Transcript of the Q3 & 9M FY14 Conference call for Investors & Analysts

Call Duration	:	1 hours 25 mins
Management Speakers	:	Mr. Hari Bhartia – Co-Chairman of Jubilant FoodWorks Mr. Ajay Kaul – CEO of Jubilant FoodWorks Mr. Ravi Gupta – President& CFO of Jubilant FoodWorks
Participants	:	Mr. Avi Mehta – IIFL Mr. Abneesh Roy - Edelweiss Mr. Aditya Soman – Goldman Sachs Mr. Vikas Mantri - ICICI Securities Mr. Arnab Mitra - Credit Suisse Mr. Vivek Maheshwari - CLSA Mr. Adi Narayan – Bloomberg Ms. Shilpa Samant – Cogencis Mr. Sanjay Singh - Standard Chartered Ms. Rajasa K – Jefferies Mr. Ankit Babel - Subhkam Ventures Mr. Manoj Menon - Deutsche Bank Mr. Rakshit Ranjan - Ambit Capital Mr. Binoy Jariwala - Sunidhi Securities Mr. Vishal Shah - Allard Partners Mr. Naveen Kulkarni of PhillipCapital Mr. Varun Lochab of CIMB

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 31 December 2013. Today we have with us on the call the senior management team including Mr. Hari Bhartia – Co-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: A very good evening to all joining us on this call.

The year is turning out to be exciting where we are making excellent progress on our restaurant roll out targets for both our brands- Domino's Pizza and Dunkin' Donuts, launched new and exciting menu offerings, redefined our restaurant experience with the Domino's Pizza theatre and created a new positioning for Dunkin' Donuts to align it to its core audience

Of course on the financial side, the sector has underperformed and this remains as true for us as it is for any other player. The consumer is on the back foot with a languid economy and rampant inflation. We empathize with his perspective and have spent most of these past few quarters dissecting how we can use our corporate acumen to help him tide over this conflict. Our response has been multi-pronged. We see increasing restaurant network and concentration on infrastructure development, as key elements of our growth strategy. And at the same time we are leveraging our sales force and marketing expertise to support our business in the current strenuous economic environment. We believe this enables us to be committed to maintaining a strong connect with our target audience.

As we move forward, there is clearly more to strive for. Our brand strengths and expertise in the Food Service industry underscores our confidence in evolving as a leader in this industry.

For the remainder of the year, I remain cautious on the outlook for consumer spending, however at our end we are dedicated to make the necessary investments to align our facilities and infrastructure to the potential that we envisage in the future.

Thank you and over to you Ajay.

Ajay Kaul: Good evening to all of you. I would like to initiate the call with key highlights for the quarter, post which Ravi will guide you on our financial performance. Before I get into the details of our financial performance, I would highlight an important corporate development. The Board of Directors have accorded their approval to increase the investment limit for Foreign Institutional Investors (FIIs) and/or foreign portfolio investors from 49% to 55% of the paid up equity share capital subject to shareholders' approval.

Coming to our financials, our total revenues increased 19% to Rs 4566 million on the back our of new launches, enhanced restaurant network across both brands along with the benefit of the price hike taken in Domino's Pizza. PAT on the other hand stood at Rs 336 million in Q3FY14.

The quarter has been remarkably challenging for the food service industry. The consumption environment has been disrupted following macro-economic headwinds. Intertwined with this, inflation continued to be a pain point.

Notwithstanding these we have taken important strides in our efforts to orient ourselves towards sustainable growth in the long-term. We regard these issues as tactical impediments which can be addressed.

Our response therefore has been both strategic and tactical. In key areas we have directed even more resources as we have not lost sight of the medium and long term consumption potential in the country, even though we have witnessed the impact of consumer's limited spends. We think that the canvas available to scale up our brands is vast and with that view its necessary foremost to make investments in brand equity, innovation and infrastructure. These initiatives also enable us to deliver that distinct value to our consumers, in the present. This forms the core of JFL and the Company's future—which really hasn't changed.

In terms of the offering the customer more and to give them more reasons to be with us, we have launched several promotions which support our new as well as existing menu items. There is the Yaar-Dosti Wednesday offer, offers on our new Fresh Pan Pizza, the Domino's Pizza fortunes, the Friday Freak out –buy one get one free offer. These promotions help us in many ways, primarily it brings in new customers, encourages repeat order, helps enhance customer loyalty, drives customer retention especially in times where there are reduced consumer spends.

Our strategic priorities influence our value-oriented investment approach where the focus is to create long-term value. Our steadfast commitment to conscientious deployment of resources towards supply chain & making our foundation stronger, guides our capital expenditure towards our new commissaries & restaurants. Besides our 5 commissaries in Noida, Mohali Mumbai, Kolkatta and Bengaluru, we have already commenced work for three new commissaries – Hyderabad which we believe will be able to service close to 125 restaurants, Nagpur will help us service central India and cover around 125 restaurants and Guwahati will help cater the Northeast region and suffice for around 30 restaurants. And these facilities should cater to our requirements in these regions for the next 4-5 years. Also we are currently in process of relocating of the Noida facility to a bigger space, equipped with state of the art technology, which according to us should be able to service around 300 restaurants In our view, now is the apt time to make these decisions, as in our opinion, the overarching consumption story is intact and as and when the economy emerges from this trough, JFL will have the necessary capabilities that can be leveraged to then reap benefits.

We've been very thoughtful and decisive about our plans to grow both our brands. Our strategic vision is to focus on growing our markets with high customer service levels and increasing technology and innovation. I shall quickly highlight the progress under each segment for both Domino's Pizza and Dunkin' Donuts.

As part of our daily business activities, we conduct deep analyses of market dynamics and of our brand and put together a plan that emphasizes the areas that the Company ought to tap upon. Increasing accessibility for our customers is one such agenda.

With respect to Domino's pizza, I am pleased to mention that we are making excellent progress in terms of expanding our reach via launch of new restaurants and with technological progression. In this quarter, we inaugurated 47 new restaurants which again reiterates our confidence in the company's brands and its long term growth. . This is the highest ever restaurant openings in any quarter and gives us confidence to revise our target for Restaurant openings from 135 to 145 for the current financial year. As of December 31, 2013 our total network comprises of 679 restaurants which covers 142 cities in the country. This quarter we set foot in several new cities such as network in new cities such Bhiwadi in Rajasthan, Korba in Chhatisgarh, Rajahmundry in AP, Khanna & Hoshiarpur in Punjab, Aligarh in UP, Limbdi in Gujarat, Belgaum in Karnataka, Dharamshala in HP and Rangpo in Sikkim.

Along the lines of leveraging technology to better service our customers, we are continuously developing and upgrading our systems to make the process of online and mobile ordering highly accessible as each day the people are gravitating towards digital platforms. Moreover ease of ordering can spur repeat orders from existing customers. Our mobile app and online ordering facility continue to gain traction. To add a few statistics, we had launched the Domino's Pizza mobile ordering app back in July 2013 and thus far have over 1.3 mn downloads. To further emphasize, our online ordering platforms contribute to around 16% to our overall delivery sales during Q3 FY14.

On the innovation front, this still remains the true essence of our business. For us it's what differentiates us and gives us an opportunity to connect with our customers. We constantly take consumer insights and translate them into value-added products that consumers are excited about. Our new range of Fresh Pan Pizzas is our latest endeavor to tantalize our audience with indulgent varieties of offerings.

Our innovation bug is not limited to our menu only, we wish to bring about new changes in our overall experience, for example, our latest initiative – the Pizza theatre. As many of you may be aware, this concept is popular around the globe and is definitely gaining popularity in India too. We are excited to adopt this format across all our new and eventually our existing restaurants too. We have recently launched such restaurants in Pune and Mumbai too and the response of our customers is as expected.

Coming to Dunkin' Donuts, a key highlight on this brand is our new positioning- 'Get your Mojo back'- which was launched during the quarter and focusses on the urban youth consumer and the young adult. The campaign is supported with new and evolved gourmet offerings which resonate with Dunkin's new theme and are definitely catching the customers' eye. What this positioning also targets, is a niche spot for Dunkin' Donuts between the QSR and the Café markets.

Our expanding product range from burgers to salads with of course indulgent donuts and coffee is something we are truly excited about. With offerings such as the Tough Guy burger, Corn and Cheese burger, the Classic mutton burger we are providing enticing options, all day through, to our target audience.

On restaurant launches, we have successfully opened a total of 11 Dunkin' Donuts restaurants this year and are well placed to achieve our target of launching 20 new restaurants in this fiscal. We are more of less decided with what format works for us and shortly will enter new geographies. At present, we are setting the stage to mark our entry in Mumbai by end of this fiscal.

In conclusion, our focus on our customers is paramount. We wish to keep pace with changing consumer needs and wants, especially in such tough economic times.

Domino's Pizza and Dunkin' Donut are global iconic brands, brands which closely resonate with consumers and offer great experience. We have made that essential connect with our customers. From time to time we have injected new excitement by way of new toppings, side orders, new menu items, by redefining our store ambience and so on and so forth. This is our competitive advantage- a satisfied lot of customers.

Looking ahead, we all know that market conditions remain challenging, but with this advantage combined with our strategy for growth, our investments and the future potential in the sector, we are optimistic of delivering sustained long term value to the business and our shareholders.

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.

The weakened economic conditions has resulted in slower market growth and there is no question that consumer spending has been restricted. Having said that the strong foundation we've been building has helped us deliver, though not as per our expectations, even as market conditions became more difficult.

We reported 19% increment in our total revenues this quarter. Key factors driving this is our wide and expanding menu along with the successful growth in our restaurant spread across the country. This also reflects the benefit of price hikes taken in Domino's Pizza; however this was more than offset by increase in the cost of raw materials. Another driver is our online platform. We are cognizant that in today's world, customers not only want strong brands and quality products, but also accessibility through the web and mobile. So this is again one area that we believe will generate healthy growth. For the nine month duration, our total income was at Rs 12,898 million, which is an increase of 24%

While we are not immune to the headwinds of the declining consumer spends in a stressed environment, with factors outside of our control, as an organization we are dedicated to leverage our assets and invest, where necessary, to deliver on our strategic plan. During this quarter, we did see a subdued Same Restaurant Sales performance, where SSS declined to minus 2.6%. That said, we believe that the challenges presented are temporary and the key to our growth is the sustained investments that we are making in our brands as we are optimistic of the potential this space has on offer in the long term. Thus we incurred the necessary expenditure towards our network, product and backend development. As mentioned earlier, with 47 new restaurants in Domino's Pizza this quarter our total restaurant coverage stand at 679 restaurants and for Dunkin we have opened 11 restaurants this fiscal adding to the total network of 21.

Total expenditure in this quarter increased 22% to Rs 3892 million. Here the key areas to be highlighted are the incessant inflationary pressures which have caused our raw material costs to increase significantly. Further there were promotional activities related to both our brands. In Domino's Pizza we have our ongoing offers on new and existing menu items. In Dunkin' we launched a whole new campaign- Get your Mojo back. Also Dunkin' Donuts is still in the development stage where we are investing in fortifying its base as we prepare to take the brand in new regions.

Correspondingly our EBITDA which stood at Rs 674 million, while for the nine months EBITDA was at Rs 1994 million which is a 9% increase over last year. PAT for the quarter stood at Rs 336 million, which is reflective of the macro economic factors that govern us. While we did witness the impact of limited discretionary spending, we also were combatting high inflation levels. The nine month period, PAT was at Rs 1009 million.

As we look at our strategy for the upcoming quarters, I believe nothing has changed. We are vigilant of the external factors and continue to scrutinize each business function closely to assure both top line and bottom line are being maximized. With respect to new restaurant openings, I am pleased to announce that we have revised out restaurant opening target for Domino's Pizza to 145 from our earlier target of 135 and of this I would like to highlight that we have inaugurated 103 restaurants thus far. This goes to reiterate our confidence in the future potential in the sector and our commitment toward sustained investments.

For Dunkin' Donuts, we are in process to extend the brand to new regions. We plan to enter Mumbai by end of FY14. Besides that we maintain our target of opening 20 new Dunkin' Donuts restaurants, again, of this target, we have already launched 11 till date.

To conclude, our portfolio of powerful brands, compelling marketing initiatives, sustained and methodical approach to expand and invest – all contribute to JFL being well poised to create value for the business in the long term and with this I would now request the moderator to take the call ahead and open the forum for a Q&A session

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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: My question is more for the promoter stake, essentially the stake has fallen below 50% along with the fact that you now have increased the FII limit to 55% Vs the last year's commentary in which you said that you would broadly be around 50% in all your ventures, can you share your thought process now -- with what levels are you comfortable with?

Hari Bhartia: Yes, you are right, we said last time that we will be around 50%. Our approach is still the same I would say definitely high-40s, based on some of our corporate needs there could be few percentage minus.

Avi Mehta: The, second question I had was more on the performance now, I mean in a weak environment you are still looking to add new stores, could you share the CAPEX plans now for the year and whether they are on track? And also if you could tell us what has given you the comfort… is there any comfort because of which you are kind of increasing it, are you seeing some improvement in demand, what is the reason for kind of increasing it from 135 to 145 Restaurants sir?

Ajay Kaul: It is led primarily by how our new stores are performing as and when we are opening them. And these openings are happening in new cities, in existing small cities, as much as they are coming up in let us say metros and in large cities. And I would say that without exception we are getting very good response from all these segments which I just mentioned. So the confidence as a result is coming from the number of signings that we have done, the speed with which our business development people are able to zero down on the right location, the right spots, and then getting that agreement signed at a good rental deal, and most importantly once the store starts performing, how well does it measure up in terms of our internal stringent norms of meeting our ROI norms, and on all fronts we seem to be doing well. So that is giving us the confidence that it is not just of small cities but everywhere the pent up demand, the reception for our brands, the saliency which obviously surrounds and engulfs our brands are leading to these positive results. Having said that, our total capital expenditure for the year we believe inclusive of everything, it should be in the vicinity of Rs.280-290 crores, which basically if I have to break it down, close to Rs.180-190 crores would be spent on opening new Restaurants, which is around 145 restaurants of Domino's and 20 new Dunkin' Donuts restaurants.. And apart from that which we always maintain, to support this new store growth we are investing a substantial amount of money on building new commissaries or new factories throughout the length and breadth of the country. So there is one coming up in Hyderabad and Nagpur which will serve South India and Central India respectively, and between them each one of them is going to serve around 125 restaurants each. Then there is one coming up in Guwahati, which will serve around 30 restaurants. So in a nutshell what we are trying to say is that we believe the medium to long term strategy is still intact; the consumption story which we often hear about India from various sources, we still believe is largely intact, and that is where we are putting our investment and our money on. However, we do admit that in the short run there are some blips, there are some, call it 'hiccups' and we are also simultaneously addressing them, and we do believe that probably in two-three quarters time once the elections are over and so on and so forth, things should start looking positive again, and at that time by virtue of these prudent investments right now, we will be in that much a better stage to reap the benefits.

Avi Mehta: So it is basically in expectation of an improvement but should it not happen there would be further weakness on margins is a gamble in a way or it is something that you have to anyway invest in the brand, is that a fair understanding?

Ajay Kaul: The answer is simple; the stores till the point they return on our investment and the payback period is within acceptable norms, which is what is happening till now, I think they are doing their job and till now that story is intact. If this downturn -- for lack of any other term -- if we were to continue endlessly will we revise our strategies, we may have to go back on our strategy but right now, despite a quarter where we have done negative same-store growth for the first time as far as I can think does not force us to change that strategy. We are dealing within the short run with right promotional offers, new product innovation, and lot of such things which we have talked about and which we can talk about at length but it is not deterring us from our medium term game plan.

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

Abneesh Roy: My first question is on the same-store growth. Sir in spite of a favorable base the same-store growth trends have worsened, in fact it is a negative number. So are you saying that urban demand trends have gone worse in this quarter and had the removal of the Wednesday One-on-One free in November that has played spoilsport because we took 5% price hike also in November sir. So if you could tell if cannibalization has also impacted your SSG?

Ajay Kaul: A lot of questions rolled into one, but let me try to give a simple answer to all. When we try to look at the case from various angles whether it is region wise, whether it is tier of the city, whether it is the age of the customer or the store, we do not find by and large any significant difference. What that basically means is that socalled economic downturn or recession is hitting all parts, all segments almost equally. So it is a country wide issue and we have to handle it almost at a country level. Now coming to whether there is cannibalization and whether the same-store is getting impacted because of that 'One-on-One Wednesday'. We believe 'One-on-One Wednesday' had a role to play, it tried to create an occasion in the middle of the week for one more consumption occasion for Pizza and it has done its job. You will also agree that it is EBITDA dilutive. So as much as we want more sales we are also here to protect the EBITDA and the margins, and as a result we have very prudently decided that over a 4- 5-month period when we did this 'One-on-One Wednesday' it did its job and in December-January onwards we discontinued it because we believe it is EBITDA-dilutive also we have grown to that extent we had to take it off.

Abneesh Roy: If you could tell us in terms of raw material which are the key ones which have gone up because you said raw materials have gone up more than the price hike of 5%, do you need further price hike in the context of January as they have moved up further?

Ajay Kaul: In terms of price hikes in the future we cannot make any comment right now but in future there will be pressure from ingredient price increase. While we believe it may not be as much as the previous year but there still will be. So the challenge continued as far as ingredient hikes is concerned. As far as which are the commodities or items there was more price hike than others, I would not like to go into much detail there; however I can make a comment on milk which leads to its derivative of cheese, which is primary to a Pizza. You must have noticed yourself as a consumer that the milk prices have been going up very-very fast over the last one year or so, so that is playing a bit of a spoil sport.

Ravi Gupta: To add to what Ajay said, overall inflation in the raw material has entered double-digit, so it is in kind of an early teens. Despite the price hikes which we have taken of 3% in June and 5% in November, there is some kind of inflation absorption we are doing right now. Whether we would take more price hike in the near future we will decide little later.

Abneesh Roy: Sir my last question is on Dunkin' Donuts, we have changed our positioning surprisingly, and my question is in a new offering why do we need to change the positioning so quickly when the earlier positioning itself would not have been very clear in the minds of consumer? Second observation is if you see sir Starbucks which entered much later than you they have opened much higher number of stores than you; the base is low but definitely overall numbers more like 35-37 stores Vs you sitting at 21 stores, so are we seeing some issue in terms of the idea because now we plan to go into a new region also, so if you could give us more confidence as to why you had to change positioning, and why we have been slower versus Starbucks?

Ajay Kaul: Let me take the second question first; we are in no race with Starbucks, our aim for Dunkin' Donuts is to take it on the same trajectory as Domino's. So whatever takes us there in the next 3 to 5 to 7 years' time is what we are engrossed with. Now, as far as our plans for Dunkin' Donuts are concerned they are absolutely on track the way we had envisaged them and we have been talking about some of these numbers in the past also. The beauty about the 'Dunkin' Donuts and more' model is that it offers us for the first time which perhaps has not happened in any other country, the option of offering options for consumers throughout the day; of course the door opener which are the Donuts and there are beverages led by blended coffee, but as importantly is the all-day part food option, and if you see that why we started with sandwiches and they did well, we over a period of time launched Burgers and they have been a runaway success, and today we are riding on that base. Now, why was there a change in positioning? When we launched Dunkin' Donuts it was actually not hinged on any specific positioning. It was basically centered around a concept of Dunkin' Donuts that there is more than what you would find in Dunkin' Donuts anywhere -- targeted of course at the young people, youth as well as young adults and so on. When we over a period of time, did a bit of research and did a bit of more finding, did we realize that for all our offerings from the donuts to this 'All Day Part Food' to Coffee and Beverages, the unifying force for that would be a positioning which is resident or which is residing right in the middle of the youth's mind today -- I do not want to go into detail -- that is where we kind of came out with 'Get your Mojo back' as the positioning. Now positioning in the mind of the consumer always takes a bit more time because it is not something which is overnight, but the product offering for example things like 'Tough Guy Burger' and some of the other products that we have launched have gone and resonated with consumers especially the youth and the young adults so strongly, the results which we are seeing in the last 5-6 months are outstanding and that is giving us the encouragement that not only is the positioning right, we seem to have got the other pieces of the model also right which is in terms of menu mix, pricing, and also the store type and store formats and store location -- all these are key to success of any brand. We believe now that we seem to have got most of these pieces correct in India, and that is the reason why we are embarking on the journey of expanding now. Our next destination is going to be Mumbai. After that during the course of the year will also be Bangalore and some of the other southern cities. So we are now kind of I would say ready for launch. "How many stores will that translate into" We are in no race with the brands which we just mentioned a little while back.

Moderator: Our next question is from Aditya Soman of Goldman Sachs. Please go ahead.

Aditya Soman: First question is on competition, Pizza Hut delivery and their restaurants I think open 50 restaurants in the quarter, could that in some way have affected the same-store sales of your stores in addition to the fact that you also opened almost 50 Restaurants?

Ajay Kaul: We have a lot of respect for them but, the base of stores is so small and if you do a same-store comparison and so on, they are probably 1/20th our size. So small swing there or a few more stores opening at their front will have a miniscule impact on our results. But having said that, does it mean it has got no impact. The answer to that is 'no' it has a very-very small impact. In fact whenever we open our own stores, there is a difference between a store which has got split which means where we have kind of opened one more store versus the control group and that is what we are more judicious about as to where do we open these stores, how do they not cannibalize our own existing store sales and so on. The other fact that we just mentioned is that much more miniscule but it has a small impact, no doubt.

Aditya Soman: Following up on that because including Pizza Hut and there are over 1000 Pizza restaurants in India just among sort of a large brand, how much do you think is the capacity in terms of overall restaurants in the country?

Ajay Kaul: We did some analysis some time back, and the number which we believe based on 2 or 3 different approaches that we take, we believe that "as we speak" this country can take around 1200 Domino's Pizza Stores delivery-centric stores in India. So sitting at around 679 Stores today, we still believe that there is a huge headroom for us to grow over the next few years, and by the time we kind of hit the number, the market would have opened that much more.

Ravi Gupta: To add to that what Ajay has indicated this potential is for Domino's Pizza Stores, and wherever our competition stores open, there could be an impact on the adjoining Domino Pizza Stores, but in long term both the stores are growing and the overall market grows. So this number is of Domino Pizza Stores as this is despite competition not bereft of the competition.

Moderator: The next question is from Vikas Mantri of ICICI Securities. Please go ahead.

Vikas Mantri: Just wanted to understand on the store roll out front. Now we had started with 125 Stores as our guidance and we have gradually moved to 145 Stores. Is the environment more conducive for launching stores? Just wanted to understand have we also been positively surprised by the ability to roll out and do we have a target now for next year? Second question is there is a marginal increase in rent per store in this quarter. Could you help us with that?

Ajay Kaul: We said a little while back… I would not say a surprise, but our opening of stores whether it was small cities or new cities or even the metros, the experience was very good and that has given us the encouragement to up our guidance for 125 to 145 Stores. Needless to say, these are apart from qualitative these are also hardcore ROI driven, payback periods calculated to the last rupee and they are all within the stringent norms which we have. Now going forward, we do not want to make any statement pertaining to next year. We are in the midst of making budget for next year, so I would refrain from making a statement. Your second question was with regards to rent, which Ravi is going to answer for you.

Ravi Gupta: The increase in rental can be looked, one is in percentage terms or we look at it in an absolute way . Let me first address in absolute terms how the rental works out. Rental increase on a same-store basis has 3-4 reasons which in the past also we have discussed: First reason is the factor which is built in the agreement itself, which is a 15% increase every 3 years. Some of the restaurant agreement which complete 3 years there will be rental increase for that and the rental will increase by 15%. At what part of the year there will be increase is, that could random. Second reason for the increase is when the term of the agreement expires, at that point in time the rental gets renegotiated and the renegotiated rental could be higher than 15% inflation in that year. In that year, we also decide whether we want to continue at that location or we want to relocate and expand the store at a bigger location which means the rental could even double in those cases. Third rental includes rental for new commissaries, training centers, offices as well new Dunkin' restaurants etc. Now coming to percentage level - when the sale is growing negatively and the inflation is positive in the rental, in percentage terms rental increases.

Vikas Mantri: Anything on the employee cost, those have been sequentially down, but any color on the moment forward?

Ravi Gupta: In view of the negative same-store growth, variable incentive has not been earned by the team, very-few restaurants have earned variable incentive. At the corporate level also the variable incentive has not been earned. So that is the reason the cost is lower.

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

Arnab Mitra: Firstly, on the SSSG trend, would you say that the trend has bottomed out or any kind of trend you have seen across October, November, December and January which gives you a sense that the worst in terms of SSSG decline is behind or would you say the environment is still so uncertain that it is not possible to make that assumption?

Ajay Kaul: The environment we believe is still very uncertain. We do not believe we can give any guidance or trend on what the future looks like. So we will refrain from kind of talking about that, but as I said earlier, we believe that in two-to-three quarters time after the election are over, and that is going to be one big milestone event for the country, is only then things will start looking optimistic. So till then we would refrain from giving any guidance or any futuristic statements.

Arnab Mitra: Second question on the margin side. As Ravi explained there is a store level inflation and there is SSSG, which needs to beat that inflation. In a situation where SSSG remains much lower than the store inflation, is there any corporate level cost initiatives which you think can offset some of the impact or is it that margins will keep going down as long as SSSG remains below that 8-10% store inflation level?

Ravi Gupta: We need to also look at what kind of inflation is built into the sales number. So although we have negative same-store growth this time, but there is an inflation which is already built up there. So quite a few variable costs reduce when the sales reduce. For example, a team member at the restaurant level reduces along with other variable costs. So to that extent there is some kind of you can say immunity, but to a large extent the margin declines. In percentage terms also there has been decline, in absolute the margins are almost stable and had a very marginal decline. This I am talking about for the YTD December.

Arnab Mitra: One last question on the gross margin side, although I think you did speak about it, would you say Q4 the pressures are going to be lower in terms of input cost inflation as compared to the last quarter with food inflation having come down a little bit?

Ravi Gupta: You are right, food inflation has come down except for the milk prices; milk prices infact increased maybe two weeks back also; Mother Dairy is increasing price by another Rs.2. So milk is an area where internationally it is impacted, because certain countries where milk production is not to the expectations, and as a result, the exports of milk powder has increased, which is putting pressure on the local milk prices, as a result cheese prices also. So except for cheese, I think inflation is under control.

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

Vivek Maheshwari: My first question, Ravi, how much will be the impact of Dunkin' Donuts in this quarter?

Ravi Gupta: Quarter wise we do not share, but the year wise which I have shared has remained the same -- about 100 to 110 basis points. There is no change in that estimate.

Vivek Maheshwari: So that 100-110 basis points stays for the full year?

Ravi Gupta: Yes.

Vivek Maheshwari: The Dunkin' Donuts stores I know you do not give those numbers, but has the impact SSSG slow down being much higher in Dunkin' Donuts or it is pretty much similar in the two formats?

Ajay Kaul: The two are somehow not related because when a brand is in its evolutionary stage, there are a lot of other factors. So in fact Dunkin' Donuts actually trajectory is significantly different and I would say positive from Dominos that is all I can say without sharing any numbers with you.

Vivek Maheshwari: Last but I think Arnab already asked on that, but 14.7% is what EBITDA margins you did. Do you think margins have kind of bottomed out at this level?

Ravi Gupta: Vivek it is a game of how much sales we will have and how much aggression we have in terms of store opening. And a very clear thing is that when there is a negative same-store growth; it does impact our margins definitely. And when we become aggressive in terms of store opening, new stores also are margin-dilutive, although I am not giving an impression that they are loss-making, we are generating 3-year pay back on the new restaurants, but percentage margins are lower in the new stores.

Vivek Maheshwari: So that implies Ravi that since you have increased your guidance from say 125 beginning of the year to 135 middle of the year now to 145, the margins can go down further because of this inefficiency in the new stores, which first pull down the margin and take it up as these ramp up, is that a fair understanding?

Ravi Gupta: I will not be able to comment on it, but I have given you a model to think about.

Moderator: Thank you. We will take our next question from Kunal Bhatia of Dalal & Broacha. Please go ahead.

Kunal Bhatia: My first question was on the 'Wednesday Offer', what percentage of sales was that currently?

Ajay Kaul: We have withdrawn 'Wednesday Offer.' So its contribution to sale is not there. But during the time when it was launched, it created its road in terms of creating one more occasion consumption during the middle of the week. Although it was coming at a cost, but there was a lot of incremental business in that.

Kunal Bhatia: You did mention that it was EBITDA-dilutive, because of this how much percentage did we lose on EBITDA?

Ajay Kaul: There is no such granularity which I can offer you. Even internally to be honest, as a market leader, one needs to realize that we are sitting at 67% share of the Pizza market, we are also the "Largest MNC Food Service Player in the Country." So when you start something everybody started doing almost the same thing. So over a period of time, with the effect of it started getting dilutive, and as a result is at the time when it starts becoming even EBITDA-neutral or whatever. So this is a granularity even internally to understand the impact is bit of a challenge. So that is all I can offer you as an answer for this question. In the beginning it was clearly EBITDA-positive, but over a period of time, there were some challenges ahead. And impact diluted over the 4/5-month period, and yes, we have withdrawn it as a result, because at the end of the day it is our promotion, it is not something which can run for the whole year.

Kunal Bhatia: Has our breakeven period increased?

Ravi Gupta: 90-95% of our Domino's Restaurants are positive from very first month of operation, and the situation has not changed. Our target payback period is 3 years or lesser and that has also remained the same.

Kunal Bhatia: My final question is post the food inflation, how much is currently cheese as a percentage to raw material?

Ravi Gupta: In the high single-digit in terms of percentage of sales.

Moderator: Thank you. Our next question is from Adi Narayan of Bloomberg. Please go ahead.

Adi Narayan: I just wanted to follow up on the same cheese thing. You said it is somewhere in the high single digit. Given that it is a single largest ingredient and there is no way to actually reduce that, like last quarter you had actually gotten into some other promotions that you had, has there been any promotion that have been removed this year and in this quarter, any changes that have been made?

Ajay Kaul: If I understand your question correctly. What promotions we do, what innovations we bring in our new product launches, at what pricing, is a dynamic thing. So it has changed, for example, we have launched Fresh Pan Pizza towards the early part of December, which has been a very good success. You may argue that how come our same store growth was not good in this quarter, the frequency of consumption is clearly coming down, and even this new customer acquisition is something which gets kind of slowing down a little bit. So irrespective of a break in the product launch and the product which has got immense potential, because of the other two factors, we could not witness a very good same-store growth. So my point is they are with a dynamic thing, they keep changing and we will continuously keep innovating by bringing new products, new promotions, new side order, and new Pizza and so on.

Adi Narayan: Given that cheese prices from last year to now have gone up almost 60%, have you passed on those prices to customers, has the Pizza prices gone up?

Ravi Gupta: We have taken 2 price increases during this 9 months period -- one was 3% in June and 5% in the end of November, whereas inflation which I mentioned earlier is double digits during this year in the same period. So we have taken price increase but that is not sufficient enough. We have not passed on the whole impact of inflation to the consumer as of now.

Adi Narayan: So Rs.44 Pizza is still going to remain?

Ravi Gupta: Recently, we have increased the price of Rs. 44 to Rs. 49.

Moderator: Thank you. Our next question is from Shilpa Samant of Cogencis. Please go ahead.

Shilpa Samant: First of all I would like to have a confirmation on your CAPEX, which you said was Rs.280-290 crores was that for the entire FY14 or is that for FY15?

Ajay Kaul: Actually, good you ask this question, we wanted to kind of rephrase our statement, actually the total capital expenditure for the year which we believe by March-end would be in the vicinity of Rs. 250 crores and not Rs.280-290 crores.

Shilpa Samant: My second question would be regarding the price hike. Actually you have taken a 5% price hike in November, but also like 2 weeks back in January you have taken this price hike of 5% I guess on some Pizzas of Domino's. Are you looking for more price increases in the coming months which you said of course is no, but since the prices of milk have gone up again, so are you looking to increase prices again in the coming few months?

Ajay Kaul: Normally, we take around two price increases in a year. It is unfortunate that in a tough year, inflationary pressure were high and we had to defy that norm, but we believe that there will be a couple of price increases but that should be nominal price increases that we will do; we will only do of 3% somewhere in June, November, we hope that despite these pressures from milk and thereby on cheese , there will be some respite we may get on other items which should not force us to take higher price increases in this. But having said that, we are watching the space closely every day. Coming to this recent price increase, this was more a small correction which happened, it was nowhere close to what we just said -- it was a very, very small 1% or 2% kind of a price increase we did recently in January.

Shilpa Samant: It was Pizza Mania combination?

Ajay Kaul: That is right.

Shilpa Samant: My next question is the 'Friday Freak Out Offer.' Is it for a period of like 5-6 months or is the promotion only that comes you decided every week?

Ajay Kaul: Yes, it is something which is a typical promotion. We do not have this every week or so, it could happen on some weeks, it could happen on some Fridays. So everything comes with uncertain obviously at a sudden change in consumer behavior, and with some high level analytics which we do get all these spheres and we closely watch all of them, because ultimately they have to make EBITDA-positive, they should be delivering high returns on investment and so on.

Shilpa Samant: On the Mumbai entry, actually you are about to open I believe 4 stores?

Ajay Kaul: I will not put my finger on a number. Eventually, our plan is to open that many more stores in Mumbai, but to start with, yes, in this quarter itself we should be opening a few of Dunkin' Donuts stores.

Shilpa Samant: When do you plan to enter Pune?

Ajay Kaul: I cannot give you a date on that honestly, but yes during the next 3-4-5 months we should be entering Pune as well.

Shilpa Samant: You said about relocating from Noida to a bigger place, so could you just elaborate on that what place exactly are you shifting to?

Ajay Kaul: We are actually taking this up in Greater Noida which is kind of adjacent to New Delhi. But the good news is that this is the place which is probably 3 to 4 times the size of our existing commissary, and clearly this is something which is going to serve at least 300 restaurants in future. So we are building this facility, and obviously investing a lot of money into it keeping our medium to long-term strategy in mind because we do believe there is potential for so many restaurants in and around Delhi, North India and so on.

Shilpa Samant: My last question is, are you planning to bring a new brand apart from Dunkin' and apart from Dominos?

Ajay Kaul: We have always maintained our answer to this as the answer actually remains the same. "Are we on the lookout for such brand?" The answer to that is 'yes.' "Is there any such brand which is kind of almost at the verge of getting signed or for us to make some announcement?" The answer is 'no.' The third and most important "Are we in a hurry to kind of launch any such brand?" The answer to that is categorical 'no.' Because we want to ensure that the trajectory on which we have put Domino's Pizza, we have put Dunkin' on the same kind of trajectory as that is the aspiration we have of Dunkin', and when we believe that Dunkin is now almost in auto pilot mode, we will be keen to announce then our third brand which we will then put it on a similar path.

Shilpa Samant: But you are not in talks right now?

Ajay Kaul: No, as we speak, we are in talks with a lot of people, but none of them are at a stage where we can make announcements or we are keen to make announcements today or in the next 2-3 months.

Moderator: Thank you. Our next question is from Sanjay Singh of Standard Chartered. Please go ahead.

Sanjay Singh: I was looking at Yum! numbers and while they have been always below you although the models are not exactly comparable because they also have KFC, but the same-store sales growth numbers earlier was significantly lower when you were reporting 30%, they were like around 10%, and today in this quarter its almost similar just a difference 1 or 2 percentage points. So has there been anything significant in terms of competitive positioning, pricing, promotions which have changed or do you think nothing has changed in the last 2 years in terms of competition in specific with Pizza Hut?

Ajay Kaul: While theirs is a combined number and it also includes 3 or 4 other countries and now which include even Mauritius, so we do not know if you were to kind of delayer the whole thing what the picture will emerge specifically for India. But we do believe that because the base numbers are much, much smaller and with all the respect which we have for those brands, we believe a lot of things they are doing is almost replicating what we are trying to do. So somewhere probably the numbers are climbing, but honestly our approach to the market place is that collectively we have to grow the categories, we have to grow the whole market because 17-18 year old that is all is the age of this Quick Service Restaurant or organized food service business in India which at a stage where we have to collectively grow the market, which means we have to get more and more people to consume the category, the frequency of need to grow and so on. So I do not think so it is a time where we are thinking of eating business of each other, we should be more looking at growing the market, and that is our outlook to the place.

Sanjay Singh: You have gone a long way from opening 15-20 stores in a year to now 47 stores in a quarter and that is I would say a tremendous achievement, but with this kind of growth comes with a price probably at times, and if I take from Howard Schultz recently, he quoted that growth has become cancerous in Starbucks at one point of time. So with this kind of growth what is the processes rather to ensure that especially growth in single store cities whether it is more commissaries to ensure quality processes, consistency, etc., are there any monitoring variable which you do, is there data which you can share?

Ajay Kaul: We could not fathom that piece on Howard Schultz what he had said and what it means. However, let me answer this question in isolation. One of the things which we obviously take pride in and I would like to lean on statistics with you here that "Domino's Pizza India is the Fastest Growing Market for Domino's in the World for the last 7 years." And despite all this growth that we are showing, operationally, we are rated amongst the top 2 or 3 markets in the world year-after-year and I am talking here of our sample size of 70, 80, 90 countries. Why I am saying this is that despite this growth you can easily get distracted and take the eyes off the operational excellence ball but we believe that is a mark of our operation, the robustness of our overall operational processes which include training, which include our guest services, the way we almost military like fashion, we run the operations in our store and this goes way down into the new-new cities. We are today present at 142 cities in India, and this quarter itself we have entered 10 new cities and in these 3 quarters put together 23 new cities in India. Because our backroom processes are absolutely in shipshape gives us the confidence that the experience of the consumer, whether he is in Jhumri Telaiya, Erode, or he is in Delhi, it is exactly the same -- the standards of the products, the standards of the experience, and the service is the same. So that is one thing we are absolutely confident about. And the reception of the customer in terms of the sales which it ultimately translates into at each store and thereby the payback period is a reflective of the high standards because the aspiration and the requirement of customer even in small towns is very-very high.

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

Rajasa K: My question primarily pertains to commissaries. If you do not mind could you please remind us the number of Commissaries and the capacity as we speak now? And where you see going by let us say next fiscal year or in the next two years?

Ajay Kaul: At the moment we have commissaries in Mumbai, Noida, Bengaluru, Kolkata and in Mohali. Now, the capacities' Noida can support 125-150 restaurants ; the one Mumbai is basically around 200-225; the one in Kolkata is around 125 restaurants; the one in Bengaluru would be again around 125 to 150; and the one in Mohali is a smaller one; it would probably cater to around 75-100 stores. Having said that there is also innovation that we do over a period of time and we have enough evidence to the past where at these existing commissaries itself we are able to enhance their capacities with some special micros innovation and all, but I am not going into that. The new commissaries that we are adding, the one in Hyderabad would cater to around 125 new restaurants; the one in Nagpur would cater to at least around 125 new restaurants; the one in Guwahati is a smaller one, that would cater to around 30-40 restaurants. As a mega Commissary in Noida, where we are going to relocate let us say in a year's time would be catering to at least 300 new restaurants.

Rajasa K: And all these are expected to be operational by end of FY15?

Ajay Kaul: I would say don't pin us down to a date, yes, we are working against some tough deadlines, because we are keen to get them going as fast as possible, but let us say anything from 9 to 18 months depending on of course size, because the Noida one is going to be a big one, from today is where we will be opening these Commissaries.

Ravi Gupta: At least a few of them will become operational in FY15. Noida may spill over to FY16.

Rajasa K: Sir, my second question related to this kind of investment in backend infrastructure, would you say this is something of a competitive advantage for you or would you say it is a common industry practice that even most other international QSR brands follow?

Ajay Kaul: If you look around as a keen student of this industry, it is not something which most people are doing. Such huge investments firstly and as such we are the largest player in the country, the spread and so on and so forth, we will definitely believe this is a competitive advantage. And even if it was not directly competitive advantage we believe in a country in which is infrastructure a challenge, I am sorry to say, and even in the next 3 to 5 to 7 years we believe getting into the hinterland into the 200 cities and towns in the country, it will always be a challenge. To have a direct control on the supply chain, to make sure that that Rajahmundry and that Erode get their stuff which is at 0 to 4 °C on time at that particular moment and so on, is something which we want to take direct control of. And while it makes sure that our customers in the end have the right experience under the most hygienic and standardized conditions also that kind of emerged as a differentiator for us with respect to competition.

Moderator: Thank you. The next question is from Ankit Babel of Subhkam Ventures. Please go ahead.

Ankit Babel: Just a one question, you increased the FII limit from 49% to 55% and this is subject to the shareholders approval. Just wanted to know, do you require any other approval from RBI, FIPB or somebody else after this?

Ravi Gupta: The limit for our sector is about 100%. As of now there is no further approval required other than shareholders.

Ankit Babel: When you say it is 100%, you classify Jubilant as which sector – is it Retail or is it FMCG or what?

Ravi Gupta: It is a Food Service industry; under Restaurants and Hotels.

Ankit Babel: But sir, just wanted to know like when you say that FII limit is 55% and your promoter holding is around 49%, so how is it possible for FIIs to buy 55% when the free float available is just 51%, so do you plan to bring your stake to 45%?

Ravi Gupta: Founders had indicated that they would continue to have a high 40% stake in the company. So dilution could be in a few percentage. What happens is that RBI starts monitoring 2 percentage below the approved limit. So RBI monitoring will start typically 53% itself which will make difficult for the investors to invest which is happening as of today. Our limit is 49%, we just reach about 47.5%, but now FIIs are not able to purchase the shares because you require RBI approval before investment in JFL shares. So we are facilitating for all the investors, so that there is no RBI approval required for the investor.

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

Manoj Menon: Just one question on the Yum!, in fact, one of the participants alluded to that question a little earlier, but actually I just wanted to have a different color from if possible, the question essentially when I compare the trajectory of your same-store growth with Yum! India, (they do report India separately), the variability component appears to be much higher, what I mean is that let us say when I look at in front of me the Q4FY11 we had 33% same-store and we are at (-3%) possibly in a tough environment and they were at 13% and they are at (-4%). For them the variability the highest I can see here available data is (+13%) and the lowest actually this quarter is (-4%). So is it to do only with the model what they have in the sense that it is more of Dine-In but logically I would expect Dine-In to be impacted more in an economy. I am little confused about, is that a positioning bid? Are they really competition to you? That could be one simple answer.

Ajay Kaul: A lot of questions Manoj rolled into one but let me try to answer. Indeed at a very generic level they are competition to us, because they are operating in the same QSR / food service space. Our models although maybe different, but at a more broader level we do believe that collectively the onus or the objective of all of us should be to grow the market because we still believe we are in a initial stage of development of the QSR/Food Service industry. Now, why have there been a lesser dispersion in their growth numbers vis-à-vis ours? It is difficult for me to comment on that. Dine-In as well as delivery for us, both pieces are substantial and both are getting affected equally for us. So it is not that one piece is suffering, is getting affected more. So that will be my short and long answer to your question.

Ravi Gupta: Just to add to what Ajay has indicated, I will also request you to look at the bottom line what they have been achieving for India division, and just to stand corrected, India division includes India, Nepal, Mauritius, Sri Lanka and Bangladesh also. They call it India division, but it is not only India, it is all those countries together, that includes both the brands – Pizza Hut as well as KFC and Taco Bell.

Moderator: Thank you. The next question is from Rakshit Ranjan of Ambit Capital. Please go ahead.

Rakshit Ranjan: Two questions from my side. Sir, firstly, would it be possible to break down the new store opening into Tier-I, Tier-II and Tier-III cities?

Ravi Gupta: Our favorite answer is around half of our new restaurants would be in top ten cities and balance half approximately would be in rest of the cities including new cities. Last quarter new cities were 10, so about 10 Restaurants were opened out of 47 in the new cities. All the 37 Restaurants were opened in the existing cities.

Rakshit Ranjan: So we do not see this ratio changing materially as we go forward into the next few quarters?

Ravi Gupta: Actually, overall it is changing, because when you look at top ten cities, they have about 60-65% of the Restaurants. And going forward we are saying only about half of them are in the top ten cities. So the ratio is changing because we are entering the new cities as well.

Rakshit Ranjan: And secondly, just wanted to understand, if you see any signs of downtrading, so one way to assess it would be do you see the ticket sizes or transaction sizes falling on a per transaction basis?

Ravi Gupta: Transaction sizes are not falling, but I think in the past we have also indicated and let me repeat that, wherever we increase say price by 5%, we say that transaction size is growing lesser than 5%, retention of price increase in the transaction size will be about say 70-80%. So in a way you can say it is a downtrading or maybe different products being chosen or something like that.

Rakshit Ranjan: So to look at in other way then if I were to breakup your SSG into a number of transactions and transaction size, number of transactions would still be lower than what it was in the previous year?

Ravi Gupta: Yes, because when overall sales is negative, obviously.

Moderator: Thank you. The next question is from Binoy Jariwala of Sunidhi Securities. Please go ahead.

Binoy Jariwala: Wanted to dwell a bit on the CAPEX front. You said Rs.250 crores of CAPEX this particular year. By and large do I see most of the CAPEX behind setting up new Commissaries and relocating the Noida Commissary done by the end of this year/early next year? And second question was on the wage increases given to the team member level. Were there any wage increases given in this particular quarter?

Ravi Gupta: The two different questions asked; one was on the CAPEX side and other was on the wage increase. Let me address first the CAPEX one. The majority of the CAPEX; about 70% of the CAPEX this year will go in opening of restaurants. We are opening 145 Domino's restaurants, 20 Dunkin' restaurants, altogether it will contribute around Rs.180-190 crores and rest will be for the commissaries and for the additional equipment needed in the existing restaurants. Second question which you asked about the wage hike. Wage hike is regular process. In states where we are very close to minimum wage whenever minimum wages get revised we will revise those salaries. If we are not close to the minimum wages, we are ahead of the minimum wages then we need not revise the salary. So it is a mixed bag. So it is not that across India we revise salary, but some of the states we have revised the salary.

Binoy Jariwala: Just pulling a bit more, so what is the blended buffer to the minimum wages that you would have as on this quarter?

Ravi Gupta: I will not be able to share this number.

Binoy Jariwala: And on the CAPEX front, you shared the numbers, but I just wanted to understand whether the commissaries all of them would be operational by Q1 of next year?

Ravi Gupta: No, one of the commissaries will be operational by Q2, another two could be in the second half of the year.

Binoy Jariwala: So which means that this Rs.250 crores is a blended of this year plus a bit on the next year, is it?

Ravi Gupta: Rs.250 crores CAPEX is only for this year.

Binoy Jariwala: So I believe earlier you shared the number that about Rs.70-80 crores of CAPEX will go in the commissaries. I suppose that Rs.70-80 crores of CAPEX would have gone in all the Commissaries put together, now since the Commissaries have been spilt over the next year. Would not that CAPEX also be spilt over to the next year?

Ravi Gupta: Some of the commissaries CAPEX is getting spilt over next year, but there are three major components in our CAPEX; one is for the new restaurants; second is the new equipment needed for the existing Restaurants, there is a subpart of the second one, is a replacement of the asset in the existing restaurants; and third is Commissary. You are right, in the beginning of the year we said Rs.70-80 crores CAPEX, majority of this CAPEX is moving to the next year, half of approximately will get incurred this year.

Binoy Jariwala: So let us put a number of about Rs.35-40 crores would be incurred in this particular year and the remaining in the next year?

Ravi Gupta: Yes.

Binoy Jariwala: So Rs.210 crores is only for opening 145 Domino stores, 20 Dunkin stores and a bit of maintenance CAPEX.

Ravi Gupta: No, Rs.250 crores is only for this year, not Rs.210 crores, Rs 180-190 crores is for the restaurants, about Rs.30-40 crores is for the commissaries and the rest is for the existing Restaurants, training centers and offices we have.

Moderator: Thank you. The next question is from Vishal Shah of Allard Partners. Please go ahead.

Vishal Shah: A question on the margin trend. As you are rolling out stores in new cities do you see the payback period or even the cash margins in the low tier cities actually higher than metros because it has been the trend which has been seen in some other emerging markets where the global players are there?

Ravi Gupta: We have to look at from the payback perspective, the payback period is not too dissimilar whether we look at the metro city or a non-metro city. There are certain costs which are higher, certain costs lower. Even the overall CAPEX which we incurred could be higher or lower, but overall payback period is not too dissimilar between metro and non-metro stores.

Vishal Shah: And margins because the lower rental cost, lower employee cost?

Ravi Gupta: On margins we can have a discussion separately. Percentage margin is not a good barometer. A 10% of double the sales could be higher than 15% of half the sales. So as to say 10% of Rs.2 crores sales could be higher than 15% of Rs.1 crore of sale. We look at absolute margin for payback.

Vishal Shah: And just moving on pricing, like do you still maintain a similar pricing across India so when you are entering the low tier cities, are you thinking of having a different pricing or even when you are taking price hike maybe a tiered pricing if the urban consumer is more impacted today you might….

Ravi Gupta: We have uniform pricing across India with a very few exceptions and we have products ranges from Rs.49 to Rs.600, which is suiting every kind of consumer.

Vishal Shah: So even in the low tier cities the pricing point should be more or less similar?

Ravi Gupta: Yes.

Vishal Shah: And the efficiency of the new stores, has there been any change because in the past you have said that the new stores open at 70-80% of same-store sales?

Ravi Gupta: Absolutely no change.

Vishal Shah: And lastly, you mentioned Online sales are 16% of the delivery. What is the delivery sales of the total sales for you?

Ravi Gupta: Delivery is about half of the total sales.

Moderator: Thank you. The next question is from Naveen Kulkarni of PhillipCapital. Please go ahead.

Naveen Kulkarni: In the beginning of the call, you indicated that India can accommodate around 1200 stores. What kind of timeframe are we looking at for achieving this kind of a target? And my second question is on the CAPEX per store, how has it moved in the last 1-2 years, had we seen inflation in that? And thirdly, you indicated this year's CAPEX is around Rs.250 crores which comprises of three components -- which is opening up new stores, second is Commissary and third is replacement, just could you give that breakup again, that will be very helpful for me?

Ravi Gupta: Your first question is 1200 stores, what is the timeframe, we are not giving any timeframe specifically, but we talked about how many restaurants we will open in this year. In the next call we will be giving the target for the next year. So exact timeframe will get built over the period of time. CAPEX inflation in terms of new restaurants CAPEX, last year CAPEX was around about Rs.10 million, this year it is Rs.11 million. It has recently further gone up not because of inflation but because of "Pizza Theater" Once we start opening all the restaurants of "Pizza Theatre" format this will come down, and get rationalized, but temporarily it has gone up. Third question regarding the CAPEX, what was the breakup, I have given about Rs.180-190 crores is the new store and second is about Commissaries about Rs.30-40 crores and balance is replacement is for existing restaurants, as well as new equipment's needed, all combined together, and it also includes new training center, new offices, something like that.

Moderator: Thank you. The next question is from Varun Lochab of CIMB. Please go ahead.

Varun Lochab: Most of the questions have been answered, just a couple of them. Firstly, on rentals, given your accelerated store opening in this environment when overall demand environment is slow, are you trying to kind of get better deals and maybe say striking the deals on a revenue sharing basis which would help you kind of make the business model less fixed cost in nature?

Ravi Gupta: In this kind of environment, definitely, more rental lease are available, but rentals are not significantly down, although number of deals are more in the market. The reason is when you look at in the same space which we are there, KFC is also expanding, PHD is also expanding, Starbucks is also expanding, everybody is expanding. So it is different than 2008-09 situation where brands were not expanding. Here all the players know that this economic stage is temporary, medium to long term outlook for this whole industry is very positive, so everybody is expanding. So, are we getting good deals? Definitely, we are getting better deals. "Are they significantly better?" It is very difficult to measure that.

Varun Lochab: But are you moving more and more deals to revenue sharing or not yet?

Ravi Gupta: Actually, wherever in malls and food courts specifically the deals are variable; on a high street we do not prefer a variable deal.

Varun Lochab: And secondly, on your employee cost, this quarter you mentioned because of lesser variable, but typically your Q3 employee cost moves up a lot on Q-on-Q basis. I just wanted to know how much is the variable sort of a component in the overall expenses, how should we think of it, in years when the performance is not that great, how much of the employee remuneration is variable in future?

Ravi Gupta: I will give you qualitative answer. Store managers salary is structured at 70% fixed and 30% variable and this 30% variable on 100% of the targets set. And as we go upwards, the variable portion decreases.

Varun Lochab: Lastly, on Dunkin' Donuts, some of the stores would have been around now for a decent time period. Would you be able to in this environment also say that Dunkin' would be able to achieve paybacks similar to Domino's which was our stance at the beginning of the format? Given this environment if we do not see a meaningful pick up in consumption for sometime is Dunkin' Donuts lacking your expectations on payback?

Ravi Gupta: At the beginning of the year we have given expectations that Dunkin' Donuts will have a dilution of about 100-110 basis points and we are not revising that which indicates that whatever we have projected for the beginning of the year for Dunkin' is standing now and rather doing slightly better than what we have thought in the beginning of the year. Our confidence is bang on. Most of the restaurants are profitable at the store level. We are fairly confident that we can have similar payback what we achieved for Domino's with the exception for first 12-18 months for new brand.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to Mr. Ajay Kaul for closing comments.

Ajay Kaul: Ladies and gentlemen, thank you very much for being present with us today during this call. Should you have any further queries, you may get in touch with us and we would be more than happy to address them. Thanks, everybody

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