'Positive sentiment in QSR is here to stay'

Hardcastle Restaurants, a McDonald's master franchisee in India, saw its total sales grew nearly 35% to Rs 1,131 crore in the March quarter of fiscal 2018. According to **Amit Jatia**, vice-chairman, Westlife Development Ltd (that owns Hardcastle Restaurants), total sales were at a five-year high. In an interview with **Ashish K Tiwari**, Jatia spoke about the current market scenario, challenges and how is the industry/ company dealing with it. Edited excerpts...

■ ***Is the QSR industry completely out of the stressed business environment?***

When the business goes up or down, it doesn't every time mean there is a structural change. Consumers behave differently and resist spending, especially in a volatile economic scenario. However, spending increases when consumers feel good. For instance, last April we did same store sales growth of 8.4% on the top of a solid quarter before that. That was more or less an indication of consumer sentiment turning around. I definitely think we have tailwinds, which is evident from the financial results announced by every player in the sector unlike in the past when everybody was struggling. Positive consumer sentiment in the QSR segment is here to stay at least in the foreseeable future.

■ ***What is the present input cost scenario?***

Fiscal 2018 has been good with inflation a bit under control. This has helped to keep costs stable. However, crude oil prices are moving up and import duty on cooking oil has gone up a bit as well. I do worry a bit about some inflationary pressures moving forward but we have a very robust cost rationalisation plan and we generally try to shave-off 100 to 200 basis points (bps) every year in cost. I feel quite comfortable that even though these pressures appear like coming back, we are well-placed to deal with it.

■ ***Is there any room to still undertake cost rationalisation?***

Definitely. The world and environment around us are changing and there are new technologies coming in to play. We are constantly striving to cut costs. Also, our volumes are rising and it helps our supply chain facilities. More throughput is coming from the same facility thus helping us bring down cost as well. A 35% topline growth in the last quarter basically means more agricultural output and that all our suppliers are producing more. Other than that, as sales grow we hire more people. In fact, we are one brand that has been hiring 1,500 to 2,000 people every year despite ups and downs in the economy.

■ ***Every year you undertake 4-5% price hike. Will that continue?***

It is normally 3-5%. The price hike will continue and we are quite consistent with it. When inflation works in our favour, we keep it lower at 2-3% and when it's higher wherein minimum wages go up etc, then we go to the higher bracket. Last year it remained at the lower end, due to overall economic environment and lower inflation.

■ ***Around 60% of your delivery business is driven by own mobile application and online ordering system. So will this impact your physical store growth plans?***

Not at all. In fact, I have always maintained that we are marathon runners and are here for the long term. We have been consistently opening 25-30 restaurants every year since the last 3-4 years. We never cut down and feel this is the right balance between aggressive and sensible growth. What delivery does is, I now have 277 kitchens that help us capture the city and the market. For instance, the 80 restaurants in Mumbai are available to deliver across the city.