



Westlife Foodworld Limited
Q2 FY26 Earnings Conference Call

November 03, 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 Q2 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 call, please signal an operator by pressing star then zero on your touchtone phone.

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, Rayo. Welcome, everyone, and thank you for joining us on Westlife Foodworld earnings conference call for the second quarter ended 30 September, 2025. I'm 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 Saurabh taking us through operational and financial highlights. This will be followed by Akshay sharing his thoughts on overall business strategy progress and outlook. Post that, we can open the forum for questions and answers. We will be referring to earnings presentation and financial releases available on the NSE, BSE and Investors page of our website.

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

Saurabh Kalra: Thank you, Chintan. Good afternoon, ladies and gentlemen. Q2 was marked actually by continued softness in discretionary spend and eating out frequency. While we started July quite decently, the industry saw nearly 4% to 6% decline in outside home food consumption frequency in the month of August and September in our region.

As against this decline, as a brand we have grown around 4%, implying that some market share gains have happened. Our consolidated revenue for the quarter stood at Rs. 6.42 billion, reflecting 3.8% Y-o-Y growth. On-premise channel delivered 5% year-on-year growth, while off-premise remained stable. We are particularly proud of our cost discipline.

Gross margin expanded 72.4%, driven by sustained supply chain efficiencies, marking an all-time high. Our restaurant operating margin grew 60 bps Y-o-Y to 19.2%, demonstrating our operational excellence and enabling us to preserve cash flow through the cycle.

Cash PAT stood at Rs. 807 million or 12.6% of sales. During the quarter, we had an exceptional gain of Rs. 581 million and a loss of Rs. 121 million. The gain is related to a redevelopment transaction involving one of our ownership stores, property located in Mumbai. The loss is largely related to impairment of an investment and one-time write-off. Adjustment of these exceptional items, cash PAT was Rs. 421 million or 6.6% of sales.

Moving on. Our digital ecosystem continues to be a key growth driver. Digital sales contributed around 75% of the revenue, growing over 300 bps Y-o-Y, supported by loyalty program, mobile app engagement and self-order kiosks.

Cumulatively, our apps have crossed 47 million downloads with around 3 million monthly active users, reflecting a strong consumer engagement and convenience-led adoption. We continue to innovate, engage our customers through new offerings and value campaigns.

As you would have seen and heard about, in line with all these evolving consumer preferences for nutritional offering, we launched Protein Plus Slice developed in collaboration with CFTRI, which received phenomenal demand, selling out in 1 day.

We also reinforced our value proposition of McSaver's Combo at Rs. 69 and ran various campaigns, including Independence Day, International French Fries Day, which helped improve guest engagement. During the quarter, we also opened 8 new restaurants, taking the total to 450 restaurants across 72 cities. Almost all our restaurants feature a McCafe and in a model experience for future format.

And nearly one in four offers a drive-thru service, strengthening our leadership across all convenience formats. We continue to target serving every drive-thru orders within 120 seconds, creating a fast habitual experience for our customer. Lastly, you would have noticed the sad news of Hrushit Shah stepping down as CFO to be with his family abroad. We value his personal commitment and appreciate his contribution to the company over the past 2 years.

On behalf of everyone in Westlife, we extend our best wishes for his future endeavour. Hrushit, would you like to add anything?

Hrushit Shah:

Sure, Saurabh. Thank you, Saurabh. It has been a privilege to be part of Westlife's journey over the last 2 years. I've thoroughly enjoyed my time here, and I'm grateful to have contributed to several structural initiatives such as our cost governance program, enterprise risk management initiatives, network expansion, value platform and many more. I will be moving overseas to be with my family, and hence, it has been a very difficult decision for me.

Having said that, McDonald's and Westlife Foodworld will always remain close to my heart. I leave with a great pride in whatever we have achieved together and with full confidence in company's continued success. Thank you, Saurabh.

Saurabh Kalra:

Thank you, Hrushit. Looking ahead, we expect the operating environment to gradually improve over the next few quarters. We are well positioned to leverage this recovery backed by disciplined execution and consumer forward innovation. Thank you, all. I'll now hand over to Akshay to take us through business progress and outlook.

Akshay Jatia:

Hello, and good afternoon, everyone. It's great to have you on the call today. As Saurabh mentioned, Q2 was a challenging yet disciplined quarter amid a still recovering consumption landscape across the broader QSR and consumer sectors. The latter part of the quarter witnessed some softness in overall out-of-home food consumption. However, we have started to see encouraging signs of recovery in October.

Throughout this period, our focus has remained clear, sharpening our strategies to build long-term brand strength while maintaining strict discipline on cost and profitability. We have always stayed at the forefront of innovation, creating excitement and engagement for our customers, whether through the Happy Price Menu, McSpicy, McCrispy, Gourmet Burgers or McCafe.

For over 30 years, we have defined industry trends by listening to what our consumers want. Accordingly, I'm proud to share that during the last quarter, we launched our Protein Plus Slice. It took nearly 18 months of trial and iterations to perfect a slice that adds 5 grams of protein to our burgers while enhancing the overall experience.

We developed this product in collaboration with scientists at the Central Food Technological Research Institute, reinforcing our commitment to nutrition forward and science-backed innovation. Please do try this product, I'm confident it will become a permanent addition to your meals.

Furthermore, as we listen to our customers, we heard many suggestions like:

'can this burger be more filling?'

'We need more sauce.'

'Where is the indulgence?'

These weren't just suggestions, they were opportunities and we took them seriously. Accordingly, we recently launched the Big Yummy Burgers for the ongoing quarter. Initial consumer feedback has been very positive, and we will discuss more of this next quarter. As we move forward, we will continue to build on this momentum with an exciting innovation pipeline.

Moving on, during the quarter, our on-premise business grew by 5%, while off-premise sales held steady. Off-premise includes delivery, which is an important channel for us, contributing close to 40% of our business.

We expect this channel to continue growing at strong double-digit rates over the next few years. However, the performance of third-party aggregators has been unpredictable in recent months. As a result, one of our key priorities is to strengthen our own platform, the McDelivery platform.

Moreover, while third-party aggregators offer variety, our research shows that today's young customers prioritize brand trust, reliability, convenience and personalization, values that McDelivery is uniquely positioned to deliver.

To capitalize on this, we've launched a major initiative to scale our McDelivery platform in partnership with a Marquee Global Consultant. We are looking at every aspect of the business, be it operations, our app technology, data architecture or performance marketing with an aim to scale this platform significantly.

In the coming months, you will see significant upgrades to the UI/UX of our McDelivery app designed to deliver a seamless and intuitive user experience. We have piloted 20-minute delivery of hot freshly cooked food across select stores. These

results have been promising with a noticeable uptick in guest counts and repeat visits at these stores. We are now rolling this out across our markets.

We have also made several changes to back-end operations by removing friction points and ensuring that orders are ready to go out in 3 to 5 minutes. We have deployed AI-powered video analytics in kitchens to ensure product quality as well as packaging accuracy. This has led to a sharp decrease in complaint percentage.

To sum it up, we are setting an ambitious target to double McDelivery sales in the next 2 years. This project has the potential to unlock an incremental 3% to 5% contribution to system-wide same-store-sales growth over the next 2 years.

Now moving on to profitability. Over the past 2 years, we faced headwinds with negative same-store-sales growth, reflecting broader macroeconomic challenges as well as muted real income growth and subdued discretionary spending. These pressures have impacted several P&L line items given the high operating leverage in our business model.

However, I'm proud to highlight that despite challenging conditions, we delivered significantly better historic gross margins and improving restaurant level profitability. This reflects outstanding cross-functional efforts by our teams to optimize breakeven sales and contribution margins without compromising on our commitment towards operational excellence.

Looking ahead, we have a robust pipeline of high-impact initiatives rolling out later this year and into 2026, which we expect to generate about Rs. 40 to 50 crores in incremental cash flow over the next year. This will support our growth and profitability agenda over the next few years.

Aligning with the government's efforts to stimulate consumer spending, we have also passed on the benefit of the GST rate cut to our customers through a price reduction of around 80 to 100 basis points.

While it is still early days, we are optimistic that this historic government initiative will augur well for consumer sentiment and spending in the mid to long term. On network expansion, I am proud to say that we touched the 450 stores mark this quarter.

We continue to remain aggressive in capturing market share, yet we stay disciplined when it comes to the unit economics. We remain steadfast in our optimism about McDonald's' brand strength and India's long-term consumption growth story.

India's rising middle class and increasing urbanization continue to fuel a robust QSR market, and we are well positioned to capture this opportunity.

While our vision is 580 to 630 restaurants by December 2027, and we remain on track to deliver this, I have said many times that we could comfortably have over 1,000 restaurants in the mid to long term. To support this, we significantly enhanced our real estate development process by deploying a state-of-the-art location intelligence platform powered by AI and machine learning algorithms.

This technology enables us to predict new store performance with greater accuracy and identify high potential white spaces across geographies almost in real time. I'm pleased to share that the majority of the stores opened in the last 6 months are exceeding expectations, delivering strong initial performance. This gives us confidence that our future expansion towards our vision and beyond will be fine-tuned to deliver incremental growth and absolute profits.

I would also like to emphasize or reemphasize that we plan to fund this expansion primarily through internal accruals, ensuring financial discipline as we scale. Our philosophy has always been profitable growth and not growth at any cost.

Our people are at the heart of our success. I am proud to share that we were ranked among Asia's top 100 Best Large Workplaces by Great Place to Work, reflecting our commitment to building a great workplace at scale. Furthermore, we were recognized among the top 50 large companies to work for millennials and women in India, a strong validation of our empowering and inclusive culture.

With the team strength of over 11,000 people, we continue to foster an environment that enables our employees to learn, grow and make an impact every day. Finally, looking ahead to 2026, we have exciting plans to deepen our connections with India's younger consumers who are shaping the future of out-of-home food consumption through their dynamic lifestyles and evolving preferences.

We have always placed consumers at the centre of our strategy and remain relevant to younger generations. I'm excited to share that we also have a robust pipeline in place to reinforce McDonald's as a trusted brand and strengthen our market leadership position.

Thank you once again for your continued trust. I'll now hand it over to the moderator to commence the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press star and one on their touchtone telephone. An operator will take your name and announce a turn in the question queue. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from Avi Mehta from Macquarie Capital. Please go ahead.

Avi Mehta: Hi, team. Hi, Saurabh. Hi, Akshay. Thanks a lot for this. Akshay, I wanted to kind of just touch base first on the demand environment. We have heard other peers citing that there's some impact because of the Navratri season that they had, but underlying demand trends were flattish.

Did we also witness a similar situation because I'm just trying to look beyond the headline numbers? A, and B, if you could also give us some colour if there was divergence between the South and West of India or has that changed because you were doing initiatives to drive growth in South India?

Akshay Jatia: So, I'll take the first part and I'll ask Saurabh to add, right? So, in terms of the demand environment, like we said, we even spoke about our brand track numbers for the first time, we've seen both the informal eating out as well as the QSR market actually contract in terms of growth. So there continues to be pressure in terms of the sentiment in terms of demand. There has also been a lot of expansion in the QSR and eating out market over the last year. So that could be further impacting drag in terms of growth.

So I think in respect to us, we saw a pretty decent July and most of August, but there was a downtrend in the last month of the quarter, which negatively impacted our quarter. That being said, we've briefly touched upon October, and I can't share too much, but we have seen growth in October over September, substantial growth.

But overall, the demand environment does remain challenging and we want to see how this quarter pans out before sharing more. A lot of it depends also on the festive season in December, which is usually a very big month for our company as well as the category. So that's in terms of the demand environment. And in terms of West and South, I'll just ask Saurabh to add.

Saurabh Kalra: Yes. So Avi, as we have been speaking earlier also, South has been a little bit of a dampener or softer results have been there in South, especially Bangalore, where we

operate the second highest number of stores in terms of cities. So Mumbai being the highest, we almost have 65 to 70 restaurants in Bangalore. That's been the biggest drag on the system.

And we have seen this not only for us, like Akshay mentioned about brand track, we looked at brand track for Bangalore, both delivery and dine-in was under tremendous amount of pressure and large part of this negative growth came from Bangalore. So that's how we are looking at it.

Avi Mehta: And Saurabh, any update on -- you had launched some initiatives to drive growth in South India in the first quarter, and you were witnessing good green shoots. Any update on that? How has that kind of helped us in particular? I understand the demand environment, but if you could give your thoughts.

Saurabh Kalra: So had it been -- so we obviously did a lot of work around chicken and it started showing some positive traction for sure in terms of the number of chicken we sell a day and the number of people we sell to. But the number of people walking in the restaurant has been soft. We are right now doing a lot of trials.

We did some amount of research in the last 2 months with SEC B, SEC A and young adults 18 to 24, which we believe are missing as far as our strong portfolio in South is concerned. And we have got some ideas in place.

We are doing small trials in one-one restaurants to be able to say what best fits it. And then it will play out in the next couple of quarters is what our guess is. But we are very sure of what are the problems which we need to solve essentially is around SEC B value with Gen Z in Bangalore, which we need to sought. So that's the detail I'm happy to provide right now.

Avi Mehta: Very clear. And sorry, Akshay, just on the October bit. Just to get some sense, are we in positive territory or it's just a lower decline on a Y-o-Y basis? Because sequential, I mean, from whatever -- and please correct me if I'm wrong, sequential may not be the right way to look at in this space. So I'm just trying to understand from a same-store sales growth, is that what you're suggesting what is...

Saurabh Kalra: Let me answer it differently, Avi. To me, October, November, December, the crux of it is always December. We remain optimistic about December. If December does well, OND will do well. Like Akshay already mentioned, over September, there was a huge improvement.

Now if this trend continues, we would see at least the positive numbers coming in, in this quarter, but largely a lot depends on how November, December pans out.

Avi Mehta: Perfect. I'll come back in the queue. I have some more questions on margins, but I'll come back later.

Saurabh Kalra: Thank you very much.

Moderator: Next question is from Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Hi, Akshay. Thanks for the opportunity. So, I wanted to better understand the strategic direction that you provided in your opening remarks. So, number one, you indicated some investments in your delivery app. Second, you mentioned some high-impact initiatives, which should enable Rs. 40 - 50 crores of incremental cash flow.

And thirdly, a tech-based software, which should enable better store locations, right? So, from that perspective, as in currently, what is the level of maturity in our system on these three counts? And how we sort of expect to improve with these investments going ahead?

Akshay Jatia: So, the first one is a project that we're running, like I said, and we're kind of halfway through it. And it is showing promising results, like I shared in terms of some of the pilots, and it's being done in partnership with a strong execution-based consultant with good digital capabilities. So our team is complementing well.

And we're quite optimistic that over the next 6 months, we should start seeing a lot of the growth coming in. Our ambition is to double the sales we get from the platform over the next 1 to 1.5 years. And I think that like we highlighted in our commentary, it should add incrementally to same-store-sales growth. So that's one. And like I said, it will take 1 - 1.5 years to play out.

Number two, in terms of the cost initiatives, those are well matured. We've run a pretty significant cost optimization project. And we've always said that it's part of our DNA to remove costs from the system.

So, we've already banked some good savings over the year, which has allowed us to continue to expand our profitability. And I will say that, that's the most that we've been able to do in this demand environment, which still deliver margins despite a significant pressure on operating leverage.

And additionally, we are quite confident that this incremental cash flow is going to be banked through the other initiatives that we've secured through this project. So again, the time horizon has been shared over there.

And number three, in terms of location intelligence, obviously, the model takes some time. We've just about secured the model and we're in the process of implementing it. But like I said, a lot of the stores, almost 70% - 80% of the stores we've opened this year have already started performing well, which was not the case in the last year.

So, I think our reason for sharing and giving this flavour is to highlight the work that's going on within the organization to deliver on our plans. And we're very optimistic that because we started them ahead of the curve, we will be able to see the gains come in soon.

Devanshu Bansal: Very clear. Sir, just two small follow-ups. So, this incremental addition to SSG delivery capabilities should build on that Rs. 40 - 45 billion target or because a couple of years have been slow because of weak demand environment, these initiatives should help us meet that Rs. 40 - 45 billion sort of guideline that you gave?

Akshay Jatia: As you've seen, right, it doesn't play out in a linear fashion. And Vision 2027 was an all-encompassing vision, right? And even when we kind of laid it out, there were a lot of questions on is this conservative? Is this optimistic? But this is the environment that we operate in.

I think you need to keep discovering growth levers and doubling down on what you already have. So I think this is part of that. Could it give more? Yes. I mean, I think that, obviously, our internal targets are quite aggressive. But right now, in terms of visibility that we've given external stakeholders, I think Vision 2027 is what we remain accountable towards.

Devanshu Bansal: And just small one last follow-up. So do you anticipate any additional investments in these initiatives going ahead or we'll maintain our Rs. 200 - 250 crores of CapEx investment annually?

Akshay Jatia: So there is incremental investment. This is not fully covered in our capex. And over a course of time, we will share some more information in terms of how we've kind of invested into these growth initiatives.

I think the idea this year was to -- or this quarter was to give you all a flavour, but I think that's a valid point. These investments are not your typical capex. And in the

past, we haven't broken it out, but we will work on sharing more flavour in terms of how we're looking at both investment as well as the return on investment.

Devanshu Bansal: That's very clear. Thanks for taking the question.

Moderator: The next question is from Saurabh Kundan from Goldman Sachs. Please go ahead.

Saurabh Kundan: Thank you very much for the opportunity. I think you mentioned that performance...

Moderator: Saurabh, your voice isn't very clear. I'm sorry to interrupt. Could you maybe come a little closer to the mic if you're on a handset?

Saurabh Kundan: Is it better now?

Saurabh Kundan: Okay. So, you mentioned the performance of the aggregators has not -- has been a bit unpredictable and you are transitioning towards doing more delivery business from your own app.

Having said that, this quarter, I mean, the aggregators have grown in the mid-teens and some of your peers also who I assume will be using the aggregators have also grown their delivery business in the mid-teens and you are flat. Are we to assume that while this transition happens, your off-premise business will remain a little weak for the 1.5 - 2 years transition period that you're talking about?

Saurabh Kalra: I think that was the flavour you wanted to give of what's the reality as far as we are concerned. And what we hear is in market like Bangalore, everybody is facing a tough environment and that high number, which might be a reported number for pan-India might not be always applicable to our region.

Therefore, we are sticking to West and South. And what we see is we have not seen a market share drop as far as delivery is concerned in Western fast food amongst the aggregators, while we do see yo-yo between the 2 aggregators. So sometimes Swiggy does extremely well, sometimes Zomato does extremely well.

And what we have decided is rather than being able to only put money in more and more offers and more and more discounting, we would rather play a structural game where we are strategic about being a player in one of the platforms, in both the platforms being a significant player and yet being able to craft out our own niche through our own channel, and that's the endeavour of the project.

Saurabh Kundan: Okay. Could you give us a number as to what percentage of your off-premise business you want from your own platform eventually?

Saurabh Kalra: So we have given this flavour 3, 4 years back when we had the investor call -- when we had the investor meeting. Typically, in some markets, we are as high as 1/3. And in some markets, we are low-single-digit. So aggregate, we are -- we have got some portion in double-digit as our own app, which we expect to improve or double in the next 1 to 2 years, 2 years like Akshay said.

Saurabh Kundan: Okay, okay. I just want to press on the first question again one more time just for clarity. So this -- I understand I'm talking about the pan-India number, you were talking about your own markets, but still it seems that the gap is quite large.

Is it safe to assume that since you have taken a strategic call that you will choose to let go of some sales which you feel are not at a great margin and hence, maybe at least for some time, the offline could be -- the delivery business could be weak for you compared to the market?

Saurabh Kalra: I would actually look at the data and say the monthly active users hasn't improved on any other platforms. Like I said, our information is in our market. Our market share is intact on both the platforms.

Marginal up and down happens between both of them. That's our story. I don't know what the details would be and what it would be for the aggregators, maybe that's a question for them. But I give you what outlook I have from our standpoint.

Akshay Jatia: Yes. And just to add to what Saurabh said and maybe also answering your question, we maintain our market leadership position on their platforms, but we don't participate in any unsustainable discounting, which may be the case across the marketplace. And from what we do understand, a lot of the organic business is under severe pressure.

The food delivery growth of aggregator platforms, a lot of it comes from new additions, at least that's our information because despite being market leaders, our performance on their platform remains under pressure.

Saurabh Kundan: Thank you.

Moderator: Thank you. Next question is from 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 margins. We have continued to see handsome gross margin expansion. And this is despite the fact that we have taken kind of 80 to 100 bps that we have passed on to the consumers as well, the GST benefit.

So how sustainable these gross margins is? And a related question to this is you have also been driving multiple cost initiatives that has helped you to still maintain margins at a respectable level despite the negative leverage we have seen. So, in this slide, do you still continue to maintain your guidance for that Vision '27 margins that you have?

Saurabh Kalra: For now, yes, that's the endeavour. I think we've always maintained -- in business, there are times when you go after sales, there are times when you go after important projects and costs so that your business is not any -- you are always ready and prepared whenever the opportunity comes to match on the opportunity.

So we are fairly -- we feel these are sustainable numbers for sure, right from breakeven to be able to get the operating leverage when sales come back. We feel quite confident about it. I think Hrushit can add more flavour given that he's the one who's running all these cost projects.

Hrushit Shah: Yes. So, Gaurav, in terms of the numbers that we have seen, right, we have structural changes that we have been able to bring into the system. The robust cost program that we have, the governance program that we have, we have been able to knock off a lot of cost over a period of time. Saurabh rightly pointed out, about 70% range is something that we are comfortable with, and that's a long-term sustainable gross margin number that we should be looking at.

Gaurav Jogani: So that is the question actually. The sustenance is for the Vision 2027 guidance or the gross margin that we have clocked right now in this current quarter wasn't that?

Akshay Jatia: So sorry, just to clarify, number one, what we are saying is that the gross margins are healthy and we wouldn't guide any further improvement. Our entire focus remains on operating margin. And obviously, in order to drive operating leverage, there is some gross margin on the table left to give.

That's number one. And number two, we definitely maintain our commitments around the margin for Vision 2027. We do anticipate margin and operating margin improvement to the tune of closer to the guidance that we've given.

Gaurav Jogani: Okay. And then the second and the last question is with regards to the SSG number that you had sailed out during your introduction regarding this McDelivery platform that you will be introduced. Sorry, I missed that number. What is the SSG number you said that you can achieve additionally because of this?

Akshay Jatia: Yes, this is our estimation. And obviously, it's a flavour of how we look at growth, and we're sharing it so that obviously, the stakeholders understand how we look at growth. But the number is 3% to 5% incremental contribution towards SSSG over a period of time.

Gaurav Jogani: Yes. And that time would be 3 to 5 years?

Saurabh Kalra: No, between 1 to 2 years.

Gaurav Jogani: Okay. Thank you.

Moderator: Thank you. The next question is from Amnish Aggarwal from PL Capital. Please go ahead.

Amnish Aggarwal: Hi Akshay. Just a couple of questions. First being that was there some element of one-time in the payroll cost and other expenses in the quarter?

Saurabh Kalra: Sorry, can you repeat the question, Amnish, please?

Amnish Aggarwal: Yes. You see the payroll expenses; they have actually seen quite a sharp increase even on a Q-o-Q basis from Rs. 93 crores to Rs. 102 crores. And similarly, the other expense here also quite -- they have seen on a Y-o-Y basis, they are quite a bit up by around 12%. So, any particular one-off or anything to call out for in these two expenses?

Hrushit Shah: So Amnish, if you recollect, even last quarter, we had called out, there are certain upfront payments on account of the cost initiatives that we have initiated, right? So that should normalize as we go through the year. So that is one. Also, there is increment, et cetera, which have got baked in, which is impacting the payroll costs for the current quarter.

Amnish Aggarwal: Okay. So Rs. 1,027 crores is the payroll cost. So that would be the base if we have to say, look forward. So incrementally, it is going to be, you can say, based on this number?

Hrushit Shah: Yes, that's correct.

Amnish Aggarwal: Okay. And my second question is on the demand. And as you said that October month has gone down well so far. So based on your October, first of all, have we turned SSG positive in October? And if yes, so what sort of you can say number we should expect in Q3? Although I understand that there is no guidance which is given usually.

Akshay Jatia: Yes, correct. So, it would be incorrect for us to touch upon what that number was for October. But like we mentioned, there's been a substantial improvement over September. See, we look at baseline and projections basis the last few weeks in terms of our momentum or to calculate our momentum. So like Saurabh also mentioned, we are encouraged by what we've seen in October.

The environment still remains tough, but a lot depends on how November and December go. Obviously, our commitment and our intention is to drive towards positive SSSG. And we definitely do feel that all our work will add up towards that. But that being said, the macroeconomic situation is also proving to be quite hard. So that's how we're looking at Q3, but we are optimistic.

Amnish Aggarwal: But just one thing, not looking at a specific number, is October showing your positive SSSG?

Saurabh Kalra: Like I said, Amnish, it would be incorrect for us to break out how October is doing in terms of any numbers. But like I said, there's been a substantial improvement over September. And we're quite optimistic basis how October has gone in terms of our momentum for the rest of the quarter.

Amnish Aggarwal: Okay. And if we look at, say, September, like you said, July had gone down well, August was good and then September went down. But for the full quarter, we are - 2.8%. It means September would have been substantially on the negative side?

Akshay Jatia: So Amnish, September was quite a bad month in terms of performance. Again, we don't break out month-to-month SSSG. That's why we report it on a quarterly basis. But you can assume that September was a pretty bad month in terms of SSSG.

Moderator: Next question is from Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Hi good evening. So just on McDelivery initiatives first. I just had a question on the cost side. So, I understand that you accrue the benefits of these initiatives over a 1 to 2 year period. And -- but as far as the upfront on cost, do we expect this to largely be seen by -- over the next 2 quarters or so because typically, the benefits accrue at a later date?

And the second question on that is, apart from the discovery, which will happen on McDelivery, is there an investment in execution as well, feet on street, et cetera, own delivery, et cetera? Is there an element of that also that you are considering? Those are my 2 questions on McDelivery.

Hrushit Shah:

So Harit, so again, it's a good question and we will try and share more flavour over a period of time. Our intention this time was to just share our perspective in terms of how we look at growth and how we're thinking about future growth also through our digital channels. The upfront costs and any impacts have already been reflected in our current P&L.

We will try and share how they looked at in light of the incremental sales also that we see. But the costs have already been absorbed or are being absorbed over this quarter and the next few quarters in terms of the investments we're making towards that growth.

Saurabh Kalra:

And if it leads to -- after the project, if it leads to additional investment, we are more than happy to make them. That's how the outlook remains. But largely, like Hrushit has said, for this set as we stand today, largely all the investments have been made for the project. And now we will take the next step on the project finishes.

Harit Kapoor:

Got it. And the second question is on South India. So I understand Bangalore has been a bit of a drag, but your assessment of the changes you've made in the chicken menu, flavour, et cetera, with it being now there for a short period of time, what is your assessment of consumer review or consumer reaction, consumer preference to the changes that you've made there? Just it would be very helpful to get a sense of that.

Saurabh Kalra:

So actually, because it's food, I would encourage all of you who eat non-vegetarian to go and try our bone-in chicken platform. I think we were there in South, both in Hyderabad and Bangalore. I think we have now finally been able to crack a process, which gives us a distinct advantage and a great quality product.

All the employees are very excited and very proud of serving a uniquely McDonald's bone-in chicken, which we are very proud of serving that it will be a bone-in chicken, which will be best-in-class.

I think the idea is how do we make more and more customers try and what are these avenues to be able to create a marketing brand of chicken around McDonald's so that

we are able to make people try this and get an extra occasion of fried chicken into our restaurants.

Harit Kapoor: Thank you very much, I'll come back soon. Thank you.

Moderator: The next question is from Madhav from SKP.

Madhav: Thanks for the opportunity. So my question was with respect to the newly opened stores, the stores that were opened in the last 6 months. So, you mentioned in your opening remarks about these stores performing better.

So can you give some numbers in terms of like how are these stores performing compared to your existing stores? That is one. And the other question is that whatever your plans are with respect to new store opening, so what is your strategy?

Like where exactly do you plan to open these stores? Is it like mostly inside malls or like standalone outlets or -- so on these 2 fronts, if you can share some colour.

Saurabh Kalra: Okay. So first of all, like Akshay already mentioned, we've opened -- the 8 stores which we opened, we have seen quite a decent performance. We have almost opened at the system average as a basket. Some of the restaurants have done really well for us, including a freestanding Drive-Thru in Boisar, Davangere which have opened at far higher number than even the system average is concerned.

As far as opening strategy is concerned, I think Akshay mentioned that we have just worked on an automation in terms of an AI tool so that we make it much more data enriched and data backed or where do we need to open spaces.

I think earlier, we were -- we did call out that we want to open more store in South, less store in West and then we said we are going to open balance 50-50. Today, we are saying we are going to open where the maximum bang for the buck comes. And because we are enabled through data, we can make those decisions easy. Now having said that, real estate is not an overnight shift to turn. We have just deployed the tool.

We are actually working on top 150 locations where we can open the next 50, 60 restaurants. Needless to say, we already have 30 - 40 stores in the pipeline, which we will definitely open because the lease have been signed. So that's the strategy. We are quite optimistic about being able to achieve our Vision 2027 store opening of 580 to 630 in the next 2 years.

- Moderator:** The next question is from Yash Bajaj from Lucky Investment Managers. Please go ahead.
- Yash Bajaj:** Yes, my questions have been answered. Thank you.
- Moderator:** We'll move to the next question. The next question is from Saurabh Kundan from Goldman Sachs. Please go ahead.
- Saurabh Kundan:** Thank you. So, the recent changes to the royalty arrangement are well noted. I just wanted to check, do these changes also come along with some other additional commitments you might have made to the brand like in terms of some more investments you might do -- might have been asked to do or maybe a higher store addition or anything that has changed in the overall arrangement because you have negotiated a lower royalty now?
- Saurabh Kalra:** Yes, we have negotiated with the comp, but everything is in line with the Vision 2027. We haven't changed anything around that.
- Saurabh Kundan:** Okay. Thank you.
- Moderator:** Thank you. Before we take the next question, a reminder to participants, press star and one to join the question queue. The next question is from Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Yes. I just had a follow-up on these investments in creating your own tech for better understanding of opening stores. So, if I got this right, this is going to be your own proprietary tech because there are also -- there's also tech applications in the market which you can use for this. So I just wanted to get -- this is your own proprietary tech that you're using for new store openings?
- Akshay Jatia:** It's a location intelligence software developed by a vendor, and we formed a partnership with the vendor to now use this technology in order to improve our location accuracy using their data. We still have our own proprietary processes and knowledge in terms of how we've done real estate over the last 30 years, but this is just adding more science to the art.
- Harit Kapoor:** Got it. Thank you.
- Moderator:** The next question is from Anuj D. from Antique Stock Broking.

- Anuj D.:** Hi, team. Just a follow-up on the royalty, which was mentioned earlier. So, during Q1 and Q2, we had seen roughly a 5.6% of sales in royalty. So, for the full year, where would this number sit at? I mean I understand that FY '27 and '28 will be at 5%. But for this year, will that get adjusted in Q3, Q4 or will we be slightly higher than 5%?
- Saurabh Kalra:** So I think all the royalty rates which are published are without GST. GST is over and above that. So it would be around that number. There's no reduction in royalty. It continues with the existing royalty.
- Hrushit Shah:** And we have got those reconciliations which happened at the end of Q3 for us and annual reconciliation which is end of year with the global corporation. So whatever annual reconciliations happen, we don't expect any change in the royalty rate. Royalty rate will be in line with what we had last year.
- Saurabh Kalra:** And our new royalty rates are duly updated in our website. You can have a look at it.
- Moderator:** Participants who wish to ask questions, please press star and one. The next question is from Jignanshu from Bernstein. Please go ahead.
- Jignanshu Gor:** Hi, thank you for the opportunity, team. I have one question related to the gross margin expansion. Would you say any part of this gross margin expansion that we have seen is also related to a change of mix of products that we have sold, either more sort of beverages or more desserts, etcetera, which are higher-margin products or is it entirely due to our cost initiatives?
- Saurabh Kalra:** Majority of it, which is a vast majority of it has not got to do anything with the product mix yet. There were initiatives which we were working on, and we operated under Hrushit as a CFO, and entire cost project in which we brought down line item by line item what are the areas which we needed to optimize on.
- And this is a result of that. So that's why we were able to say these are structural in nature, be it distribution partnerships, be it looking at each and every BOM sourcing, commodity. So that's how it has come to us. So we believe it's structural and will stay.
- Jignanshu Gor:** Okay, great. Alright, that was it. Thank you so much team and all the best
- Saurabh Kalra:** Thank you.
- Moderator:** That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Akshay Jatia: Thank you so much, everyone, for your questions, and we look forward to seeing you next quarter. Thank you.

Saurabh Kalra: Thank you.

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

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](#).