January 31, 2025

BSE Limited
Corporate Relations Department
Phiroze Jeejeeboy Towers
Dalal Street, Fort,
Mumbai- 400 001
Scrip Code: 543248

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th Floor, Plot no. C/1,
G Block, Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051
SYMBOL: RBA

Sub.: Transcript of Investor/Analyst Call

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 herewith the transcript of the Investor/Analyst call w.r.t. the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2024, held on January 29, 2025 at 05:30 p.m.(IST).

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 Restaurant Brands Asia Limited
(Formerly Known as Burger King India Limited)

SHWETA SUNIL MAYEKAR
Digitally signed by SHWETA SUNIL MAYEKAR
Date: 2025.01.31 18:21:41 +05'30'

Shweta Mayekar
Company Secretary and Compliance Officer
(Membership No.: A23786)

Encl.: As above

"Restaurant Brands Asia Limited
Q3 FY25 Earnings Conference Call"
January 29, 2025

MANAGEMENT: **MR. RAJEEV VARMAN – WHOLE-TIME DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – RESTAURANT BRANDS ASIA LIMITED**

MR. SUMIT ZAVERI – GROUP CHIEF FINANCIAL OFFICER AND CHIEF BUSINESS OFFICER – RESTAURANT BRANDS ASIA LIMITED

MR. GAURAV AJJAN – HEAD OF STRATEGY AND INVESTOR RELATIONS – RESTAURANT BRANDS ASIA LIMITED

MR. KAPIL GROVER – GROUP CHIEF MARKETING OFFICER – RESTAURANT BRANDS ASIA LIMITED

MODERATOR: **MR. NAVEEN TRIVEDI – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Restaurant Brands Asia Limited Q3 FY '25 Earnings Conference Call, hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Naveen Trivedi from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

Naveen Trivedi: Good evening, everyone. On behalf of Motilal Oswal, I'm Naveen Trivedi, I would like to welcome you all to the Restaurant Brands Asia's 3Q FY '25 Earnings Conference Call. From the management today, we have Mr. Rajeev Varman, Whole-time Director, and Group CEO; Mr. Sumit Zaveri, Group CFO and Chief Business Officer; Mr. Kapil Grover, Group CMO; and Mr. Gaurav Ajjan, Head of Strategy, and IR. I would now hand over the call to the management for the opening remarks. Over to you, sir.

Rajeev Varman: Yes. This is Raj Varman, Rajeev Varman, you can call me either one. Good afternoon, good evening. Thank you for joining the call. I'm going to briefly kind of outlay the strategy and the KPI results on top line and then hand it over to Sumit, who will then carry you through the numbers and then over to Kapil.

So I'm going to split this between Indonesia and India, like I always do. So first, I just want to make sure that everyone is aware that we have crossed 500 restaurants as a brand in India. If I recall, I started this brand along with my team in 2014. Actually, we put the company together in 2013. We spent a year putting the concept together, products together and so forth, supply chain and so forth. We opened our first 10 restaurants in 2014 between November 9 and December 31. That was in 2014.

Today 2024 December, we have closed that 10 restaurants to 510. So we have put 500 restaurants between December 31, 2014 until this December 31. So thanks to the entire team that works extremely hard to make it one of the fastest-growing brands in this country and probably one of the fastest to reach 500 restaurants. And thanks to all the supporters out there who not only support us through their investments, but also being a very good customer to our brand as well.

Now if I look at the priorities for India, it's -- we have kind of stayed still on what we wanted to do, and we continue to do that, and we'll continue into the next year. So the top 3 things that we are working on, which I shared with you last time was, one is to grow dine-in traffic, right? So we had a respectful delivery business with one of the highest traffics coming into our delivery business.

And we wanted to now start building the dine-in business post -- now it's almost 2 years post-COVID. So we've focused on that. We've have built a very strong and Kapil will share that with you and you get into marketing, how we're doing in terms of building that business. But dine-in continues to be positive, not just in sales, but also in traffic. We continue to drive more and more people every single quarter into our restaurants. So very, very happy about that and we'll continue to focus on driving more and more business into our dine-in restaurants.

The second focus area in building this is through innovations. And we shared with you that we had kind of rolled out the veg puff in the past. And now we're sharing with you we are the first brand in India to have launched the chicken puff as well in India. So that and including all other innovations, including the cafe and so forth, we have continued to drive traffic into our restaurants through these initiatives.

Second big bucket for us is the digital first brand, as I've outlined last time. And today, again, starting only about 18 months ago when we had no self-ordering kiosk, all the orders were taken on pause and between this last 18 months, we have taken this portfolio of 510 restaurants to 437 restaurants with SOKs, self-ordering kiosks. 90% of our sales that comes into our restaurants. 90%, I repeat that is digital.

It's either through our kiosk whether customers place it or it's through our table ordering where there are QR codes on the table or it's our app, which allows you to order not only delivery, but also dine-in. And we are doing a big push through building our business through the dine-in app as well. So again, 90% of those orders are digital, 437 restaurants have SOKs, or self-ordering kiosks. And they also have table ordering and so forth and the digital journey.

Now we're going to move the balance in this next quarter. We will reach and have close to 100% of our restaurants with the King's journey, which we call the digital journey, which means SOKs and so forth. So that's one big initiative that we are focusing on. Now the app is another one that we are continuing to grow on our downloads year-over-year. It's about 30% growth on the downloads of our digital app and Kapil will kind of dig into a little deeper on how we are using that in building our business over there.

The next pillar is for us is profitability. We told you that we are wholly focused on the restaurant profitability, but also laser-focused on making sure that digital -- our delivery business is -- we improve our profitability on the digital business. So as we look at Q3, the delivery profitability has gone up by 70 bps, and we continue to push that in the normal direction.

If I go from this -- through the KPI results for India for Q3 FY '25, as I said, we reached 510 stores, that's 46 stores over last quarter, which means we built 46 stores in this quarter, 69 stores year-over-year. INR494 crores in revenues which is 0.7% quarter-over-quarter and 11.2% year-over-year.

Our average ADS or average daily sales was 114. Now SSSG was only negative 0.5%, basically flat SSSG which means that the ADS of all these stores that we're comping over last year was basically what it was and then the new stores, which is roughly 90 -- 80, 90 stores that we're not comping, they have bought down the ADS roughly by about 5,000, but those are new stores.

And like we always say, the new stores usually reach the average ADS in 2 years. So that we are hoping to catch up. Gross margin, 67.8%, improvement there 0.3% quarter-over-quarter and 0.7% year-over-year. Restaurant EBITDA, yes a good part of -- in spite of having a lower ADS and literally flat sales in terms of SSSG, as a company, we delivered 59.6 million -- which is about INR596 million, which is INR59 crores in restaurant-level EBITDA.

This is pre-Ind AS numbers that I'm giving you, 14.5% quarter-over-quarter and 9.7% year-over-year. So that's a well-done job with tighter sales delivering a higher profit. And then finally, company-level EBITDA, again, a very good story here. We have delivered INR30.9 crores in total company EBITDA. Again, an improvement, 26.7% improvement quarter-over-quarter and 2% year-over-year.

Steady performance, again, in line with our goals, which is to make our business more and more profitable each day. We continue -- and most of these profits we'll share with you and Sumit is speaking, is driven by many initiatives that we have shared with you in the past, whether it is utilities, whether it is gross margin, whether it is rent at the restaurant and so forth.

So all these initiatives, including some prices that we take from time to time, have grown our profitability in that direction. Now just coming to Indonesia. Indonesia, we have spoken extensively about. I just want to try to update people that may not know. Of course, the war in Gaza or the shooting has been put on hold.

There's a halt on the war over there. Some good sentiments of that is flying into Indonesia with the US being involved in bringing that ceasefire in effect. And we are seeing an increase in traffic in our restaurants, which is a good thing because people initially didn't want to be seen in our restaurants or in any of the US brands in Indonesia.

So that's a good thing that people are now coming in, and we see a positive traffic in our restaurants. The last couple of months have been very good. January has been a good month in terms of recovery in Indonesia in terms of traffic into the restaurants. However, we have closed stores there in the past, and we have shared those with you in the last meeting.

We continue to run 147 stores, which is 15 stores less year-over-year that we run. On the Popeyes front, we run 25 stores. We are not building new stores there for the next couple of years, as we have told you in the past as well. Revenues were at -- this is, again, IDR, and Sumit will share with you any numbers. But IDR 269 billion, which is still negative IDR 9.6 billion year-over-year.

And then we go to average daily sales, which is at IDR 17.6 million. SSSG, which was deeply red last quarter, has come down to only negative 4.1%. So we see that kind of positive drift of people coming back into the business. Popeyes average ADS or average daily sales was at 14 million. This is a definite area of focus and Kapil will touch on what we are doing in terms of both Burger King and Popeyes in Indonesia and we'll get you on speed on that.

There was 39.5 billion in terms of a company EBITDA loss. This is, again, pre-Ind AS number IDR. And I'll just give you our strategy again over there is very simple. We want to continue to now strengthen and bring back our restaurants dine-in business. And there are multiple strategies. Value has been instilled.

The products as I've told you in the past, now we have the full range of chicken products over there. We have rationalized the restaurants, so we have closed those restaurants with very low volumes as well as high losses, so we can optimize that piece in there for our portfolio. We continue to work diligently with landlords in terms of reducing rents, and that work will continue through the next year as well to make sure that those restaurants which are in the brink of becoming positive that they start becoming -- in terms of restaurant level EBITDA will turn positive.

And then we bought down corporate overheads. When we took over this business, it was at about INR65 crores. We have brought it down to around INR45 crores, INR46 crores, and we are working further to bring it down. And in the next quarter, we will make some significant gains on that as well. So all fronts, fix the product line, fix the infrastructure, which is the restaurants, getting in dine-in with new marketing.

And again, Kapil talk to you about what we are doing in terms of marketing over there, and then reducing corporate overheads as we kind of shrunk down the portfolio to about 147 restaurants. So that's basically the strategy. Good vibes over there. The new government over there has said that they will aim to add 8% kind of growth versus 5% initially that they were sitting on.

There's a lot of pro India, Indonesia conversations. 5 MOUs have been signed between the 2 countries. And I think there's going to be some good leverage we can use from our distribution system here in India moving forward into Indonesia. So those are the key highlights for Indonesia and India. And then with that, I will turn it over to Sumit Zaveri, who will walk you through the numbers on both of those.

Sumit Zaveri: Thank you, Raj. So I'll just quickly take you through the India and Indonesia performance on the financial side. I'm on Slide 10. We ended -- as Raj mentioned, we ended the quarter with 510 restaurants added 69 restaurants. Parallel to as we were adding stores, we also kind of continued to increase our footprint on the cafe side.

We are currently having 433 restaurants having cafe. Large part of that or literally the entire growth at the moment on cafe's side is on account of new store additions that we've done. The gap of close to around 80 restaurants that we have, we will keep -- continue to evaluate and as we feel the opportunity is right, we will add cafe in the balance part of the portfolio as well.

Digital has been our focus this year. We want to take the journey forward to make sure that we understand and know our customers better. This year, we made the investments on the digital side. Currently, we've covered around 437 restaurants, where we've completed our digital investments there. We will -- over next quarter or so, you will see that, that number would have ramped up to the entire part of the portfolio.

And we are working on this because we want to -- on the layer of this, we want to now go to the next layer of CRM and loyalty once we've completed the cycle of our investment. So that's typically how we expect this part of the journey to go forward. As far as ADS is concerned, yes, our SSSG for the quarter has been flat.

Our ADS stands at INR114,000, largely -- slightly lower than what we've seen in the previous quarter or the same year last time. It is more because of the new stores that we've opened. But at the same time, we made sure that this -- while the ADS might have come down, we kind of make sure that we bring efficiencies at the store level on the P&L.

As you can see in the bottom part of the chart, consistently, we've been growing our store level EBITDA from 7.8% to 12% and trying to kind of make sure that it remains in a reasonably good range, while the ADS remains in a very tight -- in a tight margin. So that's something which we've been working hard on.

As far as company EBITDA, it is really reflecting the trend on the restaurant EBITDA. We've been growing it up -- growing it back up to 6% over last 4 quarters. As you can see from 2.4%, very clearly, we moved back to 6.2% with ADS at INR114,000. So we feel very strongly about our journey on restaurant and company EBITDA side. We've been talking about gross margins.

You can see that we moved from 67.1 to 67.8. We continue to remain positive on that part of our journey. And the trend that we've been talking about in the past, we will kind of continue to take steps over to get to that -- our goal on the gross margin side. Going on to overall performance.

While I've always spoken about the larger part of the overall India performance part just to kind of reflect one line, which I would like to kind of highlight that we've been focusing parallelly on the G&A side. You would realize that we're kind of now maintaining the G&A on a total basis of around INR27 crores to INR28 crores.

We would remain tight on this going forward as well and see how we can kind of bring some more efficiency as a percentage of revenue going forward as well. So with that, I'll quickly run on to Indonesia part of performance. Indonesia part, the growth of -- the revenue stands at IDR 143 crores.

This is revenue combined for both the brands put together, a drop of 9.5%, but that's predominantly because of the store closure decisions that we've taken over last year to make sure that the numbers could kind of start looking better. Last year, on account of where the market was, we had taken -- in order to kind of drive sales through delivery, we had to take certain actions on which dropped our margins.

We've moved back from 55.8, as you can see, to 57.8. Some part is correction that we've done on the delivery side of the pricing and then certain other initiatives as dine-in part of the business comes back. So we'll kind of -- we feel positive that we actually have been able to come back to 57.8 and then work towards how do we take this forward.

As you can kind of -- and then as we kind of make the recovery in Indonesia, you would see us some amount of marketing investments to happen from our side to revive or bring sales back. As Raj was saying, we have seen early shoots of dine-in sales improving, which is also reflected in our occupancy other expenses line.

The increase over quarter-on-quarter or over last year is largely be represented by some -- by the marketing investment that we made in Indonesia to just start recovering sales back. We might see some part of the trend also into next year as we want to continue to recover dine-in sales.

Parallelly, while we are working on improving the sales, we do understand that we need to be really tight with our corporate G&A. We've continued that journey in improving the overall corporate G&A number in Indonesia. For the quarter, as you can see, now we stand at INR 10 crores for the quarter from the INR 15 crores that we had last year same quarter.

So we are kind of definitely moving on this side and we would kind of work further down to see how we can further optimize these costs, and that part of the journey will continue. But we are strongly focused on how do we kind of get the overall Indonesia performance to where we wanted to be.

I would kind of not get into the consolidated performance having drawn into India and Indonesia rather turn the page to Kapil who can take us through the marketing initiatives for India and Indonesia.

Kapil Grover: Thanks. Thank you, Sumit, and good evening to everyone. I'll start by talking about the India business. India, our strategy has been very clear and consistent. Number one pillar value. In any retail business, more so food retail, life line of the business is footfall in the stores, and we continue to focus on that.

There are three parts to our value strategy. There's a two for 79, 99 which is a price point strategy for driving new footfall in. We've got two crispy veg at INR79, two crispy chicken at INR99 and we've seen very good traffic growth for the whole year including the last quarter in dine-in on the back of this program. Now we have a new layer, which is the app deal, so consumers who use the BK app, get exclusive coupons, that's one way of delivering value to the consumer.

And the third component of value is shareable meals, which we launch these thematic meals every season from New Year's to Valentine's to Diwali, and these are shareable meals with 2 burgers at a good value for the consumer for these occasions. So all these three dimensional values help us grow traffic in dine-in. As I mentioned, we had a strong quarter on dine-in traffic and sales growth.

In dine-in, now what we have done, as consumers come into the stores, we have strengthened our snacking portfolio. We started the year by launching the veg pizza puff which gave us phenomenal results in many markets in the country. Then we added the chicken pizza puff, which is a first in the QSR, and it's also giving us very good response from the consumers.

So with these products, if you look at our snacking portfolio, which is the largest day part and the most important category -- one of the most important categories in any QSR business because consumers add it on to their main items and use it for multiple occasions. We have a fairly strong menu now with the puffs, with the fries, loaded fries, high fries, veg strips, boneless chicken wings, fried and grilled wings and nuggets. And all of these products build the portfolio.

In addition to that, cafe, an important layer in our business, our focus has been on driving awareness. Now we have 433 cafe distribution points, so to say, on ground in stores. The purpose remains on driving awareness. And we've been doing a lot of interesting social media engagement programs to make sure we connect with the Gen Z and the millennials to make sure they are aware that there is coffee available at Burger King and very good quality coffee available.

I'll give you one example. We did an activation on roast the roast, right? So you've had coffee in multiples places as consumers assigned. Tell us about your poor or good coffee experiences? We will talk about it and we make sure that we give you a great cup of coffee at BK Cafe with the 100% arabica beans for free to come and try our product and multiple other such programs. The recent one was the Fortune Teller, which gave us about 6,000 participations which was quite fantastic on a social media context.

Also in dine-in, my own Slide #18, we continue to drive digital transformation. Raj spoke about it, Sumit spoke about it. As we get more and more customers in the store, the experience in the store is getting elevated by leaps and bounds. So there is a 100% digital experience in the store.

A customer can come in and order on the self-ordering kiosk, can use the QR code to skip the queue. Their food will be served on the table, so there is a full 360-degree experience improvement in the store. And now about 90% of our dine-in orders are coming through these digital channels. So that tells you that the consumers are really appreciating this new store experience and are coming back more often and liking the experience they are getting at a Burger King store.

A component of this digital experience is the BK app. Now that is very important to lay the foundation of the CRM program for the future. What we are doing here is that we are offering exclusive deals to customers who log in on the BK app. We've seen cumulative install grow to 13 million, which is almost 30% growth year-on-year.

A lot of this has happened through organic visibility at store through a lot of merchant dining at the store. We have driven app exclusive deals and seen a user base growth by 2.3x and also orders grew by 3.3x. So very good sort of growth. We are in the acquisition phase right now. As we reach this sort of frame where we've acquired enough users on the app, we will start doing the next phase of engagement and frequency.

While we build these experiences in the store, we make sure we connected with the users, our fans, our GenZ in very exciting content pieces on social media. Just to give you an example, on Diwali, given the fact that Burger King stands for taste and taste is king at Burger King, we used that insight to build a concept called the Swad Ka Patakha on Diwali. We used very interesting Diwali patakhas packaging, very engaging content.

Consumers could use artificial intelligence to create their own packaging, put their name and had a lot of fun with that, and we've got amazing participation on this contest. That was India. Now I'll switch to Indonesia. In Indonesia, again, going back to our strategic pillars. Very well thought through and consistent. We are building a strong menu.

Chicken is a big part of the menu there. We've got three variants of chicken, they are known classic, spicy, and dunked. Spicy was a miss in our nominee. We launched that last year. And last quarter, we promoted that on media as well. Burgers have been renovated. Whopper is now much better tasting burger as per the Indonesian pallet.

We've launched -- continue to launch LTOs and desserts, which is a popular category in that market. We continue to work with Milo and Nestle to launch these products there. And we have also a strong value proposition at 17K, which we have been promoted through coupons, through social, digital, Meta, and multiple other platforms.

What's very heartened to see is that there is some light at the end of tunnel. Given the geopolitical challenges we've had in the market, in the recent times, we've seen some reversal of those headwinds. We see, if you focus on the numbers, on Slide #23, November, and December, we started to see our ADS grow.

Yes, we are lapping over a weak period of the last year, but it's good to see that especially in dine-in, consumers are now willing to come back to the restaurant, come back to a western QSR. So some bit of that inhibition is going away, which is a very good sign, not just for us, we're also seeing the industry improve across, which is a good sign overall for market in that country.

If you go to Slide #24, our SSSG in dine-in has become positive now. Again, I would temper that, yes, this is over low periods, but it's good to see that consumers are willing to come back. So that shows us some green shoots in the future. Now this has been one on the back of the chicken campaign. We were on media in November. We continue to stay committed to the business.

That's why we made the investment in media in marketing and promoted a core menu item, which is spicy chicken. People love that product there. We saw some good returns on that. And we continue to innovate, on Slide #25 with whopper variants, with mushroom stake, with desserts, with coffee to make sure the consumers -- we stayed relevant to the consumers in that market.

On the last slide, just to tell you as a fact, we are seeing some improvement in trends. We've always seen that improvement whenever we had consistent marketing efforts. Unfortunately, they've been events that have held us back, but we see that trend coming back and returning, right?

Now I would hand over to Gaurav to close the presentation.

Gaurav Ajjan: Thanks, Kapil. So on the outlook, we have already achieved our target of opening 510 stores this year. We are currently in the process of finalizing our annual operating plan for next year. Once we do that, we will come back to you on the Q4 update with the outlook for FY '26 and beyond. So thank you, everyone for joining in. I would request the moderator to please open up the floor for Q&A.

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

Avi: My first question, if you could just share your thoughts on the near-term demand trends in India? And how do you see the same-store sales growth path for us?

Rajeev Varman: So look, I mean forward, if you look -- we look at backwards first, our demand in the restaurant continues to be strong. We continue to report and share with you that our dine-in traffic continues to improve. So we don't see that this trend that we are having in our dine-in restaurants, our dine-in sales is going to reverse in a new fashion. So only improvements are going to come on top of this.

We have taken a strategic decision to optimize our profitability on delivery. So while we have worked very hard to drive more people into our restaurants, which we have done very successfully in the last several months. We have also on the other hand, optimized the total traffic coming into delivery and increased the profitability of our delivery business. And you will see that fully 70 basis points this last quarter.

You're going to start seeing the full effect of it when you have the full quarter with all these things in effort that Kapil has put in. So you will -- as a company, we are focusing on dine-in traffic, and that continues to grow. And we think that it's going to continue the way we are seeing in our restaurants in the last few quarters.

And on the delivery front, we will continue to optimize and make sure that we are doing profitable business over there, making more and more money versus having more traffic there. So these are 2 strategic pillars of ours. We kind of continue to stay true to that. And I'm pretty strong about both these pillars. And I think our traffic and our dine-in will continue the way it has been in the last 2 months, 3 months.

Avi: No, sir, where I was coming from is if I look at the 3Q performance, there clearly is an improvement in the same-store sales growth trajectory, and that's -- congratulations to you guys. I was trying to kind of see if you were to parse it on a monthly basis, or if you look at what has happened till date.

Does that give you any confidence on this further rising or improving beyond the initiatives? Because there is a macro environment which is concerning and that is where this question was stemming from?

Rajeev Varman: Look, without making any forward-looking statements, it's pretty clear that the industries -- you will see the numbers come in. There's a couple of companies already -- three companies have released their numbers, all show that the negativity is kind of vanishing and the positive sales is coming.

So I think you should just kind of project from there like we are all doing. And like I said, we have seen positive sales in our dine-in business, and we continue to see that. We don't see that changing any differently.

Avi: Perfect. Got it, sir. And sir, secondly, as we explore the path to raise additional growth capital, could you also share your thoughts on how should we look at capital allocation between India and Indonesia?

Rajeev Varman: Yes. So Indonesia, we have already said this in the last quarter, and I'll kind of repeat this over here. Our intention is not to build any restaurants there over the next couple of years. Our intention is to make that business profitable. So capital allocation over there is strictly going to be and what Sumit was saying earlier, only to drive sales into restaurants, which means we will only be looking at strategically spending money in marketing area to drive more.

And that we will test that through before we kind of spend any capital in trying to bring more and more marketing sales. But there will be some strategic spending above and beyond the 5% we spend in Indonesia on marketing next year. And that's predominantly will be based on total analysis of where the market is and the right time to do that spending.

But apart from that, there will be no capex allocation to building new restaurants as we are not going to build any Burger King this coming year, and we're not going to build any Popeyes this coming year. Instead, on the opposite end, we are going to continue to drive a reduction in our G&A overheads, administrative expenses. We have told in the past that we have reduced our support center, our head office over there to half its size.

We have done a significant reduction on our G&A in terms of both people side as well as other expenses that we do. And the final piece over here there is we are also working on rent reduction all round from all the restaurants. And we're making some good success -- initial successes over there. But predominantly, you will see Indonesia turnaround only when the entire market over there has positivity in terms of same-store sales.

And we have seen 2 months of dine-in positive sales. But we want to stay optimistic, but also stay kind of very true to it. So hang in there and wait and watch us kind of turn that business around.

Avi: Okay, sir. Okay. I mean where I was coming from, so if I hear you correctly, primarily loss funding that would be required. And I was just trying to get a sense on how much do we have -- do you think the pain is there? That's what I was trying to gain. I know part of it may require a forward-looking understanding.

But just an appreciation of how do you see the requirement is where I was coming from, but I got an answer. There is more loss funding that you would look for and the expectation is that funding will go down. That's a fair way to summarize it?

Rajeev Varman: Yes. Look, see, I gave you both the numbers, right? I told you the top line is improving in our dine-in restaurants, and hopefully, we'll catch on, on the rest of the business. And I also told you that we have cut down our overhead G&A to -- from INR65 crores when we took over the business down to INR40-some crores -- INR40 crores, and then we are working on further reducing it.

So all our losses on the administrative side, which are sitting at -- is going to be cut by that much 40% of whatever that number is, right? So that's in addition to increasing our ADS, you should be able to kind of project that. We don't want to on this meeting kind of tell you how much we're going to allocate or hold. We are going to be very, very judicious with what we put in there; one, because of timing.

We want to make sure we don't put money before the right occasion. And second is to be prudent about how much we put in and which channel we put in. But predominantly, whatever we spend there will be to cover the losses or to invest in marketing until the sales over there. That's predominantly what we are looking in terms of spending there. Is that fair?

Avi: Yes, that's fair. That's all from my side.

Moderator: Thank you. The next question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Actually, just one question on Indonesia from me. So would it be fair to say at this point that Indonesia from here is sort of looking only up? I mean, the worst is behind from sort of a demand environment perspective. The whole geopolitical situation as well seems to be at least on the mend. So from here on, at least with no further store adds in the region, we should start seeing an inflection in same-store sales growth?

Rajeev Varman: Yes, three things. First is the geopolitical environment seems to be kind of going in the right direction. The war stopped. There's some good conversations about US helping that happen. There's a little reduction in anti-US kind of feeling. And I think it will take a little while. It won't happen overnight, but we are seeing some positive movements in that in the market. So that's one big piece.

The second is we have optimized the store, but we haven't stopped optimizing. We will continue to look at stores where rent reduction is not possible and where the landlord is not willing to do it or if the rent reduction given to us is not enough, we will optimize -- continue to optimize the store. We are not going to continue to sit there and wait for all the sales to come in, we will get there together.

While the market is improving, we are also working towards getting that to a positive cash flow over there, at least breakeven very quickly. So that's the second bucket. The third bucket really is there is no need to be building restaurants here because we have kind of sat down and done an agreement with our franchisor in terms of this. and we are not going to be building, and it's the right thing.

You don't want to continue building restaurants where you're trying to turn around existing restaurants. So there's no requirement for us to do that. There's no pressure on us to do that. So we will not be doing that.

Aditya Soman: Yes. It’s very clear. Thank you.

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

Jay Doshi: One is what measures have you taken to improve delivery business profitability in India? And is it essentially reducing discounting or have you managed to negotiate better commission or take rates with the aggregators?

Rajeev Varman: Both. So yes, that's the simple answer, but there's a lot of stuff that Kapil is doing. One is he is optimizing the menu that he's put on the delivery. So you know that there is a differential pricing on that menu and there are different deals on different days. So he's optimized that. So that's step number one.

Yes, we have taken some pricing there, including the product mix over. There's other stuff that we have done in terms of what we are selling and what are the packaging charges, et cetera, et cetera. But more predominantly, beyond all this effort of optimizing these, we have also gone and negotiated and brought down some of our commissions. And we will continue doing that because this is something that we don't stop doing.

This is the area where we want to make sure we are efficient in this P&L. And we have made some very significant gains in a matter of 2 quarters since we started doing this, and we are not going to stop. We're going to continue making our delivery business more and more profitable, and we will not stop until we get it to a double-digit number.

Jay Doshi: Sure. So what is the differential as of now after these improvements, differential between delivery business margins and dining business margins for the India business?

Rajeev Varman: Yes. We don't share that level of P&L because of competitive reasons. And so I just respectfully say that if you have any micro questions on this that you just reach out to Gaurav, but we don't generally share those numbers.

Jay Doshi: Understood. Fair point. Now in India, what is the ADS you need to get to, to reach 10% company-level pre-Ind AS EBITDA margin? So you're at 6%, 6.2% this quarter. It's a seasonally strong quarter. So maybe on a normalized basis, you are somewhere around 5-ish. So for you to move from 5% to 10%, where should your ADS settle from INR114,000 that you did this quarter?

Rajeev Varman: Yes. So it's not just ADS. If you know that our overheads are pretty much kind of where they are, right? Sumit was saying we're further going to optimize the G&A even in India, not just in Indonesia, even in India. We continue to be a company that continues doing that. It's just the DNA of our company that we look at costs every year as it we are looking at it for the first time and start reducing. So that journey is going to continue.

Now what happens with that is as you continue to build more and more restaurants and your G&A or your overheads are fixed, then that number below, which is the company EBITDA, continues to grow. So that's one of the levers that we'll continue growing that number from 5%, 6%, 7%, 8% onwards, right? So that's one of the levers.

The second lever is ADS. As you improve your restaurant-level EBITDA, of course, that will contribute more towards covering your overheads and going into the company-level G&A. So both these levers are there, and they will both help and we are making some very good strides. There was only a time that we were negative company-level EBITDA and then we became positive at 1% or 2% and then 3% and then 4%, so we continue to climb.

And this is nothing different than what I've been saying for the last 4 years that I've been -- 4.5 years that I've been on calls that we will continue moving these numbers forward. We will continue moving gross margin to the right level. We can move gross margin very quickly today as there's so much gap or headroom in pricing that Kapil has.

We can do that. But we are building traffic at the same time we are doing this. So we want to make sure that we are prudent, we are doing this optimally and that we are, at the same time, improving traffic, minimizing any loss due to higher pricing and at the same time, improving gross margin, improving our rent ratios.

Utilities, Sumit was talking about that earlier when he was talking in the P&L. We have made some very good strides on utilities. We have reduced utilities. The rates have gone up, but the unit consumption, we have significantly reduced it by many simple things that we have done in the restaurant through engineering.

We have a very good engineering team that has completely -- launched a complete program end-to-end for all the restaurants. So we have gone through a few restaurants, probably 20%, 30%. We will finish all the restaurants by the end of next year with all these modifications that we are doing, which will continue to bring the utilities down as well. So all these put together is going to bring us to that level. It's just not the ADS.

Jay Doshi: Sure. And one more on Indonesia. So I heard your previous response. It looks like, at this point of time, on one side, you are trying to renegotiate rentals and cut down G&A. And wherever it won't -- it is not possible or viable, you may optimize or rationalize the store network further. And I think overall focus is to get to EBITDA breakeven from INR17.5 crores quarterly loss, let's say, INR50 crores annualized EBITDA loss.

My question is that it's eventually with a much smaller store count than where you are today, if you reach EBITDA breakeven, it still doesn't result in any value creation from a shareholder perspective. So are you considering -- have you thought about whether there is a merit of continuing operations in that market or is there an opportunity to divest Indonesia business?

Is that something that you have a time line that maybe a year down the line if you don't achieve the milestone -- the targets you have -- may have for the geography, would you take a more tough decision?

Rajeev Varman: Yes. It's not a tough decision. All decisions that make investors more money and makes our company more money are the right decisions and the easy decisions. They're not tough decisions for us. See, I'll tell you two things. First is we got two great brands in Indonesia. We have Popeyes brand. We have the Burger King brand.

These brands, the Burger King brand, in the good days, heydays as you call them, was throwing about 14%, 15% restaurant-level EBITDA, right? We have closed 26 restaurants. So we are not -- we haven't significantly changed the portfolio that we bought. We have closed 26 restaurants, which are -- which do not have an upside and were losing money. So that's what we have.

We have just rationalized the portfolio. We are not shrinking it. We are rationalizing it, which means that we will close restaurants that lose money or where we don't think the economics is right for us. So that's one thing. Now what is the decision if we are not successful or if another war breaks out or if things go south because of some of the issue and the market is struggling or the economy over there struggling, yes, all options, we will always keep on table. We will always discuss all options.

What is the right thing for investors is the right thing for me. I'm one of the investors in this company, individual investor in this company. So I will continue to look at this as what is best for all investors in terms of the long term, right? So that's no different whether we turn this around or someone else turns this round.

But I can assure you that this is a strong brand. I've been with this brand for many years. Today, probably will be at least 25 years with this brand in so many countries. And I know that this brand continues to be a very strong brand wherever it is. And I know that if we do not have the stamina to turn this around, someone else will turn it around in the future and make money. So that's the reality.

So we, as a company, will be prudent. We will allocate capital at the correct time. We will allocate the right capital in terms of our marketing, not in capex right now. If we see this turning around, we will push it and we'll turn it around quickly as we have done with everything that we do. You saw that we started cafes, we finished them in 18 months. You saw we start digital, we finished in 18 months.

This one, we had already turned around the company. In fact, in October, beginning of October, we had already reached breakeven, and we are going in the right direction and the war broke out. So we are unfortunately sitting in a geopolitical kind of climate, which is now kind of a recovering. So we feel good about this.

We feel good about the last couple of months. We feel good about January as we see it in Indonesia. But yes, we are not blind. We will stay true and close to the business and we will make appropriate calls when we cross those bridges.

Jay Doshi: Sure. Just one small follow-up, bookkeeping. Has the parent Restaurant Brand International supported you in any way because this issue is largely because of geopolitical reasons? So have they waived off or reduced your royalty fee and if not, have you sort of asked for it? What's the thought process?

Rajeev Varman: RBI has been a fantastic partner. They have been very supportive. They have been behind us and they've helped in every way, in any way. And we are very thankful for all their support.

Jay Doshi: Sure. Thank you.

Moderator: The next question is from the line of Tejas Shah from Avendus Spark. Please go ahead.

Tejas Shah: You sounded quite positive on dining recovery in India. While you may not want to speculate on the future, but I just wanted to know your view. What would have driven this revival, structural factors or just a low base effect because the macro for consumption is not as conducive as it appears from our optimism here?

Rajeev Varman: Yes. Very nice question. See, it's -- we were on value. Kapil was on value more than a year ago. More than a year ago, in fact, 2 years now making, he was at INR99 and he went to 2 for INR79. This is a value offering. It's not tactical. It's a strategy. It's one of our pillars. We will always be a value leader.

Now when you are offering a certain -- when you look at the market and you say the market has shifted to the left, where more and more consumption is on the value side, if you can provide a profitable value proposition, which is profitable to you, but it is also a value proposition that, that market is -- which is what the market requires at that point of time, then you will flourish and you will continue.

The headwinds when people were reporting negative sales and especially negative sales in dine-in, Kapil kept on reporting positive sales on dine-in. So I think in the long run, if you ask me, I think there is a very strong market for people coming in and dining in our restaurants. There are a lot of things that people come into the restaurant for. It's not just because they're taking a lunch break or they're buying something and taking a break.

There are celebrations. There are birthday parties. There are meetings. There are there are so many occasions where people actually get out and eat at the restaurants. You have mall restaurants. There's a very small delivery component if there is any. It is entirely driven by people coming into the malls, watching movies, shopping and then eating.

There are highway restaurants that are completely dependent on people going on the road, stopping at the highway, having a break, and eating. So delivery is a small component of the high street business. It's not an entire business to many of the restaurants that we are building. So as you look moving forward, there's an immense amount of infrastructure that is coming along highways, whether it is in North or now predominantly in West and South.

And you will find these highways coming on, where we will be building restaurants that will be on the highways. These will be predominantly dine-in restaurants, right? There's no delivery on a highway restaurant. So you will find that this is going to improve more and more, and that's why the focus, Sumit was saying, not just on making delivery business profitable, but on utilities, on rents, on all these items so that the dine-in business also turns -- continues to turn positive, right, or become more and more positive.

So I think I have a strong view now. I actually feel good seeing the last year and the year before that as well. If I take the 2 years together, I think I can frankly say that we have seen double-digit improvement in traffic in our restaurants, the dine-in business. And so I feel very positive of dine-in business growth in the future.

Tejas Shah: Got it. Second question, you spoke very enthusiastically about the digital transformation or digital initiatives that we are taking. Now what is the goal seek here? As an external or as an outsider person, how should I judge ROI on this? Will it reflect in better SSSG? Net Promoter Score is very abstract, so perhaps won't reflect in financials directly.

How do you internally assess that? Wherever you would have done this digital transformation totally in your stores, what is the objective parameters that you are tracking to see that this is working?

Rajeev Varman: All right. First of all, I speak enthusiastically about everything in my business. So okay. Look here, there is a concept called know 100% of your customers. Whether a company reaches there or strides to reach there, the goal of every company is to know 100% of their customers. When they come into your POS and they pay money or whatever you do not know these customers.

You do not know whether they are vegetarian or non-vegetarian. You do not know whether they come in for a snack or a meal. You do not know whether they live in a certain part and buy in two different restaurants of yours. There's a lot you do not know about the customer, which means that you do not market to them, you do mass marketing and you hope some of these people catch your marketing.

As you learn your customers over time period, you are able to specifically market very specific propositions to these customers. So that is a very big requirement for most companies and most companies want to learn about their customers, want to learn how they eat and what they like, where they want improvements, so forth. So that is one big one, right? And that helps sales. It helps CRM. It helps loyalty of those customers as well because now you are basically able to talk to them.

Second, with SOKs, you have adequate. For example, now, where we had 3 tills, we have put 4 self-ordering kiosks or 5. Sometimes, Cicily even puts 6 of them, right? So there's ample amount of SOKs over there, where people can spend time and place order at their ease. And what we are seeing is the highest check that you see on orders that are placed on self-ordering kiosks versus those that are placed on POS where three or four people might be in a line and the one in front wants to quickly place his order and move so the next person can come in.

So a lot of benefit from that. The next one, most -- 90%, as I said, of these sales are all digital, which means the payment has gone to the bank directly. As these payments go directly, there is a significant advantage of money handling, significant advantages of processes and systems in place, right? So all those advantages also. So there are multiple benefits that you get with SOKs.

It's a proven concept around the world. It is not something that RBA is doing unilaterally. There's learnings by different brands, by multiple brands that this is the way it's moving forward. And interaction with the SOK actually gives a better sense of timing for this customer.

Someone who's waiting behind in the line, not interacting, feels a longer sense of time than when they are interacting with the SOK. It actually makes them feel they've spend less time placing the order and less time getting the order. So a lot of benefits in addition to fully understanding the customer. There are direct benefits of increase in APC. There are direct benefits of being able to show them all different options.

For example, if someone is a vegetarian, they can directly go into the vegetarian menu and then explore all of it. So this is something just like cell phones, right? We are now a very digitally-savvy country. In fact, I think we are one of the best-equipped, digitally-savvy countries.

I was actually talking to the President of Burger King of RBI for the APAC region and he said we are one of the highest digitally -- just in the 18 months, highest percentage of digital orders placed by Burger King anywhere in Southeast Asia. It's undoable that India just started this 18 months ago and is on top or among the top 2 digitally where the orders are placed digitally. So all these things help and that's the ROI on this.

Tejas Shah: Sure. So what broadly I was trying to understand that, is this just a vanity metric? Just one point, just last point. Is this just a vanity metric or you should, as an outsider, I expect that, that this will convert into stronger SSSG to evaluate whether it is successful or not? That's the only point I had?

Rajeev Varman: Yes. No, like I said, knowing your customer ability to market them instead of doing mass spending all over, if you have the ability to directly speak with your customer, it's one efficient, it's cost effective, and it costs you -- if someone downloads your app, for example, you are able to communicate with this person at low cost. Whereas if you're sending someone like SMS or a WhatsApp, it costs you money.

So digitally, one, it is more effective; second, it is costing less. It costs you less as you progress in years to come, that it costs you less to reach out to your customers. And it increases frequency of use of brand. When it increases the frequency of use of brand, it helps SSSG,. What is sales?

Sales is equal to traffic into APC or average per check. If traffic is equal to simple, new people coming in and old people coming in more often. So it actually helps this piece of old people coming in more -- or existing customers visiting your brand more often frequency. So yes, it helps in SSSG. It helps in SSTG. It helps in APC and it helps in total ADS.

Tejas Shah: Got it. Thanks and all the best.

Moderator: The next question is from the line of Amnish Aggarwal from PL Capital. Please go ahead.

Rajeev Varman: We will take this as the last question because we have crossed the 6:30-mark. Sorry, go ahead.

Amnish Aggarwal: Yes. So Rajeev I have two questions. My first question is that this time around, we have not given any target of store openings next year, even though we have an agreement with Burger King International which gives us a road map till FY '27. So is it indicating that we might look at, say, some sort of a slowdown in the store openings in the coming year? That is one.

And my second question is that you talked a lot about the cost cutting on the SG&A side in India, whereas if I look at the last 3 years, our SG&A has actually gone up from nearly INR60 crores on an annual basis to now a run rate of around INR27 crores, INR28 crores. So why has the increase been so sharp and where all -- which all heads are now you're going to attack to bring it down?

Rajeev Varman: Yes, please don't use that word heads. I'm not attacking anyone's head. Look, two things, right? Number one, you asked a question about growth. So we are not slowing down, guys, please. We are not slowing down. We are finalizing the agreement with RBI for the next 4, 5 years, whatever until FY '29.

We will release those. But we are not slowing down. In fact, I can tell you, Cicily is not on the call today because she's out there approving sites in Southern India. And so we are not slowing down. We continue to grow. This is a good time to be growing. We're getting some good rents and we're making some good progress. So no slowdown there.

Now G&A, look you have to look at G&A as a percentage of total sales -- revenues. And we have -- if you look at the last 4 years, you will find that we started somewhere at 10%, 11%, and it's down to now 5%, 5.5%. I think the last number 5.8%?

Management: 5.5%.

Rajeev Varman: 5.5%. So this will continue to go down as we have top line sales coming in. But above and beyond that, every few years what I do is I put a pause and I look at existing because what happens with companies is over time there is a little bit of bloating that happens because of some local initiatives and so forth and so forth.

So we just - Namrata Tiwari our Chief People Officer, and Sumit Zaveri will be looking and reviewing all the departments to see if we have now started to bloat a little bit in certain departments. And we will do those corrections. And that's -- any prudent good company does that on a regular basis so that we are very honest and sincere with our G&A that we spend on overhead. So this exercise is starting and it will continue.

We are not going to stop this exercise. It will be part and parcel of our DNA and part and parcel of our fabric. We will continue doing these exercises. And G&A cutting is not about just reducing people. Sometimes you don't need to reduce people. It is other items that are on the G&A list, other things that you can find more efficiencies in, which you did not think when you were 5,000 people company, you made certain contracts.

When you review the same contract for a 10,000 people company, then you are able to bring the efficiencies. There are a lot of things that go into SG&A. And all those -- this year, we are going to be reviewing it all the way till April 1. So April 1, when we press the button and open the doors, we are very honest with ourselves that we have done that task and we have got a true G&A there.

And you can also compare G&A of multiple companies, and you have all those numbers. And you can make sure that, investors can make sure that we are honest with what we are doing.

Amnish Aggarwal: Okay. Sure. And any targets you have that how much you can actually bring it down?

Rajeev Varman: No, we will not share those targets until the exercise is over.

Moderator: Ladies and gentlemen, this was the last question for today's call. I now hand the conference over to the management for their closing comments.

Rajeev Varman: Yes. Thank you so much again for joining, guys. I'm actually very proud of my team that has reached this 510 restaurants. Kapil is here with me, Sumit and the entire management team is sitting here, and there are some people out in the field. But the entire team, the 10,000 employees that work for us that have done a fantastic job servicing our customers and guests to get us to 510 restaurants.

We are going to continue from here. We haven't stopped. We have multiple construction sites in process. We have approved sites that will be going into construction next month. So this will continue in the forward direction. When it comes to sales, a fantastic job by Kapil and his team in getting our dine-in sales in the right direction. He's not going to stop here. He's going to continue to build that piece of the puzzle and make that more and more positive.

When it comes to delivery sales, our first goal is to make sure that whatever sales we are adding on to that delivery sales is profitable -- more profitable than what it is today, and we will continue to drive that. We continue to complete our digital journey with the balance of our restaurants.

We continue to do cafe in the balance of our restaurants. Indonesia will be a turnaround story that will be told in the future. We are working hard to do that. We are also prudent as one of the questioners asked us that we will do the right thing if this does not turn around in a needed amount of time, and we will take whatever calls we need to take.

So thank you again for joining, and I appreciate all your support and all the enthusiasm you show for the Burger King brand. Please go and eat tonight's dinner at one of Burger King. Thank you, guys.

Moderator: On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.