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May 30, 2025

To,

National Stock Exchange of India Ltd. Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Email: cmist@nse.co.in Symbol: DEVYANI	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Email: corp.relations@bseindia.com Security Code: 543330
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Sub: Transcript of Investors & Analysts Conference Call

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the Investors & Analysts Conference Call held on May 23, 2025, post declaration of Audited Financial Results of the Company for the Quarter and Financial Year ended March 31, 2025, is enclosed.

The same is also being uploaded on website of the Company at www.dil-rjcorp.com.

You are requested to take the above on record.

Yours faithfully,
For Devyani International Limited

Pankaj Virmani
Company Secretary & Compliance Officer

Encl: As above





Devyani International Limited

Q4 & FY25 Earnings Conference Call Transcript

May 23, 2025

Moderator: Ladies and gentlemen, good day and welcome to Devyani International's 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 after the presentation concludes. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, sir.

Anoop Poojari: Thank you. Good afternoon everyone and thank you for joining us on Devyani International's Q4 & FY25 Earnings Conference Call.

We have with us Mr. Ravi Jaipuria – Non-Executive Chairman of the Company, Mr. Raj Gandhi – Non-Executive Director, Mr. Virag Joshi – CEO and Whole-Time Director and Mr. Manish Dawar – CFO and Whole-Time Director of the Company.

We will initiate the call with opening remarks from the Chairman followed by key financial highlights by the CFO. Thereafter, we will have the forum open for a question-and-answer session.

Before we begin, I would like to point out that some statements made in today's call, may be forward-looking in nature, and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now request Mr. Ravi Jaipuria to make his opening remarks.

Ravi Jaipuria: Good afternoon everyone and thank you for joining us today. I am pleased to welcome you to Devyani International's Post Results Earnings Conference Call to discuss our performance for the 4th Quarter and Financial Year 2025.

The previous financial year was a challenging one. Marked by several headwinds, including a slowdown in GDP growth, input inflation, weak urban consumption and shifting geopolitical dynamics. However, the Union Budget 2025 aims to counter some of these pressures by attempting to boost consumption through tax relief measures targeted at individuals.

Despite these headwinds, we are pleased to report that DIL continues to demonstrate strong momentum in its growth journey — both organically and through strategic acquisitions. During 2025, DIL reported consolidated revenue of Rs. 4,951 crore, registering a robust 39.2% year-on-year growth. This performance was primarily driven by the strategic acquisition of KFC stores in Thailand and supported

by ongoing store expansion in India. The Company's EBITDA margin stood at 17%, while absolute EBITDA increased by 29.1% over FY24.

Most recently, we announced the acquisition of Sky Gate Hospitality (owners of Biryani By Kilo & other brands), marking our entry into another high-potential food category. This will further strengthen our overall brand portfolio and deepen our well laid out strategy.

During the year, we also tied up with three international brands i.e., New York Fries, Tealive, and Sanook Kitchen. We are proud to share that we have recently opened the first New York Fries store in Mumbai. This marks the beginning of our expansion with the new brands, and you will see more coming in the current year.

Our store expansion strategy has been instrumental in driving growth and reinforcing our market leadership. By following a balanced approach of scaling the footprint while maintaining rigorous store-level performance standards, we successfully added 257 new stores during FY2025, elevating our total presence to 2,039 stores as of March 31, 2025. We have achieved our store rollout targets across all brands, reflecting disciplined execution and strong execution capabilities.

Our core brands KFC, Pizza Hut and Costa remained at the forefront of this expansion, collectively contributing 204 net new stores, thereby further strengthening the presence of our brands. The store growth not only extends our reach to the new consumers, but it also serves existing ones better, enhances the operational synergies and brand equity across markets.

On the marketing front, our brand campaign 'Taste the Epic' was recognized as an innovative and impactful campaign at the ACEF Global Customer Engagement Awards.

Over the past five years, DIL has outperformed the organized QSR market in terms of both revenue growth and new store openings. While the revenues for the listed QSR industry grew at a CAGR of 29.6%, DIL achieved a significantly higher CAGR of 44.5%. The industry store count expanded at a CAGR of 22.5%. Against that, DIL recorded robust store growth of 31% CAGR.

To conclude, despite a subdued demand environment, DIL has remained focused on expansion while actively exploring new and innovative ways to engage with consumers. As one of the leading players in the Indian QSR sector, we are well positioned to capitalize on anticipated recovery in the industry. With market conditions expected to improve, driven by Union Budget initiatives focused on agricultural and rural prosperity, along with increased consumption supported by tax relief measures, we remain optimistic about the growth opportunities ahead.

Overall, we remain confident in our strategy, execution capabilities and ability to deliver constant growth. Our focus will remain on scaling profitability, strengthening both our core, and emerging brands and creating long-term value for our stakeholders.

With this, I would like to conclude my address and now hand over to Manish for the financial highlights. Thank you very much.

Manish Dawar:

Thank you, Mr. Jaipuria. Good evening, everyone. A very warm welcome and thank you for your valuable time for attending DIL's Q4 FY25 Earnings Conference Call, our 15th such call since our listing in August 2021.

DIL has continued with its store expansion plans. The store count as of 31st March 2025 was 2,039 stores, with our core store footprint at 1,917 stores comprising of 1,060 KFC stores, 637 Pizza Hut stores and 220 Costa Coffee stores.

The consolidated operating revenue for FY25 including Thailand was Rs. 4,951 crore with a robust growth of 39.2% versus FY24. The Indian business witnessed a revenue growth of 7.5%. Quarter 4 FY25 consolidated revenue stood at Rs. 1,213 crore versus Rs. 1,047 crore in Q4 FY24, growth of 15.8%. Indian business revenue for Quarter 4 FY25 was Rs. 801 crore, reflecting a growth of 6.6% versus Quarter 4 FY24.

The gross margin of the consolidated business for FY25 was 68.9% versus 70.3% in FY24. The gross margin for Quarter 4 FY25 was 68.5% versus 68.7% in Quarter 3 FY25. A slight drop in margin was contributed mainly by cooking oil, coffee bean prices and higher deal composition. The brand contribution for FY25 was at 14.2% versus 15.5% in FY24. This is mainly on account of sales deleverage and the amendment in GST law on rentals.

Consolidated operating EBITDA including Thailand on a pre-IndAS basis for FY25 was Rs. 494 crore versus Rs. 381 crore in FY24. Pre-IndAS margins for FY25 was 10% versus 10.7% in FY24. FY25 consolidated reported EBITDA margins on a post-IndAS basis was 17%, Rs. 842 crore versus 18.3% in FY24. The PBT for FY25 on a consolidated basis was Rs. 12.8 crore versus Rs. 3.7 crore in the FY24 with a growth of 248%.

Moving the discussion to our core brands, KFC in India added 100 new stores in FY25. With this, the total store count for KFC in India stands at 696 stores as of 31st March 2025. Average daily sales for FY25 was Rs. 94,000 versus Rs. 105,000 in FY24. Revenue of FY25 at Rs. 2,179 crore increased by 6.6% versus FY24. Gross margin for KFC for FY25 was 68.9% versus 68.3% in Quarter 4 FY25. The brand contribution margin for FY25 was at 17.4% and 16.2% for Quarter 4, respectively. FY25, witnessed a decrease of 100 basis points vs Quarter 3 FY25, mainly because of sales deleverage.

During the quarter, Pizza Hut India closed 14 stores. Overall, on a full year basis, Pizza Hut added 63 net new stores in FY25 versus 61 in FY24. The Pizza Hut India store count was 630 as of 31st March 2025. Revenue for FY25 was Rs. 732 crore versus Rs. 709 crore in FY24. And for Quarter 4 FY25, revenue was Rs. 175 crore versus Rs. 162 crore in Quarter 4 FY24. The ADS for the brand was Rs. 34,000 in FY25 versus Rs. 37,000 in FY24. Gross margin for FY25 was 76.3% versus 75.9% in FY24. And brand contribution margin for FY25 was Rs. 20 crore with a margin at 2.7%.

Costa Coffee added 11 new stores during the quarter and 41 stores during the entire financial year of 2025, reaching a cumulative store count of 220 stores as of 31st March 2025. FY25 revenue at Rs. 199 crore was Rs. 152 crore in FY24, with a 30.8% growth and Quarter 4 FY25 revenue was Rs. 52 crore with a 16.1% growth versus Quarter 4 FY24. The gross margin for FY25 was 75.4% versus 76.8% in FY24. This impact is primarily because of inflation in coffee beans as well as other input materials for Costa Coffee. Brand contribution for FY25 was 16.1% versus 17% in FY24 and for Quarter 4 FY25 it was 17.6% versus 16.9% in the previous quarter.

Moving to our international business, our total number of international store was 375 as of 31st March 2025. The international business revenue for the quarter was Rs. 419 crore. The gross margin for FY25 was 64.2%, an improvement of 3% versus FY24. And the brand contribution margin for FY25 was at 15.9%, an improvement of 2.3% versus FY24. This is primarily on account of Thailand consolidation.

Most recently, we announced the acquisition of Sky Gate, owners of Biryani By Kilo, Goila Butter Chicken and The Bhojan, marking our entry into high-profile Indian high-potential food category. We have acquired the business at an equity valuation of Rs. 519 crore. The stake of 80.72% will be settled by way of preferential allotment of DIL shares in accordance with the SEBI Regulations. DIL shareholders have voted in favor of the transaction, and we are planning to close the same in the next couple of weeks.

We will also be infusing up to Rs. 90 crore cash by way of additional capital in the business. The business is currently loss-making, and we are hoping to turn it around in the next one year.

To conclude, we continue to maintain a disciplined approach to growth, supported by strong execution and diversified brand portfolio that includes high potential domestic and international formats. Our expansion strategy remains focused on driving profitability through operational efficiency and the continued rollout of small format stores which are both capital efficient and scalable. As we look ahead, we believe the anticipated improvement in market conditions positions us well to build on the momentum of FY25.

On that note, I would like to request the moderator to open the forum for any questions or suggestions that you may have. Thank you very much.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question comes from the line of Vivek Maheshwari from Jefferies.

Vivek Maheshwari: A few questions, first on KFC, Manish, this 83k ADS number looks very low. Let's say, if you go back to 2nd Quarter 2021, this is the lowest number that I have seen, at least in the last 18 quarters. What is the key reason for this number to be so low?

Manish Dawar: Vivek, we have seen primarily one or two markets where KFC got impacted, which has pushed the SSSG down and, thereby the ADS numbers. We have seen the impact of bird flu, which was in Andhra Pradesh and Telangana this year, which lasted for about 72 to 75 days. This has primarily pushed down the table on SSSG as well as the ADS. However, now we are seeing the sales beginning to recover in Andhra Pradesh and Telangana. The other thing that we have seen is in Kerala and West Bengal, where the impact of the geopolitical situation continues. We hope that as things stabilize, we will see the SSSG coming back in Kerala and West Bengal also. As you know, these four are very important states for us, as we start to see improvement coming back in these states, things will start to improve. At the same time, Karnataka, which is the largest state for us, has seen very stable numbers. SSSG in Karnataka as a state and Bangalore as a city is positive, and the ADS momentum is maintained. Therefore, in our view, once these four states start to come back and we are already seeing positive signals. We expect improvement in both ADS and SSSG.

Vivek Maheshwari: So, does that mean, Manish, 4th quarter marks the trough and things should sequentially get better, or you can be at this level for some time and then the improvement may still be away? The other way of putting this also is that the SSSG number of -6 is also on a base of -7 which was on a base of +2. So, it's not that the base has been very high, right? So, how do you think about the improvement? You get better from here or you stay here for some more time?

Manish Dawar: You are right, Vivek. We should see better numbers sequentially. And as we said, overall we are seeing the recovery, and that's the reason we called out these four states separately because most of the other states are performing well, for example,

UP is a good state for us. There are other states also which have seen a positive SSSG.

Vivek Maheshwari: And one last bit on this point, Manish, and again, apologies if I don't understand your business that well. But let's say if I go back to Fiscal Year 2022, Fiscal Year 2023, you were broadly ballpark 120,000 in terms of ADS. That number, let's say, in the last three quarters has been reasonably below Rs. 100,000. Do you think there is something which has changed in the business, or you think as and when urban consumption picks up, you can still go back to those, let's say 120k or thereabouts kind of number, which are looking quite far, but do you think that issue will, you know, those numbers are achievable in the next few years?

Manish Dawar: Vivek, when we had an ADS of almost 125,000-127,000, there were about 300 KFC stores, which are now sitting at close to 700 stores, which is more than double. And all of this happened in the middle of the consumption slowdown. With this kind of store growth, there is some bit of cannibalization that impacts the ADS numbers. Therefore, the way we are looking at the business in terms of what used to be 120,000, the new normal should be about 100,000-105,000. However, we are confident that we can deliver the same margins at this new ADS. We have aligned our business accordingly, so from a profitability perspective, we should still be able to deliver the same margins.

Vivek Maheshwari: So, what I meant, Manish, was that was a cyclical high at that point of time. I understand the stores have grown, but India as a growth market, as you know, you have been also highlighting over time. And we have seen cycles in this business particularly. My simple question is this 120,000 number is not an abnormal number. So, as, and when the cycle picks up, I am not thinking about average, but as and when cycle picks up, those are still possibilities, or you think that there was something specific we were coming out of COVID and so on and so forth. That's why that starting point was incorrect from that perspective.

Manish Dawar: We are resizing the business over a period of time, and we have also reformatted and reduced the store sizes while maintaining the payback periods. So, what used to be an ADS of 120,000-125,000 is now 100,000, 105,000. And as we said, we are confident that we can deliver the same margins at this new ADS.

Vivek Maheshwari: Crystal clear, Manish. The second question is just a big picture or let's say, whatever your philosophical thoughts are. But as I see the kind of acquisitions that you have done, whether it's overseas or India in terms of brands, it is as an outsider, I get a feeling that the portfolio is getting a bit complicated. You have too much on your plate right now. There is KFC, which is the star, and then there are a lot of actors around it. How do you ensure that the management bandwidth stays on course and there is no accident in the journey, therefore?

Manish Dawar: Vivek, the way we are structured, every brand gets a completely independent focus as far as the brand team is concerned. There is a separate CEO, marketing team, and operations team for each brand. Only the support functions that works as a common foundation for the entire business are shared across brands. If you were to look at our newer brands like Sanook Kitchen and Tealive, we have hired a new CEO. For our Thailand business, the team that existed prior to our acquisition has continued and there has been no change in the team, and they are doing a great job. So, we are not kind of tinkering too much as far as the brand teams are concerned and that's how we are scaling up. Obviously, the newer brands need more bandwidth initially, but over a period of time, our objective is to create multiple legs for the business so that we are not just dependent on one or two brands. And if you look at our recent acquisition in terms of Biryani, that's the largest online ordered and consumed item as far as the Indian cuisine is concerned, and it is a large category.

We acquired a company which is one of the market leaders in this space. And even in this acquisition, the founders and the promoters who originally founded the brand will continue to run and manage the brand. We will only look to harmonize the support functions to be able to draw synergies, but we have no intention to change the fundamental brand management from that perspective.

Vivek Maheshwari: And just one last follow-up, if I may, Manish, on this point. You know, for longest time, Devyani had, let's say, Yum! portfolio and Costa alongside a couple of your own brands. And we have now seen a pickup in pace in terms of what you have done both outside India and in India. It just gives a feeling that, are you a bit concerned about KFC or a deceleration in the growth of that business, which is why you are actually going after quite a few opportunities? I mean, it's just the pace has surprised. So, if you can just elaborate a bit more on that part, why do so many things instead of just focusing on a couple of big things?

Manish Dawar: As far as KFC is concerned, it remains our star brand. We are as bullish on KFC as we ever were. There is no change in terms of the way we look at the brand, the way we are bullish and the way we are expanding the brand. With Pizza Hut we have slowed down a little bit and we have communicated that earlier as well. Now our focus is on creating a leg which kind of becomes another, Pizza Hut for the business. As you know, the new brands that we have signed up, they all are unique brands which are currently not so prevalent in the market. We are trying to create those categories and we are quite bullish on the potential of these new brands. Take Biryani for example, it is the largest Indian food category. So, we are creating different legs for the business and at the same time we are grabbing different opportunities as and when it comes. Having said that, we are absolutely in sync and cognizant to whatever you are saying, we have to focus and pay attention to all these new brands and the existing businesses that we have. And that is exactly what we are doing.

Vivek Maheshwari: Got it, Manish. Thank you for your detailed response. Wishing you and your team all the very best.

Moderator: The next question is from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani: Manish, my first question is with regards to the corporate overheads and specifically the overheads in the international business. That seemed to have jumped quite high. If you can provide any details why so and how is the outcome there?

Manish Dawar: As far as international business is concerned, we have made a reclassification related to management fee charged to Thailand. This was done to harmonize the accounting treatment between India and Thailand. Otherwise, the corporate overheads are absolutely in control and there has been no change. If at all, if you look at the current quarter, they are down by a few BPS versus those in the previous quarter. On a full-year basis it is more or less the same versus what it was last year. So, what you are seeing is only a reclassification between the corporate overheads.

Gaurav Jogani: Manish, if you look at the absolute terms, last quarter the corporate overheads were around Rs. 54.4 crore and this quarter it's around Rs. 59 crore. So, in bps terms also Q-o-Q and Y-o-Y both it has increased actually.

Manish Dawar: So, there is a reclassification between the brand contribution and the corporate overheads. Otherwise, if we were to negate that, it would have stayed on course. That's what we said.

Gaurav Jogani: And Manish, the other question is with regards to the margins again. I mean, you partly alluded that KFC margins despite a lower ADS, you might be able to do the

same number that you were doing earlier. So, how should we think of the margin in the next two years given that the recovery has been gradual versus what your expectation was?

Manish Dawar: So, if you look at the current margins, we are sitting at about 16.2%. As Vivek mentioned, the worst ever ADS in the brand history is 83,000. As said earlier, once we can hit 100,000-105,000 ADS, we will be able to get back to ~20% margins. The way we have reshaped our business, we are confident that these numbers are doable once the top line recovers. Despite a decline from 127,000 to 83,000 ADS, the brand has not turned loss making. We are still delivering 16% to 17% brand contribution margin. Therefore, that kind of gives you the proof that we have already resized the business and recreated that from an overall P&L perspective.

Moderator: The next question is from the line of Jignanshu Gor with Bernstein.

Jignanshu Gor: Manish, one question on Pizza Hut. So, what do we think is our plan for reviving that brand? Because I think it seems to have stabilized at these ADS levels and they are not levels at which we can generate returns for us. So, what are our plans for that? And I think there was some conversation in your sister concern's investor call also regarding this. So, would love to hear your perspective, please.

Manish Dawar: So, Jignanshu, on Pizza Hut, as we have communicated in the past, we have slowed down the growth exactly because of the same concerns. We are in discussions with Yum! in terms of how we can turn around the brand because most of the levers in terms of innovation, price point, promotions, and so on and so forth are controlled by Yum!. So, we are currently in discussions with Yum! in terms of how we take this brand forward. Overall, if you were to look at between us and our second franchise partner, it remains a strong brand, it's almost Rs. 1,200-1,300 crore brand and Number 2 brand in the country after the market leader. We are hopeful that the brand can be turned around. We have to make few tweaks as far as innovation, value offerings, communication is concerned. We should be able to come back to you by next quarter in terms of what is our exact plan on Pizza Hut.

Jignanshu Gor: And the second question was on Thailand. So, any specific details we can share about what is the shape of the business there and what is your outlook for going forward there in terms of either growth or profitability?

Manish Dawar: See, Thailand business is very stable. We have improved the margins from the time we have taken over the business. We have managed to maintain SSSGs as well as the ADS numbers at a healthy level compared to the rest of the business. So, therefore, it's going at a right clip. We are also evaluating introducing new brands in Thailand, for example, Tealive, as you know, we communicated that we have signed up this brand for India and Thailand, you will see new Tealive stores opening both in India and Thailand in the current quarter. Our idea is to leverage the existing Thailand infrastructure with the new brands from our portfolio, with the new brands that we are signing and therefore build it further from there. We are bullish on the Thailand business as well as the overall market.

Jignanshu Gor: A small follow-up on Thailand itself. So, are we profitable PAT level this year?

Manish Dawar: No, at PAT level we are not. However at a brand contribution and EBITDA level, we are positive. Thailand has more aggressive depreciation policy than India and we have not tried to realign that to the Indian business because of tax reasons. This is the reason the PAT is negative, otherwise on a cash basis it is self-sufficient.

Jignanshu Gor: And lastly, Tealive is part of Thailand business then or will it be like a new subsidiary?

- Manish Dawar:** It will be part of the main business and the legal entity. It will not be a new subsidiary.
- Moderator:** The next question is from the line of Saurabh Kundan from Goldman Sachs.
- Saurabh Kundan:** Most questions were already answered. Just one that you might have already had your development agreement discussions with Yum! on an annual basis. If you could just let us know, format-wise, what would be your targets this year and a few years ahead as well?
- Manish Dawar:** So, Saurabh, we do not have annual development target discussions with Yum! We enter into an agreement which spans over a period of five to six years. In case of any exceptional situation, we obviously go back to Yum! and mutually align in terms of what is doable in the current circumstances. As far as KFC is concerned, there is no change. We have talked about adding about 110 to 120 stores this year and we are on course of that. There is no deviation. As far as Pizza Hut is concerned, we are having an overall discussion, in terms of how we take the brand forward, and that includes the development discussions also. We will be able to come back to you by next quarter in terms of what is our exact plan on Pizza Hut, but for KFC it stays absolutely on course.
- Moderator:** The next question is from the line of Devanshu Bansal from Emkay Global.
- Devanshu Bansal:** Manish, there has been a gross margin decline across formats. Checking if you can segregate this into impact due to value offerings and the second that you mentioned that there is some input inflation as well. And an allied question is, are you planning to take some price increase to beat this inflation?
- Manish Dawar:** Sure. So, Devanshu if you look at KFC, we have seen an input price increase in palm oil, a small bit in chicken and the flour. We do not want to take a price increase given the current overall consumption slowdown so we will try and absorb to the extent we can. We are hopeful that things will improve from where we are and believe the input prices will probably come back. We can already see that, from the oil prices that are stabilizing in the current quarter, therefore it is not a big worry. As far as Pizza Hut is concerned, there is no big input price increase with stable gross margins. In case of Costa, we have seen a very strong input increase as far as the raw coffee bean pricing is concerned, we have taken and balanced it out from a pricing, as well as from a deals and promotions perspective. We are trying to introduce some value layers in our brands, we have seen that happening very strongly with the competitive brands as well. We are planning to become a little more aggressive on the value layers. And we will see that happening from the current quarter.
- Devanshu Bansal:** And these value layers, at least from an annual perspective, can have some impact on the gross margin or that is manageable?
- Manish Dawar:** Not so much, because as of now, it's only test mode. We will try to implement and introduce that to the market. Typically, it takes almost one or two years by the time it becomes a sizable composition of the menu mix. But again, what is important is you need to have these value layers and price offerings so that you can get the footfalls in the stores. And once the consumer comes into the store, then obviously it's not such a big issue.
- Devanshu Bansal:** Last question, sir, Biryani By Kilo, currently the brand is having some operational loss. So, what are the medium-term expectations on the scale that this can achieve and the margin improvement that can happen in this format? You mentioned some infusion of Rs. 90 crore in this brand. What is the period from which the growth can sustain with this infusion that you are making?

- Manish Dawar:** So, with Sky Gate portfolio there is a huge opportunity. As we took over the brands, there is opportunity in all lines, we can improve the GMs from where they are, we can improve the brand contribution and so on and so forth. On an organic basis, we will be able to turn around the brand in one year's time. At the same time, in terms of the expansion growth, there are three brands, which is Biryani By Kilo, Goila Butter Chicken and The Bhojan. These brands can easily fit into all of our Food Court locations, whether highways, malls or airports. There is a good synergy that we can drive because, as you know, even today we deal with third-party brands. We have already started this exercise, wherever on a per square feet basis we have some inefficiency coming in, we will replace the third-party brands with our own brands, coming out of the Sky Gate portfolio. At the same time, they have a network of cloud kitchens and we are also evaluating whether in their cloud kitchen we can put some of our other brands depending on the location and size of the cloud kitchen. So, both ways the synergies can work. It can become a very strong leg in the business over a period of time. And that's the reason we are bullish on this entire portfolio, we see it as a great opportunity.
- Devanshu Bansal:** And for the period, this Rs. 90 crore infusion, is this the only infusion that we plan or this is going to be a continuous process where some money will be required to be infused in this brand for some time?
- Manish Dawar:** See, it is too early to comment on that because we hope that with this, the overall brand will turn profitable one for sure. And second, we have to understand, the first two phases of brand expansion, from a store perspective it will be very efficient because we will just house the brands within our own food courts and airports. So therefore, it will not be a huge capex. But from an operations perspective, Rs. 90 crore should be enough. But let's see what our growth aspiration is, because we are drawing up long-term plans to be able to figure out. At the same time, please remember that as the overall portfolio exists today, we have to do a buyout of one or two subsidiaries and that is where some of the cash out of Rs. 90 crore will go away. Because Goila Butter Chicken is not fully owned by Sky Gate. So, we have to complete that acquisition, that is part of the terms. At the same time, Mumbai franchise partner ownership has to be consolidated. So, some money will go towards consolidation of that and the founders have already signed the term sheets on that.
- Devanshu Bansal:** Understood, Manish.
- Moderator:** The next question is from the line of Percy Panthaki with IIFL Securities.
- Percy Panthaki:** My question is on the KFC. You earlier mentioned that you are basically making it such that at Rs.105k sort of ADS you would still make close to about 20% ROM. So, just wanted to understand apart from the store size change, what other measures are being put in place for this to happen? And for the store size change, is it just a change for the stores which are open in the last year or so, or even the older stores you are somehow resizing downwards?
- Manish Dawar:** Percy, we have done that analysis, to answer your last question first. Over a period of time we have opened new KFC stores, and therefore there has been some cannibalization in the existing stores. We are also planning to carve out the space for our newer brands, which are very small kiosk type of formats. These brands will be independent, but we will be able to carve out some space for them. Regarding your earlier question in terms of where these margins are going to be coming from, one is obviously the format that we discussed earlier, and the other one is in case the ADS is a little down, we would have synergies and opportunities from a labor and overheads perspective. That is what we have looked at for bringing efficiencies in the business. Also, we are negotiating some terms with the landlords, which again is

a continuous process in the business, we are hopeful that we will be able to control the rentals to some extent also.

Percy Panthaki: And is there any change in terms with the brand owner in terms of ad spends, royalties, etc.?

Manish Dawar: There is no change, and it remains the same. Our commitment on royalty as well as the brand spends is on a percentage to the top line. So, there is no change on that. And we do exactly as per the agreements that we have committed to.

Percy Panthaki: Got it. Just wanted to understand in terms of Sky Gate, the business has an EBITDA loss. So, do you have a plan in terms of how many more quarters it will take for it to be a EBITDA breakeven?

Manish Dawar: Percy, we will be able to turn around the business in one year's time. And therefore, we are confident that this should happen.

Percy Panthaki: And just one last question. In a conference call with one of your sister franchisees, they said that there was a little bit of a sort of difference of opinion in terms of the ad spends on Pizza Hut. So, would like to know your take on that.

Manish Dawar: See, there is no difference of opinion, because we both have different geographies. We both have a focus in terms of the formats because they are operating little larger stores which are more dine-in focused, whereas our portfolio is small format which is more delivery focused. So, as such, there is no difference of opinion. All we are trying to do is basically do whatever is required locally to ensure that the business kind of gets back on track.

Moderator: The next question is from the line of Sanjeev Raj from Anand Rathi Institutional Equities.

Sanjeev Raj: Just want to understand a little bit better on our recent entry into the Biryani business. So, we know that we are a differentiated brand in QSR through strong execution and positioning. But if you look at the Biryani business, it's highly fragmented. Around 70% to 80% of the business is unorganized players. So, it's very competitive, and it's a low entry barrier, and it's tough to scale. So, what's the thought process behind this move and how we are planning to bring differentiation in terms of value in such a competitive space? And also you mentioned that currently the business is loss making. How you are planning for a turnaround strategy here?

Manish Dawar: Biryani, as you know, is a large category and highly fragmented. However, as the food services sector continues to grow in the country and overall consumption increases, we've seen significant consolidation in Western brands, and we expect the same to happen in the Indian food category as well. So, the brand is very well positioned, it's a premium brand with a very strong repeat rate from the consumer's point of view. And the consumers indeed love this brand.

Sanjeev Raj: So, if you look at the QSR space, it's been changing from state-to-state or region-to-region. If you look at every 200 kilometers, the taste seems to change, right? So in that regard, how are we developing the taste and planning to manage the overall strategy?

Manish Dawar: If you look at the Biryani market overall, the largest category is Hyderabadi Biryani followed by Lucknow Biryani and then Calcutta Biryani. So, if you were to look at between these three, that will be almost like 60% to 70% of the market. From that point of view, it varies from state to state, but it is not as fragmented as we used to

think in the past. And we have gone into the details of how much is what category and which state and so on and so forth. And that is how we took a call. Coming to your question in terms of the turnaround, as we said earlier, we have the opportunity on material sourcing. There is a good opportunity there in terms of the way we buy, and obviously we will start to buy and source for Biryani By Kilo as well. There is a sourcing opportunity, there is an opportunity on the labor, the way the labor gets deployed, there is an opportunity on the rentals because currently the space or the premises that they operate from has potential available. We can house some of our brands there or we can actually cut the space wherever it is not required. There could be a lot of synergies which will be coming in because of Sky Gate becoming part of a bigger portfolio, including all the support functions and so on and so forth. That is how our plan is to turn around the business.

Sanjeev Raj: Second question is that, are we trying to position ourselves as a full-range QSR player with a wide variety of food offerings? Because we are already present in star categories such as KFC with chicken & burgers, Pizza Hut with pizza, Costa Coffee with coffee, Vaango with south Indian veg meals and now biryani. Is that the idea is to build a broader portfolio to serve different customer preference?

Manish Dawar: We already are present in all the categories. As you know, in the Indian market, QSR, big categories are basically chicken, pizza, burgers, coffee and we are present in all of these categories. We have now got into the Indian category, which we were missing earlier apart from Vaango, because that was only focused on South Indian. And at the same time, we have taken some new brands, which are typically indulgent brands on the go, rather than a planned occasion, it's more, whatever, temptation buying or temptation consumption. We are trying to position ourselves to cover various spaces available, not only from a brand perspective, but also from a channel perspective. And that's the reason we talked about our Food Court strategy in the past and all this portfolio will help us with our Food Court strategy as well.

Sanjeev Raj: So, finally, on KFC, we have reported almost 6.57%, roughly negative 7% SSSG. And last two years, we have been reached the bottom. So, can we say this is the bottom? And you have mentioned that two markets have been affected by birds flu. Apart from this, this negative SSSG is coming largely from Tier 1 or Tier 2 city?

Manish Dawar: Yes, it's largely coming from the markets as we said. One is Andhra Pradesh, Telangana, Kerala, and West Bengal. And the rest of the markets have already turned round. We are absolutely hopeful that these four markets will also turn round in the next few months.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Raj Gandhi: Thank you very much. We hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the Company, please feel free to contact our Investor Relations team. Thank you once again for your interest and support and for taking the time out to join us on this call. Thank you very much once again.

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