



**Transcript of the Q1 FY18 Conference call for Investors & Analysts
July 17, 2017**

Call Duration : 01 hour 27 mins

Management Speakers : Mr. Shyam S. Bhartia, Chairman & Director of Jubilant FoodWorks
Mr. Hari S Bhartia, Co-Chairman & Director of Jubilant FoodWorks
Mr. Pratik Pota – CEO

Participants who asked questions

Manoj Menon - Deutsche Bank
Amit Sinha - Macquarie
Abneesh Roy - Edelweiss
Kunal Vora - BNP Paribas
Avi Mehta - IIFL
Chandrasekhar Sridhar - Fidelity
Vikash Mantri - ICICI Securities
Vivek Maheshwari - CLSA.
Aditya Soman - Goldman Sachs
Ankit Babel - Subhkam Ventures
Manoj Gori - Equirus Securities
Naveen Kulkarni - PhillipCapital
Amit Sachdeva - HSBC
Arnab Mitra - Credit Suisse
Abhishek Ranganathan - Ambit Capital
Nikunj Mehta - UBS Securities.
Dhaval Mehta - Emkay Global
Mayur Gathani - OHM Portfolio
Naveen Trivedi - HDFC Securities
Nishit Rathi - Chanakya Wealth Creation Advisors

Moderator Ladies and Gentlemen, Good Day and Welcome to the Jubilant FoodWorks Limited Q1 FY'18 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions at the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Urvashi Butani from CDR India. Thank you and over to you, ma'am.

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 Q1 FY18. We have with us Mr. Shyam S. Bhartia, Chairman & Director, Mr. Hari S. Bhartia – Co-Chairman & Director of Jubilant FoodWorks; and Mr. Pratik Pota – CEO. We will initiate with key thoughts from Mr. Hari Bhartia and follow that with the operating and financial discussion with Mr. Pratik Pota. 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 FY2018 release & presentation which are available on the company's website, under the investors section.

I would now like to request Mr. Hari Bhartia to share his perspectives with you.

Hari S. Bhartia Thank, Urvashi. And a very warm welcome to all of you. It has been an eventful quarter and I am happy to report that we have made initial progress in shaping our company for success. We took a number of actions in the quarter towards driving innovation, delivering value, and controlling costs. And I am pleased to see that our disciplined focus on driving profitable growth has begun having the desired impact.

I would like to reiterate some of the points that I have made during the last quarter. As you have seen we have curtailed our new store opening to a total of 13 stores this quarter. While this is not a reflection of the potential in the market, it certainly helps us to focus on improving margins by driving same store sales of our existing stores. We are continuing our work on increasing operating leverage by rationalizing costs in all areas. Results are evident in this quarter and we are hopeful of continuing to increase this impact in the coming quarters from the initiatives that we have already planned.

On the customer side, as mentioned in the last quarter we are bringing a lot of focus on value for money perception. As you all know, in April we launched our Every Day Value offer on medium size pizza, which attracted families and group of friends to order more pizzas at greater value. We got very encouraging results in this quarter and we hope to reinforce value for money perception by more initiatives in coming quarters.

As stated, we have improved digital experience of our customers. Our app continues to have new features to make it easier for customers to learn about our offerings and order pizzas. We will continue to invest in technology and data analytics to improve personal experience of all our customers.

At Dunkin' Donuts we have brought a new focus on our beverage and donuts, while food continues to be a strong play for us. And we stay committed to reduce loss by half by the end of this year.

At this point I must also congratulate the government's decision to start the GST implementation from 1st of July. Your company has fully implemented all the features that are required for a successful GST rollout. We have passed on all the reduction from almost more than 20% to now 18% differential to our customers.

To conclude, I wish to say that we are very much aware that the implementation of our new strategy is in its early days and there still lot remains to be done. But the progress made last quarter validates our conviction in the strategy. Going forward therefore we will stay committed to driving the strategic pillars of value, product and innovation, customer experience, technology and cost efficiencies. The quarter gone by also stresses our confidence in the underlying growth potential of our brand and the ability of our business model to unleash it.

With that, I would request our CEO – Pratik Pota to take this address forward. Over to you, Pratik.

Pratik Pota

Thank you Mr.Bhartia, and I welcome all of you on the call. During the last Earnings call, we had unveiled our new strategy for driving profitable growth. Today I am pleased to share encouraging progress in the execution of this strategy as reflected in our Q1FY18 performance.

During Q1 FY18, we grew Operating Revenue by 11.5 % to Rs.6,788 million. The increase came on the back of a 6.5% SSG in Domino's Pizza. EBITDA has come in at Rs.796 million, an increase of 38% over the same quarter last year. Overall EBITDA margins for JFL were 11.7% vs. 9.5% in Q1FY17 and 9.9% in Q4FY17. Profit after Tax improved by 26% to Rs.238 million in Q1FY18.

With respect to GST, we have seamlessly migrated to the new tax regime in the business without any downtime or adverse business impact. We ensured that our systems, processes and the IT backend were aligned and updated. We also worked closely with our vendors and business partners in order to ensure smooth transition.

During the quarter, we opened 13 new restaurants for Domino's Pizza and 1 for Dunkin' Donuts. We also closed 5 Domino's Pizza and 9 Dunkin' Donuts restaurants. Our total network count now stands at 1125 Domino's restaurants across 264 cities and 55 DD restaurants in 15 cities.

Our Sri Lanka business also reported good results with overall Revenues increasing by 24 % on the back of 8.9 % SSG.

Some of you may recall the strategic pillars that we have identified for our business and that we shared with you last quarter. In the next few minutes, I will give a quick update on our progress on these pillars during the quarter.

Driving Innovation and Product Quality is a very important theme and while you will see a lot more work happen in the future, we made a small start in Q1. We launched a new range of chicken products in Domino's – our Specialty Chicken range was launched in May and went national in June. Chicken has been a weak spot for us in the Domino's menu and the initial feedback to the launch has been encouraging. Similarly in Dunkin' Donuts, we launched the Big Joy Mayo Burger and the Shaken Iced Coffee. The Mayo Burger helped plug a competitive gap in the menu while the Shaken Iced Coffee helped expand the Beverage portfolio. Both of these are doing well, especially the latter.

Our second strategic theme is Value For Money. The Every Day Value pricing in Domino's Pizza has done well to increase Core Pizza frequency as also to get new users into the Domino's franchise. Based on the results, we are convinced that the approach of having a standard affordable price every day instead of driving frequent deep discounts is a more sustainable way of giving consumers value, allowing them to build consumption frequency and habit instead of waiting for specific days.

We drove Value in Dunkin' Donuts too, introducing a range of donuts at Rs.49 compared to the Rs.62 price point earlier. We also introduced a Donut+Coffee combo at Rs.89 with the objective of seeding the Donuts + Coffee habit. Both these are doing well.

On customer experience, our third strategic theme, we kicked off work to improve our customer experience across all the customer touch points –

calling in Stores and Delivery. Towards this, 2 DPI restaurants went in for reimaging, and a total of 100 will be reimaged through the year.

Our next strategic pillar is Leveraging technology. We launched an updated version of our App in Q1 and our online business continued to do well. Online sales now contribute to 51% of delivery sales, within which Mobiles contribute to 69 %. We will be adding some more functionalities to our App in Q2.

We brought a sharp focus on driving productivity and cost optimization across the organization. Some areas of work that saw cost improvements were Supply chain, Logistics, Advertisement and Promotions and a few other administration costs.

Finally on the organizational front, we increased our focus on Capability and rolled out our first ever development program for the Top 100 Frontline Restaurant Managers in partnership with IIM Kashipur. Additionally, we have increased our resourcing in critical parts of the business such as Digital and IT, with people coming on board for areas like Retail Tech, Payment, Analytics, IT Infrastructure, etc. Finally, it gives me great pleasure to share with you that JFL has been voted as amongst the Top 100 places to work as part of the Great Place To Work survey, whose results were released recently.

In conclusion, I would like to state that while we are encouraged by the early response to our new strategy, we recognize that this is only a beginning and that a lot more work remains to be done over the next few quarters. We will need to stay resolutely focused on our chosen strategy in order to restore the business to the path of sustainable, profitable growth.

As some of you may know, our CFO Sachin Sharma is moving on from Jubilant Foodworks for personal reasons. We thank him for his contribution to the company and wish him all the best for the future.

On that note I hand over the call to the moderator for the question and answer session.

Moderator

Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Manoj Menon from Deutsche Bank. Please go ahead.

Manoj Menon

The first question is actually on the cost side. If I may recall you had set up business excellence team in April 2017 and had AT Kearney coming in November 2016. So, could you just give some details in terms of what has been the things which they have identified, recommended, implemented and some quantifications if you can?

- Pratik Pota** Yes, you are right, there is an organization wide effort on looking at each and every line item of our cost very closely and attacking them for productivity and optimization. A number of different areas of work are going on currently, a lot of pilots are going on to demonstrate proof of concept. The results of these would start becoming progressively evident through quarter three and quarter four, we have had some very small numbers flowing into our P&L in Q2 but I would imagine that a lot more of that productivity will be evident in the P&L in Q3 and Q4. The areas of work to go back to your question that we are looking at are all encompassing, we are looking at raw materials and packaging material, we are looking at utilities, we are looking at manpower and labor, etc. So, every single line item of our cost is being looked at very closely for identifying productivity.
- Manoj Menon** The reason I asked this question because about six months back, if I recall, there was a comment that about 5% productivity improvement at a store level has actually been credited to this. I was just looking for some more updates on that line.
- Pratik Pota** Yes, Manoj, we have already had some significant improvement happen in terms of our cost line to illustrate with one number. Despite a 7% increase in store days our manpower cost has reduced by 1% and our effective manpower in store has further improved versus both last quarter and the same quarter last year. So, to illustrate, last quarter we had 22 people per store in Domino's, that is now down to 21, and that compares versus 23 that we had in Q1 FY17. So, that is an example of the kind of productivity that we have already got into the P&L. But like I said, a lot more work is on currently and you will see that progressively play out in the P&L from next quarter onwards.
- Manoj Menon** Understood, very clear. And sir secondly on the value for money, it is absolutely brilliant to actually see this being driven now actually from being sporadic to more VFM and an everyday value process. Just also trying to get is there a change in top-line because if I look at let's say 10, 12 years back, the hero in the company, if I am allowed to use that way, or the core competence the way it was looked up was actually logistics and delivery, pizza just happens to be a product, which was actually a by-product, maybe that is not the way you would want to put it. But now if I actually look at let's say the efforts now is actually to say that pizza has now become a hero and not necessarily delivery, etc. Two questions here, are you outsourcing now deliveries, etc, to the specialized players? If yes, how big it can get and how do you look at the cost in that sense?
- Hari S. Bhartia** Manoj, our focus has not changed, pizza is still the hero and will remain the hero. And we continue to deliver our own pizza, that is what we used to do before and what we are doing now. We use more and more technology and we have brought in more efficiency in doing all these processes but

pizza continues to be the hero and how do we deliver fresh, high quality pizza, make tasty pizza within 30 minutes to each of our customers.

Manoj Menon Understood. One last question I may sneak and then I will come back in the queue, have you made any changes to product, let's say have you made any investments in improving product quality, anything which you may want to call out which you have done in the last six months?

Pratik Pota Our core product and our core pizza continues to remain exactly the way it was and the way consumers love it. So there has been no change in the pizzas yet.

Manoj Menon Something like more cheese added or anything, nothing of that sort, so it is just the same product what it was before, it is just that the positioning of the price has been changed?

Pratik Pota Absolutely. The core pizza that we have got there has been no change. You may recall that we had launched an innovation in quarter four of last year which was a Quattro Formaggi Pizzas which had extra cheese. But that was an innovation and our core pizza remains unchanged. And the growth that we delivered in Q1 has been like you pointed out in the back of a strong execution of everyday value campaign.

Moderator Thank you. Our next question is from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha Just wanted to get a sense of the sustenance of the SSG number which we got during the quarter. What I mean is, do you see a trend there and not just a one quarter phenomena helped by initial euphoria of everyday value scheme?

Pratik Pota Amit, our same store growth has been built on the back of a strong performance of everyday value campaign like you mentioned. But our strategic pillars are beyond that, value is going to be one big driver, product improvement and innovation is the other, enhanced customer experience is the third and technology as a driver and as a prime mover is the fourth. All of these put together we firmly believe would help us remain on the path of sustainable same store sales growth. So we believe that the same store growth curve that you are seeing is not a flash in the pan and with the right inputs that we deliver on strategic pillars, it would be sustainable.

Amit Sinha That is very helpful. Secondly on the margin front, the gross margin has been broadly maintained on a year-on-year basis despite minimal price increases, obviously everyday value scheme also launched during the quarter. What I wanted to understand is how much is the headline food

deflation which we are seeing is helping you guys and basically how is your food cost behaving for the company?

Pratik Pota There has been an overall inflation in our food cost line driven by high inflation in cheese. Also some impact of the food cost of innovation launched last year in Q2, the Burger Pizza. However, we have challenged ourselves to maintain gross margins by looking at much lower discounts and lower promotions and that has helped us maintain gross margins.

Amit Sinha So, basically everyday value scheme versus the BOGO offers which we had is incrementally gross margin accretive?

Pratik Pota That is right. However, like we had said in the earnings call last quarter, over a longer period of time as we invest back in the product and in driving quality improvement we may see a small softening of the gross margin line and with food cost going up, but we will compensate that by having much higher productivity on the other cost lines, both variable and fixed.

Amit Sinha Thank you. Last question from my side is on the restaurant closure cost which you mentioned at around Rs 90 million for the quarter. This cost item would be divided by the employee cost and the other operating cost, right, is that the case?

Pratik Pota The Rs 90 million that you are talking about is on account of store closures, with only assets and the store closures that we had in the quarter. So, the employee cost is not part of that.

Amit Sinha So, this would be a part of the other operating cost in the P&L?

Pratik Pota In terms of Rs 90 million it will be part of depreciation, Amit.

Amit Sinha So, going forward this kind of cost should not be there in the depreciation item?

Pratik Pota This would be a function of our decision to close stores. And as sales growth comes back and holds up and as profitability per store improves the numbers would change. It would be a function therefore clearly of the way the store level economics play out.

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

Abneesh Roy Sir, on the SSG again, sir we are seeing recovery in most other retailers, fashion retailers, jewellery in Q1, so my question is how much of this recovery is broader based recovery in the consumer sentiment, how much is because of everyday value offer? And if you could also tell us how has

Burger Pizza done, because initially we were told it has done well, if more commentary can happen on that?

Pratik Pota So, let me take it one by one. I think the first point I would like to make is that even as our same store sales growth has come back at 6.5% we are yet to see a strong momentum and strong consumer sentiment uplift, that is not visible in terms of walk-ins, in terms of any variable that we track. So, that we believe is yet to come. On Burger Pizza, compared to the last two or three quarters our incidence of Burger Pizza has held up well, we believe this is an important part of our portfolio, our menu and it is holding up, it still continues to grow strong despite the fact that at the last three quarters we have not had any advertising and marketing inputs. You would recall that we had a strong support on campaign in quarter two of last year, but since then we have had only store level collaterals and despite that Burger Pizza has held up well.

Abneesh Roy And sir, everyday value offer and Burger Pizza, will it be each less than 10% contribution? I am trying to understand how much is the broader recovery.

Pratik Pota You are aware that we do not give specific number guidance for such initiatives, but it would be fair to say that the pivot of the recovery in this quarter has been the everyday value offer and the way it has helped us drive both orders, new customers and frequency.

Abneesh Roy Sir, one follow-up here, so this time premonment sales season has happened, so in your case how many stores will be favorably impacted by this being in the malls, what is the percentage?

Pratik Pota Can you repeat your question?

Abneesh Roy Sir, this time most of the fashion retailers have preponed their sales season, so obviously in June month there has been much higher footfalls in the malls. So, in your overall Domino's what is the percentage stores in the malls, so that would have been favorably impacted?

Pratik Pota Abneesh, it is a good question. Yes, we did see increase in footfalls in the malls on account of the sales, but given our business being both by delivery and dine-in we saw agnostic growth on both parts of the business. I am sure there were some marginal impact on account of the footfalls but our recovery was much more widespread beyond just that impact.

Abneesh Roy Sir my next question, you had eight closures of Domino's in previous quarter and five stores in this quarter and in the previous quarter you said some were because of mall closure. Similarly, if you could elaborate in this five closures what is the underlying reason and what is the plan for next three quarters, is most of the closures in Dominos already done?

- Pratik Pota** So, we had five closures in the case of Domino's. If I can give you the reasons for the five, two of them was because we merged the stores with stores in the proximity, because we debottlenecked the other stores and were able to drive incremental throughputs with the same store, and therefore pulled back cost. One store in Madhya Pradesh in a place called Harda which is district headquarter town about 140 kilometers from Indore, in that town we had the store opened in the mall but the mall just did not pickup, and the multiplex which was supposed to come in there did not come in and the anchor tenant also backed out at the last minute. So very local reasons like this lead to some of these closures.
- Moderator** Thank you. Our next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora** Sir, on Dunkin' what will be the medium-term strategy? Would you look at shut it down if business does not turn profitable? And would you look to add a third brand to the portfolio in the medium-term?
- Hari S. Bhartia** So, all our efforts are to correct the store model so that we can make the store model profitable by next year. As of now we are not contemplating to close the brand or anything like that. We are very hopeful with all the good initiatives that have been done, we are starting to see very good results and we do hope that we will be able to bring all stores to profit in the next two years. And we have had good learnings in the past and we are very, very hopeful. As regards to the third brand, we continuously look at the market as well as opportunities and ideas. We do some development work, but as of now I have nothing to report on a third brand.
- Kunal Vora** Sure. Sir second question on GST, how do you see the impact on your company and the industry, do you expect compliance levels in the restaurant industry to increase and benefit the organized players?
- Pratik Pota** As GST is rolled out, overtime we will certainly see a movement away from small unorganized players to organized food service participants. So yes, it will benefit the industry as a whole. I think the benefit of that on specific QSR chains would be a little bit more distant, but it would make it more organized and therefore make the industry grow.
- Moderator** Thank you. Our next question is from the line of Avi Mehta of India Infoline. Please go ahead.
- Avi Mehta** So sir, the first question was on everyday value, is there more a movement away from Pizza Mania that you are seeing? And on margins I wanted to understand two aspects, one was a drag on Dunkin', if you could kind of give us a sense on what that is? And B, why there is a QoQ decline in rental costs despite net additions to our count?

- Pratik Pota** So, let me start with the first one on the everyday value. The everyday value has impacted the business positively on three fronts, the first one is that it helped grow the frequency of existing Dominos customers. Number two, it has helped drive entry of new customers into the Domino's franchise, non-users to users. And the third bit is that it helped convert some of the Pizza Mania customers and upgrade them into core pizzas. So, it has been sort of a three-way impact on one business and on both revenues and on transactions. So yes, to some extent we have seen Pizza Mania consumers upgrade as they walked into our stores.
- Avi Mehta** Or it was largely driven by the third is what I was trying to understand, that what the question was all about essentially.
- Pratik Pota** No, it is driven more by a combination of existing consumers increasing frequency and the influx of new customers rather than upgrade of Pizza Mania customers to core pizza. So that has had a small road to play but the first two were the bigger drivers of EDV SSG.
- Your second question on Dunkin' Donuts and the impact in the margins, we have seen the impact of Dunkin' on the overall EBITDA has reduced from 255 basis points same time last year to 145 basis points in the P&L this quarter. So that is number two.
- Your third question that you had was on rent, is that right?
- Avi Mehta** Yes, why is there QoQ decline?
- Pratik Pota** So, there are two parts to it. One is that while our number of store days of Q1 versus Q4 last year have remained flat, there have been no increase in the store days between the two quarters, number one. Number two, between last quarter's negative 7.5% to a plus 6.5% same store sales growth you have seen the leverage play out on your rent cost line. That is number two, and a very small benefit flowing through on account of store closure but that is not substantive, but there is a number there.
- Avi Mehta** So, does this absolute number have some rental cost related to the store closure, that is what I was trying to understand.
- Pratik Pota** Yes, there is some benefit on account of store closures flowing into the red line, but like I said it is not a big number.
- Avi Mehta** Okay. Is there a guidance to the tax rate that you give for the year?
- Pratik Pota** The expected tax rate for the year is 34%.

- Moderator** Thank you. Our next question is from the line of Chandrasekhar Sridhar from Fidelity. Please go ahead.
- C. Sridhar** Just a clarification, if I look at your menu pricing it seems to be down about 1.5% or something post GST which is basically your effective tax rate earlier where you were paying 19.5% is down to 18%. So it just seems that you knocked off the differential in service tax, what about the input tax credits?
- Pratik Pota** You are right, the change in taxation on account of moving from compensate tax to GST in Maharashtra has been passed on to the consumers in the form of lower menu prices. In rest of the country we are seeing the incidence of tax anyway go down and therefore that has been fully passed on. In terms of input tax credit benefits that we are getting, as we have said in the last call we would like to reiterate that we are completely committed to passing on every bit of that to consumers in the form of improved value and you would see more of this play out in the next few months. So we do not expect the benefit of input tax credits following GST to flow into the P&L, it will be passed on to the customers.
- C. Sridhar** So there is some additional value or something which you are basically going to give to the customers, that is how it is going to play out?
- Pratik Pota** Yes, we would be doing that. And for reasons of competitive nature we would not be able to elaborate on that, but absolutely we are committed to doing that and passing on that to the customers, and you would see that play out overtime.
- Moderator** Thank you. Our next question is from the line of Vikash Mantri of ICICI Securities. Please go ahead.
- Vikash Mantri** On the Dunkin' Donuts business, now in the last two quarters we have exited like eight cities. Just wanted to understand a broader plan, exiting cities means that we are also writing off for a considerable point of time a reentry into those cities. So could you help us with what is the strategy or outlook on that? B, also do we have a guidance for number of store closures that we should expect in both the brands given that we would have made up our mind now for the full year?
- Pratik Pota** Yes. On Dunkin' Donuts I think I have mentioned earlier we are on the path of profitability, we are committed to reducing our losses by 50% this year and targeting for operating breakeven by exit of next year. Towards that we have taken the tough decisions to close some stores in a few specific towns. We are focused on driving same store sales growth and unit economics in existing markets, we are looking a combination of different store formats and different menu items, the sharper focus on beverage and on donuts to help us get back to same store sales growth. And once we do

that, once we have the model stabilized and the unit economics right we will be talking about scale up in Dunkin'. But our agenda right now is to cut operating losses and reduce them by 50%.

- Vikash Mantri** On a net base should we expect stores to increase over two years?
- Pratik Pota** It would be hard to say but our endeavor is to be, again as I said in the last call and just to reiterate, we are in a growth industry and it is our endeavor to make sure we get on the path of sustainable growth. So that would be the endeavor to arrive at a profitable and a sustainable growth algorithm for Dunkin' Donuts. But in the immediate future, the next six to 18 months our focus would be on bringing Dunkin losses to zero.
- Vikash Mantri** Any guidance on Domino's store closures that you can expect for this year?
- Pratik Pota** We do not give guidance, as you are aware, for store closures. I think to be fair to say that our focus right now on Domino's is on driving growth, sustainable growth by focusing on the pillars that I have talked about earlier. And the more we can deploy energies behind those pillars and the more we can get growth going the less we will be talking about the stores shutting down. So that is a focus of the business and we will not be sharing guidance because we do not have one right now.
- Vikash Mantri** The reason I am asking this is, is the process of identifying on a store closure completed or it is an ongoing task?
- Pratik Pota** That is a good question, the process of looking at stores and the profitability is very much an ongoing process and it happens every month and depends on the performance of the stores in terms of profitability. So you are right, it would be hard to say at a point of time that we are done or not.
- Moderator** Thank you. Our next question is from the line of Vivek Maheshwari from CLSA. Please go ahead.
- Vivek Maheshwari** My first question is on the Rs. 90 million, Pratik. Could you clarify, it is from the depreciation line item, is it?
- Pratik Pota** The Rs 90 million that I am talking about is figuring the depreciation line and that is towards the cost of store closures.
- Vivek Maheshwari** But how can there be such a big number, I mean, if I look at your annualized depreciation number itself, that is just about Rs.165 crore on an annualized basis trading four quarters, so this number itself is like 5.5% of that, the entire depreciation will also include your commissaries which serves as a backend, how can there be such a big number is something I am unable to

understand, so what exactly it would be beyond just the store depreciation or whatever?

Shyam S. Bhartia These are the fixed improvements what we make in the store, that is completely written off, whereas some of the equipments which can be used in other stores, we take it out and use it, we do a lot of fixed improvements in the store when we open a store.

Vivek Maheshwari Was there a similar thing in third and fourth quarter also when you had store closures in aggregation of the preceding two quarters as well there?

Pratik Pota No, no, we do not have any amount provided for the preceding quarters, it was booked in the preceding quarter themselves.

Vivek Maheshwari Possible to get that number... would it be handy?

Pratik Pota We will come back, Vivek, with the number.

Vivek Maheshwari My second question, one of the points that Mr. Bhartia just mentioned about, we are a growth industry; this year perhaps as it appears it is great, the way which you are going about in terms of margins, menu and all. But do you think year FY'18 is a year of consolidation and we go back to aggressive store expansion as was the case in the past or it may take a while before we hit those levels?

Hari S. Bhartia Definitely, as I said in my opening remarks that we are bringing greater focus on the stores which are already on ground, because we do see a lot more potential than the level that they are operating in. So when we are reducing the number of store counts, it is toward reflection of the total potential in the market. So India still has a very large potential to open new stores. But as a company, you rightly said that this year is to bring focus on profitability and store growth and we are hopeful that these numbers, we should be able to increase in the coming years.

Vivek Maheshwari Pardon me for asking this, but when you look back, what would you say in the last few years that seeing business performance deteriorating, do you think you are a bit late in kind of addressing some of the issues on the cost side which is why the performance actually went down to whatever level it is and margins went down below 10% and all?

Hari S. Bhartia On hindsight, everything looks very easy and at the Board as well as at our management team level, we have continuously evaluated our actions. Yes, on hindsight, some of the actions could have been initiated a year before than what we started. At the hindsight, we can say that some of the inflation because we have seen years of very high inflation in the food. Now, we did pass on a large part of it, not completely but a large part of it

to our customers because the food inflation was running at some point at 10% and at hindsight, yes, our value for perception did go down as I said in the last quarter's remarks and we are bringing that back very consistently and strongly.

Shyam S. Bhartia Some of the last year's events like demonetization was unplanned. That has taken us aback completely.

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

Aditya Soman I just wanted to understand the impact of store closures on the same-store sales because I understand that there will be a level of cannibalization because of the new stores or cannibalizing existing stores. So given that we have closed stores also in the past two or three quarters, has that had a big impact?

Pratik Pota The number of stores that we closed in relation of the number of stores that we have as universe are very small. So the impact of these on overall same-store growth has been negligible. We have seen same-store growth come from market where we have had closures and more importantly, from where we have not had closures. So this is the democratic all-round growth that we have seen across markets.

Aditya Soman In terms of overall volumes, can you comment if there has been a significant improvement in number of Pizzas sold or in the number of orders which are the way you look at it.

Pratik Pota As you are aware, we do not share specific numbers, but it could be fair to say that we are seeing some improvement in our order trajectory on account of the 'Everyday Value' offer. We have seen growth come from both transaction size and orders and that is what is giving us lot of encouragement.

Moderator Thank you. Our next question is from the line of Ankit Babel of Subhkam Ventures. Please go ahead.

Ankit Babel I have two questions; one is sir, now since you are more focused on sustainable and profitable growth, so if I have to take a three-year view, say FY'20, where do you see Jubilant FoodWorks in terms of your profitability and top line growth on CAGR basis?

Pratik Pota Thank you, Ankit. Our objective is very clearly to stay focused on the strategic pillars that I have outlined earlier in the call, delivering superior products, driving innovation, value for money to consumers, improving customer experience, driving technology edge, and, of course, focusing

internally on costs and productivity. Those are pillars that we believe will sustain for us for the next few years. As to how that will play out and what will be our numbers, two, three years from now, it would be hard to speculate in conjecture. But we have to stay committed and we are committed to having this path on for us for the next two or three years.

Ankit Babel

The reason why I have asked this question is because in the last conference call also, I had discussed the same thing that your margins have come down from 17%-18% to around 10%. Now, we have just started an improvement. What is your potential to take these margins backward, what level sir, I mean, can it go back to those levels in three years' time or we should assume that it will never go to those levels?

Hari S. Bhartia

Too early to state. We would not like to give the guidance but in general, we have said that we continue to reduce cost and growth on same-store sales and new stores additions. So we are committed to it in the long-term and in this next one or two years.

Shyam S. Bhartia

Very difficult to give a guidance and we do not give guidance of such futuristic nature.

Ankit Babel

In the hindsight, we are seeing that whatever growth we have done by expanding the stores at very aggressive pace, today, we are realizing that it was not the right strategy because it is hurting our profitability. Now, what is the guarantee that going forward when you again go for an aggressive plan, say FY'18 is a year of consolidation and from FY'19 onwards, suppose if you again start opening 100-150 stores, so what is the guarantee that at that point of time, the margins will not be impacted, so what are the learnings you have learnt from the high pace of opening of stores?

Hari Bhartia

No, but firstly, let me say that the number of stores that we have closed is miniscule, in fact, we have in the past turned around almost all the stores, So compared to other food chains, our total store closure is 19 stores out of total of 1125. Whatever aggressive growth that we take, I think it is giving us good results, it had given us a good platform to now sell pizzas across a large number of cities compared to any other food business in India. And we are present in 264 cities today and we are starting to get operating leverage because of that. In future, yes, we will be more rigorous in the way we choose our stores, but if the consumer sentiment picks up, all our strategic pillars as Pratik explained start to give us very good results, we will definitely increase the opening because as and when we see an opportunity, we need to open a store. So I would not say that we were at any point overaggressive, I think we have built a very large and a strong platform to sell pizzas across large number of cities.

- Ankit Babel** I had just missed that part; you said that you were targeting to bring the losses of Dunkin' to zero. By when you said that -- next few quarters or what?
- Hari Bhartia** No, we said we will bring the losses to half this year, that is what we are committed to and at store level, we are hopeful to bring profitability next year.
- Moderator** Thank you. Our next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.
- Manoj Gori** If I look at FY'17 where we had a negative 2.5% same-store sales growth, so obviously this year we are having a favorable base to report better same-store sales number. So are we confident in all the actions that we are taking because I truly agree that you are already closing stores which are not performing and that gives you confidence for better same-store sales for this year, so are you confident for the next year as well you will be able to deliver a better I would not say a specific number but broadly like what are your expectations for FY'19?
- Pratik Pota** Manoj, we are lapping a year like you said where we are negative 2.4% same-store growth. Our plans that we have built for this year that we have rolled out and that we shared with you on the last call are all aimed at addressing fundamental drivers of growth in terms of product quality, in terms of pricing, in terms of access and technology, in terms of customer experience and service. And because these are so foundational in nature, we believe these are going to be enduring and will help us drive growth in the quarters to come. As to how will that play out next year? It is hard to tell and hard to conjecture. But we have the conviction that these strategic pillars are going to be right for driving sustainable growth for our business and we are enthused by the results of the strategy in Q1.
- Manoj Gori** Sir, secondly, if I look at you have been closing your stores since last two-to-three quarters, so currently if I look at the list, you must have identified the number of stores which are already like you are keeping a close watch, so can you quantify those numbers are on your radar at this moment, like you are closely monitoring the performance of those stores, suppose like you have closed your Domino's stores?
- Pratik Pota** Manoj, we have to-date closed 19 stores for Domino's Pizza and 32 for Dunkin' Donuts. Last quarter, we closed as you are aware five for Domino's and nine for Dunkin'. We do not have a specific target for store closure going forward. Our attempt is to ensure that we drive store level profitability through combination of getting same-store level growth going as also cutting down on costs. So we do not have a specific store closure number in mind.

Moderator Thank you. Our next question is from the line of Naveen Kulkarni from PhillipCapital. Please go ahead.

Naveen Kulkarni Sir, what I wanted to understand was the strategy for Dunkin'. Earlier guidance used to be Dunkin' with 120-stores would start delivering positive EBITDA number, and now with no significant store additions on the other hand, we are cutting the number of stores. How do we expect the losses for the segment to come down to zero? Secondly, on Domino's, are we maintaining our store additions guidance for this year FY'18?

Pratik Pota So, Naveen, let me answer the second question first on store plans for Domino's. We had shared with you on the earlier call a plan of adding between 40 to 50 new Domino's stores in FY'18 and we stay committed to that number. So that is as far as Domino's is concerned. On your earlier question about how do we plan to reduce Dunkin' Donuts' losses, there are very clear work swings that are going on right now both addressing the cost part of the business as also the top line. Let me talk about the cost lines first -- #1: closure of the most unprofitable stores, we have very clear track of which stores we believe will not turn around, so we are looking at closure of the stores and you have seen those numbers play out in the last few quarters. #2: rental renegotiation of existing stores - we have seen some success there, but more work needs to be done. #3: much sharper marketing efforts" - where we are looking at less mass media, but much more store level marketing and use of digital media which is obviously lower cost. #4 - reduce corporate overhead - we are looking at tightening the team and making sure that we invest in the front line but cut down the supervisory layers. #5 : lesser discounting and moving to Everyday Value" -- Once again, just like on the Domino's side, we have seen the power of every day pricing on Dunkin' Donuts as well, with the launch of Rs.49 Donuts instead of deep discounting has helped bring down our discounting cost and yet drive transaction. The other thing is looking at smaller store format which will come with lower rentals. So those are the cost parameters and the cost attributes on which we are working.

On the top line side, as I shared earlier, we are focused on driving Donuts and Coffee with limited food range, and again, our success with both the value Donuts and the value Donuts plus Coffee combo is giving us some encouragement that we will have some top line momentum come back to the business. So it is a combination of looking at cost very closely while looking at driving top line growth. That is the model for us to get Dunkin' Donuts back to profitability.

Naveen Kulkarni What would be the negative impact of Dunkin' Donuts in this quarter sir?

Pratik Pota Naveen, it is 145 basis points on the overall JFL EBITDA, down from 255 basis points in Q1 FY'17.

- Moderator** Thank you. Our next question is from the line of Amit Sachdeva of HSBC. Please go ahead.
- Amit Sachdeva** Pratik, can you split what is happening on delivery SSG and dine-in SSG? Second, what is the SSG in the top-10 cities and the rest of India and any pricing impact in SSG in the quarter if you can split it out as well?
- Pratik Pota** Thank you, Amit. In terms of your first question on delivery and dine-in, we have seen growth come on both parts of the business and we are seeing therefore the impact of every day value play out on both. In the case of delivery, it is more coming from increase in frequency of existing customers. In the case of dine-in, it is driven more by Pizza Mania customer upgrades and actually more so by new customers walking in. So there are different drivers for growth but both of them are contributing to the total growth that you are seeing on SSG. Now coming to your question about SSG by town class. What we are encouraged to see, Amit, is that this impact of the 'Everyday Value' promotion and the package is being seen across all pop straight towns, and there is no specific bias that we see toward either small towns or large towns. So that is what gives us encouragement that it is a fairly democratic response to the 'Everyday Value' package, whether it is delivery and dine in or whether it is by town class.
- Amit Sachdeva** Pratik, another thing, when you say improvement in quality and obviously improving the value proposition of Pizza which is the central piece of the whole strategy and you keep referring to the quality piece of it, I want to ask you that when you look at quality and value sort of construct for a product and when you sort of look at the attributes which may define products such complexes pizza which has taste, materials, texture, everything, how do you really define that quality and the benchmark of it and when you say when you are improving product quality which attributes are you really trying to address – is it material or look and feel, how heart should be, where you see most diagnostic points so that where the yield will be the best in terms of customer sort of retaining and increasing, so if you can help me think through that, that will be very helpful?
- Pratik Pota** Amit, Let me first start by saying that our Domino's Pizza customers love our current pizzas and our Customer Satisfaction Scores on product quality are absolutely top of the charts. We have no challenge with product quality right now; however, said that we recognize that product quality is a continuous journey and as the benchmark moves, we have to keep delighting our customers. That is why I was referring to our attempt to raise the bar on product quality and innovation. As to what are the various vectors on which we can improve quality, you referred to some of them. But I would not like to elaborate and be more specific right now for competitive reasons, but it would be fair to say that we are looking at all

parts of the product which makes for a superlative customer experience and working to improve on that.

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

Arnab Mitra Firstly, on the gross margin. I was seeing between the fourth quarter and the first quarter where in the fourth quarter you did not have the BOGO running at all. There is just 50 bps increase in the RM cost or the 50 bps reduction in GM despite the 'Everyday Value' coming through. So could you help me understand why there is such a small difference with no offer and a full offer running in the same period – is it largely from mix or any other element of input cost reduction?

Pratik Pota Mainly there is an impact of cheese inflation that we have seen where is the cost increase, that is playing out in this quarter. Cheese forms a major portion of our food cost. We have begun to see evidence of that in last quarter itself but that has firmed a little bit. Other than this we are seeing some impact on account of innovation... the cost of innovation that we have done, the chicken that I talked about earlier comes under slightly higher food cost and that has impacted our gross margins. But overall, the higher cost that we have got has been compensated by other areas of productivity that we have driven. So net-net the impact on gross margin is only like I said 50 basis points.

Arnab Mitra Actually I would have expected it to be much higher with 'Everyday Value' running versus nothing running in the previous quarter. So my question was the impact is actually much-much lower compared to what one would have expected?

Pratik Pota I understand the question, but like I said, it is a play of these variables which have played out and we have had a very marginal impact on our gross margins. I am happy to connect with you offline, Arnab and give you more clarity. But like I said in terms of the play between our promotion cost, our raw material cost, some inflation that we are seeing compensated by productivity that we have got, has helped us maintain gross margins at 50 basis points versus Q4 last year.

Arnab Mitra Secondly, on the new addition of stores, I was noticing that this is one of the first quarters where the total number of cities have not changed at all. So is it a conscious decision that within the 40-50 store addition in Domino's it will be very little of new cities and more of existing cities itself?

Hari S. Bhartia We have actually added one city in this quarter which is Wardha in Maharashtra, which is what we have added for Domino's. So yes, while there is one addition, it is not the same numbers that we have had in the

past. Our store addition plan of 40-50 includes both store opening in existing towns and in new markets. So there is no specific intention that we have of slowing down on new town openings. It is a question of us able to evaluate the growth prospects in these markets as they open up. So there is no status intention of slowing down and we have indeed opened one town in Q1.

Arnab Mitra Any major minimum wage hikes that you have seen because typically this is the time when you would look at a annual wage hike, so how are you looking at that and any pressure points there?

Pratik Pota We are seeing the impact on our employee cost, as a result of three or four forces that are playing out, there is a higher store days by 7%, that has impacted the personnel cost, the cost of annual increments that happen every year. Also there is minimum wage inflation in a few states as also the wage inflation on account of competitive demand for labor and this was being compensated partly by improved productivity where our labor per store as I mentioned earlier has gone down from 23 in Q1 FY'17 to 21 in Q1 FY'18.

Arnab Mitra Has the wage hike already played out for the fiscal year '18 or the salary increase that you give to your store employees or to the front end will play out going ahead?

Pratik Pota Some states have already played out like in Karnataka, in Tamil Nadu, in Maharashtra. But again, this is a moving target. As more states notify minimum wage increases or as the wage benchmark moves up on account of competition, we have to correct some of our own wages to stay competitive. However, it is our endeavor to compensate for this increase by driving more productivity in our stores through use of technology, use of outsourcing, more variable manpower and so on. So you will see some bias upward as more states notify minimum wage increase, but we will compensate that by looking at more productivity.

Moderator Thank you. Our next question is from the line of Abhishek Ranganathan from Ambit Capital. Please go ahead.

A Ranganathan Sir, two questions from my side -- One is on the same-store growth. Can you give indicative side of what is driven largely by volumes or pricing/mix, 6.5%.

Pratik Pota As I mentioned earlier in my remarks, the 'Everyday Value' offer has driven both our transactions and our orders as also ticket size. So, we have seen both of them play out differentially in the dine-in environment and in the delivery environment, but both have impacted the SSG. That said, if you have to put on one which is the bigger and more-more primary, I would say

it is the ticket size that has been more of a driver of SSG in the quarter than order growth.

A Ranganathan

Related to this, is that the first quarter of 2017, there were two particular issues which resulted in a negative 3% SSG I remember, in the call was said there was a delay in new products and there was also some effect of the Ramzan festival being spilled over and EID being celebrated in the second quarter as compared to first quarter this year. So, I just wanted to get a sense of your assessment of how much of these two events had on the SSG?

Pratik Pota

Let me start with the second one first, you are right, the impact of Ramzan and Eid being in Q1 versus Q2, that has had some impact. But again over a 90-day period, not a substantial one and we modeled stores where the impact of Ramzan and Eid was higher versus places where it was not and we have not seen a large differential growth. So therefore, we feel reassured that it is not the festival timing that is driving growth. That is on your second part. On your first part, yes, we had a slight delay of about a week to ten days last year Q1 in rolling out new initiatives, but again, we are seeing that over the quarter as we have begun lapping stronger growth and stronger activity, we have not seen growth momentum weakened. So that tells us that it is not just the timing that is driving us growth.

A Ranganathan

My second question was on rent. Thank you for sharing the rent number for the March quarter. The rent for the March quarter basically went up significantly compared to the rest of the year...I am talking for the last financial year '17. Would you help us understand what resulted in that significant jump – we were at Rs.73-odd crore in December 2016 quarter and we closed March 2017 at almost Rs.81 crore and now we are on that trajectory. Could you help us understand what changed in the March quarter on rent?

Pratik Pota

Abhishek, three or four things that have led to the rent number that you see in the P&L -- The first one is incremental stores as you see there are 68 more stores that we have than we had same time last year. Then the contracted rent escalation that is part of all the agreements and that has played out in Q1. Also the full quarter impact of stores opened through the quarter last year and that has obviously had upward bias on rent cost, compensated partly by rental of closed stores and some marginal savings on account of rent renegotiation.

A Ranganathan

You have had Dunkin' benefit or the margin gain it is about almost 105 basis points on the overall EBITDA margin, which means that we have about another 100 basis points has come from Domino's, which leads me to the question is that, at 6.5% SSG, our EBITDA margin expansion is only 100 basis points. What would be your comments on this?

- Pratik Pota** As you know, we do not dissect the results separately between Dunkin' and Domino's. I would like to pull back and make a broader point which is that we look at all the numbers internally, we have done all the modeling and we are fairly confident that we have the right trajectory that we have on for both Domino's and for Dunkin' Donuts, where if we stay committed to those pillars that I talked about earlier, we will get growth and we will get profitable growth. So we will see growth sustain and we will see margin improvement sustain as well both on Domino's and on Dunkin'.
- A Ranganathan** Sure, I appreciate that, Pratik. The only thing is that I am just trying to understand that the operating leverage which one would expect out of 6.5% SSG does not get reflected just by 100 basis points jump in Domino's, I mean if I was to just bifurcate it, I know you do not do it, but I am just looking at from that perspective?
- Pratik Pota** That is fair, but again, like I said, our conviction remains very strong that we are on the right path on both businesses.
- Moderator** Thank you. Our next question is from the line of Nikunj Mehta of UBS Securities. Please go ahead.
- Nikunj Mehta** Two questions from my end. So just looking at the sales mix, what is the split between delivery takeaway and dine in, in this year and how has it been moved over the last five years if you can say?
- Pratik Pota** Nikunj, as we mentioned in the past, our delivery and dine in contribution remains roughly 50-50 and we have seen growth on both parts of the business, and therefore, the contribution has remained pretty much around the same area. There will be no material shift in contribution between dine in and delivery.
- Nikunj Mehta** On the EBITDA level, the mix of delivery takeaway and dine in, is it the same at what it is at the revenue level?
- Pratik Pota** Both delivery and dine in remains profitable for us and our EBITDA mix is not very different to this.
- Nikunj Mehta** So coming to employee rationalization, is there any upfront cost which we need to take and how do we account for that?
- Pratik Pota** We had an employee rationalization exercise that we did in Q4 FY'17. There was no exercise carried out either in Q1 FY18 nor is there a plan to do any of such activity going forward.
- Nikunj Mehta** So what happens to the rental agreements for the closed stores...is there any penalty or anything part of the contract as such?

- Pratik Pota** No, there is no penalty agreement or there is no penalty clause that we have as part of the rental closure. We have had extensive dialogue with the landlord to ensure that we signed a settlement with them before we actually vacate the property. So it is amicably and there is no penalty that is imposed.
- Moderator** Thank you. The next question is from the line of Dhaval Mehta from Emkay Global. Please go ahead.
- Dhaval Mehta** My question is on Dunkin'. Sir, there is 110 bps EBITDA margin improvement which we have seen in Dunkin'. Can you tell us which line item has aided this margin expansion and how much sustainable it is?
- Pratik Pota** Dhaval, the improvement in profitability on Dunkin' has come across all the line items I talked about earlier. There has been improvement in our marketing cost, we have reduced discounting significantly. Our rental line item also has shown improvement. So it is a steady widespread improvement across with the cost lines on Dunkin'. We have also seen some momentum on the top line that will help improve the P&L. So it is both cost reduction as also top line growth.
- Dhaval Mehta** Sir, with increased focus on beverages have gross margin improved because ideally beverages will be having a higher gross margin vis-à-vis food?
- Pratik Pota** Yes, you are right, Dhaval. One of the outcomes and the objectives and starting point, we are focusing more on beverages and on Donuts is to reduce the overall food cost. So as our mix of Donuts has increased and beverages have increased, we have seen a softening of the food cost for Dunkin' as well.
- Dhaval Mehta** My last question is on Domino's. Sir, 19-odd Domino's stores which we have closed in last three quarters, can you tell us the average like whether most of the stores which were started were let us say two-year old or even the older stores which we have closed down?
- Hari S. Bhartia** Dhaval, it is actually a dispersion of vintage. So it is hard to pinpoint a centre of gravity and say it is from this year. Some stores were back from 2002, 2003, some were from 2007, some more recent where we have had expectations of growth but that property did not deliver as much. so it is a fairly distributed vintage.
- Moderator** Thank you. The next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.
- Mayur Gathani** Just wanted to check how many stores have you renovated till date?

- Pratik Pota** Mayur, our plan for the year is to renovate and reimagine 100-stores. We made a small start in this quarter with reimaging of two stores and we intend to complete the balance 98 stores progressively over the next three quarters.
- Mayur Gathani** What is the cost that we intend to incur?
- Pratik Pota** Most of these stores, Mayur, are what we call rapid reimaging stores which entailed a cost of roughly between Rs 13 to 15 lakhs, that is Rs 1.3 to 1.5 million and less than two days shutdown typically under a couple of days for makeover happen.
- Mayur Gathani** What is the update on the commissary side...has that been started?
- Pratik Pota** Mayur, happy to report that we started internal trials in a commissary but we shall be commissioning the new facility by the end of this month.
- Mayur Gathani** So we could see some improvements on the logistic side also because this will be a big commissary, right?
- Pratik Pota** That is right, it is the largest commissary we have in the country and it will give us headroom to grow for many more stores and many more years. So we will see the benefits of this flow into the P&L progressively over the next few quarters.
- Mayur Gathani** As on date, you are not quantifying the number of stores you could be looking at for closing down in Domino's and Dunkin' right?
- Pratik Pota** No, Mayur, we are not quantifying the number of stores the way we are targeting for closure. Our attempt and our singular focus right now is to drive growth and to minimize that number. So we do not have a particular store closure target.
- Moderator** Thank you. The next question is from the line of Naveen Trivedi of HDFC Securities. Please go ahead.
- Naveen Trivedi** Sir, my question is if you can just give us some idea about how has been the industry growth during the quarter?
- Pratik Pota** It is a good question, Naveen. I wish I had a definitive answer on overall industry growth. I think if I were to talk of two trends, the first one is vis-à-vis a period ago, clearly given what happened in the last two quarters, we saw recovery of business momentum in this quarter compared to Q4 last year and Q3 last year. So that is an obvious one. Overall, however, we do not see as I mentioned earlier a strong return of momentum in the industry

yet. So the macro improvement and the consumer sentiments and the footfalls improvement I think is yet to come.

Naveen Trivedi So in a scenario when the industry growth is not very strong, you are still very confident of sustaining your SSG in the coming quarters, maybe if competitors also take the same strategy what we have adopted in the last two quarters, I think that our SSG growth can sustain to high single digit?

Pratik Pota Yes, Naveen, we are very confident and we have done a lot of consumer work, we have done a lot of testing and we believe that what we have got before us is the right set of variables to drive growth. Our own experience in Q1 just gone by indicates that confidence and the conviction. We are not worried about our growth not continuing. We are confident that growth will sustain.

Moderator Thank you. The next question is from the line of Nishit Rathi from Chanakya Wealth Creation Advisors. Please go ahead.

Nishit Rathi Has the commissary depreciation come into your P&L now?

Pratik Pota The new commissary will be commissioned now. So that will start flowing in from Q2 and that has not been evident in the Q1 P&L yet.

Nishit Rathi If I were to just try and understand your basic depreciation this quarter was Rs.47 crore, that includes Rs.9 crore of one-off, so your basic depreciation is more like Rs.38 crore. is that the right thing and that will go up because of commissary depreciation whatever the amount is?

Pratik Pota That is right.

Nishit Rathi Could you just quantify approximately what should we expect in terms of increase in depreciation due to the commissary?

Pratik Pota I will get back to you separately.

Nishit Rathi Are you basically saying the trajectory that you had seen in same-store sales growth is an improving trajectory wherein April better than march, May better than April and June better than May or has it been more evenly spread, if you could give some color because there is some definite confidence with which you are talking at same-store sales growth is coming back, so would just love to understand if there is any color in that sir?

Pratik Pota We try and look at the numbers at a more aggregate level because there is very often noise sitting in specific days, specific weeks and specific months. It would be fair to say that overall we are confident about the momentum. The quarter has only one data point. So it is hard to make a trend from

there. But based on what we got, we are confident that we are on the path of sustainable growth. Yes, the dispersion of growth within the quarter was reasonable and it gives us confidence that this is a sustainable growth.

Nishit Rathi But it was not more back-ended, it was evenly distributed all throughout is what we are trying to understand and is the confidence coming from what you have in terms of offerings to come or is it just that what you have already done is kind of now playing out?

Hari S. Bhartia No, it would be fair to say that the momentum that we saw in the quarter was fairly agnostic to the period and it was the right-through. It was not as if there was a back-ended impact or a front-load, it was fairly well distributed.

Nishit Rathi It is more to do with the efforts already been taken or is lot of efforts that is there in the pipeline which gives you the confidence that you can continue this?

Hari S. Bhartia It is both. Clearly the work that we have rolled out is there before you 'Everyday Value', that has given us results in Q1 and we are confident that this will sustain in Q2 itself because it is a fundamental value driver for consumers, we also have a slew of plans lined up which will be hopefully sustenance growth.

Moderator Thank you. Ladies and gentlemen, that was our last question. I now hand the floor back to the management for closing comments. Over to you, sir.

Pratik Pota Thank you, everyone for joining us on the call today. We hope we have been able to answer all your queries. I know there were a couple of queries which we need to circle back which we will do. Should you need any further clarifications or information, please feel free to reach out to us and we will be very-very happy to help. Have a good evening.

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