June 7, 2021

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**SYMBOL: BURGERKING**

**Sub.: Investor/ Analyst Call Transcript by Burger King India Limited** *("the Company")*

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

Dear Sirs/ Ma'am,

Pursuant to the aforesaid SEBI Listing Regulations, please find enclosed the transcript of the Investor/ Analyst call w.r.t. the Audited Financial Results of the Company for the quarter and year ended March 31, 2021, held on May 27, 2021 at 5.30 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

BURGER KING INDIA LIMITED

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

# "Burger King India
# Q4 FY2021 Earnings Conference Call"

## May 27, 2021

**ANALYST:** **MR. NIHAL JHAM - EDELWEISS SECURITIES LIMITED**

**MANAGEMENT:** **MR. RAJEEV VARMAN – CHIEF EXECUTIVE OFFICER & WHOLE TIME DIRECTOR - BURGER KING INDIA**
**MR. SUMIT ZAVERI - CHIEF FINANCIAL OFFICER - BURGER KING INDIA**
**MR. KAPIL GROVER - CHIEF MARKETING OFFICER - BURGER KING INDIA**
**MR. PRASHANT DESAI - HEAD OF STRATEGY & INVESTOR RELATIONS - BURGER KING INDIA**

**Moderator**: Ladies and gentlemen good day and welcome to the Burger King Q4 FY2021 & FY2021 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 this 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 Limited. Thank you and over to you Sir!

**Nihal Jham**: Thank you Mallika, and on behalf of Edelweiss, I would like to welcome you all to the Q4 FY2021 & FY2021 Conference Call for Burger King India. From the management today we have Mr. Rajeev Varman, CEO & Whole Time Director, Mr. Sumit Zaveri, Chief Financial Officer, Mr. Kapil Grover, Chief Marketing Officer, and Mr. Prashant Desai, Head of Strategy & Investor Relations. I would now like to hand over the call to Mr. Prashant Desai for his opening remarks. Over to you Prashant!

**Prashant Desai**: Thank you Nihal. Good evening ladies and gentlemen and thanks for being with us on this Thursday evening for the conference call, we truly appreciate it. Also on behalf of everybody at Burger King we hope and sincerely hope and wish that all your friends and families are safe in this tough times and once again thank you for joining. This is how we intend to take today's conference call forward. I will pass on the dais to Raj to make his opening remarks post which very quickly I will take you through some of the slides on the presentation which all of you would have got a chance to kind of go through. We will then turn it on to Sumit Zaveri my colleague who will take you through the financial numbers quickly and then I will hand it over to Kapil Grover who will take you through the efforts that we did on the marketing side plus our efforts on the CAFÉ side followed by I will give you guys guidance and how we have revised the guidance and then we will open it for Q&A. The duration of the call is 60 minutes amongst the four of us we will try and wrap this up in about 20, 25 minutes so we leave at least 30, 35 minutes for you guys to ask us the questions, if the time is not enough feel free to write to me, e-mail to me or reach out to me and I will try and answer all your questions to the best of my abilities. Thank you once again, I will hand it over to Raj to make the opening comments. Raj over to you!

**Rajeev Varman**: Thank you very much Prashant and I second his comment I hope everyone is keeping safe, the three mantras that we are advocating wear your masks, sanitize your hands, and social distancing and vaccinate yourself, we can and I know this vaccination availability is the tough thing, but when you can and if you can please vaccinate yourselves. We are vaccinated that Burger King has a much younger employee base, so we just started up to the under 45 started, but we have vaccinated about 15% of our employees and we continue to kind of move forward on that in a rapid basis, so please take care of yourself and be safe.

What I am going to do is I am going to take a few minutes because we have got some very intelligent people to follow me. I will take just a few minutes to just give you a roadmap and once you have the roadmap then we will go into the presentation deck for Q4. So first of all just as I remind myself and my team we are a very young company, if you look at our company we have 50% of our restaurants in our company are actually less than two years old 21 months to be exact and those 21 months actually includes 14 months of COVID in there as well right and if you take the entire company all the 258 restaurants, company owned restaurants, some franchise restaurants as well, if you take those then you will find that those total average to about 36 months of life of age, it is a very young company so there is a lot of growth that will happen within the four walls of each restaurants beyond the growth that we are putting in building newer restaurants so there is going to be growth within those four walls and then growth beyond the four walls.

So let me first talk about the four-wall growth, which we have been speaking with you guys in the past and we will continue to speak to you in the future. Now if you just refer back on FY2018 we were up about 12.2% that year and that year's growth came through the launch of our value 1.0 we call it 1.0, so we launched that value program and the growth that came in that year was because of the 12.2% growth that came was biggest in the value program. In FY2019 we had 29.2% growth and this is growth both in SSSG as well as SSTG and this growth of 29.2% is roughly that came in because of our value program that we had installed the previous year that we now put on television and we grew that business within the four walls of the restaurants and then half of it came because we launched the delivery with our aggregators. So our delivery program launch with the aggregators remember that if our entire delivery was only through our aggregators still was until this last quarter also, so we were at that point only delivering through aggregators so that 29.2% that we saw in that year roughly through aggregator growth, through delivery growth and half of it was because of our value program. Then in FY2020 we had a kind of a flattish year and that flattish year was reconsolidating just the sales of 42% that we had increased 42% SSG over the last two years that we have, in addition to putting over 70 new restaurants into the ground so that was that year. Now we are poised as we move forward to bring in two things one is and Kapil will speak about this in depth so I am just going to give you topline on this. The first thing is we are getting the value 2.0 so we are launching now the value 2.0 and you will see very soon across the country in your television set and we have a place that we usually communicate our programs so that value 2.0 is going to be launched, in addition we spoke last time when experts spoke with you for the very first time you spoke about our app and the fact that this app was in progress and that we were building it up and it was almost going to complete, well the good news is that app is today available on your phones you can download it in android or you can download it on your Apple phone and we have got close to a million I think by early June we should have about a million downloads so we just kind of started it and it is kind of gaining ground so we are going to in addition to this pillar that we had aggregators pillar that we have multiple aggregators that do that delivery business now we are building a pillar of our own app, our own app business and that is going to be a new pillar to build the four-wall sales SSG that I was talking about so that is a big one and then the second one is the value 2.0, so this is a little bit and we will have a detail from Kapil on both the guidance as well as the details. The outset of the four walls we will continue to build restaurants, we have not changed the guidance for this year, we continue to hitting 320 restaurants by March of next year, which is March 31, 2022 and this is because we have already opened 3 restaurants we have got 8 in construction, we have got a pipeline of 30 so we feel good about it, the only reason that it is not our ability to build those restaurants it is only going to be whether we want to do it because I think we will make those judgements as the COVID-19 lockdown to reopen so we will make those judgements, but the ability the pipeline the talent this starting resource is all in place to go ahead and continue to build the 320 and continue our journey towards the 700 restaurants that we spoke about in the last call and the last thing that I want to touch here is a brief announcement that you saw yesterday when we put our deck in the evening on the portal for you to view we are launching BK Café this year. We will be launching it towards the end of the year this will be something that we will be working on we have done a lot of work Kapil will speak to that in a minute but we have done a lot of work on the design, we have done a lot of work on the menu, we have done a lot of work on stuffing and we are just going to be finalizing those things and bringing them to position towards the end of this year and then the following year we will be building 75 BK cafés as well so there is a massive program first to bring BK Café upfront and move that forward. So with that Prashant I think we will dive into the deck sorry I kind of ran a little longer than I should, but I will turn it over to you back again so you can guide through the rest of this. Thank you.

**Prashant Desai**: Thank you. I will quickly take you through some of the slides and what we are trying to communicate there and I will be quick about it. So if you come to slide #3 for those who have the presentation in front of you essentially what we are saying is our revenue recovery in Q4 was 103% YoY and our ADS recovery in Q4 was 92% and we have shared some data with you to kind of give you guys a sense in terms of what was the recovery on the delivery side and on the guidance side. We have also shared data with you in terms of what our recovery was regional wise so west was at 116%, south and east was at 113%, and our sense is we did better than industry and north was at about 108%. One important point we want to kind of drive is that Q4 our gross margins were 65.6% and two points I want to highlight one what Raj mentioned that still early days for us in the country we are just about six years old and second point if you guys would recall last time we had kind of guided that we will end FY2022 at 65.5% we have already achieved what we probably intended to do next year in the last quarter itself. Given by gross margin improvement in operating cost efficiencies we reported a restaurant level EBITDA of about 14 Crores.

**N**ext slide #14 the only thing that we would want to kind of highlight which Raj mentioned we are on track to take the total number of restaurants to 320 from about 265 where we ended March 31, 2021 with and currently restaurants under constructions pipeline at 38 so we feel reasonably confident and comfortable with that number that we are guiding today. Kapil will discuss a lot on the app side, but just to give you on a very small base yet but the BK app delivery revenue growth was 2x on a quarter-on-quarter basis and we are seeing massive traction on that. Kapil will also obviously get you guys up to speed with our strategy and its impact on our gross margin on the stunner menu that we have launched where we are trying to redefine the way India looks at value in the international QSR space and of course the big news of us launching BK Café in FY2022 currently based on everything that we are going through we should be able to beginning of next financial year January on we should be able to launch BK Café and Kapil will tell a little more on the concept over there.

Next slide is again just giving you a store ramp up not just what where we plan to be in FY2022, but our guidance in FY2023-2024 and as some of you who are probably joining for the first time in this call our requirement under our MFDA that we have signed with BK Corporation globally is to reach a number of 700 Burger Kings by December 2026.

Next slide will give you some sense in terms of when we reach that number by calendar year December 2926 700 how will geographically we spread and again as Raj keeps saying this is just a milestone in our journey this is just one full stop or a comma post December 2026 we will see adding a lot more restaurants clearly the yellow in the map shows north east is somewhere we will start building out after that, rest also if you see by December 2026 we will only be 165 restaurants where our incumbent is more than 300 even more than that number even now, so there is a lot of room for us to grow even beyond CY2026.

Quickly coming to a broader business update on slide #8 we have shared with you our recovery right through April 2020 the only thing that I want to kind of highlight is the March 2021 number and something which is written in fine print that the second wave the further dine in restrictions started somewhere around March and yet we are at about 111% ADS recovery.

Next slide we have shared with you quarter-on-quarter regional breakup of our recovery again it is pure data if you have any questions happy to take them post this call.

Next slide #10 we share with you what our dine in and delivery mix was ending March as you probably will see from that dine in was 57, delivery was 43, interestingly the recovery on the delivery side has been absolutely robust the recovery is now 124% in March and dine in recovery you guys will probably know from our last call 55% of our stores are in malls which took time to kind of open up within them multiplexes we were expecting big blockbuster releases sometime around April, but because of the lockdown we did not have that so the dine in recovery lagged delivery recovery but it was still at 93% in March.

Next slide, slide #11 is on our SSSG trying to help you reconcile with what we went through Raj has spoken extensively on this in his opening remarks that we were coming on a very large base and obviously COVID so that is the data point on same store growth. Coming to financial performance I will now hand it over to Sumit our CFO to quickly take you through those slides.

**Sumit Zaveri**: Thank you Prashant. What I will do is that I will kind of quickly talk about the key highlights as far as the financial performance is concerned and then request Kapil to take on from there on to explain the marketing and the growth part associated with that.

As far as the overall revenue is concerned we did revenue of 195 Crores for Q4 up from 163 that we have done previous quarter a growth of 20%, one of the key highlights on the financial performance that I want to really kind of draw attention is on the gross profit side. We moved up from 63.9% to 65.6% an improvement of 1.7% on gross margins and as Prashant initially was talking about we kind of, we have guided the market to 65.5% we have already got to that in Q4 and in line with that we would be revising our guidance for next financial year and Kapil talks about some of the other initiatives the guidance for FY2024 also accordingly the stand changed and we will talk about that when we come to that. As far as other cost line item is concerned just want to draw your attention that we have literally with the help of our development team we have been kind of talking to the landlords and got substantial lease and rentals. Q4 we had a rental lease that we had taken to P&L around 16 Crores which in the current quarter is 4.5 Crores and that is effectively the main difference when we will come down into the restaurant EBITDA level. We had a restaurant EBITDA of 14 Crores and a company EBITDA of 0.2% or 46 lakhs. We report numbers on after considering the change in the lease accounting standard, based on that our company EBITDA stands at 12.5% and going forward we would effectively start reporting the numbers and our financial performance discussions on Ind-AS basis. So with that effectively I would kind of hand it over to Kapil to take us through the marketing update for the quarter.

**Kapil Grover**: Thanks Sumit. Good evening everyone. As we saw the last quarter we had good sales recovery and that was driven by a strong marketing calendar. Now just before I talk about our calendar our menu is kind of a barbell strategy. On one end of that barbell is our signature premium menu, which is Whopper and our recently launched King's Collection, which helps us drive frequency and premiumization. On the other end is a value menu which helps us drive traffic. So let me first talk about the Whopper and I am on slide #15 the Whopper is one of the most differentiated and unique products in the category because of its size, quality and the taste experience it offers to the consumer. Now we are investing behind building Whopper almost as a sub brand of Burger King and this quarter we run a trial program to get consumers to experience the Whopper and we saw a fantastic response and we saw 50% increase in volumes and a significant increase in awareness of the Whopper from 4% to 53%. Now in addition to this trial offer we also launched twisted Whopper. Now this Twisted Whopper is part of the Whopper limited time portfolio so what is that in this menu of limited time promotions around the Whopper is different products which are designed to drive taste excitement and frequency with our current users and that also got a great response from our client base. We also integrated Whopper in our topical activation like Women's Day to drive saliency and revenue so that is about the Whopper.

On the other side of the barbell on slide #16 is a value menu. As Raj mentioned this is our value 2.0, now we have stopped launch a branded value proposition it is called the stunner menu now unlike other price point led value menus this menu offers a stunning variety of products, a variety of formats like burgers, wraps, rice, innovative formats like volcano and delivers a great taste experience to our consumers and also all our veg items here are priced at one price point of 50 and all our chicken items are priced at one price point of 70 and while we will offer great value for money to the consumers through this menu which will be scaling up in due course we are making sure that this menu remains margin accretive.

Some of you might notice on this chart is line on the menu which says no synthetic colors and artificial flavors, now that brings you to the next slide #17 we all know that consumers today and especially Gen Z is very, very demanding of brands to be very, very authentic and they are very conscious about the provenance and the quality, so we have taken this bold step to keep our brand relevant to our audience and removed all synthetic colors and artificial flavors from Burger King products, a lot of R&D went behind this, a lot of work behind this to develop this menu and on March 29, 2021 the app day to talk about colors going away from food and going to festival Holi we launch this activation and we stay committed to offering nothing but the best quality of ingredients to our customers.

Now I will move to slide #18. As you are aware and must have noticed that Burger King as a brand is globally known for connecting with this consumer in a very authentic and a lighthearted manner and it is a same case in India right in the Indian youth also seeks and inspires authenticity. So we echoes the popular sentiment amongst the youth of India against sensational journalism with our activation around Whopper against sensationalism then on Valentine’s Day we collaborated with the match making sensation Sima Taparia and her point of view on no comprised relationships and finally Whopper Fridays, which is our weekly influencer program where we connect to the influencer community, the bloggers community and drive a lot of engagement with our target audience. All of these initiatives grow over 300 million followers for the brand on social and digital channels. Now that brings me to slide #19 for those who are all following the presentation and from here I will talk about two very key strategic initiatives as Raj and Prashant also earlier outlined and number one we are building the Burger King online ordering platforms. Now we all know the trend on delivery, even before the pandemic delivery was growing and consumers were adopting this channel for convenience and the trend got accelerated in the last year even more so. So while we continue to build our delivery sales with our partners and aggregators we believe that BK app is a channel will be largely incremental in the future and last quarter I had shared with you that we started work on the app and this quarter we are seeing some early results as Prashant mentioned we had already seen some value traction with about 200% growth in our app sales, we have invested in technology resourcing to make the app faster the app is now faster by about 40%,we have improved our delivery times again by investing in technology at the backend on delivery logistics and rider tracking which includes the delivery time and our service levels and we see significant increase in our monthly active users and that is something that we have state invested behind. That builds in it with the second strategic initiative which you have heard in our presentation yesterday is the BK Café. Now as Millennials and Gen Z increasingly adopt coffee as a lifestyle beverage we believe this is an opportunity to drive incremental occasions leading to topline growth in good margins for Burger King. Now we will be offering consumer the model and contemporary café experience and we intend to scale this up to about 75 stores by the exit of FY2023 and you will certainly hear more from us in the coming quarters around this by the end of this year we will launch a few stores. From here I would hand over to Prashant to share the outlook.

**Prashant Desai**: Thanks Kapil. So guys yes extremely excited about the things that are lined up for internally for our business and also to deliver to you guys as well. Coming to guidance and we had consistently shared our philosophy of guidance that we will probably guide you guys on three numbers one on our store expansion strategy second on our SSSG and third where we see the gross margins going there is no change in guidance when it comes to number of stores we remain committed to 320 for FY2022 and 470 for FY2024, no change in guidance as far as SSSG is concerned we believe the SSSG over FY2020 this year once things normalize will be kind of flat and next year we are currently budgeting 5% to 7% SSSG on a normalized numbers We are upping our guidance when it comes to the gross margins from 65.5 we are increasing our guidance on gross margin by 50 basis points for FY2022 and further by from 66 to 68 by FY2024. As you all know by FY2024 cafés will also come into the picture, currently in this guidance of 68 we are not factoring too much coming from café because we will have to first launch and see how that business does, so guys that is from our side in terms of what we had to share with you and we have another half an hour to kind of take questions. So request the moderator to open the floor for questions. Thank you.

**Moderator**: Thank you very much. We will now begin the question and answer session. The first question is from the line of Avi Mehta from Macquarie. Please go ahead.

**Avi Mehta**: My question was on the gross margin and this gross margin performance does it suggest that BK is considered a premium brand by the customer and not necessarily economy or value kind of brand and if it is the case would the focus then rationally be more on launching in the barbell strategy more on the premium end?

**Prashant Desai**: Thanks Avi I let Raj take that.

**Rajeev Varman**: Yes, Thanks Prashant. Avi actually our gross margins is not a direct result of one number that is usually the perception of most people that it is basically the price of the item that you sell and I have been sharing this for now three, four years here in India it is a result of several things. The first thing I will tell you is what Kapil was talking about earlier on is called the barbell strategy where you have a strategy to drive traffic in, so we have value driven traffic driving initiatives in place we had value 1.0 we are now moving to value 2.0 and that continues to drive traffic in, on the other side of the barbell is what we are just talking about when we said that we have this Whopper brand that we are building this brand we are taking this brand to the next level so there is a menu mix or a product mix strategy that is effective in bringing the gross margins to where they are that is just one of them obviously there are other factors that go in there like the way we grow, we grow very, very as we call it depositor growing mechanism wherein we are not putting restaurant randomly across the country we are strategically building the restaurants through our transportation cost is minimized and it is most efficiently done so that is another strategy we do. We also build the cluster to make sure that, that distribution cost dramatized over the restaurants so that is another piece of the strategy that we do to bring gross margin and also we have a very strong buying culture and a very strong buying strategy in which we have multiple people selling, multiple suppliers for particular products and we use that very effectively and bringing down the cost at the door itself before the product comes in. So all these things come together and that is why you feel you see that at a very young age of this company that we continue to drive some very good GPM I hope that answers your question Avi.

**Prashant Desai**: I think Avi I will add to this to what Raj is saying for the purpose of people who are joining our call for the first time is our cost of goods also includes the distribution cost so when you look at our gross margin what Raj was also mentioning the cluster approach where we kind of take efficiencies on the distribution side also helps us drive on the point.

**Avi Mehta**: No, if I can followup the 200 bps expansion that we have kind of done on the FY2024 that is if you were to split it between the efficiencies and the premium what would the rough spread be I am not looking for exact number but would it be fair to say that we largely driven by efficiency gains or would it be largely prior to say this largely driven by premiumization?

**Prashant Desai**: So let us put it other way round Avi to answer your question a large part of this is going to be through efficiency, product mix change is something that is difficult for us to sit over here and forecast and predict, but as Kapil said because we are consistently going to build Whopper as a property which is a premium product there will be some element of product mix change but large part of what we are guiding is based on efficiency.

**Avi Mehta**: Second bit essentially is on any consumer trends and behavior for that you have witnessed in March that was the only normal month if I may say that we witnessed so anything that you can kind of give us a sense and any sense about 1Q if you can share? That is all from my side, thank you very much.

**Kapil Grover**: Early parts of March and Feb was the only time that the lockdown opened up a little bit and we saw some traction come back in the dine in channel and the take away channel but yes this is a very unpredictable pattern right now, we have again seen a wave of lockdowns come in so it is right now unpredictable, what we have certainly seen is that delivery is become a bigger channel what it used to be pre-lockdown, it become a channel driven by convenience and safety and as the lockdown open up this consumer behavior will settle down into a new normal, which is **(inaudible) 31:07** and there will be some gains on delivery but dine in and takeaway will come back soon once the lockdown come up but as I said it is unpredictable right now to put a number on it.

**Avi Mehta**: Thanks a lot, thank you Sir.

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

**Tejas Shah**: My question pertains to our SSG guidance. So considering that 50% of our store is very young and then all the initiatives that we spoke about is our guidance very conservative on 5% to 7% SSG growth?

**Prashant Desai**: Yes, whichever way you want to look at it Tejas it is difficult for us to currently given the environment where we are, currently we feels comfortable guiding at a 5% to 7% and our thinking there is that, there is generally a 3%, 4% price increase which most international QSR stake in a year intelligently and then the rest is kind of going to be driven by the traffic growth which will again be a function of how the GDP perform so we feel confident and comfortable on a 5% to 7% and as I mentioned in the previous call yes this is the moving number moving target if the business dynamics change in a quarter which kind of will give us the confidence to kind of come and up the guidance probably next quarter after that we will come and revisit that but currently from where we are sitting this is the guidance we are comfortable guiding you guys.

**Tejas Shah**: But this will be largely driven by price hikes or food inflation or in general we believe that this throughput also will drive SSG going forward because the stores are very young that is what my question is that it being very conservative number?

**Prashant Desai**: Fair point yes, but currently you can take it as a 50:50 split between traffic growth and price increase.

**Tejas Shah**: Second question pertains to our store expansion guidance and we have been very categorical on what we want to achieve by 2026 so in terms of capability how should we think will it be steady state same run rate kind of addition every year or we have capabilities to step up accelerate the pay list if the environment allows us and what is the maximum number of stores if I may rephrase your question what is the maximum number of stores if macro allows us to suppose we can open in a year's time?

**Prashant Desai**: Tejas we opened 73 so that is something that we have demonstrated from an execution standpoint but I will let Raj kind of give you a much more holistic overview on your question.

**Rajeev Varman**: Thank you Prashant. So Mr. Shah if you look at our study that we did that in 2013 when we first started putting this whole plant together on a spec mach we had put in 1000 locations at that time so you are talking about 7 years ago that was the kind of potential we saw when we kind of draft the businesses where the reason we have signed down to 700 kind of MFDA plan knowing fully well that the potential even seven years ago was about 1000 so that was very clear towards in that respect when we started this whole game plan. Now as we continue in the slide that if you can go back to the slide and see where Prashant was talking about the appearance of our restaurants in 2026 how it is going to look and you see that it is very uniform and this is with a lot of gap as well in the whole chart it is still be very clear that the potential even if you look at the west and south here the competition has no restaurants today then what we are planning in December 2026 so the potential even in that market at the end of December 2026 will be much more than what we are going to build. Now as far as the phase of growth you just have to look at what we have done in the past to project what we have to do in the future. Every year we have outperformed the MFDA except this COVID year right the COVID year was intentionally we put a kind of halt as a company, but if you look before the COVID year every single year we have outperformed the MFDA there is no reason for it not to do that in the future years if it can make sense for us to do it as if we are not following just the MFDA but we are following the business opportunity and if the business opportunity prevails and we have a pipeline we will absolutely get it much faster.

**Tejas Shah**: Just one followup if I may squeeze in, and this is an observation and **(inaudible) 36:08**, but any reason why eastern UP even in five years we are not getting or having any store there?

**Prashant Desai**: No, actually Mr. Shah we have started eastern UP we have got Varanasi, we have gone into Lucknow, we have gone into Kanpur, we have gone into a lot of cities over there Allahabad we have gone in there so we have just started building it. Like I said we have a very disciplined approach to how we build we just do not just go erratically across we build a hub when we build a distribution center and then we start building so that we keep our total cost to our company to those restaurants very effective, if it make no sense I have got opportunities at the two, three sites in Guwahati which will be 3 lakhs, 4 lakhs kind of ADS sites but are not jumping and going into Guwahati until I build that Kolkata base and then kind of go out from there and build out there outline cities so it is a very disciplined approach and the faster mechanism is the way we grow and we are kind of trying to say disciplined to that, but we have gone into distance just to let you now.

**Tejas Shah**: Thank you.

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

**Vicky Punjabi**: Just two questions from my side. One I just wanted to understand if you have any guidance on this café as to what are we experiences from the global side that kind of get you confidence on expanding this at such a fast pace and what is the kind of investments that would be required in this segment?

**Prashant Desai**: Yes, we obviously have our numbers and we are kind of moving with a very decent homework, we will share these kind of informations in the future, we always want to put something into ground get the experience of it before we start sharing externally so if you kindly wait a little while and we will get back to you with those numbers and we will get back to you with those projections, but right now we just want to make sure we are doing our home work better.

**Kapil Grover**: Vicky we build the excitement quarter-on-quarter on the cafés just be little patient with us you will see first phase of some excitement next quarter and then thereafter just give us a quarter's time to kind of come back to you on some of these things.

**Vicky Punjabi**: Sir just I had two more things one was on the delivery versus dine in. Now if I look at the way dine in kept improving from say 29% in May 2020 to 62% as a proportion of a mix in Jan 2021 and then suddenly saw a dip in Feb and March any reasons for that but I think that both have grown, but just wanted to understand what has happened because I thought that 4Q was a very normalized quarter?

**Rajeev Varman**: That is a good question, I think Prashant was saying this or Kapil was saying it the market has been very erratic even we have a complete setup to point out which city is now closing now dine in, which city is now closing down takeaway, which has a curfew that starts in the evening at 6'o clock, there is a lot of nuances which have moved dine in to delivery and delivery to dine in so if you start doing the math on that I would suspect that you would be here all night trying to do that and a lot of small things are happening where the death rates are going up or the infection rates are going up, the government is tracking down literally in starting from next day or the day after so the track downs are very sudden and you will find that a lot of shifts I think Kapil was articulating earlier that look here this we as we see it once the vaccination program is in place and people are getting vaccinated and as things are opening up it will take a little while for people to slowly come out and start experiencing brands again but in due course as we look at this long-term basis we see that this is still going to be a substantially strong business in dining is going to continue as a strong business I have articulated in the last call and I will share just two examples very quickly with you. If you look at malls for example people go and visit those restaurants in the malls, they go shop in the malls, and they visit the restaurants in the malls and that habit of those customers not going to change. Our restaurants drive through on three ways we have got about 25 drive through restaurants we continue to build that the massive strategy of ours moving forward those are restaurants that will get a drive through visit the people will go on the road, they are travelling from A2B they will use those, so there is a certain habitual and basically a habit that will continue to drive that sales in there right and even in high street if you come down there that business will come back now I think we might see a skew over the next year, two years we are sitting at about 27%, 28% growing into the COVID years, into the COVID months and we think that well be slightly north of 30% maybe 30% to 35% but again I think I regulate with what Kapil was saying that the long run will kind of land where it lands where it was in the past because there is a certain pattern of way people use it whether it is in the mall, whether it is on drive through those patterns will not change.

**Kapil Grover**: Yes, Vicky just to add to what Raj mentioned to your question I think specifically in March it was just a 1% delta there one there was a delivery push because there is a ticketing event in that month that also helped drive delivery sales a little higher and towards the back of March there were a fresh wave of lockdowns in Mumbai, Maharashtra malls were shutting down, they were looking us to present RT-PCR reports for entering so that has some impact on dine in and that is why you see that 1% delta between Feb and March.

**Vicky Punjabi**: Sure thank you Sir.

**Moderator**: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

**Percy Panthaki:** I have two questions so let me put them up front. Firstly if I look at your SSSG this quarter at about -5 versus the other burger chain which has done a plus 10 kind of SSSG this quarter so just wanted to understand why such a huge difference of 15% points between you and the competition that is one, secondly if you can give some idea on a sales per store basis how are your older stores let us say whatever way you are looking at it more than 2 years old or more than 3 years old that cohort what is the average sales per store of that cohort versus your overall company average sales per store?

**Prashant Desai**: Percy I will take the question on SSSG and I let Sumit kind of give you details on the store cohort. On the SSSG as Raj kind of was trying to kind of explained drive on that point particularly that one we are coming up a very high base that is one, two for us the delivery contribution to our SSSG began much earlier than industry because these are the first ones to onboard delivery way back in 2017-2018 so whereas the industry is catching up with the delivery incremental business these kind of caught on with that. Third is if you look at our portfolio 60% of our stores are in north and second point that I made earlier as well 55% of our stores are in malls Jan, Feb, March early Jan and Feb winter in Delhi, farmer protest, Punjab not allowing source to open on the weekend had an impact and obviously the mall stores kind of did not perform as well as the high streets so if you kind of combine all of this the answer somewhere lies kind of therein over there Percy and I let Sumit give you some kind of a direction or color on the cohort that you are asking.

**Sumit Zaveri**: Thank you Prashant. As far as cohort wise since I would not get into individual cohort wise growth but the way our portfolio generally work is that once we kind of enter a particular store or a market is we have seen a very strong growth coming in year one, year two of the opening of store and then continuously as we continue to penetrate deeper into the catchment area where we are present we continue to see the normalized SSSG growth to continue which is what the growth that we are guiding to the market that we have seen that it continues to kind of we have seen thereafter from year three onwards or so and we have literally at this point in time not seen any of our stores seen any form of maturity of speaking in terms of sales growth is concerned, so we still continue to see or continuous catchment penetration led growth at all our stores.

**Percy Panthaki:** Sir if you cannot give a exact rupees number would you able to at least give a percentage difference between the older cohort and your overall company average that would also really help us where I am coming from is that your margins are very low and one of the main sources of margin growth will be your operating leverage because in an existing store if you make Rs.1 extra Rs.66 of that more or less will flow to the bottomline and that is what will give you your EBITDA margin so if I know what is the difference between the older stores and your company average that helps me to model out what kind of margins your company can make in the longer run once all the stores come up to that kind of a level or large percentage of the stores come up to that kind of a level that is where I am coming from?

**Prashant Desai**: Fair point. So Percy let me answer it I will try and give you a sense so in the first call last time we mentioned that pre COVID our portfolio wide average was about 110000, 115000 on an ADS basis if you look at the stores that we opened in 2016, 2017 and which will be entering their 5th year that would be about 40% higher.

**Percy Panthaki:** Okay that helps thanks a lot Sir.

**Sumit Zaveri**: Just you understand that those stores also are young stores right we are also not stores that have build in the ground for five, six, seven years so there is going to be continuous growth within the four walls of those stores as well so just take that in perspective as well, but you can at least you can see the gradient between the two I think which is what you are looking for that makes sense.

**Percy Panthaki:** That also brings back to Tejas' point that is the older stores are 40% higher and your younger stores are such a big cohort then the growth rate of 5% to 7% I think is on the conservative side.

**Sumit Zaveri**: Yes.

**Prashant Desai**: As I mentioned to Tejas, Percy yes that is why we feel comfortable, one small clarification on that I will give you is when we are guiding 5% to 7% same store growth for FY2023 and onwards in that we are not factoring the café growth so that obviously will be loaded on that but currently that is where we feel comfortable and as I said yes this is a moving target we will revise this every quarter should the business give us that confidence.

**Moderator**: Thank you. The next question is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

**Prasad Deshmukh**: Sir two questions firstly on the flexibility in terms of the kind of stores that you can open is there any scope of tweaking the size of stores down if delivery becomes a large part of the business especially we are now talking about third, fourth wave of COVID and if tomorrow if I say dark stores visible would you have independence to do the same as part of your overall guidance on stores?

**Prashant Desai**: So answer to that is yes Prasad the MFDA kind of gives us complete flexibility to pick and choose where we want to open the stores. As we mentioned in the previous call because we were starting out somewhere in 2014-2015 all the malls were low hanging fruits, consumers footfalls were high so we kind of went and kind of put the leadership position there. As we mentioned last time as well going forward if I am going to say open 50, 55 stores in the current financial year will incrementally 55% of my store comes out of malls answer to that is no because there are only about 10, 15 stores across the country coming up in malls, so from that perspective going forward the mix will change and we have absolute flexibility not just with respect to the mix but even with respect to the size that we choose for each of these stores because as Raj mentioned in one of his comments this is one of the most important and critical capital allocation decision that kind of the company takes driven by Raj is on store opening so we wanted to believe that we have been disciplined so far and we will continue to kind of augur to that kind of a discipline.

**Prasad Deshmukh**: Just to clarify even a dark store will we countered as a store?

**Prashant Desai**: Correct.

**Prasad Deshmukh**: Second question is post COVID has there been any feedback or support got Burger King as a brand owner to overall help franchises let us say sharing as to what is working in different geographies or any such support?

**Rajeev Varman**: Yes, this is multiple kind of avenues of that support that we have got from our franchiser that is the question exactly answering it yes it is not only just be in site and support and there have been nothing but a fantastic partner all through this journey so we are very impressed to have this kind of franchises. Thank you.

**Moderator**: Thank you. The next question is from the line of Amnish Agarwal from Prabhudas Lilladher. Please go ahead.

**Amnish Agarwal**: I have couple of questions from my side. First can you share with us the breakup of our stores that how many are in malls, how many are in you can say metros, transit locations and food courts, etc.

**Prashant Desai**: So Amnish so of the 256 stores that we have 55% of the stores are in mall and food courts, 30% are in high street and the balance 15% are in drive through and transit, transit being just 5%.

**Amnish Agarwal**: My second question regarding the guidance you have said your FY2020 level of SSSGs so are we referring to your sales per day or we are in FY2022 saying flat SSSG means basically the SSSG level of FY2020 what has roughly you are referring to and the second part is that given the fact that we are going to launch café which have got much superior margins and we are already running at 65.5%, 66 kind of a run rate do you think 68% could be a conservative number in FY2024?

**Prashant Desai**: I let Sumit answer on the first part, on the second where you guys all look at data right say if you think 68% is conservative here no I do not think it is conservative I would want to go it is a realistic number Amnish today from where we are sitting and believe me there is a lot of work that needs to go to kind of achieve 68 because as I mentioned I think to Avi as well what you are looking optically 68 is closer to 70 because there is about 200 to 250 basis point of distribution cost which for us comes within cost of goods sold so here if I am kind of guiding that I will be at about 70% compare it to industry it is a realistic guidance but we will all have to work very hard to deliver that number and that is how we are kind of putting pressure on us by coming and kind of putting this as a guidance so that it is motivating enough for all of us so I would want you to read this more as a realistic number than as a conservative number and yes keeping figures crossed that we surprise you but I let Sumit answer on the SSSG side.

**Kapil Grover**: Just before you go I think Prashant one of the things is obviously we have just kind of got into the café business right so we are not factoring all the efficiencies of the café business completely coming into this in the first year or so right because even start up small and then we will put it in there so it is gradually going to keep it into our business and we will see those benefits down the road and you are absolutely right, but again I say your future if you look at the past and your performance in the past it is a good indicator of the future we set a target of doing 66.5 target for this year and we already hit that in Q1 and then we have strengthened our guidance to 66 so I think we will continue to be that kind of a company if we will, we will always want to over deliver and do a job that we think we can do. So over to you Sumit.

**Sumit Zaveri**: So I will just answer the first part of the question that you had asked so when we are talking about SSSG levels of FY2020 what we literally are moving towards is that one normalcy comes back the portfolio level average daily sales per store we effectively go back and achieve what we would have achieved in FY2020 so if we are basically benchmarking ourselves to FY2020 levels because of the period thereafter till now what is COVID impacted and if I was to earlier part what Prashant was talking about during the earlier question that was where do we stand on our ADS effectively portfolio average ADS we are talking about 110000 to 115000 once effectively things start coming back to normal.

**Prashant Desai**: So guys we have time for another three questions so three people so if we can request the moderator quickly get all the questions. Thank you.

**Sumit Zaveri**: Three people but one question each.

**Prashant Desai**: Yes, let them ask two questions that is fine.

**Moderator**: Thank you. The next question is from the line of Avinash Singh from Mashreq Capital. Please go ahead.

**Avinash Singh**: Just wanted to get a sense that since now we are planning to launch our own app at present you are using the aggregators so these ordering facilities will be available both on aggregators and the own app or in addition if we are getting most of the orders from the own app so what will be the uptick in the margin that you can see?

**Rajeev Varman**: Yes, first of all we will continue to build our business with the aggregators so we are not stopping doing that I think it is a good platform if you look at the aggregator app it is like a food court right that all the options on it, so we are not going to stop doing that we are going to continue building our business with the aggregators, we are going to also build a business that never existed on our app that this business never existed before we are going to start building that on our app and it is going to come with its own kind of bells and whistles and it has got like Kapil was saying earlier a loyalty program that is not there in any burger business here in India so we will come out with the loyalty program, the CRM, there is gaming, there is a lot of stuff we are putting in there to bring in a kind of customer that gets what we call as a super fan person who will want to be ordering and staying with the Burger King brand who will be consuming the Burger King brand at an average rate of much higher than a normal consumer of Burger King so that is why we call them super fan so we will build that business very separately, we have started having the time to strength and then maybe Kapil can throw a little more on this, so I will turn it over to Kapil.

**Kapil Grover**: Yes, I think this to add to what Raj said I think delivery is a growing pie it is a growing business right so we believe that there is space for branded apps there, now what the Burger King app will do as Raj said it is not about being non-aggregators and not even aggregators we will continue to work with the platforms to grow sales, the platforms are doing a great job in growing the category, they are expanding the category of home delivery and the category of Burgers on home delivery right and we will participate in that strategy. While we build our own app for a more loyal base of consumers it gives a more sort of native burger ordering experience if you are not really looking for variety just want to order of burger the simplest and the easiest way to come to order that burger will be on the Burger King app right and then it will be sort of added on to the loyalty program with other engagement programs to drive that platform and we see both of them coexisting and growing the category.

**Avinash Singh**: Thank you.

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

**Shirish Pardeshi**: I will just quickly wrap up the question by take little longer to answer. The fundamental question is that the stunner is a fantastic idea but having taken this clue specifically for India I think it is a value for money market and what I wanted to understand in terms of marketing what is your understanding when we introduce new product or say maybe a value for many products how much time in your experience is building up saying moving from Rs.50 to say maybe Rs.150 burger or Whopper at Rs.200 so I am looking more from the qualitative answer saying that what is the consumer behavior suggest that how this upgrade happens maybe very short span of time and the relative question is that when you are saying that delivery is picking up faster what is the ticket size change which is happening so I tend to believe that when your dine in I think your built size is a little bigger than the delivery is that the understanding is correct?

**Prashant Desai**: I will let Raj take the first one and Kapil take the second one.

**Rajeev Varman**: I will let Kapil I will add on if Kapil misses something but I think let the CMO take that both the questions. Go ahead Kapil.

**Kapil Grover**: So on the stunner menu and how sort of menu lagging operates like there are different roles of these menu strategies stunner is a recruitment strategy. We want to sort of allow many consumers to come and access the brand Burger King and as you rightly pointed out the products available on the stunner menu are the same great quality that we offer in the Whopper, the same great taste and highest quality of ingredient side. So customer can do it in two, three platforms and then they graduate with the brand over a period of time now there is no formula across the marketing world which tells you that at what point in time how many months and days will that happen but yes we have seen that journey happened over a period of time, what we have make sure is that the customers gets the same great quality experience and taste excitement even at the entry price point right and that is why the effort behind building a great variety of menu, innovative formats and offering the consumer all the stuff that we are in the stunner menu and as we roll it out in the coming quarters we will share more on how that is scaling up that is on the stunner menu. Now on the check yes so I think you have got mentioned that our dining check is higher than delivery no our delivery check is higher delivery typically is higher check for every business because there is a larger group sizes at home especially in this situation now people are working from home you have the whole families at home and we are sort of taping with that opportunity by offering a lot of combos and innovative bundles, which allow the consumers to get value even at home for larger group sizes for family so it is higher than the dine in check when we have seen that pattern over the last one year.

**Shirish Pardeshi**: Just quick followup this stunner has gone into all 265 outlets?

**Kapil Grover**: Yes, stunner is available in all the outlets it has been soft launch right now we have just putting it up we will be activating the marketing program in the following quarters.

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

**Moderator**: Thank you. I would now like to hand the conference over to the management for closing comments.

**Sumit Zaveri**: Guys again really appreciate your time I know that it has been a long day and you have had other calls prior to this so I really appreciate your not only your time but your energy around our brand it has been a blessing to have each one of you have read so many of your articles and all the stuff that you write in different magazines and news papers I am really blessed that there is so much energy around the brand and I thank you for that. My team over here is committed to being as transparent as we can. We obviously need to protect our business for competitive reasons, but there is no other reason that we have been hold any information I think we are giving as much as we can and we will continue to do that so thank you again for your time today and if there is anything else Prashant I will turn it over to you in terms of even housekeeping.

**Prashant Desai**: No, thank you Sir. Thanks to each and every one of you who have joined the call and make time to attend this. Please stay safe and we will see you in the next conference call. Thank you guys!

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