'We are seeing a revival in consumer sentiment'

Q&A

AMIT JATIA
Vice-chairman, Westlife Development

Westlife Development, which runs McDonald's restaurants in the west and south of India, reported its tenth consecutive quarter of same-store sales growth (SSG), at 20.7 per cent for the three months ended December 2017. Year-on-year revenue growth was also high at 26.2 per cent, with the company posting its third straight quarter of positive profit after tax (PAT), coming at a time when McDonald's restaurants in the north and east territories, led by Vikram Bakshi, have suffered on account of a dispute between the two partners. **AMIT JATIA**, vice-chairman, Westlife Development, tells **Viveat Susan Pinto** what has helped the firm post these numbers, and the way forward. Edited Excerpts:

How did you manage to post three straight quarters of positive PAT?
It is a combination of a number of things. High topline growth. Our SSG has also been high, and on the operating margin front, we have ensured that we continue to drive efficiencies and savings in our business. This has helped us expand margins consistently, and also report positive PAT. The key thing here is that we have been consistent. This is paying off now.

But, is this performance easy to sustain at a time when inflationary pressures are growing?
Inflation is part and parcel of every business. It is not new to India, and there is no escaping it. On a yearly basis, our price hikes are between 3-5 per cent only. We have achieved this by driving efficiencies in our supply chain. We also change our product mix from time to time to ensure that it is exciting to consumers. This helps us drive volumes, minimising the need to depend on pricing growth. Our cost savings programme helps us grow operating margins. We have also worked hard to build platforms (such as McCafe; McDonald's delivery business) over the past few years, which have helped us drive footfalls into stores as well as pull consumers online. A mix of all this should help us through inflationary times as well.

The government's move last year to rationalise the goods and services tax rate on food joints has left most unhappy. Hardcastle Restaurants, part of Westlife Development, was also slapped with a notice for not passing on GST benefits to consumers. Has this issue been resolved?
We are in dialogue with the government on this and have furnished all the required details in connection with it (notice).

As far as the 5 per cent goods and services tax rate on eating-out joints goes (announced on November 10), while it remains tax-neutral to the industry, we have lost out on capital expenditure, which was part of input tax credit earlier. That benefit is no longer available, which will be a challenge for players.

As the retail environment in India increasingly gets crowded and competitive, how feasible is it to keep expanding stores?
We are seeing a revival in consumer sentiment and this is resulting in higher discretionary spends. As long as the economy is doing well and consumers are lapping up our products, it does build a case for us to increase footprint.

Westlife Development has gone from an annual store expansion of 10-15 outlets a few years ago to 20-25 outlets and now to around 25-35 outlets. This number can increase depending on the business environment.