



Westlife Foodworld Limited
Q1 FY26 Earnings Conference Call

July 23, 2025

MANAGEMENT:

- Mr. Akshay Jatia – President & Chief Executive Officer
- Mr. Saurabh Kalra – Managing Director
- Mr. Hrushit Shah – Chief Financial Officer
- Mr. Chintan Jajal – Lead Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to the Westlife Foodworld Limited Q1 FY '26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

We would like to remind you that certain statements made by the management in today's call may be forward-looking statements. These forward-looking statements reflect management's best judgment and analysis as of today. The actual results may differ materially from the current expectations based on a number of factors affecting the business. Please refer to the safe harbor disclosure in the Earnings Presentation.

I now hand the conference over to Mr. Chintan Jajal. Thank you, and over to you, sir

Chintan Jajal: Thanks, Jeet. Welcome, everyone and thank you for joining us on Westlife Foodworld Earnings Conference Call for the 1st Quarter of FY '26 ended 30th June 2025.

I am Chintan Jajal, Head IR at Westlife. From the Management Team, I have with me Mr. Akshay Jatia – President and CEO, Mr. Saurabh Kalra – Managing Director, Mr. Hrushit Shah – Chief Financial Officer.

We will kick off today's conversation with Akshay sharing his thoughts on overall business progress and outlook. This will be followed by Saurabh taking us through operational, financial and strategic highlights. Post that, we can open the forum for questions and answers. We will be referring to earnings presentation and financial releases available on the BSE, NSE and Investors page of our website.

With that, I now request Akshay to commence this session. Thank you, and over to you, Akshay.

Akshay Jatia: Thank you, Chintan. Hello and good evening, everyone. Thank you for joining us today.

We started this financial year on a steady note, navigating a persistent soft business environment. However, we remain optimistic that eating out frequency will gradually improve supported by lower consumer level inflation. That being said, this marks our third consecutive quarter of positive comparable sales reinforcing our confidence in

the strategic path we have chosen and our ability to build momentum on this through the year.

We continue to stay focused on what truly matters, driving guest counts, enhancing our value propositions, building customer excitement through product innovation, and making strategic investments that set us up for long-term growth. We have consistently highlighted the immense potential we see in the south market. There is definitely a lot of work ahead of us to build our leadership across categories and to improve our accessibility in the south.

To that end, we have decided to strengthen our regional leadership team. Our expanded south India business team structure will help us understand customer preferences better, accelerate decision-making, improve operational efficiency and enable us to achieve our regional growth aspirations. To foster sustained growth in the long-term, we have established a new vertical focused solely on long-term initiatives often termed as Horizon 2 projects internally, with a strategic outlook extending beyond 2027.

These represent the portfolio of highly promising endeavors that will ensure our continued market leadership in the foreseeable future. I am working in close collaboration with our Chief Strategy and Growth Officer to drive this growth. Another highlight of the quarter is how we have improved the gross margin by over 160 basis points sequentially achieving a historic high of 71.6% gross profit despite all the commodity price and demand volatility. This has come on the back of structural changes to unlock supply chain efficiencies. I am very proud of the work done by the team to achieve this.

I am also proud to share that Westlife recently ranked 33rd among India's best companies to work for, a powerful reflection of our people first culture and the passionate teams that we have built over the past many years. In line with our commitment to shareholder value creation, I am pleased to share that the Board of Directors has approved an interim dividend of Rs. 0.75 per equity share. Looking ahead, we remain optimistic on progressively improving the momentum during the year. Thank you for your continued support and trust in Westlife.

I now hand over to Saurabh to take you through the "Operational and Financial" details of the quarter. Thank you.

Saurabh Kalra:

Thank you, Akshay. Ladies and gentlemen, good evening.

As Akshay mentioned, the operating environment during the quarter broadly is consistent with recent trends, stable, but remains soft. Despite the muted macro trend, I am quite happy that we have continued to build on our execution excellence and have delivered resilient performance across our core metrics. Consolidated revenue stood at Rs. 6.6 billion, reflecting 7% Y-o-Y growth. Same-store sales growth stood at 0.5%, with stable guest count and average check despite continued pressure on discretionary spending.

From channel performance perspective, our on-premise business grew by 8% Y-o-Y, as we captured more dine-in occasion across key cities. This momentum reinforces the effectiveness of our value proposition and execution-first strategy. Off-premise channel contributing to 41% of our total sales remain in line with our three year average. This balanced mix validates our thinking and our strength and relevance of our omni-channel model in serving evolving customers' need and balancing basis the consumer outlook.

Gross margin increased by 160 bps sequentially to 71.6%, supported by significant enhancement in supply chain efficiencies. Restaurant operating margin increased by around 80 bps, led by strong focus on operational excellence. Operating EBITDA at Rs. 855 million was higher by 7% over last year. Cash profit after tax stood at Rs. 474 million, contributing to 7.2% of sales. We remain focused on enhancing store productivity, strengthening cost governance, and improving unit level economics to mitigate the impact of short-term volatility and strengthen our long-term brand equity and top-line growth.

Our digital business continues to contribute around 75% of our total sales, continues to be a significant driver of growth and consumer engagement. We maintain strong traction across self-ordering kiosk, McDelivery app, and My McDonald's reward program with over 44 million cumulative downloads and more than 3 million monthly active users now as we call it. I can proudly say that we have one of the most digitally advanced omni-channel store network across the country, enabling us to personalize experience and drive repeat engagement experience.

From our network expansion perspective, we opened nine new restaurants this quarter, taking our total store count to 444 restaurants across 71 cities. Nearly all our restaurants now feature McCafé and experience of the future format. With 24% of them offering drive-thru services. Our store development pipeline for the year

remains robust and aligned with our Vision 2027 target of 580 to 630 restaurants. Our team has sharply focused on execution excellence and we continue to invest behind long-term growth opportunity with prudence and precision.

To summarize, our growth factors are intact. We are fundamentally re-evaluating what truly matters to the customers. While the business environment remains soft and the market is largely drawn towards affordability, we are instead focusing on consumers and redefining what value truly means to them. Accordingly, you will see a lot more excitement around holistic value in the coming two quarters, which will accelerate our momentum.

Thank you for your time. I will now hand over to the moderator and open the floor for your questions.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Hi, Akshay, Saurabh. Thanks for taking my question. So, there is some level of regional nuance to your growth performance as well, right? So, where south region has sort of seen relatively slower traction. In your initial remarks, you did attribute some leadership investments specific to that particular region. So, I was checking, if you can talk a little bit more on this and how do you see growth shaping up in the region for the remainder of the year?

Akshay Jatia: So, thanks for the question, Devanshu. As we have highlighted, consistently now in the last few calls, there is a very clear strategic path that we are taking. And the west is obviously a region that is responding very well and we have seen good traction. It is also due to our strong presence in the west and brand strength that this is playing out quite well.

In regards to the south, we have been in the south for 20-plus years now, so we have kind of entrenched ourselves well. We are a well-known brand, but there are nuances in the south across the key cities itself, be it Bangalore, be it Hyderabad, be it Chennai. We have a very good understanding.

However, we did feel that for enhanced decision-making, operational efficiency, sharper focus, we wanted to augment our business unit to have a focused view in the south, which is why we have augmented our leadership team in the south. It involves

a business officer structure working directly with Saurabh and myself to drive growth and that structure involves obviously support across functions, be it HR, operations, marketing at the regional level.

So, this is not something new, we have done this in the past, but we did feel that, stage the organization is at and the focus we want to deliver in the south, this was something that was the need of the hour and we are quite confident in terms of our execution of the same.

Devanshu Bansal: Understood, sir. And Akshay, just to follow-up on this, is this the particular reason why our HO cost is slightly on a higher side this quarter. So, is this specifically the reason for that?

Akshay Jatia: Sorry, could you repeat? We could not hear the first part. So, I will just ask Hrushit to answer the question.

Hrushit Shah: Yes. So, Devanshu, so the majority of the cost is on account of certain strategic projects that we have kicked off. It is on account of upfront cost that we have incurred for those strategic projects, the benefit of which you will see in couple of quarters down the line that has led to slightly higher G&A cost. And part of it is also on account of people, but majority comes essentially on account of the strategic project-led cost in the current quarter.

Devanshu Bansal: Understood. Sir, last question from my end. So, I was just seeing your optimized and on-premise growth, which it is that footfalls in markets are definitely reducing, consumers are preferring convenience versus moving out in markets. Are we also sort of directing our expansion towards, say, travel, be it more through drive-thru stores or stores in metro stations, airports versus, say, freestanding stores in markets now?

Saurabh Kalra: So, as per our stated strategy itself in Vision 2027, we wanted to open more drive-thru stores because that is an integral part of our omni-channel strategy. So, needless to say, we do want to do more drive-thrus. We are experimenting on metro stations, stores, etc. I do not think that is strategy yet. But our goal is very simple, we have got to be where consumers are spending. And whether it is long-distance transit in some of the areas like all the access-controlled highways.

We would like to be a part of all access-controlled highways, we would like to be a part of all airports. We would definitely look at short-term transit like metro as opportunities for the future, but that does not mean that we are compromising on

other areas like high street or a mall opportunity. So, I would not say we have changed anything dramatically. We would like to do as many freestanding drive-thrus as possible. Because what it does give us is another channel to serve our consumers, which we feel at some point in time will become a big growth opportunity.

Devanshu Bansal: Understood. Saurabh, can you just lastly help us understand as in what is the typical throughput difference between a drive-thru store versus the other freestanding stores? And any difference in terms of CapEx that we sort of incur for drive-thru stores versus, say, other stores?

Saurabh Kalra: So, the way we structure, what I can tell you is there is not too much of a difference. Obviously, food court is lower capital. But the rest of it we are able to manage within our resourcing. We do not give clear breakout. Obviously, needless to say, earlier we have given this indication drive-thru does cost Rs. 15 lakh - Rs. 20 lakh extra, but that is about it. So, we are able to manage. The way we look at it is you are feeding something for the future and as many as we can get so that over a period of time it becomes a long-term opportunity. And we have seen almost all drive-thrus do exceptionally well after five - six years of their growth and they go far higher than our system average.

Devanshu Bansal: Fair enough. Thanks for taking my questions.

Saurabh Kalra: Thank you.

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

Aditya Soman: Yes. Hi. Good evening. Sir, two questions for me. Firstly, yes, can you just explain the gap, I know you talked about strategic projects that led to higher cost. But I still do not get why the restaurant operating margin grew 11.4% and then the pre-IndAS EBITDA grew only 0.5%. So, I am assuming there is an increase in the rent because there is a gap in sort of the post-IndAS and pre-IndAS EBITDA growth as well.

And the second question was just on growth overall. I think this was partly asked in the previous question. But the on-premise growth basically over two years now is about 2.5%, if I just do a simple average. And off-premise growth is around 5%. So, this is significantly lower than what we are seeing, let us say, the aggregators deliver in a single year or even over two years. So, any sort of perspective on that? The on-

premise, I understand last year was impacted by whatever geopolitical events, but this year, you should not have had that impact as much.

Akshay Jatia:

So, Aditya, just answering your first question, I think you spoke about the difference between ROM and operating EBITDA, right? And we did call out that our G&A expenses have been a little higher this quarter due to investments in strategic projects and people-related costs. So, that is probably the difference. And I will ask you to take this offline with Chintan if required. But apart from that, we have actually seen an improvement in ROM as well as gross margins. So, we have delivered good operating efficiencies despite pressure on the top-line.

Second is our business model and the aggregators business model are very different. So, I do not think our on-premise growth can be compared to theirs, because we have number one delivery, we have takeaway, we have drive-thru and our business model is more organic. Theirs is led by a variety of levers. So, I think despite the pressure on the delivery business all around, which we have seen even aggregators report, we have continued to navigate that environment quite well without it impacting margins, as well as drive more growth on our on-premise business, which is actually where our competitive advantage lies. And it is our omni-channel model that is going to drive the same-store sales growth that we have given guidance towards.

Aditya Soman:

Yes. Thanks. No, just to press on actually on both. Actually my question was more on the EBITDA growth is 6.9% post-IndAS and pre-IndAS is 0.5%. So, I am assuming the gap between those numbers has to be rental, right, because the other costs will all come in both before post and pre-IndAS. So, I am just trying to figure out the difference.

Akshay Jatia:

I mean, like I said, Aditya, if it is an accounting discussion, we can take this offline. Like I maintain, our ROM has expanded, our gross margin has expanded. So, please, pre-IndAS, post-IndAS can be discussed offline.

Saurabh Kalra:

Yes.

Aditya Soman:

Fair enough. And the second question was more actually on the off-premise growth itself, right? I mean, so you talked about, I mean 4% last year, 6% this year. So, over two years, it is on average 5%, which was the one I was comparing with aggregators. But anyway, I get your response. Thanks.

- Saurabh Kalra:** So, from an aggregator standpoint, I think last time also we made this call, from our understanding, we are pretty much the leaders as far as aggregator business is concerned. We are being competitive in the market, which we play in. Beyond that, we would not have any comments on what are the drivers of their growth.
- Aditya Soman:** Understand. Thank you.
- Moderator:** Thank you. Our next question is from the line of Gaurav Jogani from JM Financial. Please go ahead.
- Gaurav Jogani:** Thank you for taking my question. So, my first question is with regards to the gross margin. I mean, we have seen a handsome gross margin expansion this quarter, how much of this is really sustainable? And what kind of gross margins can be targeted on a two-year, three-year, medium-term perspective?
- Saurabh Kalra:** So, I think the guidance on the total number has been given in our Vision 2027, we are still maintaining that guidance of how will we scale. I think gross margin was always a part of it. We believe that the number, which we have just posted is a sustainable number we should be able to sustain and with average volume going up, we should even be able to improve on this.
- Gaurav Jogani:** Okay. So, because this is like 150 bps, 160 bps, I mean, would it be fair to assume more like a 71 on a sustainable basis or even this number is sustainable what will be the larger portion?
- Saurabh Kalra:** I think the bigger point like we have always maintained, right? So, it is about restaurant operating margin, it is about operating EBITDA. There are line items, sometimes some goes up, sometimes some other thing goes up. If tomorrow there is an inflationary pressure on some, I will not increase my price overnight. But that does not mean as an organization, we are not going to focus on improving ROMs. To sum it up, right now, we see this as a stable base from where we will start working on.
- Gaurav Jogani:** Sure. That is helpful. And my second and last question is regarding the average unit volume of the first store. I mean, this has also declined on a Q-o-Q basis. So, given that it still continues to remain in that Rs. 6.2 crore kind of a range. How are you looking to drive that up given that the guest count is now stable and the check size because you are offering the value offer is also being stable? So, what will be the key levers to take this ahead to achieve the Vision '27 numbers?

Akshay Jatia: So, Gaurav, I think we have given flavor of that in our Vision 2027 document. Even in my commentary, we discussed about certain opportunities for the long-term that we are scoping out. But more importantly, there is a strong focus on our business in the South, which we believe, is poised for growth. And by delivering that itself, we should start moving in the right trajectory and we should be on a good trajectory. Additionally, we have always spoken about the levers being centered around our core categories of burger, chicken, coffee, our digital and omni-channel model. And I think with this comprehensive focus, our Vision 2027 growth is quite clearly laid out.

Gaurav Jogani: No, so I do understand, because at that time, the demand conditions were also very different when the Vision '27 guideline was laid out. And now, given that we are seeing the prolonged slowdown in the overall demand environment, so any other steps that you are taking versus what you had decided then, that should help you to grow at least side of the market?

Akshay Jatia: Yes. Gaurav, strategy do not change just basis the macro environment conditions, because we have taken that into account when we thought through our strategy. Yes, I think one immediate response to your question is our entire focus on value for money and that is not only about price, but it is more about being relatable as a brand, having the right offerings across occasions for our customers. That is our number one priority, but that again is relevant for both west and south.

There may be some more work required in the south, which is why we have spoken about the South as well separately. And I think again, that falls within our menu and brand lever and the categories that we play with remain the same, burger, chicken, coffee. So, that is why the strategy does not change comprehensively. There are some tactical interventions that will be required and I think we have covered most of that.

Gaurav Jogani: Sure. Thanks. That is all from me.

Moderator: Thank you. The next question is from the line of Avi from Macquarie. Please go ahead.

Avi: Hi. So, hi, Akshay, wanted to kind of just pick on this gradual pickup that you are talking you are expecting in the coming year. Are we witnessing any early signs of this, which gives us some confidence or is this more linked to our south initiatives? If you could just spend some time to help us appreciate this. And the reason is, if I look at the same-store sales growth, it is broadly similar to 4Q levels. So, I wanted to kind of just understand, is this more a macro-led comment or you are more bullish, what gives you confidence over here? Thank you.

Saurabh Kalra: So, Avi, this is Saurabh this side. Hello, it is nice to see you. Every quarter, we see you only during call, we need to meet up soon. But having said that, actually what gives us a lot of confidence is a lot of things, which we put in motion, we have seen it work quite well in west and started to give us results, which we expected. So, that gives us a lot of confidence is that from a strategy and execution side, we are in the right direction.

As Akshay spoke about, we need to be sharper with a nuanced execution for south. We are we put across a team and we believe if we are able to fall for south, we will be at the path, which we have spoken about. And that is a work ahead of us, we are fairly confident about it and that is what gives us some amount of confidence that we should be able to challenge this path.

Avi: Any early signs, Saurabh, that we are witnessing, which you can share? Or yet to?

Saurabh Kalra: I am not able to on this call, yes, but there are some experiments, which we were doing in south, which seem to be leading some green shoots.

Avi: Got it. Just a second bit is that on EBITDA margins. Now, I mean, if I were to read between your comments, you sound, your performance as well as your comments makes it sound a lot more confidence in EBITDA margins. Would it be fair to argue that, if SSS growth does not decline, EBITDA margins are probably bottomed out and we should not see a margin decline from here on?

Saurabh Kalra: I would imagine unless and until there is something, which is beyond our control. But I would imagine that, that should happen that EBITDA margins are pretty much at the level where we should be able to sustain and improve from where it stands today.

Avi: So, Saurabh, basically our initiatives have ensured that we can manage costs a lot more better now, even if same-store sales growth remains stable the way it has been. That is what I was trying to get to.

Saurabh Kalra: That is what the indication is.

Avi: Perfect.

Saurabh Kalra: But I do not want to be pompous, because we never know in an environment like India, something goes up, tomorrow something goes down. But right now, it looks like it is relatively stable. And at this number, we should be able to show some amount of sustainable improvement or maintain, for sure.

- Avi:** Got it, Saurabh. Thanks a lot. That is all from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Tejash Shah from Avendus Spark. Please go ahead.
- Tejash Shah:** Hi. Thanks for the opportunity. A couple of broader questions on two dimensions of demand, one on IT and other on competition. The first, see, IT and appraisal cycle, hiring and both appraisal cycle has been weak this season. So, just wanted to understand, are you seeing any incremental weakness in your cohort, which caters to that part of the demand, IT parks or if you monitor it that way?
- Saurabh Kalra:** Yes, we generally do not give this break up, but I would say...
- Akshay Jatia:** So, again, just to add to Saurabh's point, we do not break it out by cohorts, because like he said, right, sometimes, one cohort will go up, one cohort will go down, things will stabilize. That is the beast of the business that we are in, right, a retail business, a hyper-competitive business in a country like India. And these cycles will keep going up and down.
- So, our endeavor is to ensure that we have sustainable business across all occasions and all types of cohorts, where if there is one that is not performing, there are others that will make up for it. So, that is how we look at the business. And the break up that we are talking about now is more regional, because we feel that is more relevant, where if we are able to kind of tackle the regional nuances that come with our business, we will be able to deliver on the guidance that we have given the market.
- Tejash Shah:** Perfect. No, I was just trying to understand because versus other QSR, you are more over indexed because of Pune and then south being there. So, I was just trying to understand if there is any read-through there.
- Second question is, how intense is competition currently? And what form is it taking? Is it more aggressive pricing at value and increasing share for voice share or increasing spend for voice share or competitors are crowding out prime real estate because that is what we are also picking up that the rental costs are going up. So, just wanted to understand that part from you.
- Saurabh Kalra:** I think it is from a mental model standpoint. We have always looked at ourselves saying how do we differentiate and look at the consumers. Like you rightly said, when going gets tough, everybody talks about affordability and value. What we want to be able to do is not only think about affordability and value, but what truly matters to

the consumer. And what I can assure you is we are trying to do a lot more things looking at the consumer in mind and be differentiated in the marketplace.

Some of the launches are planned in the next two quarters. You will see we are focusing on our core, yet trying to do things, which are little away from what everybody else is doing right now. But is value important? Absolutely important. Is affordability important in the current context? Absolutely important. The first question you asked, is there pressure in some of the IT guys? Yes. But the way to look at it is if you are truly a value brand, we should be able to gain share during these times.

So, that is how our mental model is and that is how we are trying to look at it. Now, how it plays out, we are quite gung-ho that we should be able to find an answer to it because some of the places we do see some answers emerging. So, that is how I would leave it.

Tejash Shah: Right. Just one follow-up on that. So, considering the impetus that industry is giving at value end of the offerings, including us, our gross margin expansion has been very, very robust and you attributed a large part of it to supply chain efficiency. But just wanted to understand, is there any category mix dynamics also playing there that chicken indexation actually gives you more room to play on margins versus let us say non-chicken part?

Akshay Jatia: I do not think it is exactly like that. Like we have said, it's supply chain efficiencies that we have unlocked. Product mix, we have almost 70% of categories available through our menu in western fast food as we, have calculated. So, product mix will always go up and down, but our endeavor is obviously to keep improving operating margin.

Tejash Shah: Got it. That is all from my side. And all the best for coming quarter.

Saurabh Kalra: Thank you.

Moderator: Thank you. The next question is from the line of Jignanshu Gor from Bernstein. Please go ahead.

Jignanshu Gor: Hi. I wanted to understand two specific things. One, on our reporting of AUV, we have changed the definition. Do we intend to continue with this change? And second, how do we think about its relation with the earlier definition for our time series understanding?

- Saurabh Kalra:** So, I think the earlier definition was pretty much all the operating stores. We have just made it comp. I think that is rich data for you guys to be able to calculate. So, comp means stores, which have been operational for more than 12 months, what is their average. Needless to say, you can yourself calculate what total AUV looks like.
- Jignanshu Gor:** Okay. And the base for this and the same-store sales growth number would be the same, right?
- Akshay Jatia:** Yes.
- Saurabh Kalra:** Yes and no, because what happens is some of the times restaurants close down. So, they get removed from the comp AUV base. So, all those are modulation around it. Like, for example, our comp base might have a store like Phoenix, which got shut down etc., etc. So, it is not exactly like-to-like, but the idea is to be able to make it as close to like-to-like as possible.
- Jignanshu Gor:** Okay. Great. Sure. Thank you. And second question was on gross margin. Would you be able to share what part of the gross margin increase is a factor of supply chain efficiencies? And have you taken any price increases in the quarter, also the year on a Y-o-Y basis?
- Saurabh Kalra:** There was a marginal price increase taken in March, but it was a very marginal price increase. Like Akshay talked about, a lot of them are supply chain efficiencies, commodity efficiencies, which have come in and we believe that they are structural in nature and we should be able to sustain them.
- Jignanshu Gor:** All right. Great. Thank you.
- Moderator:** Thank you. The next question is from the line of Jay Doshi from Kotak. Please go ahead.
- Jay Doshi:** Yes. Hi. Thanks for the opportunity. Hi, Akshay. Hi, Saurabh. My question is, your confidence on further improvement in south. So, at this point of time, are your SSSG growth rate numbers very different between the two regions? And do you think that south, is south dragging your SSSG or you think south will accelerate and that should help your growth number? Is South underperforming or?
- Saurabh Kalra:** The simple answer to that, I would not say, I do not know, what the word underperforming because that includes a lot of things. Is it dragging down the SSSG? Absolutely. So, while we are doing quite well in west, we are not doing as well in

south. We did put a few experiments in. Some of them are being green shoots and we need to develop our execution excellence in south specifically, which is what Akshay talked about, when he said that we are putting up a team, including a Business Officer who will directly work with us to ensure that this execution excellence happens in south. And our belief is that if we are able to do it, we should be able to get the traction in south, therefore, uplifting our overall growth.

Jay Doshi: And is this an operational aspect of execution or is it something to do with product portfolio or competitive?

Akshay Jatia: Yes, So, Jay, that is why we mentioned it is a business structure. It is a business problem to be solved, it is not only operational. And the main thing is you have to put the customer in the center and understand, why the stores are not performing as well as we want them to. And that is something that is already a work in progress since the last few months, we have already intervened with some experiments and like Saurabh said, we are seeing green shoots.

And we are working quite closely with the team involved to ensure that we bridge the gap, and that is the endeavor. The confidence is high because we have done it in the west. And we believe that once we are able to solve this business problem, we should be on a very good trajectory, which should then continue to get better as we keep implementing all the opportunities in front of us.

Jay Doshi: Understood. Thank you. My next question is, at the time of articulating 2027 ambitions, I mean, demand environment was very different. Now, in context of the current macro, which is not kind for the overall industry, if we continue to see muted SSSG, right? I mean, back then the expectation was that SSSG growth will continue to be 7% - 8%. But if it ends up at 2% - 3%, then what is realistically, what is the margin band that one should think about, right? With 7% - 8%, if you were targeting 15% - 17%, if it sort of is 2% - 3% what would it be?

Akshay Jatia: So, Jay, I think we can discuss this when we do come back if we need to. As of now, we continue to maintain that those are the targets that we are driving towards. We are still in the middle of 2025. We have till the end of calendar 2027 to drive towards those targets. As an internal team, those are the targets that we set ourselves in all our discussions. And if there is a need to revise them, we will be the first ones to call them out and call out that need, sorry. And we will then come back with a discussion that or, sorry, we will come back with a discussion that will be populated to everyone.

Jay Doshi: Sure. Thank you so much.

Akshay Jatia: Thanks.

Moderator: Thank you. The next question is from the line of Resha Mehta from Green Edge Wealth. Please go ahead.

Resha Mehta: Yes. Good evening. So, my question is also kind of related to the previous participant's question on margin. So, in our Vision statement, we have outlined our aspiration to reach 18% to 20% margin. So, if we look at the current margins of 13% and let us take the lower band of 18% aspiration margins, it is still a 500 basis points gap. So, how much of this improvement do we expect by 2027? Let us say, from gross margin expansion, from cost efficiencies and from improving footfall? And what is the assumption here for a baseline SSSG to achieve, let us say, an 18% kind of margin? If you are not able to quantify this, I would appreciate if you could kind of give some flavor on the margins aspiration.

Saurabh Kalra: Yes. So, I think very clearly, we have talked about saying how do we go to, say, high single-digit beyond the median of 5% - 6%. If we are able to do this, we believe we have done a good job in terms of being able to keep our break evens and cost in control. So, if you are able to get at least a year, year and a half of high single-digit comp growth around 7% also, we should be able to achieve what we have set out to achieve. And that is what we are planning to, that is why we are saying we are not given up on it.

We are very clear that in this kind of environment, we got to look at the consumer and be able to say what do we need to do in order to get where we want to be. So, that is how we are looking at it. Like I said, these are broad based numbers. A lot of it, the moment you were to do a math on our 6% - 7%, 7% of same-store sales growth, you will see whether it is EBITDA or whether it is Vision 2027. At the lower end, it will be achieved without too much of an hustle. So, the big task to be done for us is how do we accelerate to be able to reach at that number. And that is where the endeavor is, that is where we are working towards.

Resha Mehta: So, would it be correct to conclude from your comments that largely this margin gap would be bridged by SSSG expansion, which is to the tune of expectation of 6% - 7% SSSG to achieve an 18% kind of a margin? Broadly, I mean, this is what would be fair to conclude?

- Saurabh Kalra:** Yes, broadly.
- Resha Mehta:** So, what would be the sensitivity in terms of, let us say, if there is a 100 bps or a 1 percentage point improvement in SSSG, then what kind of operating leverage, that leads to?
- Saurabh Kalra:** While it was all broad comments, I would not go here. You all can calculate the operating leverage or deleverage, which comes out of SSSG being negative, positive. So, I would not comment this here. At an organization level, when you are creating a plan, you are creating the plan to be able to, say, how do we grow revenue, how do we bring profitability in. That is the endeavor, that is how we look at it. Now, can situation go wrong? Absolutely. It can, something like COVID happened, all the profitability went down. We do not know what we do not know. But what we are saying is if everything remains stable, we do believe that there is a task of accelerating growth and then we are working towards it to make sure that, that happens sooner than later.
- Resha Mehta:** Right. And just the last one. So, our royalty is around 5.6% currently, how does that move over the next two years to three years? Like, what are the thresholds for it to increase, if any?
- Akshay Jatia:** That table is available on our website, so please take a look at that and if you have any other questions around that, you can contact Chintan and his team, they will be able to answer that. But we have given all the guidance available for royalty on our website.
- Resha Mehta:** Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Amruta from Wealth Managers India Private Limited. Please go ahead.
- Amruta:** Yes. Thank you for this opportunity. Sir, my question is regarding there was this new McDonald's deal, which was announced like where a new thing meal was launched by the McDonald's north and east. So, is this offer available pan India? Like, Yum! Brand has this uniform rollout nationwide. So, does McDonald's have such a strategy too or does it have a regional specific where, both the franchises can have different product development, like the dishes development and also the new offers and everything?

Saurabh Kalra: So, the first answer is, no. Ranveer Singh Meal is not available with us. We strategically aligned it a year in advance of where do we want to partner, like we are already talking about next year. So, wherever we want to partner, we will partner. The two businesses are at very different stages and it is up to the licensee to be able to say whether we will partner or not. So, right now, we decided last year itself that we are not going to be a partner.

So, there is freedom within the McDonald's framework in which we got to get to do what is right for our business and our customers. And they get to do what is right for their business and their customers. So, we did not participate in any of this.

Amruta: All right. Thank you.

Moderator: Thank you. The next question is from the line of Jagdish Sharma, an Individual Investor. Please go ahead.

Jagdish Sharma: Hi, sir. Thank you, sir. Thanks for giving me this opportunity. I just have one broad question, while in the QSR sector, if we have to see the gross margins of our Pizza competitors, both are in the same level similar level 70% - 72%. I know in our Vision document, we want to take our EBITDA margin to 18% to 20% and all these things. But why is the EBITDA margin different even now? Because they were talking about 23% - 25%, so we are talking about 18% to 20%. So, what is the difference between us and our Pizza competitors and other business players?

Akshay Jatia: See, we have different business models. We are here to talk about our business model. So, I cannot really comment on their business model in terms of their gross margins. But what we can say is we have clearly given our guidelines in terms of our EBITDA margin aspirations and we stick to that.

Jagdish Sharma: Okay. Okay, sir. My last question is like what is the guidance for this year, SSSG and the revenue growth?

Akshay Jatia: So, again, we do not break it out into yearly guidance, you have our Vision 2027 guidance. And we hope to get to a point where we can do that so that there is more predictability. There is improving momentum expected through the year. We have been at this flat level for the last couple of quarters. Like we have discussed through the entire call, there are multiple growth initiatives in the pipeline and we definitely do not see things worsening. We feel the bottom has already passed us and the improvement should be apparent in our results as we move forward.

Jagdish Sharma: Great. Great. Great, sir. Thanks, sir. Your Korean burgers are really awesome. I am a fan of your this thing. I have one session or one recommendation is, like if possible give the shareholders some discount in terms of coupon or something like that. Yes. Thank you, sir.

Akshay Jatia: Thank you.

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

Akshay Jatia: Thank you so much for attending our call and we look forward to seeing you again next quarter.

Saurabh Kalra: Thank you. Have a good day.

Moderator: Thank you. On behalf of Westlife Foodworld Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Disclaimer: Please note that this transcript has been edited to correct any inadvertent grammatical inaccuracies or language inconsistencies that may have occurred while speaking. The audio of this call is available [here](#).