

Jubilant FoodWorks Limited

Q1 FY2013 Earnings Conference Call Transcript

July 25, 2012

Urvashi Butani: Thank you for joining us on Jubilant FoodWorks conference call where we shall discuss the financial performance and share operating highlights for the quarter ended June 30, 2012. We have the senior management on the call with us, including Mr. Shyam Bhartia –Chairman of Jubilant FoodWorks, Mr. Ajay Kaul - CEO and Mr. Ravi Gupta – CFO. We will initiate with key thoughts from Mr. Shyam Bhartia and follow that with the operating and financial discussion with Mr. Ajay Kaul and Mr. Ravi Gupta. After that the management will be happy to respond to any questions that you may have.

Just to state our standard disclaimer, certain statements that may be made or discussed on the conference call today may be forward looking statements and the actual results may vary significantly from the forward looking statements made. A detailed statement in this regard is available in JFL's Q1 FY2013 release & presentation which are available on the company's website, under the investors section.

I would now like to request Mr. Shyam Bhartia to share his perspectives with you. Sir, over to you.

Shyam Bhartia: Good evening to all you of. It gives me tremendous satisfaction to see the kind of support & feedback we are getting from the analyst and investor community. The foundation of the performance shown so consistently by Jubilant FoodWorks is its commitment to put our customers first. We have always worked at delighting our core audience for Domino's Pizza with a combination of a quality proposition, innovative products, enticing pricing and friendly & welcoming access points. Clearly our strategy is working. The pace of growth that JFL has delivered is quite commendable for the expanded base of operation over last year.

In this quarter we introduced Dunkin' Donuts as a restaurant chain with all-day part food dining options. I am particularly pleased to share with you that the initial response that we have received from our customers is very heartening. The wide variety of offerings that have been customized at the outset to suit the Indian taste buds and culinary sentiment, have worked. Although it is too early to ascribe trends and numbers to this growth I will like to add that we are even more enthused about rolling out the brand across NCR and eventually the nation.

As an organization we take pride in being fiscally prudent and in planning meticulously. In the case of Domino's Pizza we are prepared for inflationary trends and have recently taken a nominal price increase. We see potential for pizzas as a category to grow faster and larger within the QSR space

and are confident of the model that we have fine-tuned over these many years. Our investments are directed at maximizing the effectiveness of our commissaries, which as you will know service our stores with fresh ingredients and preparations. They form a core component of our operation as we plan to expand to nearly 565 stores by end of this year.

I am going to request my colleagues Ajay and Ravi now, to continue with this presentation and wish to thank you once again.

Ajay Kaul: Thank you Mr. Bhartia. Good evening once again to everyone on the call. I will walk you through the key highlights for the quarter and touch upon the strategic developments. And Ravi will follow with a nuanced take on the financials.

I will touch upon some key highlights before my remarks. The first quarter Total Income stood at Rs. 3145.1 million, thus showing a growth of 45.0%. Our Profit After Tax came in at about Rs. 323.5 million, and it grew by 39.6%. Underlining this was a Same Store Sales growth of 22.3% and a total of 24 new store openings in the period.

With that I will like to speak about Dunkin' Donuts, which has been the focal point of our attention in the past few weeks. As you will be aware Dunkin' Donuts is a 3 restaurant chain now and we are impressed with the response we are getting from the customers. A lot of hard work and planning has gone into operationalizing the set-up, starting with the identification of the target audience, bringing together the various facets of the Indianized menu, establishing the CML and really ensuring that we got the logistics spot on from day one. The results are exciting and we are working diligently to ensure that we are able to replicate this model sustainably across India.

We are clear that we want Dunkin' to stand out as a well-loved brand that connects across all-day part food options. Some of you would have got the opportunity to try out our tasty offerings and would know what I am saying. When you enter our store, what will hit you first is the sheer variety of options; consider our sandwiches, made using exotic bread and freshest fillings –which can actually serve as lunch & dinner replacements and which anchor our all-day part menu. Or consider the enticing breakfast options that typically include your bagels, baked savorys, egg preparations. And if that wasn't enough we also have a selection of the choicest donuts, with toppings that will satisfy every kind of palate. Complementing all of the food offerings is our coffee and beverages counter, where you can sample one of our world-renowned coffees, our fruit milk shakes & smoothies and our selection of teas. I promise you, you will want to try out a few items at your first visit itself.

The first 3 restaurants have opened in New Delhi at Connaught Place, Greater Kailash -1 and DLF Place, Saket. Simultaneously our Centralized Manufacturing Location or CML is ramping up well to the demands of the first 3 restaurants. We have announced that we are on track to open 10 Dunkin' Donuts restaurants in the current fiscal year and would gradually ramp-up to anywhere between 80-100 openings in the next 5 year period.

Drawing your attention to Domino's Pizza I will reemphasize how well this story has been unfolding. As on June 30, 2012 we had 489 fully-operating stores across the country, compare that with less than 300 stores 3 years ago when we were not listed yet. The pace of store addition has

been progressively revised upward by us to from 80 stores to 87 last year and then to 90 stores in the current fiscal, which we are now further upgrading to 100 new stores in FY 2013.

Our reach spans 110 cities in India and includes completely new cities like Rourkela in Odisha, Durgapur & Darjeeling in Paschim Banga and Hissar & Rewari in Haryana. While we have enhanced network reach geographically we also forayed deeper into cyberspace through our unique mobile offering which is now available on platforms of Android, Apple, J2ME and Blackberry. Together these four cover most of the internet enabled smartphones in the country and this simply amplifies the opportunities for us. For other handset users and for those who still prefer the comfort of the larger screen of a laptop or a desktop computer –we have an internet enabled ordering solution, which has been around for some time. If you haven't already I urge you to try it out –simply to experience its simplicity of usage. In fact in cognizance of our online presence Exchange4media has awarded the GOLD prize to Domino's Pizza for best e-commerce product design in the 'Indian Digital Media Awards'.

Marketing and promotions have always been central to Domino's Pizza, where we have employed a combination of national, local store campaigns and personalized marketing –which is often aimed directly at the consumer. As with any modern QSR brand it is imperative to keep up the tempo of activity, which we have managed pretty well through our successive campaigns.

Our backbone comprising our commissaries and logistics infrastructure is performing optimally. As we had mentioned a few months ago, we are undertaking the relocation & expansion of our existing West and East commissaries at Mumbai and Kolkata respectively, so that they can service an even greater number of stores for a slightly longer time frame. I am pleased to inform you our new East Commissary has started operation this month.

Another often discussed aspect of our strategy is our employee force, which stood at 16,955 employees across JFL as on June 30, 2012. This number was 12,593 as on June 30, 2011. We are proud of the systems and policies we have instituted with regards to our employees. Being in the service industry we have had that clear articulated in our strategic vision. For many years we have been rated as one of India's best companies to work for, in 2012 too we were conferred this distinction once again by Great Place to Work® Institute in India in partnership with The Economic Times.

Moving onto our plans for Sri Lanka and other international geographies; we are on track to inaugurate 5 -6 new stores in that country. As is the case with every store launch and brand launch –in this case, we have studied the market closely and have fine-tuned our offering after thorough research. With the response that we have garnered for our initial stores I am positive that we should have a network of 25 to 30 stores in a span of 5 years in Sri Lanka.

And now I come to the part that is most exciting, at least from our customers' point of view. The quarter saw the launch of many new products and re-launches of erstwhile successful schemes. We have introduced 3 new exotic pizzas with toppings such as 5 Peppers in Vegetarian and Zesty Chicken and Chicken Fiesta in Non-Vegetarian. I am pleased to share that these variants have got good customer traction. We also oversaw the re-launch of the iconic value campaign of Pizza Mania – with new topping combinations like Golden Corn, Chunky Chicken and Zesty Chicken

Sausage and therein underlining our innovative streak, introducing new flavors at an attractive price point. This quarter also marked the launch of the new stuffed garlic bread, which is relatively new in the scheme of things. But very early reports indicate that even this product has found a niche audience. This just goes on to suggest how important it is for us to get our offerings right for our valued customers.

With our broad business strategy in alignment with growth I am hopeful of JFL building on this performance in the coming few quarters. We have the right levers in place to deliver consistently against targets and we believe that the QSR industry will remain underpenetrated for some more time to come. With our combination of formats in the form of Domino's Pizza and Dunkin' Donuts we are striving to be at the forefront of the QSR revolution.

I draw my comments to a close and request Ravi, who is our President and CFO –to walk you through our financials.

Ravi Gupta: Thank you Ajay. Good evening and thank you once again for joining us on today's call. JFL has continued to showcase sector leading results, given the combination of the extensive reach and brand affinity of Domino's Pizza and the exciting initial response we are getting to see at Dunkin' Donuts first 3 restaurants.

The first quarter of the new fiscal year has delivered a healthy set of numbers and I can say that the outlook is promising based on the trends visible to us. Our operating model, which most of you are acquainted with, is robust and we have a very keen oversight on costs and thus the growth in revenues is driving a proportionate increase in the earnings.

I will commence with my thoughts on the performance we have reported in this quarter. We had a Total Income of Rs. 3,145.1 million, up 45.0% in the comparable period last year where it was Rs. 2,169.2 million.

As has been the trend for us these numbers were realized following a combination of factors; namely higher sales at Domino's Pizza due to additional store openings and improved sales at existing stores and the upsides from the new menu introductions such as, 3 new exotic pizzas with a new range of toppings, the re-launch of Pizza Mania with new toppings and new stuffed garlic bread. A small portion can be attributed to the initial sales from the 3 Dunkin' Donuts stores launched in the period as well.

The management has been keen to keep major heads of cost under control especially given the kind of operating environment we are getting to see with prices of food articles continuing to rise steadily.

The Q1 EBITDA stood at Rs. 572.9 million, which is an increase of 36.3% over last year when it was Rs. 420.4 million. I wish to underline here that we have included the revenue & operating expenses from the Dunkin' Donuts operation and the EBITDA includes their effect in this quarter. In Q4 FY12 our EBITDA margins were 18.0% after considering the operationalization expenses of Dunkin' Donuts. As compared to that, in Q1 FY13 our EBITDA margins have improved to 18.2%.

Our Profit After Tax in the first quarter stood at Rs. 323.5 million, showing an growth of 39.6% from Rs. 231.7 million in the same period last year. We are in a position to obtain optimal efficiencies from the system given our sheer scale of operation; this has been a factor that has helped us in mitigating costs in the supply chain. We are also working with our partners to ensure that we can work together in a cost optimal environment. Typically we take the price increase in the month of April but this year, in view of the fact that we had taken three price increase last year, we have delayed our normal price increase which normally happens in April to June end. This shift of price increase timing has kept our Food Cost for the quarter at higher level. The impact of this price increase of 3% will become apparent during the next quarter & balance of the year.

We continue to remain debt free and actually have adequate cash balances with us that give us comfort for driving growth.

We are genuinely pleased with the way the model has shaped up. Our particular emphasis on core values of cost consciousness, innovation in products and marketing and employee engagement is yielding results.

I will request Ajay to carry forward the balance portion as I have a bad cold and hence unable to speak fluently right now.

Ajay Kaul: In the case of Domino's Pizza we are growing the network at a pace that taps the market potential optimally while helping us maintain our trends and benchmarks in profitability – our strategy will focus on expanding sales at the existing stores, to develop our network within existing cities and entering new ones, adopting new distribution channels and lastly to strengthen our employee development.

As I would have mentioned during our earlier interactions we are extremely excited to enter new cities where the concept of Domino's Pizza in 30 mins or money back is still nascent, because we get to expand our customer base in an entirely virgin location and can grow ahead of the local QSR market if we hit the right chord. Given the international stature of our brand and the fact that our advertising has been running on national television for many years, there is a bit of aspirational value attached whenever we enter a new city or a town.

We like to believe that this goodwill actually works in our favour. There is a lot of planning and analysis that goes into site & city selection and every store that we open has to meet stringent internal criteria, which in a way has helped us maintain this successful rate of network expansion. As mentioned earlier we have revised upwards our target to open 100 Domino's stores in the current fiscal year

With Dunkin' Donuts we are in a very exciting phase, after having rolled out 3 outlets and getting first-hand feedback from customers. This brand has a lot of potential especially as we are offering a very wide variety of food and beverage items. The path ahead is becoming clearer in terms of what shape our future restaurants and stores will take. It has been our honest endeavor to refine the model in terms of what works and to de-emphasize whatever doesn't. This will broadly cover a combination of flagship, high street malls, kiosks and stores at food courts in various sizes. The opportunity will help us to develop an estimate of what format works best for our customers and is

also optimally profitable for the Company. We are looking at 10 outlets in the first year of operation and will gradually increase the number from there at a faster pace.

I draw my remarks to a close at this point and would like to request the moderator to open the lines for questions.

Moderator: Ladies and gentlemen we will now begin the question and answer session. Our first question is from Prachi Kodikal of Bay Capital. Please go ahead.

Prachi Kodikal: I wanted to get a sense of the breakup of your same stores sales growth. Is it more driven by volumes or is it a value driven number for this quarter?

Ajay Kaul: We cannot share exact numbers with you, however, what we can tell you is it is driven more by growth in orders as opposed to increase in, let us say, price or mix or the ticket size.

Prachi Kodikal: In this week itself there are a lot of articles that are being circulating about McDonald's cutting prices because they are worried about seeing lower volume growth. So what has been your experience regarding this? Are you experiencing anything as such?

Ajay Kaul: Let me break that question down into 2-3 parts. First part is with regards to the company which you just mentioned, we have a lot of respect for them and they must be having their own reasons to do whatever they have. Probably you need to find out what kind of same stores growth do they have, that they are witnessing. As far as we are concerned we have been saying for the last 2-3 quarters that some early warning signals of customer consumption, both in terms of frequency as well as new customer acquisitions, we are seeing some drops. When I say drops I do not mean it is becoming negative, if it was going earlier at 'x' percent now we see that it is slightly lower than 'x'. But these are still early warning signals. On a standalone basis 22.3% same stores growth is a good robust number but when in comparison to let us say 26% which we did last quarter or 30% which we achieved for the whole of last year, it may seem like a lower number. Going forward what we believe is that markets do go through these kind of cycles, we do not believe that it is going to remain there indefinitely but during this period our firm belief is that it is the time when you have to go behind the brand and invest as much as you can. So as far as our marketing activities whether it is in terms of advertising spends, whether it is in terms of ground level activities where we invest a lot of money on precision marketing, which means talking to the customer directly and thirdly and as importantly is our online advertising and our online activities. Our focus on online ordering is a pretty important part of our business today, we are pumping in that much more into the building of the brand, because we are of the firm belief that this downturn if at all, is a short-term thing and as soon as we come out of it as a country, will be best poised to capitalize on the emerging opportunity thereafter. So that is the short and the long answer to your question.

Prachi Kodikal: Do you mean to say that we might not be as aggressive in terms of price increase as what we have seen in the last year of around 12 to 13%?

Ajay Kaul: We have deferred our first price increase. Normally we take one price increase in April but this year we realized that we had to defer it to June which we have already taken. We intend

to take one more price increase during the year and in most cases we believe it should be around 3% kind of price increase.

Moderator: Our next question is from Jaibir Sethi of CLSA India Limited. Please go ahead.

Jaibir Sethi: You have been saying for some time that you are seeing early signs of consumer slow down. So wanted to get a better sense if there are particular price points or segments where you are noticing that or is it more an aggregate sense?

Ajay Kaul: It is more as an aggregate sense. In Q4, last year we did 26% same store sales growth. This time around we have done 22.3%. So there was 3-4 percentage drop you can argue. Right now all our analysis says that it is a bit of general sentiment led. The two ways in which we can manifest is that at what rate are you acquiring new customers who consume you for the first time and at what rate are your existing customers, what frequency are they consuming you. As I said earlier, we are seeing that for the first time that the growth in both these are not as high as they have been in the past. Which means it is not negative, it is still reasonably a healthy positive but the acquisition of new customers as well as frequency of consumption relatively is a bit lower and that is telling us that somehow at an aggregate level there seems to be some sentiment that we have been noticing for the last 2-3 quarters and it has continued in this quarter also. But are we heavily worried? No, as I said we are actually going to increase our efforts behind the brand building and we are quite certain that we will be able to come out winners.

Ravi Gupta: To add to what Ajay said, we are still estimating and saying that we will have a same store growth for the full year of 18% upwards.

Jaibir Sethi: Second question was that you have been growing same stores sales at a very healthy pace for more than two years now. In some of your older stores is there some sort of capacity constraint that begins to emerge after a point or is that for, say, your higher earning stores? How far would you be from that point now?

Ajay Kaul: At a general level store beyond a certain point we can have constraints in terms of either the oven which they have or the kind of walk-ins which is the refrigeration area which they have. So this is at a general level answer and what we normally do is we identify them much in advance and there are enough internal analytic tools available which tell us that which stores may run into that kind of situation. So what we do is either build capacities there which means increase the oven sizes or increase the number of ovens or we create extra spaces in those stores or the third alternative is we split those stores which means we bring another store in the vicinity of that store so that we kind of take a bit of a load away from them. Having said that, all our stores which we have, 489 today and a lot of them are new stores, if I look at the old stores I think all of them actually are growing at a very handsome pace and we do not see any particular type of store or a geography or an area which is growing slower than the other. And even when we break this growth in terms of delivery and dining, which are two parts of our business, both of them seem to be growing equally well.

Moderator: Our next question is from Gautam Chhaochharia of UBS Securities (India) Pvt. Limited. Please go ahead.

Gautam Chhaochharia: Any particular reason for deferment of the price increase this time?

Ajay Kaul: Coming out of last year where there was too much of pressure on inflation and so on, we had taken unprecedented three price increases which we normally do not do, we take two price increases of around 3% each. So our business sense told us that we should not be taking another price increase in April so deferred it to June and we intend to take only one more price increase in the later part of the year. So it was a business call which we have taken keeping general consumer sentiment in mind.

Gautam Chhaochharia: On Dunkin' Donuts you said that Q1 numbers incorporate the Dunkin' Donuts costs, what were the costs there, what was the revenue like?

Ravi Gupta: If you look at Quarter 4, we had cost of about Rs.161 lakhs. If you look at percentage it is kind 0.6% of the revenue in that quarter. This is ball park range, that you can think about in terms of operating expenses or loss we have accounted for. So quarter to quarter when you compare it is at similar level. Now at the same time I would like to highlight one more thing that in Q4 our margins were about 18.6% and 60 basis points were Dunkin' expenses which were reported as exceptional items. Our margins were thus lower than about 18%. And in Q1 it increased to 18.2%.

Moderator: Our next question is from Nillai Shah of Morgan Stanley India Co. Pvt. Ltd.. Please go ahead.

Nillai Shah: Without looking and tracking too much into the quarterly numbers, I am particularly surprised with the gross margin fall, I do understand you have deferred your price increase. But why is the gross profit margin falling when you probably are behind the peak of the input cost and also the fact that you alluded to the presentation that probably the input costs are actually coming off?

Ravi Gupta: As such with regards to inflation in this quarter especially, are we concerned about inflation? Not that much, except inflation related to small imported items, arising out of the Dollar but it has a minimal impact on our operations because our ingredients mostly are in Rupee terms and there could be some ingredients which are imported by us. But few reasons which we discussed, one is deferment of the price increase- typically we take an increase in April and this time it is at the end of June, and that resulted in higher food cost or low gross margins. Secondly our increased aggression in terms of promotions which is resulting in higher food cost, increased aggression was because of the overall consumer sentiment which Ajay has detailed in the earlier question, so all these reasons led to higher food cost and lower gross margins.

Nillai Shah: So it is basically promotion expenses which gets out at the top-line level itself.

Ajay Kaul: If you look at our Quarter 4 EBITDA margins, it stands at around 18% and the moment we have moved from Q4 into Q1 this year our EBITDA margin has improved to 18.2% and that is after it has absorbed service tax impact which is in the vicinity of around 40 basis points and there have been higher promotional costs vis-à-vis Q4 because we have got a bit more aggressive

specially on online with some of our promotional activities, so despite all that the EBITDA margin delivered is higher than Q4 of last year.

Nillai Shah: Now assuming that you will be spending more behind your brands into the next few quarters, will this price increase offset all of that spends and you see gross margins coming back to the 75% levels that you have been seeing or you think that there will be continuing pressure on the gross margin on account of promotional expenses?

Ravi Gupta: When we look at the full year, we are confident that overall our gross margins will be in the ball park range which I have been talking about, 74 to 75% range. If you look at last year also due to the increase in our raw material cost, margins were impacted and it was back in the third Quarter. So quarter to quarter there should be some variations but I think overall stand is we are very keen that our food costs remain in the range of about 25 to 26% and the gross margins accordingly be in the range of 74 to 75%.

Nillai Shah: Any fall in cheese prices this quarter

Ravi Gupta: Not something which is significant for reporting.

Nillai Shah: What is the total proportion of online orders right now and what are you comfortable with let us say 2 or 3 years out?

Ravi Gupta: It is double digit. You can say initial double digit numbers.

Nillai Shah: And your comfort level for your targets 2 or 3 years out?

Ajay Kaul: We still don't advertise on the main TV channels about this online ordering mechanism. And the day we do that, and this is an experience coming out of other countries, this number can actually go into 20s, 30s also. So without actually saying when will we advertise and when will we kind of put it on the national media, I think suddenly it will start climbing upwards from where it is currently and the moment we advertise it will spread into much larger numbers. As ball park, although these markets are also that much more evolved than us, in countries like Australia, UK, and Japan which are that much more advanced on online ordering, including USA, this number actually is 30-40%.

Moderator: Our next question is from Manish Jain of Nomura Financial Advisory & Securities India Pvt. Ltd.. Please go ahead.

Manish Jain: Are you witnessing any mix deterioration at all in terms of people moving back to smaller sizes of pizza or order size coming down because of the tough environment?

Ajay Kaul: I would say that is very marginally slow. There are few consumers who are moving downwards and it is not a tough guess because in any downturn anywhere in the world people tend to move from fine dining into casual dining and from casual dining into QSR and within QSR they would probably move from the high value products to the so-called lower value products, so

it is still very early but the answer to the question cannot be no. That is why I am giving you a long and winding answer.

Manish Jain: The other question was that in terms of the new store opening guidance now this is more like a longer term question, we have upped the guidance over the last one, one-and-a-half, two years from say 60-65 to 100 now. Where does this reach a saturation point where we put a full stop and we say no we cannot grow more than this. 100 can go to maybe 110, 120, I do not know what number. What is the optimal number of new store count that you are looking at per year? What is that target?

Ajay Kaul: Given all the demographic variables and I will not kind of bore you right now with a list of them, all of us know whenever we read any India demographic positive story but what that leads to is so much of dynamism in terms of the rate at which the economy is growing and even if the GDP grows we are anywhere between let us say 6-7% in that zone and if we hope it continues like that, its translation and thereby multiplier effect on disposable income and thereafter on discretionary spend on items like ours we believe there is immense opportunities. So potential can only keep increasing significantly and it is a dynamic thing, so I cannot give you a number. Let me tell you as of today we believe if everything else remains constant there is potential of opening to our knowledge 1000 Domino's stores in India and we do believe that progressively this number is going to swell with every passing year.

Manish Jain: I have no doubts over the opportunity available. Where I was coming from was the ability or capability to manage these stores given that they are all owned stores. So where is it that the number becomes too much to manage because essentially hiring of employees, training, attrition all these things, where is that number? When will we reach that saturation point?

Ajay Kaul: I cannot give you a direct answer to that. However, if you see the way we have been building our capacities and our infrastructure, our training machinery, people involved in this over the last 4 years we have opened progressively 50 to 60, 65, 72 stores, last year we opened 87 stores and this year we are already talking of 100. It is your own intelligent guess at what level can this actually go to without bringing in incremental high cost into the system. We do believe there is a lot of potential in the market and we do believe we are geared to aggressively juice out lot of this potential without trying to give any numbers to you.

Moderator: Our next question is from Vijay Chugh of BNP Paribas India Solutions Pvt. Ltd. Please go ahead.

Vijay Chugh: I just wanted to know the opportunity that you have in terms of dine-in what is the ratio currently and how much can it expand from current levels?

Ravi Gupta: We cannot tell you exact numbers but we can share that delivery is just marginally better than dine-in and take away.

Vijay Chugh: I wanted to confirm once again on the Dunkin' Donuts cost side you said the cost was in the ball park range of Q4 which was about 60 bps, is that correct?

Ravi Gupta : I think if you take in percentage terms it was 0.6% we were in the ball park range of that.

Moderator: Our next question is from Manoj Menon of Kotak Institutional Securities. Please go ahead.

Manoj Menon: On the increase in guidance of the expansion plan. Just want to understand what would have been the single largest decision making driver for things changing in three months? Is there any single thing which would have driven this confidence to increase?

Ravi Gupta : In Q1 we opened 24 stores and if we look at last year same quarter we had just opened 14 stores. So the start of the year has been pretty good and that led us to revision of this number from 90 to 100. We are fairly confident that we can achieve that number of 100.

Manoj Menon: Secondly in Bombay couple of months back I found a scheme on the ground that wherein you actually pay a few Rs. 100 and buy a few coupon which you could redeem over the next I think six months or so. Is it something which was very city specific sort of a promotion and is it material at a national level when you account for it?

Ajay Kaul: See, this scheme has been on for not last one year but probably 5-6 years, but this scheme is not a national level scheme. Just to put things in perspective we may be having probably 25-30 such 'war heads' with us and a mix and match of them is used depending on the store performance. So depending on the objectives of the store, whether it had an issue of penetration of customers whether it was with regards to frequency of consumption, whether it was with regards to new customer acquisition or the ticket size or whatever, and there can be 10-15 objectives, we use a mix and match of the 'hathyaars' if you may permit me to use that word which we can engage to get the store up. So it may be a free churn that in the store or in the area, vicinity where you are that this particular scheme was on but surely this is not running at all the stores in the country at that point of time, it will be only a handful of stores.

Manoj Menon: Just a follow up on this was the context with which I was asking was this, at least as a consumer it seemed like wherein I pay upfront, so in that context does it go to your revenue directly, is it material because the redemption would happen over a period of time.

Ajay Kaul: Nothing we do in this business is immaterial, unless it does not bring in return on investment, unless it does not give us the return for the efforts and sometimes marketing costs, we will not do it. And there are objectives as I said, not all weapons will get used all the time, depending on the objectives of the store and what is it, and I will not go into detail on what are the 15 objectives that can be but the most obvious ones are where let us say, your penetration levels are low, where your new customer acquisition is low, where you have a lot of lapses and so on and so forth. We will use this card. So that will be my short and long answer to your question.

Moderator: Our next question is from Vikash Mantri of ICICI Securities Limited. Please go ahead.

Vikash Mantri : Just wanted to understand the re-introduction of Pizza Mania is in response to the demand situation or the environment currently and also to the competition?

Ravi Gupta: The Pizza Mania as a product has been there is in our menu from August 2008. So what we have done is that we have re-launched with some new toppings based on the consumer feedback, so as to bring a little excitement for the consumers. So it is there in the menu for the last four years now.

Vikash Mantri: Can you share the initial response of the Dunkin' Donuts stores for the three stores that we have, from current experience that we have do we need to change anything?

Ravi Gupta: See, initial response is better than our expectations. That is what we can share. For exact numbers it's too early because there are three stores which have operated for less than two months or approximately 2 months. So it will not be right to share the exact number as initial store size is bigger than signature store because that may tilt the whole process and that is the core reason that we are not sharing separate numbers for that also because we do not want that separate perception building. But we are definitely surprised by the kind of response we had with our product with the consumers and we are excited to take this experience forward and definitely open 10 stores during this year and 80 to 100 stores over next five years.

Vikash Mantri: In case of your online orders where we are currently offering coupons of a discount, is the discount higher than normal leading to lower gross margins in that in case given that we are trying to promote online orders?

Ajay Kaul: The answer to that question is a clear no. The reason being we have at any given point of time, as I was answering an earlier question also, 50 types of discount coupons that we offer, all are dependent on what the objective is, where is it being offered, which medium is being used, which customer group is being used and which store are we talking about. But we kind of monitor the discounts given by each one of these weapons like hawks and make sure that no such vehicle in the overall weighted average basis goes off the handle or gives a much higher discount than others. So my short answer to your question is that no, it is well within range, it is giving us adequate return on investment and that is why that coupon is there, otherwise we would not have had that coupon.

Vikash Mantri: Let me re-phrase it, because we want to promote online orders are we ready for in the initial phase or lower gross margin?

Ravi Gupta: Ajay already answered saying that we are not lowering the prices for online orders. So these discounts which are generally there in the market. It could be some specific coupons for the online ordering but our own level of discount on online ordering is more higher than what is the normal level of discounts are.

Moderator: Our next question is from Abneesh Roy of Edelweiss Securities Limited. Please go ahead.

Abneesh Roy : You have mentioned modernization of the customer experience, so two offshoot questions, one is launch on Android, Blackberry, etc., so in the mature markets like US, etc., any insights you can share, how much ordering happens through this? And second would be if you see

Shoppers Shop, etc., their older stores need refurbishment after a certain period, so are you also doing this for your older stores and what is plan there on an annual basis?

Ajay Kaul: So as far as learnings from other markets are concerned, let us talk of USA, UK, Australia, Japan, Korea and a few others, they have been obviously far ahead than us on the Internet ordering. In those markets while it is a broad range, their Internet orders on delivery could be anything from 25-30 to going up to 40-45% also. Lot of these countries have launched mobile ordering recently which is in the last year, year-and-a-half, so mobile ordering is still a single digit in most of these countries but growing quite fast.

Abneesh Roy: And use of these are basically to augment sales, you will not be saving much of a cost through these initiatives, right?

Ajay Kaul: For building these platforms it takes time as well as there is a certain cost but what we have also realized is that the average transaction ticket size through the net is higher than a conventional transaction. Also what we learn from other countries is that the average margin which is delivered by an online transaction is higher than a conventional transaction but we are yet to do some intricate analysis on this in India to prove the point but these are only insights coming from other countries. On your question two, of course, we are constantly looking and there are some internal timeframes which we keep in mind to refurbish or redo existing stores. If you look at our maintenance CAPEX or call it replacement CAPEX, that is also fairly substantial and it has been growing over the years. Since the kind of growth rates which we are saying we actually end up relocating a lot of our existing stores, which means stores which are coming up for refurbishing we sometimes find it better to move them from their current place into a much larger location because we know overnight they can handle 50%-60% more revenue. And clearly when we do the return on investment calculation it more than justifies the relocation, so you will see a lot of our stores getting relocated also.

Abneesh Roy: On the monsoon deficit how worried are you from a smaller town demand perspective but more so from a raw material side, milk prices can shoot up in a rain deficit year and you have delayed pricing also. So how worried or not worried are you from the monsoon deficit?

Ravi Gupta: Milk prices have risen abnormally last year and that is one of the reasons that this year the milk prices have been more or less stable. We need to see what will be the exact impact of the rain shortfall specifically on the milk prices. But yes, in certain other commodities like flour or something like that there will be definitely an impact of the rain shortfall and food prices may go up, but flour and some of the items where impact could be, the impact to our business may not be very significant. So a short and sweet answer, are we worried too much about the food inflation this year?, so far so good, we always expected that the food inflation will continue to be high single digit number and it is continuing along those lines and you may get a double digit inflation also. So I think so far it is going on those lines but if rain shortfall is too much and if anything particular goes wrong, there could be some surprises for us.

Abneesh Roy: Of the 489 stores how many stores will be from Tier-3, Tier-4 cities?

Ravi Gupta: About 50% of the stores are coming in the top ten cities and rest of the 50% stores, which is around 50 stores will come in the newer cities as well as rest of the cities, and the rest of the stores come from the other 95 cities where we are present right now. So are we too much worried about demand side? My answer is no because there are quiet a lot of towns in which we are there, they are not predominantly dependent on agriculture, because agriculture depending are typically rural towns and all that, we have not yet reached those towns.

Abneesh Roy: One last question, synergy benefits between your two businesses, for example, you give coupon for the Pizza for the next order so can you give Dunkin' customers a coupon for Pizza and vice-versa and any other synergy benefits you can talk about say, employees or other things?

Ajay Kaul: If we leave the customer side alone for a moment, there is tremendous synergies on some shared functions where it is IT, finance, HR and so on which we are deriving benefits. . Operations, marketing and all that has to be independent and that is how it is. There are also some infrastructural gains by way of, call it real estate searching or call it the way we are looking at infrastructure of offices and so on. Coming to the consumer side, I honestly do not see huge opportunities there of these cross border kind of, cross promotion which you are talking about. In any case Dunkin' so early in the innings, we have much larger things to look at in terms of how consumers are reacting to our formats, to our products, to our pricing, to our promotion and that is what is keeping us more engaged than just being focusing on what can be done with Domino's promotion and so on.

Abneesh Roy: Are you allowed to do from both sides?

Ajay Kaul: Allowed as in joint promotions?

Abneesh Roy: Yes joint promotion and are both sides allowing this?

Ajay Kaul: Joint promotions both will allow. We are free to do promotions with anybody from both sides.

Ravi Gupta: Actually we are doing full promotions like in Domino's, so it can be as big as that we are promoting Coke along with Domino's Pizzas.

Ajay Kaul: So we are free to do promotions with anybody where we believe there is business case involved. So it could be even between the two brands provided we believe there are synergies, it will make sense to consumers but it is still too early to kind of say that how will we use it and all that. We need first some substantial number of Dunkin' stores and then we can offer something to the customer and see how they react to it, with three stores it is too early.

Moderator: Our next question is from Mr. Pritesh Chheda from Emkay Global financial Services Ltd.. Please go ahead.

Pritesh Chheda: Regarding your earlier observation on slowing walk-ins or slowing in consumers, now if I have to look at one of your competitors he has ramped up the menu as well as offerings in looking at probably a Domino's, whereas if I look at the pricing now it has become bit aggressive,

so on one side we have a slowing consumer on the other side we have competition which is becoming slightly more aggressive in this space. What would be your strategy here on and should we worry that actually the promotional activity might pick up if I have to combat the competition and hence there could be impact on some gross margins?

Ajay Kaul: Our honorable opposition have their own reasons to get into any such activity whether it is in drop of prices as somebody was saying a little while back, or even in terms of launching some products which are at very aggressive pricing. Last couple of months would have given you an indication since you follow this market closely as to how some of those products probably would have done and what would have then led to their same store growth of all these people you just mentioned.

So they have their own reasons, honestly while they are on our radar screen we do not lose sleep over them, we have our own trajectory which we try to follow and there what we realize is that, yes, our investment on our brand, our investment on the ground level position marketing activities directly engaging in the consumer and also similarly online activities and so on, what we do in Internet ordering, that is where we are focusing our energies on and we will only increase our input into this direction because we believe this is the time to build the brand, so that a couple of quarters later as we come out of any such imminent down turn we will be the most enabled and ready to kind of run at that particular time.

Now will some of these promotion activities erode some of our margins. As Ravi was saying a little while back enhanced promotional activities have led to a little bit of increase on our food cost, there is no doubt in that. Now that is one space which we are obviously watching very closely as we are trying to get more sales through these promotional efforts. We have to obviously be constantly watching our margins.

Having said that we believe for the full-year basis, for the full year we will deliver an EBITDA margin of at least 18% which is even after taking this Dunkin' impact into it which we believe will be in the 0.6-0.7 region out of this. So if you were to back that Dunkin piece out, the Domino's piece of the business which is a larger piece, we believe will deliver even higher EBITDA margin than last year full year what we did and this is our guidance for the full year.

Pritesh Chheda: Which means if the down trend actually accentuates from here on, there is an outside chance that these margins could actually be lower than what we think today.

Ajay Kaul: Even if we were discussing at a theoretical level, any business, surely if the downturn kind of sets in and God forbid it should not, there may be more promotional activities, it will impact margins. I think as an answer to that question, even if I am not referring to our own business, is yes. But we think it is still so early days to kind of panic and wonder that if some downtown is setting in, I think there are early warning signals, there is some impact, it is not hat it is all hunky dory but I do not think so I would reach any conclusions on an imminent downturn coming in.

Pritesh Chheda: Last year we took three rounds of price hikes, I just wanted to know at what point in time these price hikes were taken and what was the quantum of those price hikes in those three rounds?

Ravi Gupta: The first price hike was 4% in month of April, second was 7% in the month of August and third was 5% in the month of November.

Pritesh Chheda: Which means that if you then look at the Same stores sales growth the number is obviously slowing quarter after quarter, the core order growth in that SSG number, If I look at the price increases that we have taken last year and if you look at the same stores sales growth number quarter after quarter in terms of the trend, that number from a high of about 30% has actually slid to about 22, which means inherently the order growth is actually sliding at a much faster rate?

Ajay Kaul: Actually no, the reason for that is the difference between order growth and revenue growth is a low single digit, what also it means is that there is a certain kind of a mix change. We have been launching some other new products and sides which are all kind of becoming a part of the Domino's menu mix and as a result of all that, and that is how this business is, the total revenue growth is coming to around 22.3%.

Moderator: Our next question is from Sanjay Dam of Motilal Oswal Securities. Please go ahead.

Sanjay Dam: Going forward which states are you specifically looking at which are exciting you, is there a state bias that you have? Secondly, in terms of employees how many contract and non-contract employees would you have?

Ajay Kaul: As far as states is concerned we have been in 26 states now for the last 3-4 quarters, we have not entered any new states, but more than states what excites these towns and cities and if they happen to be in new states, well and good. We do not have a state-wise approach we rather have a city-wise approach and we have mapped even the next 100 cities in the country where we will get into, if they end up being in new states, well and good. As far as your question two was concerned

Ravi Gupta: Contract employees and non-contract, what we shared with you is the employees were on the rolls of ours. We typically do not have contract employees for our stores at all, we have part-timers but part-timers were also on our rolls, we make direct payment to them.

Sanjay Dam: So even the delivery personnel will be on your rolls?

Ravi Gupta: Yes, and it will be contract employees to the extent of security guards or something like that but otherwise we don't have contract employees.

Sanjay Dam: The core business employees will still be on your rolls?

Ravi Gupta: Yes, all of them.

Sanjay Dam: Actually coming back to my first question on states so maybe if I can just rephrase my question, so there are some states where you have low intensity like in Andhra Pradesh or somewhere so I am just trying to understand from a demographic perspective is there a part of India that you believe you have under-penetrated because of whatever reasons?

Ajay Kaul: Surely there are and Andhra has got a good case in point. Andhra Pradesh is bit peculiarly placed in terms of serving it from our factories, our commissary. Hyderabad itself is around 500-600 kms from our Bangalore factory and if you were to look at getting serviced it from Calcutta, our Vizag store actually gets serviced from Calcutta commissary and not Bangalore one, so it is a bit peculiar place that way and your observation is right that it is under penetrated for the same reason because logistics costs become prohibiting.

Having said that, it is clearly in our agenda and strategy to build and to look seriously at building a factory around Hyderabad. It is still early days, we are not committing that we will open one there but we are seriously evaluating and the day we do that, will capitalize on then a lot of potential in Andhra Pradesh. Having said that, yes, even all other places of the country there are, central part of the country for example we see has got immense potential but again there is no factory there and we in fact manage most of those businesses through small back of the store commissaries, through which we service them. So there are such opportunities and we are constantly looking at them.

Moderator: Our next question is from Nitin Saigal of Bridger Capital LLC. Please go ahead.

Nitin Saigal: I think you have calculated the stores based on, the stores that you include in your comm space are probably ones now that opened at the end of FY11 so about 380 stores that you calculated, same stores sales based on? And my question is, you obviously rolled through new stores in that comm space now, so every year you add the stores that you open through fiscal years ago, I am trying to understand if there is a difference of performance between those new stores that are now on the comm space and that is providing the tailwind to the comms?

Ravi Gupta: Let me repeat what you are trying to say it, last year our same store number was 306 and this year they are just 376 stores in the same stores category. So you want to understand what is the difference between those 70 stores performance vis-à-vis 306 stores performance?

Nitin Saigal: Yes exactly, that is the way to help understand how much that contributed, if those are younger stores presumably maturing at a faster rate than the older stores?

Ravi Gupta: We keep on doing our analysis based on the age of the store and year-wise whatever stores openings are there. Yes, there are differences between older stores and new stores but the difference is not very statistically significant and we do not share the separate numbers for year-wise store openings.

Ajay Kaul: But certainly the newer stores are that much more, lesser penetrated and consumers are that much more, lesser in frequency consumption so they end up doing better business than the old stores but having said that, is the difference statistically significant, is it like several percentage points, no it is not.

Nitin Saigal: Then do you see the newer stores maturing to the same level in terms of orders, ticket sizes as the older stores because you are penetrating smaller towns and cities. Do you feel like they maturing to the same level, first in revenues per store and second in total profit per store?

Ravi Gupta: What happens when the new stores opens and in some cases new stores open in newer cities, newer areas, the penetration and frequency levels are much lower because quite a lot of people have not tried the Pizza, quite a lot of the people are first time consumers, so penetration is lower. Typically the new stores open at lower pace compared to the systems sales what we have for whole of the system and the range is between 70 to 80%. So a new store will open at 70% to 80% same for the system sales number.

Nitin Saigal: Do they mature to the same level as you seen them mature for the past couple of years?

Ravi Gupta: Yes, the stores mature pretty fast and some stores catch up very fast and some stores take some time, and the reason is that our same stores growth also has been pretty robust. For the last five years same stores average number, it is around 23%. Because same stores growth has also been pretty high, so the newer stores just keep on getting added also chasing that target pretty fast.

Nitin Saigal: What percentage of your overall revenues is from the 378 stores versus the stores that came about after that?

Ravi Gupta: We do not share this number separately.

Moderator: Our next question is from Sanjay Singh of Standard Chartered Securities (India) Ltd.STCI Capital Markets. Please go ahead.

Sanjay Singh: In your staff cost if I compare Q1 staff cost per quarter per employee versus Q4 it has actually gone down almost by 10%. Can you just share what is the reason behind this? If you just take an average number of employees in Q4 versus average number of employees in Q1 and divide with the staff cost it has actually gone down by 10%?

Ravi Gupta: Actually in Q4 there is a spillover of Q3 which comes. December ends at a very high note. You know in terms of numbers of employees also December end number that we report and you can check that, the number of employees are pretty high. So it takes some time for re-aligning those employees because of attrition rate they normally leave and this happens between January-February-March because we do not ask anybody to go and that is the reason Q4 typically the labor cost is slightly higher.

Sanjay Singh: I visited your Dunkin' stores in Delhi in detail and actually quite liked it. One thing I wanted to know is, here the economics works a little different and here the perishables could be a significant portion because you cannot refrigerate, you do not use your doughnuts for the second day or even for the sandwiches, etc., probably. So is the perishable component a significant number per se?

Ajay Kaul: See this business per se anywhere in the world has got higher element of wastage and that is a given and we knew this even before we were entering this business and these are the learnings. As we have opened three stores obviously economies of scales do not work at the commissary level and we also kind of understand that what levels of wastage need to be there at the commissary, at the store. At the same time from a merchandising perspective- your cases if they are full, actually draw customers and then they lead to more sales and so on and so forth. So I would say early days but clearly managing wastages or perishables, as you are saying is clearly one of the things in this business which one has to watch very closely.

Sanjay Singh: So it is not something which has taken you by surprise so to say.

Ajay Kaul: No, not at all, in fact in this business when we joined on day one we were told that if your wastages are not at a certain level, you don't know how to run this business because it means you are trying to have lesser shelves merchandising and it just puts off customers in this kind of business, so you have to have a certain 'x' percentage of wastage in business.

Ravi Gupta: And Sanjay this is an international norm, so it is nothing new for India.

Sanjay Singh: Secondly I understand that you do not want to change perception of people because these are flag ship stores and sales seem to be pretty higher probably because these are flagship stores in Delhi, etc., but my interaction with the stores suggest that some of these stores could be actually doing a higher same store sales numbers than even a Domino's or even a flagship or a big Domino's store in Delhi, these Dunkin' stores could be doing equal or actually more than say a similar Domino's store in the same area? Now is it right observation?

Ravi Gupta: We would not like to comment on this because you yourself said that these are flagship stores and flagship stores can change the perception and although it has no impact on the same store growth or something like that but we will not like to comment specifically on the sale performance but only to say that they are doing better than our expectations.

Sanjay Singh: When you say better than expectations, how do I take it? Does it mean that, which you originally defined as three-year payback period for Dunkin', do you think it should be lower at the store level which you have opened?

Ravi Gupta: What I indicated to you is in terms of what are the basic expectations we have from the stores. In terms of sale expectations, it has done much better than what we had expected.

Sanjay Singh: Originally when I was looking at the model on paper it seemed that there is no leverage on real estate because this is completely in-dining but a visit to the store gives a completely different view because apparently a large portion of doughnuts goes as takeaway because Indian people are used to buying sweets and they are almost buying doughnuts like sweets. So is that thing an experience that a takeaway has been a pretty decent number? Can you share that number?

Ajay Kaul: No, not really. In fact, that is how this business is anywhere in the world, a substantial portion, depending on of course where the store is, if it is in the corporate area you know there

will not be so many takeaways but in kind of residential or driven by a lot of retail consumers, moms and so on, where the off take in sizes of 6 and 12 actually is a runaway success and that is why we are prepared with all those 6 and 12 boxes, if you have seen some of those packs when you visited the store, so it was not a big surprise for us.

Ravi Gupta: We have been telling on the conference calls very clearly that takeaway is a part of this business.

Sanjay Singh: It may be 20% or 30% of the overall sale of the store, is it possible?

Ajay Kaul: We will not be able to comment on that.

Ravi Gupta: Certainly these are initial three stores, so let us not get anything out of it.

Moderator: Our next question is from Bhavdeep Vora of Goldfish Capital Advisors Pvt. Ltd. Please go ahead.

Bhavdeep Vora: You basically said that in this quarter Dunkin' Donuts was a kind of drag of 0.6% on the margins and probably going forward that you expect it to be like around 0.7% to 0.8%, so is it fair to assume that for the next few years basically when you keep ramping up this thing it is going to act as a drag on margins to this extent and actually if you can throw some light on the store level economics like when do you expect it to cash breakeven, like a store?

Ajay Kaul: It is still very early days and all we can say is that the consumer appreciation and acceptance of the brand on all the aspects of our food offerings, which is the sandwiches, the beverages including coffee and the doughnuts, of course, which are always the door opener, all of them have been received very well but we will still say early days and we are in the learning phase right now and we will be in the learning phase for some time for all aspects. As far as first question is concerned give me a cue on that please.

Bhavdeep Vora: You said that you expect there to be around 0.7% to 0.8% drag on margins for this year basically for the Dunkin' Donuts operations?

Ajay Kaul: Right. Even in the end of year its almost in the same ballpark.

Ravi Gupta: Overall last year margins were 18.7% and Dunkin' expenses was reported as exceptional item, and if we reduce that overall margins for last year comes about 18.3% and our guidance for this year which Ajay has mentioned earlier is 18% plus for the full year.

Moderator: Our next question is from Varun Lohchab of Religare Capital Markets Limited. Please go ahead.

Varun Lohchab: My question pertains to basically the new product introductions within the Domino's franchise. We have seen good activity out there in terms of your innovation pipeline. Do you track, say in the last 12 months what percentage of sales would have come from new product introductions of last three years and is that percentage increasing in the sense that your hit rate

has been increasing or consumers have been accepting your products a lot more now compared to earlier in terms of the new products?

Ajay Kaul: Performance of new products is something which we track and we have to because in this business globally, new news is always something which the customer wants but unlike the reference to new products contribution in the 3 years and so on; and I know which company you are probably referring to when you say this, it does not work in our industry because you have to perpetually keep bringing in newer products and some of the old products sometimes which have been very good will still have to be made obsolete because there are constraints in terms of shelf space within the store and so on and so forth but no harm in that because that is how this industry operates worldwide and has been doing over the years but we do track new product performance. What percentage mix is there of the total thing, what is their contribution to the total revenue, and EBITDA and as a result what should we do and so on.

Bhavdeep Vora: If you cannot share those numbers but at least the trend-wise is the share...

Ajay Kaul: Most certainly it is increasing. We have been introducing new categories also you would have noticed. Earlier we were not doing pasta but now in the last two years we have introduced pasta. We have got deserts, one cold and one hot in our menu, so all these are obviously increasing the share of these and as a result the percentage of the new products is high.

Ravi Gupta: If you look at overall Pizza as a category it is still around 80% of the sales. All new products together, side orders we can say is about 20%. Now some of our introductions which we have done during this quarter like Pizza Mania, some new toppings, Five Pepper Pizza, Zesty Chicken, which are the non-veg pizzas and all, so these are all in pizza category itself, so some of the new products are in pizza category, some of them are side products. Dessert and pasta definitely have extended the non-pizza category but other than that it is kind of stable, this pizza revenue about 80% is kind of stable now.

Bhavdeep Vora: One clarification on the Dunkin' Donuts impact, this impact is net of the revenues, like the EBITDA level 0.5 to 0.6, because now there is some revenue contribution as well from these stores?

Ajay Kaul: Yes, we have been talking about JFL level, all the 12 months.

Bhavdeep Vora: So net of the revenues like the net impact at EBITDA?

Ajay Kaul: Net impact at EBITDA, yes.

Moderator: Our next question is from Devang Mehta of Canara Robeco Asset Management. Please go ahead.

Devang Mehta: There are a lot of promotional offers so can I get the ballpark number of what percentage the revenues come from these promotional offers?

Ravi Gupta: Actually these promotional offers are a norm, when you look at internationally about 70% to 80% business comes through promotional offers itself. In India it is comparatively lower.

Devang Mehta: But in terms of number you will not be able to share anything?

Ajay Kaul: We do not share specific numbers for the promotion.

Devang Mehta: Have we closed any stores in the recent past or relocated them? What is the policy on that or any number as such?

Ajay Kaul: Last store we closed was in 2005 if I remember. It was in a mall in its food court,

Devang Mehta: So there is nothing as such.

Ajay Kaul: Yes.

Devang Mehta: On Dunkin' Donuts, just to understand the business dynamics, can you help me with what the business dynamics for CAPEX are for a store of average size?

Ravi Gupta: The CAPEX is in the range of about Rs. 60 lakh to Rs. 120 lakh. Right now we have not decided which exact format will work because we will be opening all size stores starting with express stores, food court stores to signature stores, so all kind of stores will get opened, so the range is pretty wide right now and average being around Rs. 9 million CAPEX, so please do not take Rs. 6 million to 12 million CAPEX which is there right now, as the final figure because the final model will decide what is the final CAPEX per store.

Devang Mehta: So out of the 10 stores that you are planning for the year, your format of the stores has not yet been finalized?

Ravi Gupta: Initially the first 10 stores we will be opening in all sizes and all formats and finally we will work out which format works best for our consumers and also best for us in terms of profitability. So then we will decide this store works best for the consumers and best for us so let's go for this kind of format. Although we have done research saying that okay this format ideation works, so we are working on this kind of format but the final step is yet to be decided.

Devang Mehta: Your assessment of what would be the time for a store to mature, some idea on that?

Ajay Kaul: There is no definition of maturity per se, like in Domino's when we talk about stores being profitable from day one of the operations. In Dunkin' also we are fairly confident that from the very first year of the operations they will be profitable and while we say first year and not first day itself because in the initial quarters we may not be able to be 100% profitable in some cases.

Moderator: We will take our next question from Rakshit Ranjan of Ambit Capital Private Ltd. Please go ahead.

Rakshit Ranjan: I just have one question on the rentals expense, rentals I think have increased faster than your overall sales. If I look at overall sales it has gone up by 45% whereas rentals have gone up by more than 50%. I would expect rentals to have a lot of economies of scale given the rate at which we are growing. Any specific reason why this has gone up?

Ajay Kaul: The new stores typically come at a slightly higher rental percentage compared to the mature stores. In terms of mature stores or we can say the same stores, the rental percentage typically declines but for the stores which are opening this year and have opened in the last couple of years -typically the percentage is higher, so it is the weighted average number kind of. So if you opened quite a lot of stores in the recent past than typically the percentage tweaks in the favor of the newer stores.

Rakshit Ranjan: It is not because the newer stores are being opened up on a much larger or much more expensive format?

Ajay Kaul: No.

Moderator: Our next question is from Hitesh Ahuja of New Silk Route Growth Capital. Please go ahead.

Hitesh Ahuja: Just wanted to understand the average daily sales share, if you do not share the volume numbers and the split between volumes and size but can we get a better qualitative commentary on what really has been your observation in terms of the volumes mix in the stores you are opening? That is my question number one. Second question is the new city which you are coming up with, can you talk a bit about what daily sales expectations do you have because these happen to be Tier-2, Tier-3 cities and just talk a bit about how that has an impact .

Ravi Gupta: First question I understand, you are talking about volume mix of Dunkin' stores?

Hitesh Ahuja: I meant the volume mix for current Domino's stores.

Ravi Gupta: The volume mix is something I just shared, about 80% of the sales comes from the pizzas and the rest 20% comes from the side orders ranging from deserts, which are the two desserts we have Choco Lava Cake and Butter Scotch Mousse Cake, also pasta and garlic bread, chicken wings, chicken kickers, all those products contribute about 20% of the sale.

Hitesh Ahuja: All I am saying is your daily sales being a certain number, if you break that up into average price per customer and number of tickets, would you be able to comment on that?

Ravi Gupta: We cannot share the transaction size or number of tickets.

Hitesh Ahuja: What will the sales mix look like in the new cities you are expanding into because these happen to be tier II & III cities, will that have an impact on your overall sales?

Ravi Gupta: In terms of sales mix what exactly you want to know, the (Bill Per Order) BPO mix and the number of orders or you want to know what is pizza sales from there?

Hitesh Ahuja: It is just that you already are growing at 80 to 100 stores each year but will they be able to give the same level of growth in top-line because these will be at cities where your volume or tickets costs would be lower given the overall footfalls in these stores would be lower? Would you be able to comment on that or do you think that would not be the case?

Ravi Gupta: I do not think we would be able to comment on that.

Moderator: Our next question is from Namrata Sharma of HDFC Securities. Please go ahead.

Namrata Sharma: We have recently seen that McD has cut prices in the range of 16% to 15% to get back volume growth, so can we see such kind of trend in our business? What kind of benchmark have we kept for volume growth in that level, where we will not go for price cuts?

Ajay Kaul: We cannot share internal benchmarks and so on with you, all we can say is two things, one we have high regard for McDonald's and they have obviously their own internal compulsions to kind of take that track. As far as we are concerned we believe that for the full-year we should be able to deliver at least 18% same store growth and we will kind of stick to that number.

Moderator: Thank you very much. I would now like to hand the floor over to Mr. Ajay Kaul for closing comments.

Ajay Kaul: Thank you very much for joining us today. We value your feedback, we had some really interesting questions and it is always a delight to interact with all of you. In the event that we have not been able to address your particular queries today please do get in touch with us and we will be very happy to respond to that. Thank you everybody.

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