Operator: Thanks, Naveen. Good evening, everyone. As we are using Zoom for the first time this quarter, I wanted to inform you about the flow of the meeting. We will start with a presentation by the management team, which you will be able to view on your screens as we move along. The presentation is also available on the stock exchanges, as well as in the investor section of our website. Do note that we have a new corporate website at www.rbrandsasia.com.

The presentation will be followed by a Q&A. For the Q&A, please use the raise-hand option, and we will announce the name and enable the microphone for that person. The speaker must also ensure that the microphone is enabled at their end before speaking. After the question is over, the speaker's microphone will be disabled. In the interest of time, I request you to limit your questions to a maximum of two and rejoin the question queue if required. With that, I will hand over to Raj for his opening comments.

Raj: Thank you, Gaurav, and thank you, Naveen. Good evening to everyone, and thank you for your interest in and enthusiasm for Restaurant Brands Asia's quarterly results. Welcome to this session.

You just heard that Sumit Zaveri has been assigned a new role and has been promoted to lead the business here in India. Sandeep is also on the phone and leads the business in Indonesia. With Sandeep and Sumit Zaveri leading the two core businesses, we will now proceed with the numbers, and then I will talk to you about the strategic pillars that I usually discuss with you.

First of all, just to give you some perspective, you can see on slide number 4. The India business, which has 607 restaurants today, has actually opened its 619th restaurant. Therefore, there are 619 restaurants, but the quarterly number shown here is 607. The business is present in 144 cities. In Indonesia, we have 137 Burger King restaurants and 25 Popeyes restaurants.

Just to give you some perspective on the revenue mix, 83% of the revenues actually come from the India business, and the balance 17% comes from Indonesia. By the end of March, this number will be more than 90%; over 90% of the business will be coming from the India business, with the rest coming from the Indonesia business.

The consolidated revenues were up 20%, from 703 crores to 844 crores. Restaurant EBITDA, which is shown in INR here, increased from 53 crores to 92 crores, almost 91.8 crores. Consolidated company-level EBITDA, which was 11.3 crores in the same quarter last year, is at 43.2 crores in Q2 this quarter. This is an increase of 281%. Our restaurant-level EBITDA is up 73%, revenues are up 20%, and store count has increased by 75 restaurants on a consolidated basis.

Next slide, please.

I will quickly start by discussing the strategic pillars. We have added a new pillar to our strategic pillars, as you can see in the middle, called Families. I will talk about it in a minute. As you go through our strategy here in India, we continue to drive our value strategy. It is an integral part of who we are. This has been in place since 2014, when we first entered the Indian market, and we continue to stay true to that value strategy.

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We continue to offer a program that is currently 2 for 79 and 2 for 99 on our app, and this continues to recruit new customers into our business. On our innovation platform, you saw the Peri Peri rollout right after Korean Season 2, which was followed by Season 1 that we had earlier. Each time we introduce these new innovations, we continue to see incremental sales coming through this premium layer of our business.

The Families program is what we are launching this month, in November, and you will start to experience the efforts around our family program over the next several months. This will now become one of our pillars as we move forward as a business. Under this program, you will find a kids' family program being launched. You will also find some exciting initiatives coming in very quickly, which Kapil will speak about in a few minutes, with the Avengers program. We have a whole family of products that we will be launching in the innovation or premium layer of this business.

On digital, as you know, we invested in digital about 5 years ago. We continue to strengthen that through self-ordering kiosks and our app, which is now live with our CRM engine. We continue to drive that. App frequency is up about 7% year-over-year in Q2. You will hear Kapil discuss many of the digital elements as he speaks about the business.

On the profitability pillar, the entire industry has seen some headwinds when it comes to the price and cost of groceries coming into our restaurants. As we deal with these headwinds, we have seen a slight drop in our gross margins, of about 0.4%, but it is not a very significant amount. Most of the effort has come through the excellent work being done by our supply chain team and the efficiencies we are achieving as we build more restaurants around distribution centers that previously had a low population of restaurants. As we continue to do that, we will see those efficiencies, and we are using them to tackle pricing headwinds as well.

On the other hand, Nitin Bayana and his team continue to work on broilers, efficiencies, solar, and the installation of new energy-efficient equipment, all the way from lighting [crosstalk] and all the other tools that we are putting in place to reduce energy costs. One of the things you are seeing is that as energy costs are going up, we are actually bringing down our energy spending, and that is thanks to all the work he is doing.

This is essentially about tightening the P&L and achieving better flow-through to the EBITDA line. The fact that we are also working on capex helps us expand from building 50 to 70 restaurants, as we were doing in the past, to potentially building 80 to 100 restaurants in the future. You will start hearing more from us as we move into the next few quarters.

Now let us go to the India strategic and Indonesia strategic slides.

In Indonesia, we have been testing value in several markets. We tried a few programs and finally hit the nail on the head with Super Hemat, which we launched in late September, and we have seen some fantastic results. In fact, we have added about 35-40 additional transactions per day per restaurant through this program alone. We are extremely excited about this. As we continue building this over the next few years, I think this program will become one of the cornerstones for recruiting back customers that we had lost in the past. It is a very strong platform.

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Well done to Sandeep and his entire team, including Namita and Aditya, who have executed this value platform very well. They continue to strengthen it as we move forward.

On innovation, Indonesia has always been strong in this area, whether it is the whole chicken product Nusantara, which they launched about a year ago, or the premium selection with the Boss Whopper and the Boss Collection, which they are working on now. It is doing very well. I think this is a platform we are going to continue to build, just as we did in India with Korean 1.0, Korean 2.0, and Peri Peri. You will now see the Avengers platform. We started this platform there with the Boss Whopper, and you will see it continue to build.

On digital assets, we started installing SOKs a few months ago in Indonesia. We have seen significant progress with that. We will complete this project by March, with some additional SOKs installed. We are also installing the same software and the same type of customer journey that we are implementing in India in Indonesia. That will continue to strengthen the platform. The CRM and app levers in Indonesia will be very closely aligned with what we are doing here in India.

On profitability, we have worked on and shared with you a lot of the work we have done. The initiatives undertaken in India, including energy efficiency, equipment efficiency, and solar, as well as the profitability work in the India market, are now being transferred to Indonesia. We will make significant changes by the end of November. In the last quarter, which is January, February, and March, I think we will complete most of the profitability changes we are making there and align it much more closely with India.

There is a lot of work taking place there, and we will continue to inform and update you as we do the work.

Asset upgrade is a pillar that will be in place in Indonesia for the next 6 months, and possibly slightly longer. What we are doing there is installing some energy-efficient equipment. Old air-conditioning units are being removed and replaced with new, energy-efficient HVAC units. We are also upgrading kitchen equipment, as well as the front-of-house customer touchpoints, including lighting, signage, washrooms, and so forth. A lot of work is going on to upgrade the assets there.

We have a very strong value platform that is working, a strong innovation program that was working in the past but is becoming stronger every quarter, and a digital platform that we have just recently launched and will continue to strengthen. The profitability pillar will be aligned with India. All the work we are doing here will be transferred by Nitin to the team in Indonesia, along with the asset upgrade.

I think this is a very strong recipe for a very strong Burger King Indonesia turnaround and progress there.

With that said, I think I will turn it over to Sumit. I will come back and take all your questions, but I am going to hand it over to Sumit to take you through the financial numbers. We will address any questions after Kapil finishes the marketing section. Over to you.

Sumit Zaveri: Thank you, Raj. This is our first attempt at conducting a video conference so that participants are also able to see the numbers as we speak.

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We are very happy to share with you a very strong performance for the quarter. This is the second consecutive quarter of very strong SSSG growth, at 14% for the quarter, with ADS of 131,000, similar to what we achieved in Q1. Revenue has now crossed 700 crores, with year-on-year growth of 24%.

What we are really proud of, and what we will continue to build on, is the 55 crore company EBITDA that we achieved for the quarter. It is at 7.8% of our revenue.

While we share the numbers we achieved for the quarter, I would also like to take you through the journey we have taken over the last 5 quarters as far as Burger King India is concerned. As you can all see, we have reached 600 restaurants. We have a very strong pipeline to continue taking this growth journey forward. As Raj mentioned earlier, we are already at 619 restaurants. This month, we have already opened 12 stores, and we will continue to grow at a good pace going forward as well.

This growth is supported, and our confidence to grow is also strongly supported, by the overall growth in profitability that we have seen. We have almost doubled company-level profits from last year, from 28 crores to 55 crores, with very strong SSSG of 12.6% and 14%.

We understand that with strong SSSG performance and strong growth, we need to make sure that we build on that. That was one of the reasons why the strategic pillars became very critical for us, so that we can build on the momentum we have on our side. We do not want to [trails off]

Sumit: ...reach a level where we are no longer able to build further. That is one of the reasons why we have added one more pillar, Families, starting from this quarter. You will continue to see the effort we put in as a team to make sure that we are able to continue growing this business going forward.

As far as restaurant EBITDA is concerned, as you can see, we are now at a very strong level of 13% over the last few quarters. However, if we look at it from the perspective of last year, there has been a clear 2.5% improvement in profitability at the restaurant level and a 2.8% improvement in profitability at the company level.

Moving on to the Indonesia side of the business, as you all know, we have two brands and a total store count of 162. We have just added one store, which was effectively a transfer of a store from one part of the mall to another. Since the transfer took longer, it is being shown as one additional new store.

In terms of INR value, the ADS for both brands stands at 96,000, with consolidated revenue for the Indonesia business at 139 crores. At the restaurant level, we were close to breakeven, slightly above breakeven, with a marginal INR 8 million of restaurant EBITDA. This is still a significant shift because we were negative in terms of restaurant EBITDA in the same quarter last year.

We have also improved or performed better than last year at the company EBITDA level. While there is a loss of 12 crores, this is an improvement of 5 crores, or 51 million, over the same quarter last year.

Quickly looking at the performance of the two brands, as Raj mentioned, we are focusing very strongly on the Burger King side of the business. We have already launched the Super Hemat value campaign, which is showing very good results in terms of transaction growth in Burger King

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Indonesia. We believe that with the other layers, including innovation and investment in digital, we should be able to start improving the overall performance of Burger King Indonesia.

It has now consistently generated positive restaurant-level EBITDA over the last 3 quarters. At least, it is clearly showing early signs of building on and improving the overall results.

Moving on to the Popeyes part of the business, this is one business where we continue to face a drag, and ADS has been declining. Last quarter, we were at 64,000, with revenue of around 15 crores. Therefore, it is very marginal in terms of overall revenue. However, the bigger issue we need to address is the performance of the brand at the restaurant EBITDA level, which is what we are currently working on.

To find a resolution for Popeyes, we are also in active discussions with the brand owners to find a suitable answer.

All in all, if I were to quickly summarize before handing it over to Kapil, India continues to grow strongly, with store EBITDA and company EBITDA continuing to perform at good levels, along with over 50 crores of restaurant EBITDA for the quarter. Burger King Indonesia is starting to show signs of improvement, and the early October results from an ADT perspective indicate improvement. We are not sharing those numbers with you, but there are very clear indications of improvement. Popeyes is something for which we need to find quick answers.

With that, I will hand it over to Kapil to take us through some of our focus areas on the marketing side.

Kapil: Thanks, Sumit, and a very good evening to all of you.

Reiterating our focus on the key strategic pillars, value remains a key priority for us. The highlight is that with 2 for 79 and 99 available on the app, we have consistently driven this program over the last several years, and this is our 14th consecutive quarter of positive dine-in traffic growth. In the environment we have seen, this is a fairly strong performance on the dine-in traffic side.

The other dimension of our value program is the app, which has our dine-in app deals. We have now seen a 7% year-on-year increase in the frequency of people using our app to claim these deals, which are available only on the Burger King app. That is the value front.

On the innovation side, we have continued to drive flavor innovation at the premium end to build our taste credentials. Korean Season 1 performed strongly. Korean Season 2, which came in Q1 this year, delivered volumes that were 30% better than Korean Season 1, and Peri Peri helped us deliver volumes that were 30% better than Korean Season 2.

This journey now continues on flavor innovation. As Raj mentioned, I will share a little teaser about what is coming soon. Please look at the Burger King app over the next few days. You will see a pre-booking opportunity for our partnership with Avengers. This is a complete integration of product, packaging, and the overall program. I hope you will visit our stores to experience this. The pre-booking starts tomorrow, and on the 3rd we will launch the program across all our stores.

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The other area we want to continue building is awareness around trust and taste, through our quality initiatives. In this heightened awareness around the subject, we continue to share with our consumers and stakeholders that our food contains no synthetic colors or artificial flavors. This matters a lot to today's consumers, including Gen Z and Gen Alpha, and we continue to reiterate that promise to our guests who come to enjoy their food at Burger King.

We continue to build. If you could go to the next slide, please.

We continue to build restaurants. We celebrated reaching 600 stores this quarter. This was a store in Delhi. We launched this store with a lot of fanfare and reached the major milestone of 600 restaurants in the country. The growth continues from here.

I will hand it back to Sumit to close the financial summary.

Sumit: We have just presented the financial performance for the quarter, which I am sure you have all gone through. I have already spoken about the numbers through which we measure our performance. We have also shared the reported numbers. With that, we will open the session for questions.

Operator: Thanks, Sumit. We will now begin the question-and-answer session. Please use the raise-hand option to join the question queue. It would also be helpful if you could mention your company name before asking your question.

The first question is from the line of Dhwanil Desai. Dhwanil, we have unmuted you. Please unmute yourself and ask your question.

Dhwanil Desai: Good evening, everyone. Am I audible?

Operator: Yes, Dhwanil, you are audible. Please go ahead.

Dhwanil Desai: First, congratulations on the very strong numbers through both consecutive quarters, and congratulations to the entire team for that.

My first question is that over the last 4-5 quarters, our SSSG has been progressively improving, but our restaurant EBITDA has remained in the 13% range. If the environment remains supportive, do we see a path to a 15% EBITDA margin and double-digit company-level EBITDA? How should we look at that path going forward over the next 4-6 quarters?

Management: Mr. Desai, thank you for your question. We appreciate it. You are right that we have been hovering around the 13% EBITDA level.

SSSG is one of the top revenue metrics, but we continue to open new restaurants that come in at lower ADS and lower margins, which continue to dilute that number. More importantly, we have been addressing some of the headwinds, whether on the gross margin line or the utility line, and I think we will start seeing some positive impact from all those efforts.

The future volume increases through our Families program and the kids' program coming in December will leverage those numbers upward. [crosstalk] Could you please mute? Please mute. Thank you. Thank you.

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Those top-line numbers will provide the leverage that you will see as we move forward. Efficiencies will continue, but do not expect the rate to be the same. We have built a very efficient system. As you would appreciate, at our current volumes, we are achieving the same industry numbers that others are achieving.

We will continue to improve, but you will now start seeing EBITDA hovering above 13% and, as you said, moving toward 15% through volume growth as we begin to build volumes.

Dhwanil Desai: Understood, very clear, Raj. My second question is on the overall environment. Across QSR companies, the commentary is that the environment continues to remain supportive even in October, and companies are expecting a good festive season. Do we expect this kind of double-digit SSSG momentum to continue into Q3 and Q4? What are your thoughts on that?

Management: Dhwanil, I cannot make a forward-looking statement right now. We have just started the quarter, but I can tell you that we are very happy with the way we started the quarter.

Dhwanil Desai: Great. Thank you. I will come back in the queue.

Operator: Thank you, Dhwanil. The next question is from the line of Ankit Gupta. Ankit, please go ahead. Ankit, would you like to ask your question? Okay, we will move to the next participant. The next question is from the line of Viraj Mehta.

Operator: Viraj, you will have to unmute.

Viraj Mehta: Can you hear me?

Operator: Yes, Viraj, we can hear you. Please go ahead.

Viraj Mehta: My first question is on gross margin. We saw a slight quarter-on-quarter dip in gross margin, probably a few basis points. Can you talk to us about the steps you are taking for gross margins to improve from here? Or do you think our gross margins will not really improve and that only operating leverage will kick in and improve our EBITDA margins to 15%, as you mentioned?

Management: Of course, you would appreciate that leverage will not change the gross margin, but it will, as you said, move the EBITDA number forward. However, there is a strong forward plan for gross margin as well that we are working on.

As I said, as we build these restaurants and bring in a whole range of openings this quarter and the next quarter, they will bring down transportation costs and provide some relief to markets that have higher food costs because of distribution costs. Those markets will experience lower distribution costs and, consequently, better gross margins.

That leverage will continue. It usually continues, and you do see those benefits as we build more and more restaurants around the distribution centers.

There is also long-term strategic thinking around both proteins, including chicken, and the vegetarian menu, where we have work in progress that we will continue. We do see some progress there.

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We had a dip. It was a very small dip, but it was a dip, and this dip was because of the headwinds we suddenly saw in chicken across the entire market. I do not think this is going to be a long-term issue. I think we will see this recede, and we should be able to achieve some leverage going forward as well.

Viraj Mehta: Sure. My second question is a little less relevant for us, but for many other QSRs, Navratri is an important festival because footfalls decline during Navratri. They also provided SSG numbers excluding Navratri this year. I wanted to understand that although it matters less for us, given that Navratri shifted from Q2 to Q3, if we were to compare like-for-like, how much lower would SSG have been if Navratri had been in the same quarter?

Management: To be honest with [trails off]

Management: We have just started this quarter, and Navratri fell in this quarter in October. Last year, it was in September, and Shradh also moved. But as I was telling the other speaker earlier, we actually started the quarter very well, and we are very happy about it. We will share the numbers for this quarter when the quarter is over.

Viraj Mehta: No, I am not asking about Q3. I am asking that if Navratri had been in Q2, our SSG would have been 14%. It is 14% right now, so would it have been 12%, 13%, or 11%? Do you have any sense of that? For most QSRs, footfalls decline by anywhere between 15% and 25% during Navratri. I want to understand how it impacts us, given that Navratri was not in Q2 and therefore gave a boost to our SSG.

Management: Navratri does not have that kind of impact. I understand where your question is coming from. We have a very balanced menu with vegetarian and non-vegetarian options, so we do not see such a large dip during Navratri. We see a small decline, but this year I can tell you that the impact was minimal. The increase in traffic into the restaurants significantly outweighed those effects.

Therefore, I do not think our numbers would have been any different from what we reported if Navratri had also been in the quarter.

Viraj Mehta: My last question is on capability building. You discussed a significant increase in restaurant openings, especially next year. When we undertook such a large expansion last time, there was a disproportionate increase in rental costs, and some of the stores were much less profitable than initially expected. I understand that it was a different promoter group, but what have we done this time to ensure that we do not repeat a large part of those mistakes next year? What capabilities are we building in terms of people, checks, and balances so that this does not happen again?

Management: First of all, I will make one comment and then turn it over to Sumit, who leads the growth function, to make a significant contribution to this question. First of all, the management is the same. We have not changed the management. The...

Viraj Mehta: I meant the promoters. Sorry.

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Management: The promoters are new. We have always grown responsibly as a company. We call it responsible growth, and we are not going to move away from that. We are not suddenly going to take a cowboy approach to our expansion going forward. There is no intention to pursue radical expansion that is not thought through or fully structured.

Sumit will explain in a minute how the pipeline is built and how the pipeline is already ready for next year. It is not that we are rushing to build restaurants. We are doing it because we find the opportunity attractive, it is the right thing to do, and it will help the brand grow stronger with more EBITDA and better company-level EBITDA margins.

That is why the potential opportunity to move from the 60s or 70 restaurants to perhaps 80 to 100 restaurants, somewhere in that range, is potentially possible. Sumit, would you like to add something?

Sumit: Yes, just a couple of things, Viraj. First, we have made certain changes in the way we are looking at growth.

One is that we started by resizing the overall opportunity, which gives us confidence that there is a sufficiently large opportunity in the country. Secondly, we have invested in the team to make sure that growth becomes much more uniform throughout the year.

You would have seen the growth we delivered in this quarter, and it has started to become much more balanced since August. In August and September, and as we mentioned at the beginning, we have already opened 12 stores in October.

We are therefore moving forward with a much more linear growth approach rather than a concentrated growth approach toward the end of the quarter. This ensures that sufficient attention is given to every individual site that is opened.

We have also always had our own evaluation matrix with respect to payback and returns, and those continue to be in place. We also started building the pipeline well ahead of our plan. We are now looking at pipelines for more than 6-8 quarters rather than trying to address the growth for only one year.

That is a substantial shift we have made. It ensures that we can not only grow at a better pace but also make sure that investment decisions are taken in the right direction.

Another benefit, Viraj, is that you have seen our store EBITDA reach 13%. There is obviously further upside from leverage. However, the focus on profitability, including work on various other lines such as utilities, will also help us improve overall performance and build greater confidence to grow as we move forward.

There are sufficient checks and balances and an overall improvement in the business, which makes us believe that we will be able to grow profitably.

Viraj Mehta: Thank you very much, and best of luck.

Management: Thank you, Viraj.

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Operator: The next question is from the line of Devanshu Bansal. Devanshu, please unmute yourself.

Devanshu Bansal: Am I audible?

Management: Yes, Devanshu. Go ahead.

Devanshu Bansal: Congratulations on the very strong performance. I wanted to check whether there is a difference between SSTG and SSG for us, and how this difference has evolved over the last 4-5 quarters.

Management: Devanshu, as you know, we do not share SSTG numbers, but I can tell you that all our growth is coming through traffic, as it has for the last 14 quarters, as Kapil pointed out earlier.

We continue to grow through traffic, and that is the discipline of our first pillar, which is value. Value and innovation continue to recruit more and more people. We continue to grow through traffic, not through check. In fact, I think that for the last several quarters, our check has remained more or less the same. Therefore, all the growth is coming through traffic.

Devanshu Bansal: The reason I asked this question was to better understand whether there are opportunities to increase the average check. You are obviously getting very strong footfalls at your stores. Can increasing the average check be the next lever of SSG growth? I wanted to understand that qualitatively.

Sumit: You mentioned increasing the average check? We did not understand that part.

Devanshu Bansal: By that I mean, if a customer comes in and spends 100, do we see that customer spending 105 or 110? That is what I was asking.

Management: Devanshu, over the next several years, I think the focus of this company and this team will be on increasing traffic. I think there is potential to continue doing that for a long time to come, and that is where our focus will be.

The increase in check is contingent on the 4-5% annual pricing increase that the industry takes. That will continue; there are no two ways about it. We continue to [overlap] [inaudible] [/overlap] as we have done in the past.

However, our focus as a team and as a company will continue to be on building traffic and building sales through traffic. That is where our focus will be.

We do have the Families pillar, and we also have the premium pillar through the LTOs we run. Those will continue to build, and you will see some check appreciation as more and more people indulge in those parts of our business.

However, the intention is not to try to drive more revenue from the same customer. It is about bringing different types of customers into our business. Families will provide some check growth, and the innovation pillar will provide some check growth because Peri Peri and Korean were both in the 200 rupee range as products.

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Those products will provide check growth, and as those burgers continue to grow, as Kapil said, there was a 30% increase in the quantity sold year-over-year from Korean Season 1 to Korean Season 2 to Peri Peri. As that grows, it will continue to drive more check growth.

However, the intention of the team is to continue growing through traffic.

Devanshu Bansal: Understood. I also wanted to check whether the cost inflation is largely baked into our Q2 numbers or whether there are certain line items where it has not been fully booked. Inflation is present in food, employee costs, and utilities, so I wanted to hear your comments on that.

Sumit: The entire inflation impact, across whichever lines were affected, has obviously been completely taken care of in the quarterly results we announced.

Rather, Devanshu, we would like to mention that the efficiency work and efforts we have put into our overall P&L, especially in utilities, have enabled us to offset the entire inflation impact. This has nothing to do with leverage. I am speaking purely from the perspective of the effort the team has put in to offset the overall inflation impact.

I also heard you mention labor. Yes, this has been a point of discussion. I can assure you that whenever we plan our year, we reasonably account for inflation on the labor side, especially minimum wages, because we have seen the trends.

Therefore, that has been fully taken care of. We can tell you that it is not an inflationary impact that upsets our P&L because we plan accordingly at the beginning of the year, including some of the higher impacts that could come our way.

Efficiency will be one of the key levers for us to continue growing as far as our P&L is concerned.

On gross margins, we were at around 70.4%-70.5%. We feel strongly about those levels, and we will see how we take this journey forward to improve from those levels. We have at least defined a path. It is unlikely to be linear, as we have always mentioned, but we will take that journey forward as we start to see the build-up that enables us to improve from the current levels.

We do feel very strongly about the current margin levels.

Devanshu Bansal: Thank you for these detailed answers. All the best to the team.

Management: Thank you, Devanshu.

Operator: The next question is from the line of Manjeet Buaria. Manjeet, please go ahead.

Manjeet Buaria: Am I audible?

Operator: Yes, Manjeet, you are audible. You can speak slightly louder.

Manjeet Buaria: Good evening, everyone. I appreciate the consistent effort over the past several years in building BK India into a very strong franchise. Thank you for that.

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I have just one question. How is the team thinking about allocating the excess capital we now have after the primary raise between seeding a new brand in India and acquiring an existing platform? Have you had a chance to discuss this and develop a framework around it?

Management: Thank you, Manjeet. I think this question came up last time as well. The promoters came in only in July, and there is also some capital to come in through the warrants. We are working together with the promoters and, as I said last quarter, we will come back with a very robust plan on how we are going to move forward with that.

Right now, we are strengthening our business here. There is growth potential here. We are investing in our infrastructure, including utilities and efficiency in the equipment we use. That work is continuing. We are also strengthening the Indonesia business. Therefore, we continue to do...

Management: ...that, and we will come out with a plan for that capital. Rest assured, we are very excited about it, but we will develop a responsible plan and share it with you all at the appropriate time.

Manjeet Buaria: I have one more question on Indonesia. I read in today's release that, if I am not mistaken, we are going to put 130 crores of Indian primary capital into that business. Am I right?

Sumit: You are right, Manjeet. This was something we had planned at the start of the year. We are seeking approvals from the Board as we start to see some milestones being achieved in the Indonesia business.

Some part of it was always planned to support the business in terms of losses and working capital improvement. One of the pillars Raj discussed when taking us through Indonesia was improving the overall quality of the existing assets we have there.

With a shift in performance on the Burger King side and 35 ADT growth now visible in the BK Indonesia business, we feel we should start looking at improving the quality of the assets in Indonesia. Hence, we have set that money aside for improving asset quality. That is essentially the plan.

We have taken approval for the entire amount that could be invested. You will not see us remit the entire amount at one go. It will be invested in tranches based on the milestones or performance that we want the Burger King Indonesia business to continue achieving.

So, what you read, or what we announced, is absolutely correct, Manjeet. However, it will be done on the basis of need and as we take the entire Burger King Indonesia business forward.

Manjeet Buaria: Understood. Sumit, we had stopped expanding Burger King India because we wanted to fix the basics, and I think the data shows that we have stemmed the losses and that restaurants are consistently profitable at that level. Do we envisage starting to grow Burger King Indonesia again in terms of stores over the next 3-4 years?

Sumit: No. We have still not put together a plan for growth or for adding new stores in Burger King Indonesia, Manjeet. At this point, the focus will still be on strengthening the existing business there.

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Once we complete this cycle of improving overall asset quality and see how the performance of BK Indonesia starts to develop, we will revisit the growth perspective. At this point, we still believe that adding new stores is not an immediate strategic priority for Burger King Indonesia.

Manjeet Buaria: Thank you for taking my questions.

Operator: Thank you, Manjeet. The next question is from the line of Dheirya Trivedi. Dheirya, please go ahead. Dheirya, we cannot hear you. You are unmuted.

Dheirya Trivedi: Am I audible now?

Operator: Yes, Dheirya, you are audible.

Management: Please go ahead.

Dheirya Trivedi: Congratulations on a very strong set of numbers. All my other questions have been answered. I just had one bookkeeping question. What is the current cash on the balance sheet as of H1 FY27?

Sumit: Dheirya, the capital infused through the primary capital is the level of liquidity we have on our balance sheet. The amounts may be sitting in multiple lines, including cash and liquid investments that we have placed.

The total amount on our balance sheet is close to 1,000 crores. There are also warrants that could provide another 450-odd crores of cash. Therefore, liquidity stands at 1,000 crores.

Dheirya Trivedi: How much of that are we planning to use for expansion?

Management: Currently, Dheirya, as I said, our EBITDA will provide us with enough money to build restaurants next year. If we plan to accelerate that growth, we will evaluate it, but currently there is no plan to use that capital for growth in India at all.

We will develop a robust plan and share with you whether it involves acceleration on the Burger King front or any other strategy. As I said, the promoters came in only in July, and we are working very closely with them to formulate our forward strategy for those funds.

Dheirya Trivedi: Is our focus only on Burger King India with these funds, or are we looking at something else as well?

Management: Dheirya, again, we will come back to you on that as we formulate the strategy. Currently, we are having good conversations. Once we start solidifying those conversations, we will put the strategy together.

Dheirya Trivedi: Thank you, and all the best.

Management: Thank you.

Operator: The next question is from the line of Naveen Kaushik. Naveen, please go ahead.

Naveen Kaushik: Am I audible?

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Management: Hi.

Naveen Kaushik: Congratulations on a good set of numbers. I want to ask my first question on gross margins. My understanding is that over the last few quarters, the line items or constituents helping us improve gross margins have been fairly consistent, including broilers and energy-efficiency initiatives.

We have also comfortably exceeded the targets we set earlier. I have a two-part question. What went better than we expected when we set the target of a 69% gross margin by FY29, if I remember correctly? What other factors do you see helping us move gross margins up from here? I am not expecting any numbers. I just want to understand what you see on the table with respect to gross margins over the next 3-4 years.

Management: That is a good thought process, Naveen. You are thinking almost exactly as we are thinking here as a team.

Some of the initiatives we are undertaking now, whether solar or energy-efficient equipment, are continuing. We will start realizing a lot of the benefits as we move into next year. You will continue to see margin improvement and expansion across a large part of these line items.

When it comes to gross margin, our cluster approach provides benefits in itself. When we build more restaurants around a distribution center, those benefits flow down to those restaurants because the scale is becoming larger.

When you see these benefits in a few restaurants, the magnitude at the overall P&L level is smaller and sometimes not visible. However, those efforts continue, and those restaurants continue to add value as they grow around the distribution centers.

There are also organic benefits. When you start purchasing for 800 restaurants instead of 600 restaurants, your ability to leverage scale begins to take effect. Those leverage benefits will continue. They will not stop.

We have a very strong supply team. We recently brought Deepa into our team, and she has come in with some excellent ideas. There is also constant work on improving our existing packaging and similar areas.

These efforts continue. We have internal targets for the supply chain and the team, and we take them very seriously and continue to deliver on them annually. You will see some progress in that direction as we move forward.

A lot of the improvement will also come through leverage as we continue to build volumes.

Naveen Kaushik: That is very clear. My next and final question is on the Indonesia business. I want to understand two different perspectives on what has been happening. I am not questioning our views on the potential of that market, our current views, or our views when we acquired the business. I think all of that is very clear.

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What I am trying to understand is that we acquired the business for a certain amount of money, infused a certain amount of money into it, and are now at a position in the business that is not particularly strong, in my opinion. Please feel free to disagree. I want to understand how management views this dynamic and perhaps how the new promoters view it as well.

With respect to the numbers, is there any expectation of what this equity investment is supposed to deliver, or is there any aspiration or target from that perspective?

Management: Naveen, that is a very good question, and feel free to ask such questions. [laughs]

We have worked very hard in Indonesia under very difficult circumstances. We had the first boycott, and then we had the second boycott. [laughs] Fortunately, these events are now far behind us in Indonesia. I am not just talking about our business; I am talking about the industry at large and the Western QSR industry at large, which has started moving in the right direction quite rapidly.

The new promotion we started a few weeks ago, a little over a month ago, has started to deliver results that we never imagined. Some of this is because the industry is moving in the right direction, and the effects of the boycotts are far behind us from the customer's perspective. Those sentiments are long gone.

Therefore, some of the tailwinds are coming from there, but there is also a very strong promotion that Sandeep and his team have put together, which is doing very well.

As we saw these developments, we started looking at the assets. A lot of the things we are doing to improve the assets will help drive more traffic into the restaurants and increase repeat frequency at those restaurants.

We feel very strongly about where we are now. You are right that the business was not strong; in fact, it was far from strong in the past. However, we see these green shoots and see the business moving forward.

We had not invested in the assets in the past because we did not see the traffic. We tried several value promotions and value strategies there, but we did not make progress because every time we did something, there would be a boycott or some kind of uprising that would negate a lot of our efforts.

What we have seen in the last 6 weeks or so is a dramatic increase in traffic into our restaurants. In fact, the restaurants on the outskirts are doing far better than a 35-transaction-per-day-per-restaurant increase, and this is very welcome news.

If you go back and look at this business in the pre-COVID period, it used to be a business that generated 15% restaurant-level EBITDA. It had ADS of 27 million IDR per day per restaurant.

Therefore, we think there is good momentum, and we would now like to support that momentum by doing all the right things with our assets. I think we can build this into a strong business.

We are doing this in a very disciplined manner and with a great deal of sincerity because we believe it is going in the right direction. We should stand behind the team, move this forward, and capitalize

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on what we invested in more than 4 years ago.

I think now is a good time not to shy away from this, but to double down and build a very strong business for the future.

Naveen Kaushik: That is very clear. I have one small follow-up. In addition to the strength you are seeing in the business, is there any financial metric, such as return on invested capital, that we look at? Is there something along those lines that you also assess before making capital allocation decisions for this business?

Management: As Sumit said earlier, we are not building new restaurants there right now. We have no plans to do that this year, and we have no plans to do that next year. There are no such plans.

The plan is to fix the current assets, bring sales as close as possible to where they used to be, and bring EBITDA margins back to where they were in the past. The investment in marketing is intended to bring sales back to where they were in the past.

Those are the efforts. Our results will be

Management: The efforts and results will be assessed based on how close we get to those levels and how we return to a 15% EBITDA margin and a 27 million ADS.

The target I set with the team there before I came in, and I am sharing this with you honestly, is to improve every restaurant by 5 million IDR per day per restaurant. That is the target we have set with the team.

All the efforts and investments going into the assets, marketing, and the promotions we are conducting there are aimed first at achieving that 5 million increase. We are currently at an ADS of approximately 19-20 million, which would take us to approximately 25 million ADS. That would give us a very strong restaurant-level EBITDA.

Naveen Kaushik: Understood. Thank you very much, and all the best for a good quarter ahead.

Operator: Naveen, that was the last question for the day. Any closing comments?

Naveen: Great. Thank you, Raj, for this. As a team, we are honestly very happy with the way the business is developing.

It is not just about the performance we delivered for the quarter, but also about the way we believe we are preparing ourselves to continue building on the momentum we have on our side.

We can assure you that we are not thinking that this result is purely the outcome of external factors or a shift in the overall external environment. We are preparing ourselves, and you saw one glimpse of that through the co-branded program that Kapil discussed.

We are preparing ourselves not just for the coming quarters, but for the quarters after that, with a focus on how we continue building on the momentum we have. That is the way we will continue to think, whether on the revenue side or on the efficiency side as we move forward.

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We will not simply assume that because momentum is on our side, we will automatically continue to perform better. That is not the way we are thinking. We will push ourselves hard to ensure that the momentum adds to the efforts of our team.

With that, thank you very much for the continued support you have always given us as investors, friends, guests, or customers. The last thing I would say is that, given all the effort our team has put in, we would really like all of you to visit our restaurants as we enter the festive season.

All the best and best wishes for the coming festive season from everyone on this side. Thank you.

Management: See you in our restaurants. Thank you very much.

Management: Thank you very much.

Operator: Thank you all for joining. You may now disconnect your lines. Thank you.

Management: Thank you, everyone.

Management: Thank you, Naveen.

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