitely the profitability would be higher in the big metros because as you mentioned the penetration is higher and awareness of the brand is already there. But just wanted to understand how much would be the difference.
- Ravi Gupta** Actually we do not differentiate in returns and when we try to analyze there is no significant difference in returns between Tier-1 stores and metro stores. Obviously when you look at the age of the store, the metro stores in terms of age are more matured obviously the sales at a higher level so you will find a higher return. But when you open a new store today in the metro versus a Tier-1 city, we have not seen a significant difference in the paybacks in both of them.
- Ankit Babel** So you think that going forward since more stores would be opened in Tier-1 and Tier-2 cities because you are already there in the metros, it will not impact your profitability and the return ratio?
- Ravi Gupta** We believe it should not impact but to correct you, we are opening about half of the stores in the top10 cities still and the balance is being opened in in rest of the cities, including the new cities.



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

Abneesh Roy My first question is on the new store you have opened in Vasant Kunj which is your signature store, so if you could talk more about it in terms of per head spends how much it is higher and in terms of margins is it diluted because obviously you would have spent more on the CAPEX part and area is also larger? Do you have plans of opening that kind of store in every large city?

Ajau Kaul The Pizza Theatre as a concept is something which comes from abroad. It comes from Dominos' International. What this concept tends to do is three to four things and it is very much relevant to India because a substantial portion of our business is consumed on premise which means people come to our store and consume Dominos' Pizza and all other products. Firstly it is called Pizza Theatre because what we believed is a global trend and is a trend worldwide where consumers want to actually see a bit of theatric as to how is my pizza made, how is my product made rather than saying that it is some sort of a really a factory like approach and so on. So we give opportunity to consumers to even come and see through a window as to how their pizza is made. Apart from that, in the Pizza Theatre concept, there are also various zones created within the stores, depending on what mood you are in and which means if you are family and you want a secluded space, if you are young people and you want different kind of informal sitting, if you are with kid then you have a different approach. So it does try to address those things too. Also within the store there are heritage wall which tries to talk about the heritage of Domino's Pizza which again research has proven and we have seen that customers today want to kind of align with such heritage and such brands who have such rich cultural heritage and finally there are again I would say cues inside the store with regards to what goes into making the Dominos' Pizza, the culture, the history, the kind of freshness, the ingredients and so on. Now when we created the store, you know the idea is that in future all our stores will be like this Pizza Theatre store. So as we speak, we have almost already given brief to all our construction teams and to all our project people that going forward from a certain date all our stores will be like Pizza Theatre stores and we believe that it is going to do wonders for us because it aligned to some global thinking, consumers in India today are as much awakened as they are anywhere else and their expectations are as much and it is aligned because a good substantial part of our business is actually consumed inside our store and this is that much more relevant for us.



Abneesh Roy In terms of return ratios, won't you need a larger square feet for a doing this?

Ajay Kaul I must admit that while the initial few are going to put some challenges because the store construction material, the look and feel, it does take the first few stores to iterate and then realize that what is the best fit and then once you know that you are going to construct the next 100 to 125, 135 stores like this then you negotiate with your vendors and everything and when you buy in bulk the costs tend to gravitate towards what it used to be earlier. And we are not fazed by these four or five models stores or call them iterative stores that we will build because we are more focused on the 135 number and so on. So in the long run we believe with a much finer customer experience and this concept the incremental revenue will pay for any small incremental costs that we will be incurring and our return on investment as a result should remain at the same level.

Abneesh Roy One of the follow up from that will this kind of a store offer more value added pizza, more premium pizza and the real thought process for launching this is it to get more market share in in-store dining and maybe compete better against Pizza Hut of the world or the new entrants or is it to create stronger brand imagery in the entire pizza delivery pizza in-store dining? What is the real thought process you have?

Ajay Kaul As far as the product portfolio, the product profile is concerned it is going to be similar to all the stores that we have. It is more to do with what the consumers' expectations are in terms of imagery, in terms of modern consumer's outlook and he wants to see more of the heritage piece what comes along with this brand, what is the history, can I see what is being made for me so there is more in it for me rather me not being able to see what is being made for me. Also depending on your mood and what kind of profile you come with, there are different sections in the store which are ideally suited for you and you would gravitate towards sitting in those sections, so a bit more personalization, and a bit more there for me from a consumer's perspective.

Abneesh Roy My last question is on your new store number guidance increase. We have been now increasing this in the last few quarters. So what is driving this, is it because our same store growth numbers are coming down or is it because we are finding more opportunities to open stores, because I think in opening these stores obviously lot of lead time goes into preparing. So why we are not aware that 3 months before that these kind of stores will open so I mean clear, how much lead time does it take to open a store?



Ajay Kaul

When you are opening one store every 2 to 3 days, 135 stores in a year means every 2.5 days we are opening a store. It basically means we have a regimented factory like approach to opening stores. And let me also tell you that the same store growth and this number are actually not related while yes, when we open new stores, they tend to split some of the existing stores and as a result there is a bit of pressure on same store growth. But the two things are by and large unrelated. Same store growth is something which is determined by obviously lot of marketing things which we do and for what consumer is saying and also macroeconomic environment, it right now happens to be a bit baffled, but we are quite hopeful that from next year and come the elections and all that I think we will again start becoming more optimistic and rosy. But as far as opening new stores is concerned, 135 stores are what our forecast is.

Moderator

The next question is from the line of Nillai Shah from Morgan Stanley. Please go ahead.

Nillai Shah

This quarter you have cut costs yet your margins have come off quite a bit so despite all your best efforts you have not been able to save the margins. Probably it has little bit to do with the same store sales growth and your increased promotions, etc., but can you do something over the longer term to make this business more resistant or resilient to the macroeconomic factors?

Ravi Gupta

As I explained to you when the economic sentiment is weak, it may take more efforts to bring the consumers to you so that the consumers become more loyal and on long term basis he stays with you. Two things we have done in this quarter. We have increased our aggression towards promotion and therefore “buy one get one free” on every Wednesday. It has increased our raw material cost as it is very much visible in the P&L, it has increased by about 80 basis point this quarter and the second reason was that with our aggression in marketing our marketing costs have gone up and that is reflected in the manufacturing and other costs. These two factors are discretionary I would say and discretionary because of the recent economic sentiment in the market, we need to spend more for these activities. When the economic sentiment reverses and is positive which was visible in the last couple of years, then you need not spend incremental amount on all these things. So rest of the heads had been very well controlled at this point of time and they will continue to get controlled. And these two heads as the economic tide turns around will work in our favor. Second thing, Ajay earlier pointed out that “buy one get one” offer we are stopping by mid of November. Third thing we are taking the price increase which Ajay mentioned. We are increasing the prices by



mid-November around 5%. So all these steps we are taking so that we can increase or at least maintain our margins because inflation is head on, milk prices have already gone up, then the inflation which we expected in a high single digit is ending now with double digit because of dollar fluctuation also.

Nillai Shah Given that you got low visibility on your same stores sales growth, can you comment on what level of SSG is required to at least offset the cost pressures?

Ravi Gupta I cannot pinpoint a particular number, but for the sake of it we divide stores into two categories – same stores and the new stores. Same store basis, the growth has to be more than inflation and so long as it is more than the inflation, same store margin will be intact.

Nillai Shah One point out there rent inflation per instance on a per store basis should not be more than 5 to 7% because that is the rate at which your stores have to get re-priced in terms of lease-rentals every year, but yet your rentals on a per store basis are significantly higher than that number. So the inflation which you are talking about, what inflation is it because when you are talking about the pizza theatres, I have seen some of these stores in Australia, they are huge stores, so when you say all of these are going to go in Pizza Theatre format, you are clearly putting more costs into the system which will demand a higher SSG and God forbid if you don't ever reach that level of SSGs, what really happens to margins?

Ravi Gupta SSG when we look at it we think at the same store basis, the Pizza Theatre and all will come at new stores, SSG, on same store basis your growth has to be more than the inflation and then your margins are protected. And if you grow faster than the inflation obviously the margins will increase which was happening in the past few years. In past few years why these new stores performance is not getting reflected because of same store growth was much higher, ahead of the inflation and that is why efficiency created by the same stores was very huge and it was covering up the inefficiency of the new stores. Now coming to the Pizza Theatre and other things, Ajay has already mentioned that on the payback norms, these stores also performing up to the mark. There are not diluting the returns in any way. They are not diluting the benchmark which we set within the company. So we expect these stores to perform definitely in terms of our investment norms. And in future, if they keep on performing on SSG, in the sense that same store growth is in line with at least the inflation the margins also will also get maintained.



Ajay Kaul

You also gave the example of some store in Australia which looks like one huge store, clearly that is not the direction in which we are moving. The stores will still end up being in similar ballpark or let us say the square footage and all that will not be very different from what our existing stores are. More importantly we are more conscious or as much conscious about giving the return on investment for every single store as we have been in the past. So as I said, three or four or five stores will be used to iterate, not the stores of the size which you are referring to and after that as soon as we crack the model in 3 to 4 stores type, is that we will be ready to roll this for the next 135 stores which we are opening. So be rest assured that return on investments of stores payback period is something which we are always watching with hawk eyes and that is something which we will never lose sight of.

Moderator

The next question is from the line of Angad Sawhney from Tybourne Capital. Please go ahead.

Angad Sawhney

I just have a quick question on the other costs, stores they have grown in mid-30s and I just wanted to get a little bit of a breakdown of what is in here. Because other costs increases basically what has contributed to most of the 225 bps EBITDA decline and so I guess part of this could be marketing spend going up. But could you just help us understand if there is anything else and there are Dunkin' or related to other things so we can understand kind of how this breaks down and what are the other costs that are increasing so much more than revenue?

Ravi Gupta

One factor if I have to mention related to the other cost increase is the marketing cost, you rightly identified. And in all the heads definitely Dunkin' Donuts is also added in respective heads, whether it is raw material, whether it is other costs, every head Dunkin' Donuts is also sitting. Dunkin' Donuts we already explained in the earlier con-call had impacted the margins at about 80 to 90 basis points last year and this year on yearly basis will impact about 10 to 20 basis points more. So that is the annual impact, we will keep on trading we will not be able to share quarter-to-quarters exact impact, but on a full year basis about 100 to 110 basis points will get the overall impact of Dunkin' Donuts.

Angad Sawhney

I am understanding correctly, so most of this 200 basis points hit from the other costs is related to marketing there?

Ravi Gupta

Yes.



- Moderator** The next question is from the line of Pratik Biyani from Standard Chartered. Please go ahead.
- Pratik Biyani** Just about the margins, did you mention that the Dunkin' in fact this quarter was 120 bps and it was 100 bps last quarter?
- Ravi Gupta** Quarter-to-quarter we don't mention the numbers. The annual number will be about 100 to 110 basis points.
- Pratik Biyani** Last quarter also you mentioned about some sort of down trading in the sense that ordering of Pizza Mania overall was more since the Pizza Mania is at low margin that hit our overall margin. So that trend has continued in this quarter?
- Ajay Kaul** The trend has not continued. It is a kind of problem since it in a downturnish kind of an environment, people tend to migrate towards lower price products. But our percentage incidence of Pizza Mania has kind of remained at the same level. The "one on one Wednesday" offer really has been a runaway success rate. People have at least migrated to even more expensive pizza because the second was coming free so there is more pizza, more value and so on. So the long and short answer to your question is Pizza Mania has kind of stayed wherever it was, its appeal has not diminished. But the "one on one" especially in the last quarter July, August and September has done its job.
- Pratik Biyani** One more question, you took a price hike of 2.5 to 3% in June, you are planning another 5% in November. Despite that you believe that your same stores sales growth could be lower than 8% and margins could be lower than 16.5%. So you mentioned in the previous call that month-on-month things were better in the previous quarter May was better than April and June was better than May last quarter. So what has been the trend there and do you see the order growth reducing that is the reason for your belief that it will not be able to hit the 8% SSG target this year?
- Ajay Kaul** You are right, your memory is kind of quite good there. You know our June was better than May, it was better than April. In fact our July and August were also very good without quoting any numbers, but it is September where you know the business suddenly dropped. And as a result of all these three months the sum total same store growth is around 6.6% or so. So in a turbulent, volatile environment like this, we do not want to pin ourselves down to a number because it is the latest month which has actually given us a bit of a surprise unlike what happened in the previous quarter where June was actually better than May and that gave us some



optimism. But we do believe that while 8 to 10% is what we have been committing earlier for full year, we should come lower than that and as a result of that its impact on EBITDA margin is that 16.5% is what we have said, it should become lower than that.

Pratik Biyani

There was that issue of service tax on home delivery, has that issue been resolved or any update on that?

Ravi Gupta

No that issue has not yet been resolved. There is only clarification on MRP based product that MRP based product there will not be service tax and in fact we had an informal discussion with the Ministry already on this and we are not charging service tax on those. So home delivery still remains uncertain whether there should be service tax on that or not, but we are charging the consumers right now.

Moderator

The next question is from the line of Amnish Agarwal from Prabhudas Lilladher. Please go ahead.

Amnish Agarwal

I have a couple of questions. My first question is on our “buy one get one” scheme, are we discontinuing with the Wednesday offer or are we also discontinuing with the various coupons and offers which we give to the customers in the form of pamphlets, this is one. And secondly in the previous quarter what is the portion of our sales were counted by this buy “one get one offer”?

Ajay Kaul

Buy one get one offer is the thing which is being discounted that day, but all other couponing continue, based on what the requirement of the consumers are, and we have multiple coupons running at a given point of time even in the past, so that is going to continue. I will not be able to share with you what kind of incremental or percentage incidence or what happened to Wednesdays, but I can tell you that definitely in July, August there was clearly substantial incremental business coming from this promotion and obviously there was a good impact on EBITDA also. Although we did incur additional promotion cost which had an impact on our food cost and also on marketing side which was showing enough advertising line. September was a bit of a surprise because the business dip a little bit more than we had expected and the impact of “one-on-one” Wednesday probably was not so visible or discernable as was in the previous months. But having said that, I think it has lived its life. It has been running for the last four months. We do believe in the festival season of November, December and January, we need not run such high discount promotions. In fact as I was saying earlier we are going to launch



a new indulgent pizza a good pizza- a fantastic pizza actually from middle of November and that we believe is going to be a runaway success.

Amnish Agarwal The new pizza that you are talking about will it be priced at a discount to our existing products and secondly on the “buy one and get one” scheme which you gave is it your reduction in realizations you show or is it shown as a part of sales promotion?

Ravi Gupta It is shown as a discount and sale is booked at net amount.

Amnish Agarwal This new pizza which you are going to launch, is it at a discount to the existing products?

Ajay Kaul No, it would be like any other product, like any other pizza that we have launched which we have done in the past.

Amnish Agarwal If you look at the trend in the same stores sales growth it has been trending lower, so how has been the same store volume growth or throughput and secondly what part of this downturn you would attribute to cannibalization of stores and how much do the overall economic environment?

Ajay Kaul Let me just take this question in reverse order. The impact because of splitting of stores, whatever we are witnessing in this year or in this quarter is no different from what we have witnessed in the past. So there is no additional extra burden coming because of splitting of stores. There is always a certain impact and it is predictable and that is always in our plan. As far as the first question was concerned, I have lost the cue on that, just give me a hint again what was the question?

Amnish Agarwal The same store volume growth and how is the trend in the throughput?

Ajay Kaul The same store volume growth like any other year lags the same store revenue growth by a few percentage points and that is the same trend in this quarter also.

Moderator The next question is from the line of Kalpesh Makwana from Quant Capital. Please go ahead.

Kalpesh Makwana Just a follow up on the price hike that we are planning in the month of November, given the macro environment, do not you think that it could be ambitious to try and hike our prices by 5% and when the demand



environment is not so favorable and is that plan finalized or will be open to calibrating the same thing on the way situation pans out?

Ajay Kaul

We are kind of committed to it by and large I would say and we believe that there should not be really adverse impact on our consumer offtake although I do agree that 5% increases is something we have not taken in the past, it is normally in the vicinity of 3%. But inflationary pressure on ingredients especially led by milk leading to cheese which is our key raw material is putting tremendous pressure on our ingredient cost line and we have to take this step to kind of obviate that. So we are committed to it.

Kalpesh Makwana

Could you also throw some light on competition. Recently it seems that our prime competition has become aggressive in terms of pricing the products and opening of new number of stores and that going to be in the vicinity of our existing stores. So any light on that as to how are things panning out from that front or any interesting observations that you would like to share with us?

Ajay Kaul

Our own estimate not based on any AC Nielsen kind of report but based on some good quality information is that when you look at the top layer of the industry and if you had to aggregate them, the same store growth for the industry probably is in the -2% to -3% territory and against that we are still doing a same store growth of around 6% to 7%. So we are clearly reading what our honorable opposition is doing in the market and obviously it is leading to market share gain. Having said that competition has become active when your same store growth in a negative zone or it is almost in a zero zone, you do tend to kind of become more desperate and I think they have taken some unprecedented steps on discounting, on advertising and lot of other fronts, but we respect their moves and our overall submission always is that more enhanced competitive activity in the long run it is only good for the markets especially when industry as a category is in a growth phase which we still believe it is. These temporary blips may kind of make a situation bit hazy but we do believe there is still a lot of growth to come and not only now, over the next 5-10 years, and all this is going to help the industry to grow more and more consumers eventually will come into the fray but in the short run, yes, they are becoming a bit active and we are cognizant of that and they are on our radar always.

Kalpesh Makwana

But not to the extent that it start concerning us in terms of margin?



- Ajay Kaul** I think you have to keep them on the radar, you have to keep watching them but being the market leader with 67% share of the Pizza market and also being the largest MNC food brand in the country, a lot of things that you do actually becoming industry norms, so you have to be more cognizant of that, that how to drive in the way in which the industry is moving.
- Kalpesh Makwana** I think the last one there were some rumours sometime back saying third deal is in pipeline, so are we talking to someone for any other brand right now?
- Ajay Kaul** We are in no tearing hurry to take any announcement neither are we in a situation to make an announcement, but it will not be right for me to say that we are not in discussion with people, we are, but they take own sweet time. So nothing on the anvil right now but we are in discussion, to give you a fair and square answer.
- Kalpesh Makwana** One last one, Ravi, if you could just recount as what was the non-store CAPEX for FY13 and what it would be '14 and '15?
- Ravi Gupta** FY13 total CAPEX was about Rs 188 crore and for current financial year it will be in the range of about Rs 200-250 crore.
- Kalpesh Makwana** And for '15 it would be?
- Ravi Gupta** For the current financial year it will be in the range of Rs 200-250 crore range. Some more investments which we plan to do in commissaries slightly got to postpone to next year.
- Moderator** Thank you. The next question is from the line of Manoj Menon from Deutsche Bank. Please go ahead.
- Manoj Menon** A couple of questions to Ravi. Actually, on the accounting of the promotion, if I understood it correctly, essentially the free Pizza you book revenue of zero but the costs are actually sitting in the manufacturing and other expense?
- Ravi Gupta** As far as the sale is concerned, suppose, you have a buy one get one free offer on a Rs. 200 pizza. for first Pizza you charge the consumer, the second Pizza is free, the revenue which is accounted is only Rs.200 in the books. So the food cost automatically doubles and that is the reason the raw material costs have gone up. The cost of doing promotion, in the sense, marketing cost will be booked under other cost.



Manoj Menon So each of the respective cost goes to the respective lines, not everything is sitting in other expense?

Ravi Gupta Yes.

Manoj Menon Secondly, on the price increase component, I know it is being discussed earlier, just wanted to get a thought behind it. Is it just largely cost inflation push thought process or is anything more to it?

Ravi Gupta It is ingredient cost inflation, nothing more than that.

Manoj Menon What I am trying to figure out is if you talk about 5% which means you are really looking at a very serious cost inflation given the high gross margins what you have.

Ravi Gupta In Q2, the inflation has marginally hit us. But in Q3 the inflation will further go up, as a proactive measure itself we are taking this price hike.

Manoj Menon One last question, at a store level, essentially you get new consumers and you also get growth from the existing consumers ordering more. I am just trying to understand from these two buckets which one is holding up better than the other one?

Ajay Kaul If you look at statistically, the slopes of both these factors which you mentioned, they are kind of behaving in the same fashion. The rate at which we used to acquire new customers and the rate of increase of frequency and if we were to statistically plot the slopes of both, I think their slopes are behaving almost in the same fashion. So overall basically the economic factors are impacting the both. To categorize some highly loyal customers who are the high frequency customers, they are actually showing a bit more loyalty than others, that is the only departure, other than that everybody else seems to be behaving in a similar fashion.

Manoj Menon The context of this question was when I look at the Pizza Hut Rs.199 'Eat As Much As You Can' offer it appears that there is a serious desperation at an industry level to retain the existing consumers?

Ajay Kaul I think the challenges are both, bringing in new customers to my mind is a larger challenge especially in times like these and retaining under normal circumstances also is as a much a challenge, so I would actually as the market leader put equal emphasis on both.



- Moderator** Thank you. The next question is from the line of Bhavesh from CLSA. Please go ahead.
- Bhavesh** Hi Bhavesh here. Wanted to understand if we look at the depreciation on a QoQ basis it has remained largely flat. There is a particular trend which we do not really see especially since you have been adding so many stores on a quarterly basis. So can you throw some light on this?
- Ravi Gupta** There was some 100% depreciation on a block of assets on which depreciation got completed in the end of the last quarter or something like that. Whatever additional asset, which we have added during this quarter since the impact of 100% depreciation of the asset are not there in this quarter so it got absorbed by the additional capitalization.
- Bhavesh** So will we see a step up depreciation for the next two quarters?
- Ravi Gupta** Yes, as we add more stores, depreciation would increase.
- Bhavesh** And my second question is that if you look at Dunkin' Donuts as an entire brand we have Burgers, we have subs, we have smoothies we have a range of products from this. So wanted to understand is that why we have coffee brand being modeled in this particular fashion, why do we need Dunkin' Donuts as a brand, why cannot we just have any other brand? Because it is not a global format any which way.
- Ajay Kaul** See this heritage is being drawn from one of the leaders in coffee worldwide and there is obviously rich heritage sitting there. Similarly donuts in which we are an undisputed market leader, but right from the beginning when we were launching Dunkin' Donuts in India we have realized that while coffee has its place and so has Donuts, the main story in India is going to revolve around food or it is going to be equally important to hinge our story around food. And that is why the first departure we made at the time it was calling Dunkin' Donuts & More which means it is more than just pure play Dunkin' Donuts as is seen in other parts of the world, and that is where we brought in sandwiches And subsequently, we launched Burgers two or three months back which have been a runaway success. So we believe even going forward the impetus or the focus on food is going to be as much as it will be on coffee and donuts. So these are going to be the pillars of our strategy going forward apart from also finding most appropriate way of positioning Dunkin' Donuts & More as a result and so and so forth. So it is all well-orchestrated, it is thought through. Dunkin' Donuts cannot be left aside because the heritage on donuts and coffee coming from such a powerful global brand arguable the industry leader.



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

Sanjay Singh Hi sir I just wanted to understand I probably missed out do you give any margin guidance which was earlier 16.5% could you give guidance for that?

Ajay Kaul What we have said earlier is that we should do 16.5% EBITDA margin given the volatility and probably vulnerability in the environment and especially the month of September which threw up a few surprises we are saying that we believe we will do a somewhat lower than 16.5, but we cannot put a finger on number.

Sanjay Singh And I am just surprised on your same store sales growth because you were saying that the trend was improving and of course September was bad, but even in other retailers etc. have done not very badly, some trends have improved quarter-on-quarter, although it could be distributed. So I was just wondering and your overall industry has been negative. So you are taking a price increase now and you are saying that the “one-and-one” is going away. So is there any broad trend you are looking at it could go down significantly down or may be just one or two percentage points here and there because now we have completely lost as to what the second half or what going forward rate could be because now from 8-10% your second half is fine, but since you are not getting any guidance and with your comment on the industry being negative and with your price increase and with the one-on-one going away and we are now in completely unknown trajectory. So if you can may be just broaden the range a bit, but give us some sense of the future whatever is the way you see it.

Ajay Kaul The way we see this is simple. The one-on-one Wednesday was a promotional offer we run it for 4-4.5 months. It was not endless in any case. As soon as it stops we are going to launch for the festive season, where customers tend to be a bit more indulgent and history with enough evidence has shown us that, an interesting exciting Pizza product and we believe that would see us through and as far as you know they will of course the other promotions that will keep going on, promotions on our online medium, promotions for our online customers, promotions between 11 and 4 o'clock and we have certain things which have been happening in the past and they will continue. As far as price increase is concerned, yes 5% price increase versus a 3% price increase is from our standard is a bit unprecedented and I must admit that the primary driver of that additional 2% is the tremendous inflationary pressures that we are seeing. It may have some impact on consumer offtake we do not know, but given the inflationary pressures especially coming from this price increases of cheese



and so on, which is a substantial part of our cost base, we do not think so we have an option, but to kind of not take this price increase. So we are really watching this space very closely and we obviously have other tools in play which will drive consumption, which will drive orders and lot of other actions in the area of what we do on precision marketing, what we do on customer lifecycle management, direct marketing and so on.

Sanjay Singh

Correct me if I am wrong, although there are assumptions to it. Now if your Wednesday “one-and-one” offer actually doubled your sales on Wednesday and let us say Wednesday contributed some 8-10% on your sales. Then it would mean that same stores sales growth would have declined for other days. Is it a fair mathematical calculation?

Ajay Kaul

It does have a cannibalizing effect on other sales but on a net basis, there is incremental revenue which we saw every week.

Sanjay Singh

And secondly this is my personal sense that because of your whole assumptions, number of store additions or the commissary CAPEX for the Pizza Theatre or Dunkin’ increasing. It is with the thing that we are seeing a turnaround in economy or it is a basically bullish economy assumption. If you have bullish economic assumption for, my sense, is your FY15 assumption would be a good economy. So if the economy remains soft for may be even in FY15, then because my sense is that with these kind of growth assumption, these kind of expenses, you could actually go back to 12%-11% kind of EBITDA margins which you saw prior to the IPO days. So what is your sense on that? Are you building a bullish base assumption of the economy and then working on it?

Ajay Kaul

See we said earlier, I am not going to comment about next year and how things are going to fathom. We do not think so. We do not want to get into that space, but if you look at next 3-5 years and that is where we are getting most of our encouragement from and thereby our confidence to invest. While our new factories that we are creating at all new locations, not all expenses will be incurred in this year, but all put together, it would be investment of to my mind close to Rs 70- 90 crore. So that is not small money. So when we are saying that we will open 135 stores this year for Dominos and 20 for Dunkin’ as we have up those numbers. This again means at an average of a crore of investment, about Rs 150-160 crore investment, now this is all keeping the 3-5 year story in mind because the return on investment on those investments as we speak today still seem intact when we go to the smaller locations or even when we are opening second, third, fourth store in some of the existing cities or even when we are opening stores in cities like Delhi and Mumbai. These stores are giving a



good payback period which is within our expectations and also the expectations which have been coming from the past which have again be quite stiff. So that is what we are focused on. Now what will happen in the next 3 -, 9 months, it is taking lot of our time, but we are not losing our sleep on that because honestly we are creating a business for future and not just for tomorrow morning.

Moderator Thank you. The next question is from the line of Arjun Tandon from Matsya Capital. Please go ahead.

Arjun Tandon Just have one small question. With the new introductions that we have with the Calzone and all, has the ticket size actually gone up or down per customer if you could share that detail with us please?

Ajay Kaul With every such new product launch, it does have some impact on the ticket size. It has impact orders also. So we are seeing a marginal improvement in both. I must also admit while incidence of pocket Calzone has been excellent. Incidence means orders on which there is a pocket Calzone and this has done exceedingly well so far, but I think a general downturn with economic climate in the overall increase in business and all that has not seen as much uptrend as we would have been seen under normal circumstances.

Arjun Tandon And sir would you be comfortable sharing the average ticket sizes for the country for your system stores?

Ajay Kaul No, we will not be able to do that.

Moderator Thank you. Next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia I just had a question on what sir mentioned about cheese prices going up for us. If you could just mention how much change was there in the cheese prices for us on a sequential basis and currently what percentage of raw material is cheese?

Ajay Kaul See cheese forms a quite substantial, I cannot share with you the number. It is the single largest ingredient that we buy. Now the pressure of increasing price has been on for a long time it is not just last 15 days or something. Obviously because of long-term relationship since we happen to be big buyer for all these cheese manufacturing companies, we were able to stall this increase for some time, but now it has become inevitable that we have to take an increase. I cannot share with you how much of cost increase has



gone up on cheese, but if you look around in consumer market, just the last week the prices have gone up by around Rs. 2 on a base price of Rs. 34 which is the retail price and I think a few months back, again there was a price increase. So there is, I would say, a double digit kind of culture on the retail side, if that has happened. Because we are a large institutional buyer, we somehow are able to mitigate not taking such large price increases, but it is still substantial.

Moderator Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Ajay Kaul for closing comments. Please go ahead sir.

Ajay Kaul Thank you very much for joining us today and wish everyone a very Happy Diwali. It is our pleasure to interact with you every quarter. Should you have any further queries, please do get in touch with us and we would be happy to respond to that. Thank you very much.

Ravi Gupta Thank you very much. Happy Diwali to everyone.

Moderator Thank you gentlemen of the management. Ladies and gentlemen on behalf of Jubilant FoodWorks that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

