



**“Burger King India Limited
Q1 FY2022 Results Conference Call”**

August 16, 2021



ANALYST: MR. NIHAL MAHESH JHAM - EDELWEISS SECURITIES LIMITED

MANAGEMENT: MR. RAJEEV VARMAN – CHIEF EXECUTIVE OFFICER & WHOLE TIME DIRECTOR - BURGER KING INDIA LIMITED

MR. SUMIT ZAVERI - CHIEF FINANCIAL OFFICER - BURGER KING INDIA LIMITED

MR. KAPIL GROVER - CHIEF MARKETING OFFICER - BURGER KING INDIA LIMITED

MR. PRASHANT DESAI - HEAD OF STRATEGY & INVESTOR RELATION - BURGER KING INDIA LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the Burger King India Limited Q1 FY2022 Results Conference Call hosted by Edelweiss Securities Limited. 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. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nihal Mahesh Jham from Edelweiss Securities Limited. Thank you and over to you Sir!

Nihal Mahesh Jham: Thank you Faizaan. Good afternoon and welcome to the Burger King India Q1 FY2022 Results Call. From the management today we have Mr. Rajeev Varman, CEO and Whole Time Director, Mr. Sumit Zaveri, Chief Financial Officer, Mr. Kapil Grover, Chief Marketing Officer and Mr. Prashant Desai, Head of Strategy and Investor Relation. I will now hand over the call to Mr. Prashant Desai for his opening remarks. Over to you Prashant.

Prashant Desai: Thanks Nihal. Welcome everyone to this Q1 FY2022 conference call of Burger King. I trust all your family and friends are safe and wishing you all very happy 75th Independence Day. This is how we will be taking the call forward today. I will pass on the call to Raj for his opening remarks post which very quickly I will take you through the operating highlights of the business, some of you would have seen the presentation then I will hand it over to my colleagues, Sumit to take you through the financial highlights and Sumit will hand it over to Kapil for the highlights on marketing, café, etc then I will quickly take you through the guidance and then we will open up the call for questions, so what I will do then I will hand it over to Raj for his opening remarks.

Rajeev Varman: Thank you Prashant. Thank you, same as Prashant said I hope everyone is safe and staying masked and please get your vaccinations, we are doing that on the company side as well. We have got 99% close to 100% of our people vaccinated on the first vaccine and the second vaccine has also started, those that are coming up due for the second jab we are proceeding with that as well. We expect that the entire organization should be 90% vaccinated sometime early October so that is critical for us and we stay focused on making sure that we are getting there. Now we have had eventful I would say the first quarter with the second wave coming in leaving a lot of restaurants and lot of malls closed for a time period. The good news is as a company we are getting out of it and so is the general economy as well coming out of it. So today if we look at our recoveries, while the first quarter was only at about 67% recovery, today if we look at July and August, the recovery



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has been north of 90%, in fact the recovery this August which is just a month to date number is north of 95%, so a strong recovery back up to this second wave. We feel good about that and we were very strong staying aligned so that once that recovery comes in place, our ops team and supply chain team is in place to move forward.

If you look at the quarter and Prashant will go into depths of the performance in a minute, but I think one of the things that we have done as a company that I am proud of is we stayed very still and very focused on our P&L line items and if we will see that whether it is margins and other line items on the P&L, I think we team has a done phenomenal job in this quarter to keep everything in control and do a good job with that. So with that said, let me just quickly go through what we are as a company, our pillars still continue to be the same. If you look at growth pillar we are still focused on growing to our 700 restaurants December 2026 that aim, that goal is very real, in fact this last quarter in spite of the second wave, Abhishek Gupta and his team has have gone forward and opened five new restaurants and now he opened five new restaurants, but they have also put 13 restaurants into construction, they have got a pipeline of another 21 restaurants, so they are building a healthy finish to this year, so that is the way we are moving forward on that.

Now our goal will remain to get as close as possible to 320 restaurants that we will try to open by the end of this fiscal year. With that said let me just go quickly over to the other pillar that we speak about all the time which is the BK app. Now last time we were on the phone with you, we spoke about all the different things between the BK app in terms of the technology piece of it by removing bugs by bringing the loyalty, interface, rider journey, the entire technology effort was put in place, now what we have done during this first quarter is we have also done that in the operations area, for example, we are moving forward with e-bikes for all deliveries done by Burger King themselves, not by aggregators, but our own deliveries will be done through bikes using e-bikes both from environmental and sustainability point of view, but also from very good strong economics point of view, so that makes a lot of sense for us to move that forward. So that is one of the things that we have launched. Kapil will share with you in a few minutes about the massive downloads that have happened just in the initial phase of our BK app download. Our goal again remains to take one-third of the business that we are doing in delivery and put it on our app in the near future so that remains the strong goal and we will continue working on that. Kapil will share with you some details on the BK app.

The next delivery we shared with you last time for the BK café and not only a lot of people outside of the company were excited about this, but the entire company is extremely excited



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about it and I just want to share with you today that we will be pulling up some timelines, we will put some seed café's in Q3 versus Q4, so we are pulling that timeline a little ahead and you will those coming through in the next quarter as we open some café around the country. Now I wanted to make sure the people understand why we are doing this and what BK café means as a business. One is, it strengthens the breakfast part bringing more and more people in because they have this not only the breakfast menu, but Burger King as a product, but also the café environment. Additionally it also caters to those day parts between lunch and dinner, so it is a very strong business that compliments our existing business and that is why we are so excited about it. So we will share a little more details, Kapil will talk about our progress on it, but from the look of it as we have finalized the menu, we have got the machines to layouts the first 75 to 100 restaurants have already been put on a map, the drawings have been completed, the equipment is in the process of being place the orders have been placed.

So, we are in high mode in terms of moving forward with the café. The last piece which is the value piece, which I think as a brand you would appreciate that Burger King in India is the leader in value. So when we did the value 1.0 and Kapil is sitting right next to me and he will talk about it. When he rolled our value 1.0 in that 2017, 2018 timeframe we were able to move traffic and sales up by 29% and that was the effort in that year wherein we launched value 1.0 and we got those kind of return. Now 2.0 is the fantastic menu, it is not only something we think will do very well as we have just put in almost 1000 GRPs for the last month within July 15 and August 15, we have done a phenomenal job buying from very good television, create ads out there that you might have already seen, but I encourage you all to go to our restaurants and try the menu, the menu is a stunning menu. It actually has very good gross margin as well. There are two pieces of the menu. One is at Rs.50 which is on television which is about six items at a good variety between wraps and a new item called Volcano in Burger down to Rs.70 upgrade menu which is from the non-veg side, so you will see a very balanced menu when you go into our restaurants and Kapil will share how we are doing with that and how we are moving forward with that. So those are my earlier remarks, I will obviously be throughout the entire meeting and will take your questions towards the ends. With that said I will turn it over back to Prashant, so Prashant can walk you through the rest of the presentation. Over to you Prashant.

Prashant Desai:

Thanks Raj. Having the Raj have been given the executive summary, we will move quickly to slide #8, which talks about our Pan India ADS recovery. One context that we want to build for everyone when we were thinking which is the best way to showcase our business to our investors, what we realize is last year being a very exceptional year because of



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COVID, if you could have probably try to represent the business on the same store growth perspective, the numbers would have looked out of back. Given that when we came to you last time, he said that this year our guidance is that the team will endeavor to achieve the ADS that maintained on a portfolio basis in FY2020, so we are keeping that as our goal post in terms of what we want to achieve in the current year and what we have done for everybody's understanding and all the numbers now we are trying to map keeping that as of framework. So if you come to slide #8, our baseline FY2020 ADS, we ended at Rs.110000 lakhs and we are representing our recovery, so our recovery as Raj mentioned in July was about 92% month to date August is about 95%, so that 95% of Rs.110000 lakh is where we have recovered. You go to slide #9, because we are Pan India business, we are showcasing to you the recovery which we have done regional wise, I know lot of you will have questions in terms of the discrepancy in the regional recovery, but this is nothing but purely base effects, so there is not much to read it to this, but the west has recovered large because the base effect are lower for west. Coming to slide #10, as you are seeing this is where I will probably draw your attention and we are also now getting surprised at this recovery trend. If you will see the delivery recovery, which is currently standing at 173% was about 170% just two months back. When it was 170% two months back, our dine-in recovery was just 16% when as we are end in July, the delivery recovery is still 173% where the dine-in has recovered from 16 to almost 60%, so currently we are seeing a significant strength in delivery recovery, as dine-in recovery, the delivery has still not given up and that is a very healthy thing that we are currently noticing. I will now give it to Sumit to take you quickly through our financial performance.

Sumit Zaveri:

Thank you Prashant. I would not take too much time because Prashant has covered the key parameters and Raj has also covered the parameters on the business side. As far as the revenue is concerned, we did revenue of Rs.149 Crores as compared to Rs.196 Crores in the previous quarter and Rs.38 Crores the year before obviously those are not comparable because we were impacted by COVID. The key highlight here is that we continue to perform strongly as far as gross margins are concerned, we were at 65.6%, we continue to be over 65% as far as the current quarter is concerned and going back when we talk about guidance, we continue to believe that we should be able to achieve and pass the guidance as far as gross profit is concerned. Then our restaurant EBITDA, now we are talking about and this is what we will continue to do going forward as well which is we will continue to report our numbers on the post Ind-AS 116 pieces, so that at least how the comparability between quarters and previous years continued to remain and it is easier to kind of compare to the financial results that we publish to larger markets. So our restaurant EBITDA basis stands



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at 11% and on a company level it stands at 1%. So with that I will hand it over to Kapil to take us through the marketing updates that we have for the quarter.

Kapil Grover:

Thanks Sumit and a very good afternoon to everyone on the call. While it was the tough quarter given the resurgence of the second wave of the lockdowns, we at Burger King stayed focused on a long term strategy to strengthen the brand and the business. In the last call, I spoke about the barbell strategy. On the one end of the barbell is the signature product, the Whopper and similar time variance and on the other end is the value menu which has drive traffic especially in dine-in restaurants. I will share with you that we have soft launched our Rs.50 Stunner Menu that is slide #30. Through the last quarter as Raj mentioned we scaled up the menu and taken out it on national media in early July as the dine-in sections opened up and eased off in many part of the country. This was the multimedia campaign with impact presence on top television shows in the country and an equally strong digital and social electric drive awareness of the new menu. The campaign has helped us gain momentum on dine in recoveries as we saw in the previous slides. Now we have got fantastic customer feedback on our new menu and we stay committed to our long term strategy to offer our customers unbeatable taste, highest quality products and variety at affordable prices. With that I will move to slide #14, which is the other end of the barbell menu which is the Whopper portfolio. The Whopper is not just about high quality or one of the kind product, but we look at it as a sub brand more like an attitude that participates in cultural conversations and helped strengthen the brand Burger King. Now we continued to grow the Whopper franchise today. If I share a number with you almost one in every three customers ordered Whopper that is a big start for us on the Whopper portfolio. We continued to launch a new limited time variant every 60 days so if you were to visit a Burger King shop today, you will try the Masala Whopper which is inspired by Indian palette and Indian taste. That brings me to slide #15 as I mentioned Whopper is not just a product, it is an attitude. Now I am happy to share that we won two awards in the last quarter from industry forums on our Valentines Day program which is about #date the Whopper where we had the match making sensation Sima Taparia, encouraged milliners to breakup with mediocrity in their lives enjoy the juicier spicy in the Whopper and we will continue to work on this brand building exercise. Now I am on slide #16 now. We mentioned in last time about the key strategic initiatives which is the BK app and the BK café. Now I would love to share progress on both of these. Let me start with BK app. As Raj mentioned, we started work on the BK app effectively last quarter and started to scale that up. Now while we continue to work very closely with our delivery partners on category expansion task and to build delivery sales, we also continue to build on our own platform. In this quarter, we have seen 130% quarter-on-quarter growth on the BK app sales and now



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over a million app downloads. We continue to invest in technology and re-sourcing to make our app faster and more efficient and have recently rolled out version 6.0 with the host of new improvements in the ordering experience. Our app is now under 20MB and we will continue to improve that.

In addition to the app, we continue to improve customer experience through packaging, rider tracking and optimal store mapping. Now as a responsible brand, one of the important experiments that we started recently doing in our select stores in Hyderabad and Delhi NCR is the use of electric bikes for our own riders. Now as Raj mentioned this is an environmentally friendly and efficient means of delivery. It is a pilot and as we learned from it, we will start to expand it to other markets in coming times.

That brings me to slide #17 and the second strategic initiative from a topline and profitability perspective, the BK café. Now, we have started BK café with the same principles as we did Burger King seven years ago that our food will be of the best quality, locally sourced coffee from the best in class partners. The first step was to put in place the right talent in coffee expertise. We have now one of the India's four key graders and in international Baristas champion Philips Daniels who has joined us on the BK team, he is working on the coffee blend and the team is now designing our café menu building the best in class processes for training our teams to execute a fantastic cup of coffee. So we are well on track to launch the café concept in Q3, Q4 of this financial year. In summary, we stay focused on the four key pillars, value strategy led by the stunner menu to drive the traffic, strengthening the Whopper franchise and thereby strengthening the brand Burger King, building the Burger King app platform and introducing BK café as an additional occasion thereby driving topline and margins for the business.

Before I close the section, I would just like to reiterate on a very important topic that Raj also spoke about and which is about the employee awareness program around COVID vaccination. As Raj mentioned, we have achieved almost 100% first dose and eligible second dose vaccination and our teams continued to work diligently to make sure that all our eligible staff take the second dose to ensure their safety and our customer's peace of mind. At this point I will hand over to Prashant to talk to your about the future outlook.

Prashant Desai:

Thanks Kapil. When it comes to guidance, our guidance remains the same, there is no big change over there as we had mentioned we are planning to open close to about 320, we should end this year with, next year take this to about, FY2024 take this to 470. As we said our endeavor this year to come back to the FY2020 ADS of 110000, the next year onwards



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we are guiding of 5% to 7% SSSG. Our gross profit, our gross margin guidance remains the same, this year we are targeting 66% and taking it to 68% for FY2024 which is without the cafés. With this guides, we will open up the floor for Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki:

Good afternoon. My first question is on the café format that you are planning to launch with the new stores, so any kind of modeling you have done or any kind of estimate or expectation you have as to how much incremental sales can you get per store from this initiative?

Rajeev Varman:

Thank you for your question. This is Raj. I will take this one and if Kapil wants to add anything else. As I was saying we have just pulled up the Q3, the roll out from Q4 and what we are doing is we will be launching some seed cafe in Q3 and we will be then putting in our menu and the coffees and so forth to learn, how this menu does and how we should better it before we do the 270 restaurants, the restaurant that we will be building during this period. Now, if you look at the industry wise, what we have learnt around the industry is that this contributes about anywhere between 15% to 20% of sales and not only strengthens the breakfast if we do a good job strengthen the breakfast, but also strengthens the day part between lunch and dinner, so you have these snacking day parts which get very strong with the launch of café, so the potential of what this will do, will be something that we will discover alongside yourself, but I think it is very promising from what we have seen so far with the industry roll out.

Kapil Grover:

Too early to kind of guide you in terms of the numbers and what are internal expectation is, just allow us to run this business for three, six months and post that we will come back and as you have seen, we guide on lot of other things, we will also guide you guys on cafés once we have run and operated this for six months.

Percy Panthaki:

Sure and you have 470 targeted total stores in FY2024, so out of this 470 how many do you think will be having the café format within that?

Rajeev Varman:

All the restaurants that we are going to be opening moving forward, will all have cafés and when we reflect back on the 272 restaurants that have opened as of today as we speak. We will be then moving forward over the next few quarters to get those all to have café. Some of these you would appreciate will have much smaller versions of the café and some of them will have full-fledged café so we will have format that A, B and C and you will see



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versions of that across, but the intention is at some point to have 100% of the portfolio with café offerings.

Percy Panthaki:

My second question is basically as per your guidance, the ADS in FY2023 should be about 5% to 7% higher than FY2020, leaving aside the fact that this seems to be a very conservative number, but if I go along with this number with this kind of ADS, what kind of restaurant EBITDA margins can you generate and if you can break that number up into how much is coming from operating leverage that 5% to 7% extra versus FY2020 how much is that adding to the margin and how much would come from your own cost saving initiative, so thereby you can compare how much let us say EBITDA margin expansion can come through from FY2020 to 2023 and what are the drivers, how much is the operating leverage, how much is cost saving and how much is gross margin, gross margin you have anyways given so the remaining two will help us?

Prashant Desai:

As a matter of principle, we only guide on gross margins, we do not guide on gross and we do not guide on EBITDA margin, but broadly speaking if you would have heard the commentary that we have given right from the time that we went public to the couple of conference call that we have done. Principally there are three large pillars which drive operating leverage in our business. One as you know is gross margin which we have guided. Second is based on the revenue throughput that we do, we believe there will be fair amount of operating leverage coming from the rental. As you know when we ended March 2020, rent to revenue was about 15%, we have mentioned this in the previous calls that if you look at the 270 restaurants that we have, we have opened almost 50% of the restaurants in FY2019 and FY2020 so that 50% of the portfolio that we opened in FY2019 and 2020 was roughly in the 12% to 13% rent to revenue ratios. As we move forward and the restaurant start contributing, you will see operating leverage also kicking in from a rental perspective and the third piece that Raj had extensively spoken right through our road show is we run this company very frugally. If you look at our corporate cost probably Rs.60 Crores odd you can say for the current year and we have told and we have not guided but our internal view is this will not go over more than 10% every year and you put all this in perspective we will see there will be a massive improvement mode at the ROM level and at the company EBITDA level, but we do not guide on that.

Percy Panthaki:

Here is my confusion Prashant, while you say that lot of your stores are very young and they will ramp up and that will give operating leverage, but your ADS growing at only 5% to 7% over three years, so here is where I find a disconnect between these two statements?



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Prashant Desai: Your point is fair Percy, when we talk of the markets, we talk on the portfolio level, we do not talk on the individual store levels, so as a portfolio level because of the massive uncertainty that we have just come through, we have mentioned this is the last call that we are currently guiding that, we are first wanting to recover back to where we were in FY2020 basis where we today see the recovery, we are comfortable about 5% to 7% SSSG that does not mean that if the recovery is better and more people keep coming if you maintain this trajectory of growth we will not come and revisit the guidance, so I am purely coming from ad perspective, better to kind of share with you what we honestly feel rather than just guide you for the sake of guidance question.

Percy Panthaki: Thanks. That is all from me. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Vicky Punjabi from JM Financial. Please go ahead.

Vicky Punjabi: Thanks for taking my question. Just a little bit on this SSSG guidance of 5% to 7% for next year, if I look at your first half, first quarter has been something like 67% ADS, the next quarter would be still below 100%, we are talking about flattish kind of ADS for the full year versus in FY2020 levels, which kind of as per my working second half would be something like in the teens growth in your ADS. Now even if you could just maintain your second half run rate I think that 5% to 7% looks very easily achievable in the next year, are we being over the conservative on the SSSG front for the next year or am I getting my calculation somewhere wrong?

Prashant Desai: I do not Vicky and believe me it is not that it gives me a lot of fun to guide you lower and then over deliver and you have to understand we run the business running restaurants, we know what is happening on the ground, be patient with us for a quarter. As I said what we have learnt is better to go with what we feel is right and believe me after one quarter what you say comes out to be true we will come and up the guidance, so we have no hesitation in doing that, but currently where from where we are sitting, we currently want you guys to build your model, keeping a 5% to 7% SSSG and we will revisit this.

Vicky Punjabi: Second just I understand on the cost front, now if I look at this quarter to say March quarter of last year and this is purely on the other expenses, if we have a same decline of 24%, but the other expenses decline was something like 8% I can understand staff cost being much low but staff cost being a very, very muted decline, but the other expenses I thought there are quite a few variable line items sitting out there, any reasons why this part of the line item is not as good as this time round, in a way if I look at the June quarter sales like Rs.150



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Crores versus December quarter sales is much Rs.163 Crores and other expenses still Rs.65 Crores versus December quarter at Rs.57 Crores, so it is still much higher than December quarter, this 8% down versus March quarter in a quarter actually declined by around 25%,?

Prashant Desai:

Let Sumit take that.

Sumit Zaveri:

I will just ask that question. One is that those numbers per se are not comparable, the reason is that when you compare it to last year of March 2021, you realize that had substantial reduction on cost on account of rental savings which kind of got adjusted as part of other expenses or other income per se, similarly when you do comparison to Q1 of last year, similarly the numbers were, Q1 of last year really there were no rent savings and if you do really compare to that the rent reduction that we got in June is fairly substantially lower like I am talking about around Rs.6 Crores versus a number of around Rs.45 Crores odd for the full year. So that is really the big difference when you try to do and another expense comparison between the two periods.

Vicky Punjabi:

Okay Sir beyond that you are saying most of the cost was rental adjustment, the savings adjustment that the reason we are not seeing the same kind of savings.

Prashant Desai:

Absolutely if you are simply break it down Vicky, 65% is my gross margin and let us say this quarter I reported a 10% drop so this is a 55% expenditure between gross margin and drop and what the trends coming from the essentially some part of this or large part of this is variable in nature so when you actually have a quarter and compare to this quarter, they are not typically comparable because of the all this COVID situation and the restaurants were operating at very different levels so on and so far.

Vicky Punjabi:

Sure Sir. Okay that is it from my side.

Moderator:

Thank you. The next question is from the line of Aravind Dutta, an individual investor. Please go ahead.

Aravind Dutta:

My question is regarding the finance cost of 167 million for the quarter, which was 163 million for March quarter, but as per your IPO schedule of the funds usage it is said that 1649 million was paid back so why these finance cost what do they relate to?

Sumit Zaveri:

One is that as far as debt is concerned you are absolutely right Aravind we have paid off the debt out of IPO proceeds as we speak today, we do not have any debt on our balance sheet. This finance cost is only arising because of the way the least rentals or the lease accounting



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is done where the entire future rentals kept capitalized by way of the net present value and then as you kind of amortized that cost, interest cost inherent sitting in that lease costs comes as part of finance cost so this is purely coming out of lease accounting. There are no interest outflows on account of borrowings that are sitting on P&L.

Aravind Dutta: Okay thank you that was the question.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

Devanshu Bansal: Sir just wanted to understand the space allocation of cafe's within our existing stores so are we going to reduce some of the dine-in space to make space for cafe's and also if possible if you can indicate the additional capex that would be required for this?

Rajeev Varman: So we have basically two groups of restaurants right. First is those that have already been built and then those that we are going to build so we have got 270/700 restaurant that we are going to build right so the future restaurants, the plans will be done with the cafe in site incorporated into it so that is moving forward. If you look backwards we are like I was saying earlier on, we have A, B, C kind of platforms of café where A would be a substantially larger café which should go in a larger kind of restaurant and then the smaller ones, the B & C would be the ones that would for example go in the foot court in mall wherein we will just extend the counter and put in a café there. So you will see different versions of it, we will start sharing cost and so forth after we put a handful of these moving forward like I said Q3 is going to be our roll out period for the first few and we will start guiding in the sharing those numbers as we move forward.

Kapil Grover: Generally you would have seen the experienced of café, incrementally capex is very minuscule compared to the capex that we do for the full pledged Burger King restaurants so just keep that in mind it would not be significant incremental capex.

Devanshu Bansal: Thanks just to confirm as you are indicating that we will be going for relatively higher stores size for the new stores?

Rajeev Varman: We have always been very prudent in the way we have build our restaurants if you reflect on the sizes that we are looked at, we generally look anyway between 1800 and 2400 so what we are going to do is, we are going to stay more closer to the 2400 versus 1800 but the guidance of doing those restaurants will still be the same where we going to put café, we



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would still be okay with 2200, 2000 square feet kind of restaurant where we are going to put larger we will be more towards 2400.

Devanshu Bansal: Sure that is it.

Moderator: Thank you. The next question is from the line of Hiren Ved from Alchemy Capital. Please go ahead.

Hiren Ved: Thanks for taking my questions. I wanted to know how many of your existing stores are in malls and after the restrictions were lifted in Maharashtra, is everything operational now and are you seeing footfalls already starting to come in?

Prashant Desai: You are right 55% of our stores are currently in malls, but the malls have opened, but they are still not kind of completely opened up. I was yesterday at a mall where if you are not double jabbed, they are not allowing you so the fine tuning still going on, you also have to keep in mind that we are looking forward to the release of bellbottom coming up on August 19, 2021 let us see if that happens so currently a lot of the dine-in recovery that you are seeing is it is not purely mall it is still high street and take away is doing well and which is what I was essentially telling others when they kind of kept asking me to up the guidance for next year, we are all looking forward to these malls opening full-pledged, multiplexes starting, a lot of food court restaurants have to next to the exits of multiplexes and therefore with multiplexes opened up it will result in much larger business so from that perspective yes malls have opened up but have their significantly contributed to the dine-in recovery so far answer to that is no.

Hiren Ved: Okay thanks a lot.

Moderator: Thank you. The next question is from the line of Rashi Vora from Prabhudas Lilladher. Please go ahead.

Rashi Vora: Thank you for opportunity. I just had a couple of questions, Sir would it possible for you to share pre Ind-As EBITDA number and the company EBITDA number pre Ind-As India as it was given in Q4 FY2021, it will be really helpful if you could share the same this time?

Prashant Desai: As a matter of policy, we have decided now to go ahead with the post Ind-As numbers so that will not be possible from our side.

Rashi Vora: Okay Sir SSSG numbers this time, what would be the SSSG this time Sir?



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Prashant Desai:

It will be highly number Rashi and which is why we choose not to put this because it is misleading to that extent right, we are all used to 5%-7% SSSG and if I were for example to put 150%-160% SSSG just kind, but if you want that numbers separately please reach out to me I will share that number with you, but the way we are looking at this business is if I am kind of guiding you kind of we will do on portfolio basis 110 where are we today that is what we will kind of come and report to you and hopefully we will have normalized FY2022 starting today which means that when we come back to you guys next year we will have SSSG numbers reporting as usual because of the unfortunate last year the SSSG kind of loses its significance from reporting perspective but if you interested drop an e-mail to me I will share that number with you.

Rashi Vora:

Surely Sir that was very helpful, that is all from me.

Moderator:

Thank you. The next question is from the line of Ankita Baheti from NewQuest Capital Partners. Please go ahead.

Ankita Baheti:

I am on the slide number, the one that you are talking about the delivery versus dine-in mix, it seems that delivery overall has gained like essentially the lion share of your overall mix at 60%-40% kind of share and comparison to even 40%-60% at the end of Q4 FY2021 so I have couple of questions first one being do you see this as and overall paradigm shift in the underlying industry where you think that delivery and takeaway might continue to contribute to the lion share of revenue going forward as habit change, and what is the impact that at the company level you think you might need if at all you think you might need to make any structural changes around the way that you approach your business and the second is also if you could throw some light into how this recovery has happened, is it essentially that the number of transaction is going back up which means people are starting to reorder or is it more driven by the average transaction side which means that people are basically ordering larger orders instead of more numbers of people who are ordered.

Rajeev Varman:

Thank you for your question Ankita. If you look at those numbers first let me give the reality right so while close to 80%, 90% of our restaurants were opened for delivery in this last quarter that you are looking the slide at, majority of the stores were either not opened for dine-in or open to limited hours, so recovery on dine-in has been constricted by the fact that the restaurants are not opened to people because of the COVID regulations state by state, city by city and so forth, but delivery was much more open so delivery kind of recovered much faster in fact recovered over what we were doing in the past years. Now as things opened up this is going to level out, earlier Prasanth was saying that 55% of portfolio



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is in malls, once the malls open up and the movie releases and the people get out to shopping these experience are dine-in experiences, they are experienced where people be in restaurant, they will eat in the restaurant and those will be dine-in sales and similarly the restaurants on highways wherein people are going in traveling and they will have those experiences in dine-in in those restaurants on the freeways so you will find the recovery of dine-in sales as things open up coming in and catching up with the previous years FY2020 and previous to that and hopefully surpassing that. As far as the future if you look at the next five years to 10 years post COVID years, as where you questions coming from, I think this is going to very well land somewhere where it used to be in the past they might be slight skewed that is why we as the company are prepared put in our own app in place in addition to continuing to grow without aggregators as well so that machinery is already in place and we will continue to kind of service our consumers through that channel of business, but as we open up I think a lot of sales just inherent because of the way we are positioned in malls as well as in freeways and even in high street that these businesses whether you taking a break for lunch from your office coming down getting out of the office taking a quick bite and all things will continue to happen post COVID. I do not think there is going to be dramatic shift in consumer habit in the long run because of COVID I think they might be small changes for the interim period, which would be the graduating years before we reach complete full open up, full extension of our business but that will be interim and we are fully as a company with our aggregator fully planned to do this. Your last peace was on the check, your question was whether the check was driven because more people were ordering some of that is potentially possible wherein you have people ordering food and because of the lockdown both the parents are in the house and they are ordering and once they go to work they will be ordering in a smaller amount because they are now split between two different workplaces versus being together at home so that you might see some of that but you will see traffic increased dramatically at that point and ADS would not be affected and will actually grow in my view and one of the big things that we have seen during this COVID is a lot of shift from casual mom and pops to these chained outlets because of the behavior of the consumer that wants to make sure that what they are eating, the sanitary and then they have good idea which brands are behind that, so we have seen that shift already and I think we will continue to see that. I hope I answered all three or four questions you added.

Ankita Baheti:

Yes thanks.

Moderator:

Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.



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Tejas Shah:

Just one question pertaining to your above BK café so you would have build traditional intelligence on the learning curve of café extension by others, QSR chains both locally and globally so just wanted to understand from that does it add on incremental ticket size alone in terms of throughput or is it margin and ROC accretive as well that is first question and then second followup on that how much alteration does it require on the backend in terms of RM sourcing, talent pool integration from training perspective?

Rajeev Varman:

Very good questions, I have outlined earlier and I will reinstate that remark again so that you can reflect on it. If you look at this business the reason that more and more people looking into getting into café as part of already existing offerings is it is very complementary business, it is not only strengthens in traditional if you look at the business of here in India of breakfast is much smaller than the business of breakfast outside of India for most brands so what they does is it actually takes that business and makes it stronger for the restaurant, but then it also addresses these business between lunch and dinner day parts which we call us snacking, pre-dinner snacking, post-dinner snacking or pre-lunch snacking and it really strengthens that business, it provides opportunities for people to come in actually instead of having full lunch, but actually just have a pastry or coffee brings frequency of use of the brand significantly higher so when frequency of use of brand goes up then reflecting on that you will see that more and more menu items are discovered, more and more menu items are purchased different day parts used up in the restaurant so you will find synergies coming together once this café brings in and it brings in more traffic and because it fills in these day parts that were not being filled in earlier because the café experience was not there. So you will see traffic increase but actually you pay rent for the entire day, you pay rent for time that you are opened and for the time you closed and for the time you are not doing business and time you are doing business so what this does is actually makes you business and your traffic into restaurant more uniform, so you start leveraging and doing more business during those which you would call them as values.

Prashant Desai:

I can add to what Raj mentioned so if you are successful in our café strategy it will drive incremental ADS it will drive incremental gross margins because café are fundamentally higher gross margins as a product and because our incremental capex that I was mentioning is very low, ROI on this are massive means from Burger King restaurant business which has between 5 and 6 years payback, cafe probably will have a three to six months kind of payback scenario so across the board it is a great business to kind of being yes, we will have to go and compete in the market to our sales and that is the effort that all of us are trying to put in.



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- Tejas Shah:** Sure if you can comment on second part of the question on alteration required in menu and talent pool constraint if any?
- Rajeev Varman:** The menu is very café menu, you will not find as many food items like wraps such because we already sell them right so we have build the very strong beverage menu which is part of this and good strong dessert menu but like other cafe that are standalone café we do not need to deviate a lot from our existing food menu that we have already serve which includes wraps, which includes burger and such so it will be mostly focused on dessert kind of experiences as well as very strong beverage menu. From training point of view, café are staff with potentially very fraction of what we do in real business so we are taking existing our employee that are already working and running our restaurants and we are training them through people that we have already hired that are experts earlier on we were talking about Philips who is award winning Baristas, he is putting a small training team together but our employees that will run these café will be part of our employees post that already there in the restaurants.
- Tejas Shah:** Fair enough very detailed answer. Just one followup on that so if I see breakfast side of the demand and if we see even the packaged food industry has not been able to crack it in India because the breakfast something I believe traditional Indians take very personally in terms of we do not deviate much so do you believe that with no alteration in the menu we will be able to cater to demand which is rigid in some form versus rest of the day menu that is very flexible.
- Rajeev Varman:** So breakfast it is specific with where the location is for example breakfast will become very strong in highway restaurant as people leave cities earlier and they get out of the city and then have breakfast at one of our locations before heading on the rest of their journey, those restaurants are designed not only with drive through to allow that but also with larger washroom for people to get off their cars and get a good experience of having breakfast so breakfast in my view I think we have seen other global markets when you start actually putting effort, there have been markets that I have run in the past, the breakfast was 4% to 5% and when we put focus on it and start developing it up, it moved to 10% and 15% and even 20% so it is day part that is available just focus and some time period of emphasis on continuing to provide good service during those days parts will continue to build that business. It does take time to build that business but surely that business is there.
- Prashant Desai:** Just to add to what Raj said we already have tag as part of our portfolio of menu which will be big role in developing this breakfast menu.



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Moderator: Thank you. The next question is from the line of Vijaykumar Doshi from Kotak. Please go ahead.

Vijaykumar Doshi: I joined late so in cases my question have already been answered you can let me know and I will go back in read it in the transcript. I just wanted to understand if you can share some more data or give us some color on how Stunner manual helping you acquire new customer and you expanded the Whooper range with the launch of the junior Whooper so how is it helping premiumization because I think there is significant marketing as well as sort of innovation at the both ends to drive customers acquisition as well as premiumization if you can share some more color on how it has helped you?

Kapil Grover: Let me start with Whooper first. We did a campaign on Whooper in December and January and we repeated that with another sort of tag along trial Whooper and we shared with you in the last call that the Whooper awareness has grown up almost 55% and today one in every three customers as shared in the presentation is trying a Whooper. Within that Whooper portfolio almost 20% of scale is coming from wrapper limited time variance which are premium price above the Whooper so that is an exercise that we started in December of last year, increasing awareness around Whooper, the quality, the layers in the product, taste experience that you get coupled with trial offer and continuous focus in building that portfolio we come to this stage where almost one in every three customers tries Whooper so that is the exercise on Whooper in bringing the premium end on the menu. On the Stunner, it is early days we have been on air until this last week, we have seen tremendous response on the products. Today we are selling a significant part of the value menu through the Stunner menu. I think this menu was settle down, it is just coming off the campaign give us a couple of more sort of months to report on the progress on the menu but so far we think good traction from the customers and good share of sales on Stunner menu as a part of the value.

Sumit Zaveri: Just for everybody who is listening product wise details is one thing that we generally at Burger King do not share on investor call from a competitive dynamics perspective and which is where we only be able to give you anecdotal color on questions on those lines and just wanted to kind of bring that on.

Vijaykumar Doshi: On Stunner just a quick followup, do you think that are you in position to track whether it is helping in customer acquisition or whether if the product is too good and price point is very attractive and it can also drive from downtrading and so how do you track that.



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- Prashant Desai:** We have three pieces, we shared this strategy which Kapil mentioned last time, the barbell strategy. So we have something called as the value layer then we have value plus and then we have premium. Anything up to 50 is value and 51-100 is value plus and above 100 is premium. This is something that we kind of keep track on almost on daily basis and there will be enough evidence to suggest what Stunner is doing. Two challenges, one challenge was Kapil mentioned too early in the day to kind of comment on where you are coming from. Two, even when we have the data this is as I said so much of competitive dynamics involved in this so how do we will be able to share it something we will probably think through and probably come back to you next quarter, but yes this is something that we track almost on a daily basis.
- Kapil Grover:** I can add a little bit of color there to what Prasanth said, what we have seen traction on the Stunner menu is that we have not seen to a point on the check decline, we have not seen a dramatic check decline. We have been able to maintain very healthy check and the point is that these Rs.50, Rs.70 menu items one is the customer come in and trying them on their in a meal or in group size of two to three and the other these are getting added on as trial items or incremental products in the current basket so it is working in both ways and we have not seen a dramatic check decline on the Stunner.
- Vijaykumar Doshi:** That is very helpful. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.
- Rajeev Varman:** Thank you everybody for taking that time and enjoying this call. I know lot of questions are on the same sort in but the fact that we are conservative but believe me we will come back to you as and when we will revise this, we will continue to share the data with you which we think will help you understand our business and look forward to interacting with all of you guys with us second quarter conference call. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Edelweiss Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.