November 16, 2021

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| **BSE Limited** | **National Stock Exchange of India Limited** |
| **Corporate Relations Department** | **Listing Department** |
| Phiroze Jeejeeboy Towers | Exchange Plaza, 5th Floor, Plot no. C/1, |
| Dalal Street, Fort, | G Block, Bandra Kurla Complex, Bandra (E) |
| Mumbai- 400 001 | Mumbai- 400 051 |
| **Scrip Code: 543248** | **SYMBOL: BURGERKING** |

**Sub.: Investor/ Analyst Call Transcript**

**Ref.: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** *('SEBI Listing Regulations')*

Dear Sir/ Madam,

Pursuant to the aforesaid SEBI Listing Regulations, please find enclosed the transcript of the Investor/ Analyst call w.r.t. the Unaudited Financial Results of the Company for the quarter and half year ended September 30, 2021, held on November 12, 2021 at 5:00 p.m. IST as **Annexure A**.

The same is being made available on the website of the Company viz. www.burgerking,in.

You are requested to take note of the same and disseminate to all concerned.

Thanking You,

**For Burger King India Limited**
(Formerly Known as Burger King India Private Limited)

Madhulika

**Madhulika Rawat**
**Company Secretary and Compliance Officer**
**Membership No.: F8765**

BURGER KING INDIA LIMITED

# "Burger King India Limited Q2 FY2022 Results Conference Call"

November 12, 2021

**ANALYST:** **MR. NIHAL 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**

**Moderator**: Ladies and gentlemen, good day and welcome to the Burger King India Limited Q2 FY2022 Results Conference Call hosted by Edelweiss Securities. 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 Jham from Edelweiss Securities. Thank you and over to you Sir!

**Nihal Jham**: Thank you Thanvi. On behalf of Edelweiss I would like to welcome you all to the Burger King India Q2 FY2022 result update. 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 Relations. I will now hand over the call to Mr. Rajeev Varman for his opening remarks. Over to you Sir!

**Rajeev Varman**: Thank you very much. Good afternoon everyone and welcome to this call. I hope everyone had a good Diwali and things are looking upbeat now from here for us as well. I think the sales revenue and also the people coming out into the malls have improved significantly in the last month, so that is a very good news for us.

I also wanted to take a minute and we forget to do this all this time. Really evaluate the Indian audience, the Indian population, the government, central government, the state governments probably one of the best vaccination programme in the world. I think they have done a tremendous job getting this population vaccinated and just to update you on Burger King and where we stand we are about 84.7% vaccinated with double vaccines and that is about 97% of eligible candidates have already been vaccinated so the balance will be vaccinated within the next 60 days or so as they become eligible to get vaccinated, so that is some good news from our side as well as everything is moving in the positive direction.

I just wanted to remind everyone what our goals are and we continue to do this on every call as we are a growth company. You can appreciate that we started building our restaurants about 7 years ago. November 9 was the first restaurant that we opened and this was in Select City in Saket and then we continued to build restaurants, so in the last 7 years what we have done is the build this portfolio for 274 restaurants where we stand as of Q2 of this year and since then in October we have built additional two restaurants. We have a pipeline. We have 20 restaurants in construction as we speak today.

We have another 38 restaurants in the pipeline for a total of 20 plus 38 which is 58 restaurants, so we are on our journey towards our target of being at 700 restaurants by December of 2026 so that journey continues as we move forward. Just a little top line on numbers and then Prashant and Kapil and Sumit will provide more colour on these numbers, but I just wanted to share the topline on Q2.

We ended up with 245 Crores in sales when compared to Q1 at 149.7 Crores that is a 64% increase in revenues that we saw quarter over quarter and if you look at the recovery of this sales 95% recovery versus pre-COVID numbers this is the year F2020 so good catch up there and 95% has grown to 101% in October so it is continuing to grow in the positive direction. On this 95% recovery as two elements in there; the delivery recovery is 165% and the dine-in recovery is 65%. Now the dine-in recovery continued to go positive direction. In October we recovered 65% to 74% and then if you look at the delivery recovery it stayed steady at over 160%, so that is the kind of recovery we are excited about. We are looking forward to continuing that and we have had a good month so far moving into this month as well.

Region wise also as we do every call we just kind of update you on region wise as well and then Prashant will throw more colour as we grow through those slides, but region wise the west is recovered at 114%, south and east is at 109% and north our recovery is sub 100%, it is at 92%. The reason for that is significant portion of our portfolio in the north sits on these metro stations and that recovery is now slowly coming back as the metro stations are opening up. In fact as of last week several gates of metro stations have started opening up so we should that recovery also go north of 100%.

So that is just a little bit colour on the revenue part of it and as we have outlined our GP goals I just wanted to throw a little colour on GP as well. GP from Q1 to Q2 we moved it up by 20 BPS. Now you can appreciate that there a lot of headwinds with commodities but despite those headwinds from the commodities and increase in prices there are lot of efficiencies that we are bringing in through volumes as well as through our proper structuring of our buying so those offset all the headwinds and actually gave us a positive improvement on GP so that is 20 BPS putting us at 65.4% gross margin for the quarter.

EBITDA again I am giving you post Ind-AS numbers. EBITDA at the restaurant level was 40.7 Crores and company level EBITDA was at 25.6 Crores so those were the two numbers I wanted to share with you. Growth, I have already shared. The journey continues towards 700, 274, two restaurants we opened in this previous months so that puts us at currently as we sit at 276. We have a tremendous pipeline. Lot of our restaurants that will open out of this 58 that I gave you which is in construction as well as in the pipeline, 25 of those restaurants are drive through and we spoke to you last time about shifting our strategy to build as many drive through so we have started off that with building up a pipeline of 25. High speed locations 21, food court units 5 restaurants then mall and transit 5 and 2, so that adds up to your 58 restaurants that you are looking in terms of moving forward with that as well.

Now just a word obviously you are all aware of our bid to acquire the Indonesian Burger King business. Over there we have submitted binding offer to acquire 83% stake in the entity there at USD $183 million. This was accepted by the company there and now in the process of financing it and enclosing that it will start and we will progress that on a speedy basis. Kapil will take some time to talk to you about the BK app. I think we are extremely existed about the BK app. We have made tremendous progress in terms of downloads, in terms of our portion of delivery as we have told you that we would like to take the delivery business along with our aggregator as we continue to build the Burger King delivery business, so we will share and throw colour and show you how that progress has happened on the BK app business but extremely excited.

Overall, we had more downloads. Last time we reported to you about a million. We have improved that by another 50%, so that will be shared by Kapil as he gets into that. Now very exciting news as last time I shared with you that we would be launching BK Café in the fourth quarter and then build 75 in the next few years. I am very happy to report to you that we were able to pull that forward. We have soft launched our first BK Café in Churchgate and this café is up and opened. I invite each one of you to go visit that location if you are in the Mumbai area and we will continue to test different products there and we are continuing to look at different things and move that to a steady growth numbers. We also have 10 other BK Cafes in construction as we speak today, so that BK Café construction and that growth strategy is in place.

So with that said I am going to quickly hand it over to Prashant who will carry you through the first leg of the presentation and then we will go over to Sumit for the financial and then Kapil will take you through all the strategy session on the marketing so over to you Prashant.

**Prashant Desai**: Thank you Raj. Welcome everyone. Before I take you through slides 5 and onwards just one point for people who probably are joining the second quarter call who were not there on the first quarter call, if you guys recollect we had told you that we will measures ourselves against our guidance of maintaining our ADS what we did in FY2020 and our FY2020 ADS was Rs 110,000 per day per store, so a lot of numbers that my colleague and I will share keep that in mind. These are comparable to the FY2020 ADS and we have done this to make life easy for both you and us.

Slide #5 talks about our ramp up plans and Raj mentioned that we wanted to go to 700 by December 2026. On 2022 the number was 320. We are reasonably confident of touching that number. FY2020 we have guidance today. We will go to 390 and as Raj mentioned if you add the 58 where we have visibility to it we are already at about 330 to 335 so way on track to deliver than 390 number as well and then we take this from 390 to 470 FY2024 and then finally into 700 by December 2026.

Quickly a small business update, what we have done is on slide 7 presented to you our ADS trends. To just give you a sense in terms of how the business got impacted on the first wave and then in the second wave year wise and quarter wise, so if you look at it in quarter one last year we had ADS of only Rs.35,000 which then this year went up to about Rs.74,000. If you match this with our second quarter numbers the recovery was much better so from 112 we recovered better from 35 to 56 and as Raj mentioned we are now on an overall basis on Q2 at Rs.104,000 but if you look at the October number we have already crossed our FY2020 ADS of Rs.110,000. We are now at 111 with the festive period now continuing. December and January are two big months for us so we are looking forward to the next three months in terms of our business.

Giving you the breakup of where the delivery and dine-in business stacks up to date. We have made decent recovery from where we were in Q1 in terms of our dine-in business from 28% dine-in contribution in Q2 the dine-in contribution moved up to 47% and this has further moved up to 52% in October. As malls open up, as multiplexes open up we have seen significant amount on the success of Sooryavanshi, the film. Lot of our food courts have reported very, very strong robust performance so we see the dine-in number going up significantly in this current quarter and as Raj had mentioned previously our long term trend as we see dine-in business will be almost 60% to 65% of our business.

In terms of recovery if you see the dine-in business made a recovery of 65% for the quarter but for October this has moved up further to 74%. One interesting thing which we saw the trend last quarter and this quarter despite the dine-in recovery growing you would actually see the delivery recovery still probably growing. If you look at the quarter one versus where we stand in October, the dine-in recovery has moved up from 32% to 74% and the delivery has actually not picked, delivery recovery from 157% even today stands at 162% so overall the business is looking very strong and very robust.

Coming to slide 9 just to give you a sense pan India ADS recovery in October we have crossed 100% threshold and now we are looking at better that numbers. Raj already mentioned our recovery on the regional basis. He also mentioned that north the recovery is kind of lagging because of our locations on the metro side but as the country opens up as more people start using transit we are hopeful for a much swifter recovery in north as well and west continues to do well in terms of recovery. What I will do is I will quickly now turn it over to Sumit to just quickly take you through our operating and financial performance for the quarter. Sumit!

**Sumit Zaveri**: Thank you Prashant. What I will do is I will just quickly summarize the financial performance. The parameters have already been discussed by Prashant and Raj. At an overall level for revenue perspective we did a revenue of 245 Crores as compared to 149 Crores that we have done in quarter one with a 64% quarter on quarter growth. Our concentration has always been to keep improving on the gross profit side and in spite of all the headwinds that we saw on the inflation on the cost side, we still kind of achieved 65.4% and marginal improvement in our gross profit for the quarter.

As we started to gain momentum on the revenue side and continue to improve our revenue to get to normal state and beyond, we have also started seeing the efficiencies of scale to start getting reflected in our cost and if you can see employee line kind of looking at 10% and other fixed cost and other expenses, the store also improving by 4%. There is an element of benefits in both the quarters even after existing for rate benefits. The fixed cost on the other cost line items would still have a similar improvement or reduction as a percentage to revenue and then again general administration expenses continue to kind of gain the benefit of scale improving from 9.7% to 6.2 with the company EBITDA on post Ind-AS basis for the quarter standing at 10.44. We certainly seem excited with improvement and performance that we have seen for obviously this is something which is just the first step and as we continue to improve further we should see the improvement in quarter to come as well so with that I would just hand it over to Kapil to take us through the marketing updates for the quarter.

**Kapil Grover**: Thanks Sumit and very good evening to everyone on the call. The last quarter as you saw we have seen a very good improvement in sales recovery especially dine-in recovery, so as the lockdown eased off and the vaccinations increased rapidly we saw this as an opportunity to go back on media and start to drive awareness and recall for the brand. On the last call, I had shared you that we have soft launched a new Rs.50 Stunner Menu which is our value campaign. July through September we continue to build that with multimedia TV and digital campaign.

A fair share of digital media investment on the campaign even the changing consumer preferences and consumer have continue to give us fantastic response. It was a five week campaign and we saw a lot of positive response around innovative products like Tikki Twist, Volcano and very good trials. In fact one in every three customers tried at least one product out of the Stunner Menu, so that is a good start. It is a long term value strategy for us and we will continue to build that in the coming quarters.

Moving to slide #14 Whopper which is our most differentiated and signature product, we continue to focus on that and build awareness around that not just through media but also through fantastic social media campaigns, Whopper Friday which is a big property for us engage will social media influencers ever weekend and get their feedback and comments on our products. This quarter we launched Peri-Peri Whopper which is our way of driving excitement with the Whopper Loyalist and right now there is Boss Whopper in the stores that programme also continue to build the Whopper franchise. In fact over a year we have increased our Whopper volume by almost 100% so that is a good response from consumers to our signature product.

Now that we see slide #15 as Raj spoke about the ad campaign. Now the cricket season which was the last quarter was the perfect opportunity for us to engage with our customers digitally and focus on the BK app. We launched a very interesting tech based campaign to drive BK app in stores and usage. Just to give you a snapshot on what that campaign was. This was an augmented reality based campaign whereby the user had to use an AR filter and catch virtual coupons during live cricket action, so as you are watching live cricket through the BK app camera filter whenever there is a 6 or 4 or wicket or a run you will actually see virtual coupons popping in your mobile screen which will then redeem in the next 24 to 48 hours exclusively on the BK app and every match we will change the offers to generate excitement and keep the consumers engaged. This programme drove a lot of excitement and buzz with our consumers. We actually saw more than 9 million impressions and over 50,000 game plays through this programme. As you heard Raj speak quarter on quarter our app seal grew by over 60% and our app install grew by over 50%.

Now I am on slide #16. Now we have spoken to you about this strategic initiative the BK Cafe. I told you last time as well that this is our way of driving the incremental occasion, driving more frequency with our customers. We have been able to manage to prepone this launch. On November 9th we opened our first BK Café at Churchgate Mumbai. This café as a range of hot and cold coffee based beverages, non coffee shakes, savory and sweet, food items. We are trying to create a very unique customized menu for our customers to come and try these products and as Raj mentioned we welcome you all to come inside this whoever is in Bombay to come inside and give your feedback and we already have 10 more cafes in construction. We are well on track to open 75 more cafes by FY2023.

Just to summarize we stay focused on our four key pillars value strategy led by Stunner Menu to drive traffic, strengthening the Whopper franchise and thereby strengthening the brand Burger King, building the BK app platform and now scaling up BK Café to drive incremental occasion in top line for the business. At this point I will hand over to Prashant to talk to your about the future outlook.

**Prashant Desai**: Thanks Kapil. Our outlook continues to remain the same that we had shared with all of you last quarter, so the store outlook I mentioned that is our guidance on store, our SSSG guidance, and our gross profit guidance which is 68% for FY2024. With this I will open up the floor for any questions that you may have.

**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**: Hi Sir. Just one clarification maybe I am reading the numbers wrong but I am a little confused. On slide 3 you have written that there is a sequential revenue growth of 64% so Q2 versus Q1 of 64% and on slide #5 I see that the number of stores between Q1 and Q2 is only some four or five stores have been added, 270 going to 274 so that is not a major driver of this 64% growth and even if I look at your ADS recovery that is recovered from 95% to 101%, so what is driving the 64%?

**Rajeev Varman**: Percy, if I can kind of take you through slide #7 that would kind of help you understand the numbers. So first case your observation on the store count you are right we added four stores in the quarter so effectively the growth has come to us through same store sales growth, improving from 74,000 average daily sales per store in quarter one to 104,000 average daily sales for quarter two, so for you were to look at the growth I would suggest you look at it from the perspective of slide 74,000 moving to 104,000.

**Percy Panthaki**: Sir that 74000 to 104000 is about 40% growth, and your overall sales growth is 64 so what explains the balance?

**Rajeev Varman**: And also there were these operational days difference between quarter one and quarter two because there were certain closures that were there in quarter one so that is also playing a role there.

**Prashant Desai**: And by the 101 that you are seeing that is the October number. We always give the month that we have completed after the product.

**Percy Panthaki**: Right. The comparable is 67 to 95.

**Prashant Desai**: That is right 67 to 95 is the number you need to compare, so when you compare those numbers adds the fact that the ADS has gone from 74 upwards and add the op base, additional op base you will see that all adds up to that.

**Percy Panthaki**: So basically this 74,000 number is only for the days which were actually operational.

**Prashant Desai**: Yes Sir.

**Percy Panthaki**: Secondly just wanted to understand the café initiative and how much of an upside on a per store basis do you see the café giving you assuming I mean once it is matured in that particular store?

**Rajeev Varman**: Give us some time Percy as we had mentioned last time right. Just give us at least six months to get this piece stabilized. I know we are also eagerly awaiting what the ADS from café incremental is going to be. It is a high margin product. We are just a few days old in this business. Just give us some time we will come back to you with that. All we can say is that we are extremely excited. We feel we have significantly differentiated offering the way we have designed the café, our menu offering both on the coffee side and on the snacking side. We are testing this. This month currently one store going up to 10 stores very soon. By the end of year we will have probably some guidance to come back to you with.

**Percy Panthaki**: On Indonesia now that you have made a bid for the business can you give a little more clarity on the numbers so two numbers are required, one is what is Ind-AS 116 or rather the IFRS adjusted EBITDA margin for that geography and secondly at the net profit level what is the profit or loss of that business?

**Rajeev Varman**: Percy we will take this offline with you. If you will probably reach out to me, I will share those details with you.

**Percy Panthaki**: Just one more help, this slide #11, the restaurant EBITDA margin that you report that is on pre Ind-AS I mean taking the full rental into the EBITDA?

**Rajeev Varman**: No. That is on a post Ind-AS basis Percy, so the numbers that we are reporting as we were being discussed during our last quarterly call as well, so we would be sharing the numbers on a post Ind-AS basis.

**Percy Panthaki**: So any rough ballpark as to how much percentage point should I sort of deduct from that to arrive at the pre Ind-AS numbers.

**Rajeev Varman**: About 7.

**Percy Panthaki**: About 7 %. Okay thank you.

**Moderator**: Thank you. The next question is from the line of Rajesh Jain Individual Investor. Please go ahead.

**Rajesh Jain**: Good evening to you all. First of all my congratulations to the entire team for turning out fantastic results; I amazed at the growth not only in EBITDA, and revenue and net levels but also maintaining the store growth. I have one or two questions, one is finance cost seems to be around 37 Crores every quarter. Is there something being done to control that cost and the second thing is more like a suggestion that going forward please maintain the quality you have and the customer experience rather than like McDonalds which has become refectory without any attention to the customer experience as such?

**Rajeev Varman**: Thank you Rajesh Ji for those kind words. Rajesh ji my colleague Sumit last time mentioned that the finance cost that you are seeing is because of the Ind-AS adjustment. We do not have any debt on the books. We have surplus cash sitting on the books from the IPO, so if your worry that finance cost as an interest cost it is not, so I just wanted to lay that on the table. It is purely an accounting entry because of the Ind-AS basis and yes I will pass on your feedback to all my colleague in terms of your liking the product and thank you for the same.

**Kapil Grover**: From the operations here we assure you that even in the last quarter we continued to be leading in terms of operations in the Burger King system among the top few countries globally in operations and we will never drop that. We have a very strong operations team lead by our leader Cecily Thomas and while we continue to balance our business between delivery and dine-in business which is now recovering, I think we have done a fantastic job continuing to do that. There is a lot of room for us to continue to improve. I think we are in the mode of improvement versus any kind of deterioration that our business will deteriorate. We still have headroom to improve our business, improve our service, improve our delivery service. We just started our delivery service with our e-scooters so we have already acquired around 100 e-scooters. We are in the process of acquiring another 250 to 300 e-scooters. We have spent a lot of money in terms of packaging, developing significant money into developing good packaging to carry our food to the restaurants, bags, bottles, wrappers you name it so lot of investment going on there but also we spoke about this a couple of quarters ago that we have invested a lot of energy of getting the way our restaurants are built so that we can have a very good ease of delivering our food, so we have a channel. We have now constructed a bench in the kitchen for delivery business. The delivery boys come from the side. They go through the window. They pick up the order, so a lot of technology has gone into this well and you will continue to see that. We will work very hard, not only to improve our dine-in experience but thank you for acknowledging the work that we are doing there but also on the delivery side we will continue to put the emphasis on improving delivery business as well. Thank you for your question.

**Moderator**: Thank you. The next question is from the line of Deepak C Gupta from Reliance Nippon Life Insurance. Please go ahead.

**Deepak Gupta:** Thank you for undertaking my question. If you could perhaps just give us some information on what was the SSG growth for the quarter and on to what the SSG growth would look like?

**Sumit Zaveri**: Sorry SSG growth.

**Deepak Gupta:** And on a two-year basis on FY2020 base what was the SSG growth for the current quarter?

**Sumit Zaveri**: Sorry you want FY2020 versus FY2019?

**Deepak Gupta:** Yes I wanted what is for the current Q2 FY2022 versus Q2 FY2021 and Q2 FY2022 versus Q2 FY2020?

**Sumit Zaveri**: Okay Q2 and Q1 it was 62% for Q1.

**Deepak Gupta:** On a two-year CAGR basis if I compare Q2 FY2022 versus Q2 FY2020?

**Sumit Zaveri**: Deepak Ji if I can answer that question, if I could draw your attention to slide #9 of our presentation. When we effectively say that the recovery for quarter two is at 95% this is with reference to FY2020 numbers, pre-COVID numbers that it would translate to an SSG of minus 5% for quarter two vis-à-vis FY2020. FY2021 since it was honestly substantially impacted by COVID. We are actually kind of looking at trying to go back to pre COVID levels and hence we are looking at the numbers in that pattern but if I can draw your attention to number differences we did last year which is FY2021, September quarter we did a revenue of 110 Crores against that we are 250 Crores so hence for us the way we want to measure it is effectively to say that how do we compare ourselves to pre-COVID levels.

**Deepak Gupta:** Sure I hear that that is very clear. Taking this question a bit forward you have given a forecast of 5% to 7% SSG growth for FY2023 given the fact that you have extremely low base in FY2022 because of H1. The only thing there is a chance of potential upside on FY2023 numbers given that if things normalize and a COVID wave does not happen. Give us an upside potential to your SSG forecast?

**Prashant Desai**: It is a fair observation Deepak and this question came up several times last quarter as well. What we told is first let us come up to speed with where we were before COVID, hit us which it now seems in October we have recovered that ground. Let us spend this November, December, January which are relatively big months for us at Burger King and when we come back to you with our December numbers or March numbers we will probably relook at that guidance but as of now we want to stay at that 5% to 7% guidance and this is Deepak 5% to 7% over 110,000 of ADS.

**Deepak Gupta:** Okay from FY2020 numbers. Okay and secondly Prashant on Burger King Cafe now I believe the Churchgate outlet was a dine-in outlet which has been converted into a café so going forward are you looking to convert some of your flagship banian outlet to cafe concept and what could be the capex involved on the same?

**Rajeev Varman**: This is Raj. We have a cafés within it is a shop and shop right, so Burger King in Churchgate is a magnificent restaurant. It has got a very large lobby, lot of seating inside, lot of seating outside in the patio area so it is a significantly large restaurant so we have put a café on the left side of the restaurant and it is kind of island café as we are calling it. It is got all the bells and whistles if you go and look at it and we continue to actually to learn and kind of make changes as we go and that is why we have only got 10 restaurants in café construction. As we want to make sure to clean out all the issues that we potentially might have so that process is anywhere from now to end of December but we should be opening another 10 cafes very soon and those will include all those improvements that we do make in Churchgate. Now the capex that we are looking at, we have three different models that we are building up the café. We are calling it just A, B, C and you will find that the one that is A which has all the bells and whistles anyway around 25 lakhs or so will be the cost. Again this is just a preliminary numbers because what we will do is we will find efficiencies once we have finalized the café model and how we are going to execute it and then we have B and C which are lesser versions of that which will cost as much less. We have not built those versions as yet. Once we build the first few versions of it we will start advising probably towards Q1 of next year on proper numbers on this and it will be a responsible way of doing this communication out to our investors and I think if you can just bear with us and have some patience. We will give you some good numbers and we will be able to give you some hard firm numbers in that first quarter.

**Prashant Desai**: Deepak, just to kind of add to what Rajeev said even all our BK cafes are going to be part of our Burger King stores, so it is not that we are going to be setting up a standalone café so from our existing stores wherever we believe there is space and opportunity we will convert a part of that store into BK café. All the new stores that we are signing most of them will accommodate the café, so it is not that we have kind of completely moved the Burger business to setting up a café so that is the only thing that I wanted to add.

**Deepak Gupta:** I understand. My last question on the Indonesia acquisition given the fact that now the board has approved the acquisition what are the timeline now we are looking at and how will the funding of this acquisition take place?

**Prashant Desai**: Funding Deepak will be an equity fundraise, we just finished submitting the final bid. Our view is we should be able to complete the transaction before the end of the financial year. It could either be preferential or QIP.

**Deepak Gupta:** Okay thank you so much.

**Moderator**: Thank you. The next question is from the line of Rohit Balakrishnan from Ithought PMS. Please go ahead.

**Rohit Balakrishnan:** Couple of questions have already answered. My question is also in terms of the timelines that has already been answered. In terms of this mix in terms of dine-in versus delivery. We have now reached close to 52% so I mean given how things are being in the last few quarters with COVID and stuff once we return to normal what can kind of mix do you envision? Is there any thoughts around that that was one and just related to this is that if you have done anything differently to also increase your delivery mix going forward as well. I think Mr. Raj mentioned something in the previous answer, if you can elude a bit more. Is there any investment or is there any change in the menu or anything else that our kind of food is more amenable to delivery or that is not the case it is just amenable to delivery even now so something around that will be very helpful?

**Rajeev Varman**: Very good question. So let me try to answer that. We actually have addressed this in the last call, several things right. It is not just about the food, the packaging, the delivery vehicles, the carry bags, the process, the technology, the whole delivery experience as all these elements in it. So we have done not a complete job. We have done 50% of job on packaging. We continue to tinker it a little bit to get it to the end result. You will find that the menu is not only already being modified or will continue to be upgraded towards more delivery friendly kind of products in our marketing department along with their entire team is working on that in terms of getting that to a point wherein those become a very delivery friendly products so those are in the process and moving along but also the efficiency of getting the product, so technology is extremely important. When someone places the order how quickly that is turned round and the product is on the scooter, a tremendous amount of work has been done. I think there we have made tremendous improvement and I think we are there in terms of efficiency over there. We are very proud of that. Our marketing team and technology team have worked together and done that, so these elements are all coming together see we are probably delivering one among the highest number of orders per day right now in this country as a brand, so we could not be doing that unless we have been doing a good job on it. I would not flash any numbers here but I am extremely proud of the kind of numbers we are throwing in the Burger King system as well. We are among the top few countries doing delivery worldwide globally so that kind of magnitude of work has happened and this is by the way we never kind of stop. We continue to improve that and you will see those improvements as going forward. What was the other question, Prashant?

**Prashant Desai**: Delivery dine-in mix?

**Rajeev Varman**: Delivery dine-in mix. This is something that Prashant actually answered the last when he did his piece of it which is we see this coming back very close to where it was previous to COVID. There might be a 5% plus or minus shift most probably a plus shift that we would see but I think the landscape has changed dramatically. Today if you look at what is happening with the organized businesses there is a significant closure of unorganized businesses, some very permanently and you do not see them figure in the aggregator's menu so you find that lot of sales has shifted towards the organized sector especially the sectors that are chain restaurants and then you will see a similar activity coming down on the dine-in business as well as the neighboring mini restaurants mom & pop restaurants have disappeared from the landscape. So, what you will see is a gradual growth of both those businesses. Hence if you see a bigger pie, the pie will still land at where it was pre-COVID which we think is going to be closer to 65, 35 a few points up or down so that is where we see this moving forward. We are at about 52 as you can see from the graph. In Q1 we were sitting at 28. We climbed to Q2 47 and we are sitting at October 21 over here at 52% and it continues to grow well. Still the colleges are not opened, the schools are not opened. There was just one release of movie just recently as Prashant was saying Sooryavanshi. People start visiting the malls. They go into the food courts. They watch the movies. You will find the dine-in business will continue to grow the pie. I think what is important if you look at the graph, there is a graph on page number 8. You will find that while we continue to gain on the dine-in business and continue to grow on that business back to its original numbers we are stayed put on a very high delivery number at 160% of pre COVID numbers. So if that stays where it is or drops very slightly you are looking at a much bigger pie and much bigger business going into the next year.

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

**Jaykumar Doshi:** Thanks for the opportunity. A very simple book keeping question, now when I look at your 4Q FY2021 number reported EBITDA margin was 12.5% and underlying EBITDA margin excluding Ind-AS 116 was 0.2 so there was a difference of 1200 basis points. Now that difference has narrowed to 700-basis point in the current quarter. Did I understand it correctly?

**Sumit Zaveri:** Jaykumar yes. The adjustment on account of rate between pre and post Ind-AS effectively stands as Prashant was talking about in the region around 7%. When you try and do the comparison with the period which were impacted by COVID the numbers could look different because the adjustment of rent, reductions and all were done on rent lines and well, but as Prashant was talking about yes the numbers that you are seeing of 7% is the current number what Prashant was talking about earlier.

**Jaykumar Doshi:** Reasonable to assume that this number is now stabilized at 700 basis point in the coming quarter.

**Sumit Zaveri:** It should remain in the range of that 7 to 8% range I think.

**Rajeev Varman:** Some of our rent concessions that our development team has worked on are long term kind of rent reduction, some are on a two year basis and so forth, so you will find some movement on it, but not significant.

**Jaykumar Doshi:** Understood. This is very helpful. Thank you so much and best wishes for BK Café.

**Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

**Shirish Pardeshi:** Good evening and thanks for the opportunity. I have two questions the first question is on the gross margin recovery. It is heartening to know that you are inching up, but it is fair to assume that the recovery which you have reported more than 100% and the normalization which is there on the card does that mean that even if we open our staggered opening for Burger King Café our gross margin in this range or there is some more room for squeezing and taking it up to maybe 67%, 68% in the next two to three years?

**Prashant Desai:** It is right and we have actually gone ahead and Shirish guided that right**.** We believe that by FY2024 excluding the cafes we definitely want to touch a 68% and which is why we probably are the only company in this phase which are actually giving guidance on gross margin side because for us the health of the business is very closely linked to the gross margin that is the quality of business and operations we had. We are kind of shouting it out that we want to go from 66 by the end of next year to 68 over the next 24 months around the cafes.

**Shirish Pardeshi:** One question on café, I do not want to per se you share out the details, but any assumption, any target margins, gross margin, IRR, any qualitative information you can give. This is for the modeling perspective I am asking?

**Prashant Desai:** If you structurally see and you just do not need to look at us. If you look at the coms some of the guys have now reported the gross margins they are doing on the coffee side of the business it ranges from anywhere between 70% and 80% is the range from a gross margin perspective. ADS, is something that as I mentioned given sometime will come back to you, what numbers we can do. Depending on what kind of ADS numbers you deliver your payback may stretch from 3 months to about a year that is the maximum. So if we are very lucky and we kind of do great business on the café day one my payback will be less than 3 months. If it kind of takes times, it will still be under a year so that is what we can share currently.

**Rajeev Varman:** We will start riding on these numbers in the Q1 of next year, so after Q1 of next year, the first quarter meaning that we will have to start guiding you on how the progress is. We will still have only 30, 40 restaurants by that time on the ground, but we will start kind of firming up the numbers and sharing and strategizing around it but without those numbers we are still kind of looking at the positive growth on the gross margin side.

**Shirish Pardeshi:** Assume that you open 70 stores say in the next 18 months, so is it fair to assume that it will have a significant contribution to our revenue?

**Prashant Desai:** We will predominantly at least till FY2023 to FY2024 we are Burger business. It will be incremental in nature for sure, but is it that café will be 25% to 30% of my business in next 24 months, the answer to that is no.

**Shirish Pardeshi:** Thank you Prashant and all the best to you and the team.

**Moderator**: Thank you. The next question is from the line of Chinmay Gandre from Reliance Nippon Life Insurance. Please go ahead.

**Chinmay Gandre:** Thank you for taking my question Sir. My question is on the rental concession, so basically last year we would have got some waiver but obviously some would have been for the year itself and some could have been on a sustainable basis so wanted to understand like suppose pre COVID we were paying Rs.100 so on a sustainable basis how much this cost has come down to?

**Rajeev Varman:** Chinmay first of all we are now getting closer to the normal levels of rentals, so if you clearly look at the performance for quarter two there we are now more or less kind of overlapped over that period and the rentals that we were paying pre-COVID level will start. The benefit that we will still see as far as the rental lines is concerned is the benefit of expansion of revenues that we would effectively kind of start getting to Q3, and Q4 as you will see the broad basing of the rental line over a period of time we expect that should be in the region of around 1% or so.

**Prashant Desai:** Chinmay if I can answer the same question a little bit differently maybe that will probably help all the listeners, so if you look at our current rent to revenue Q2, it will be somewhere in the range of about 14% rent to revenue. As the dine-in picks up as our SSG kind of picks up and ADS grows, our view is over the next 20 to 24 months you will see at least 200 basis point kind of operating leverage coming on the rental side. Probably that is where you are coming from.

**Chinmay Gandre:** My second question is on the store addition and in this part of the store addition seems to be on the weaker side. Even if I look at the competition and how confident are we on the annual target which we have put it out at 320?

**Prashant Desai:** It is a fair observation. If you look at pure numbers it will look on a weaker side but which is why we would have shared with you where we are in terms of the number of stores that we are currently under construction plus where we are already under negotiation and stuff like that so we would not disappoint you. We have so far never disappointed on the guidance that we have given. We do not want to lose out on that so be fairly confident we will give you the 320 restaurants that we have told you. This quarter is going to be a big quarter in terms of store opening, October, November, December. Let us open and then we will come back to you but we will deliver the 320 and 319 numbers that we have shared with you.

**Rajeev Varman:** Let me just reiterate. I mean we have 20 restaurants right now in construction, so that gets us from 276 to 296. That is 38 restaurants on top of that 28 restaurants that are in the pipeline which is going into construction over the next 30 to 60 days which will form the 320 in fact we will have more restaurants in construction when we are at 320, continuing into next year right so feel pretty confident that these numbers are achievable and as Prashant was saying in the last seven years we have always delivered our MFDA numbers and more right. Every year whatever our commitments with our franchise is we have always experienced those numbers and we do not look at kind of missing on those numbers in the future as well.

**Chinmay Gandre:** At the start of the quarter we were expecting around 4 or 5 restaurant should get added and this is how we had kind of funded out because of COVID or some other issues. There has been some postponement in terms of the quality additions?

**Rajeev Varman:** See that is why I gave the breakdown because you people need to understand 25 of these restaurants are drive through restaurants so you are actually building up a whole building with a drive through, complete real estate building build up. High street locations 21 and then malls and food counters which used to be majority of our bills two years, three years ago is only down to five restaurants each, so only about 10 of those restaurants that we are going to build are going to be fix and open. Again we are very prudent in the way we open the restaurants. We continue to be responsible real estate investors. We continue to do responsible job on opening the restaurants and we did have a whole scale on pipeline. I think the last time I was on the phone with you. I told you there were 10 in construction, today we have 20 in construction. We have opened six of them, two in October and four before that and the other 20 will start popping in as Prashant said in this next two months you will find a whole bunch of restaurants opening up and then you will have significant amount of restaurants in the last quarter of the first three months of next year.

**Chinmay Gandre:** So pre-COVID broadly how much of percentage of our revenues used to come from mall stores?

**Prashant Desai:** We do not share the data. If you want Chinmay we will separately share that with you.

**Moderator**: Thank you. We will take the last question from the line of Percy Panthaki from IIFL. Please go ahead.

**Percy Panthaki:** What percentage of days, were operational this quarter?

**Prashant Desai:** Percy when I shared with you Indo piece, we will calculate that and share it with you.

**Rajeev Varman:** This quarter we had stores operational literally over 90% to 95% of our days.

**Prashant Desai:** We will share that data.

**Percy Panthaki:** Secondly just one clarification on this SSG which you are saying 5% to 7%, see typically when QSR companies say. Let us say 5% same store sales growth that does not mean that their average sales per store increases by 5% because the new stores open at a lower level and they bring down the average, so how should I read this guidance of 5% to 7% is it on the system average on the stores, your ADS will go up 5% to 7% or will the ADS go up 5% to 7% for the stores which have remained operational for more than one year?

**Rajeev Varman:** SSG is guidance on existing store. New store do not have SSG guidance obviously you understand that because they are new stores. So the old stores are the once that have had 12 months of operation. They start counting and we have SSG for those stores. The new stores ramp over time period right so they will not start at 100% of their ADS on day one. They kind of ramp up like we have shared initially with you in the first call I think. Many of our mall stores kind of start of and immediately pick up within the week or so they pick up to their ADS levels. There is high street restaurants and drive through restaurants take anywhere from 60 to 90 days and then they continue to grow. So they do not ramp up and stop and that is the flat matured sales. They continue to grow, many of our restaurants even today if you look at the Churchgate restaurant we are talking about it continues to grow and it will continue to grow year over year over year because there is so potential for us to build awareness, the awareness of our brand still continues to have a top empty portion that we can fill up and there is also lot of opportunities in terms of all these technologies and delivery vehicles that we are bringing in, so you will find that ramp up will happen both at the drive through restaurants, at the in-line restaurants, you will find that our restaurants up in malls will continue to grow at 5% to 7% kind of percentage that we are uprising. Now look here these are conservative numbers we do our due diligence and we want to make sure that when we speak here that those are numbers will absolutely deliver and beyond and hopefully that we will have better idea towards the Q4 numbers and if we have to revise our sales guidance then we will share that with you at that time.

**Percy Panthaki:** Understood because 5% to 7% SSG would imply that at a system average level your sales per store would actually decline Y-O-Y given the decent number of store openings, new store openings that you have planned?

**Rajeev Varman:** Total revenues will continue to climb. They will not decline. They will continue to climb. ADS levels we will discover those as we ramp up. When you have a portfolio of 50 restaurants and you build 50 restaurants probably you will decline. When you have 270, 290 at that point you will have 320 restaurants then you build another 70 restaurants, the percentage of new restaurants impact to the whole portfolio is much smaller.

**Percy Panthaki:** Okay Sir. That is all for me. Thanks and all the best.

**Moderator**: Thank you. That was the last question. I now hand the conference over to the management for closing comments.

**Prashant Desai:** Thank you everyone for joining us. Wish you and your family a Happy Diwali and New Year and look forward to talking with you guys in the Q3 conference call. Thank you.

**Moderator:** Thank you Sir. On behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.