



Foodservice in India

October, 2018

Food service market in India

Rapidly growing Indian food and restaurant sector continues to be attractive

The food service industry in India is growing at a steady annual rate of ~10% and the organized segment is expected to increase at a pace faster than the industry growth rate

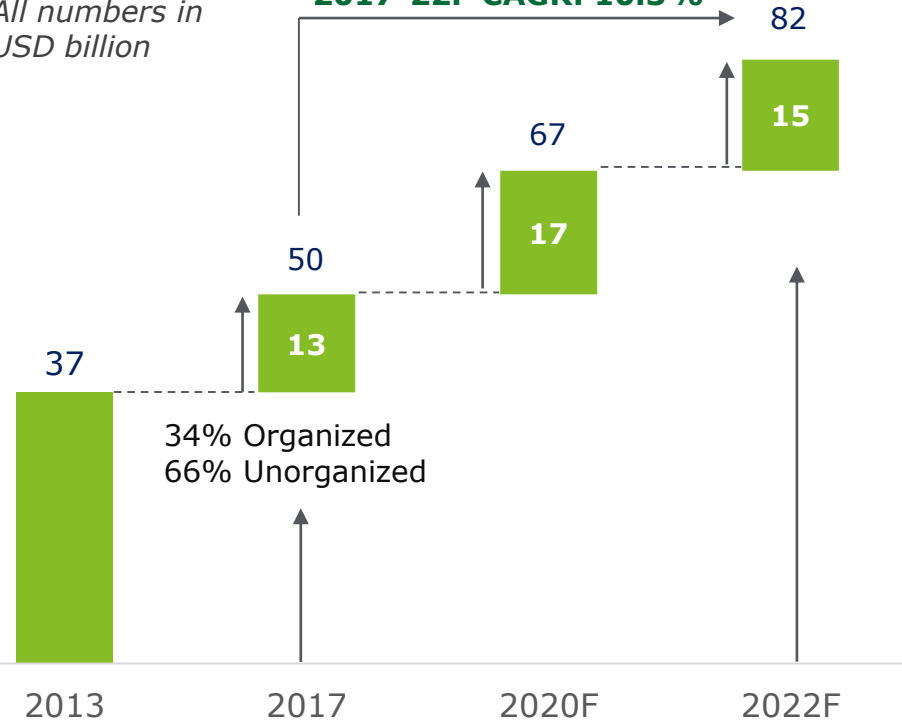
QSRs and Café & Bars account for ~30% of the market, with impressive growth rates in future

Online food ordering and takeaways are also rising against traditional mediums

Indian Food service industry

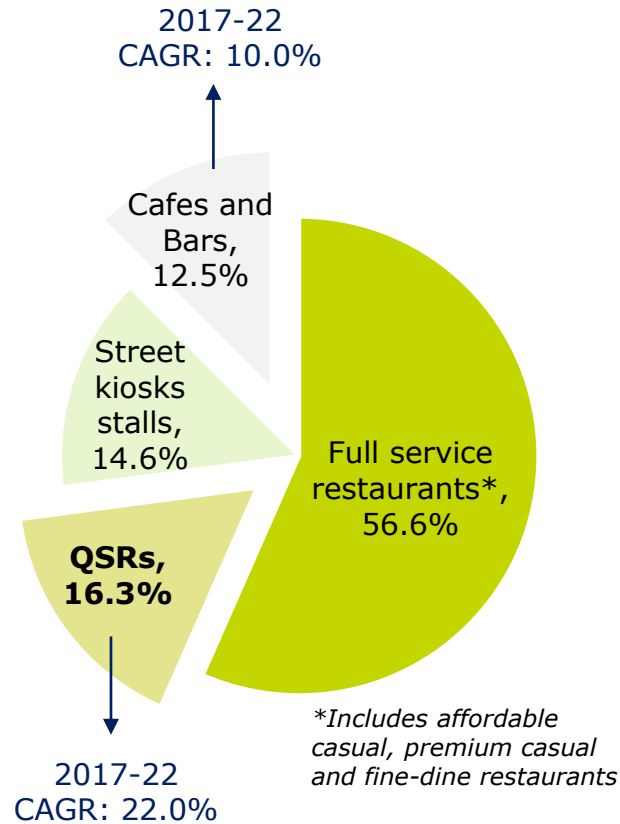
All numbers in USD billion

2017-22F CAGR: 10.3%

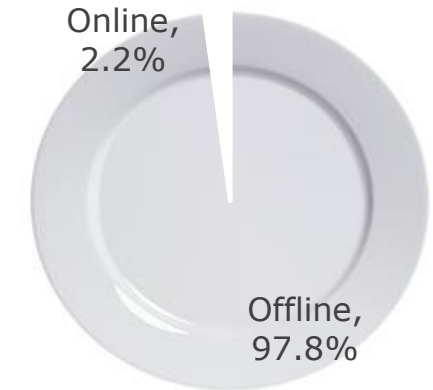


Sales split

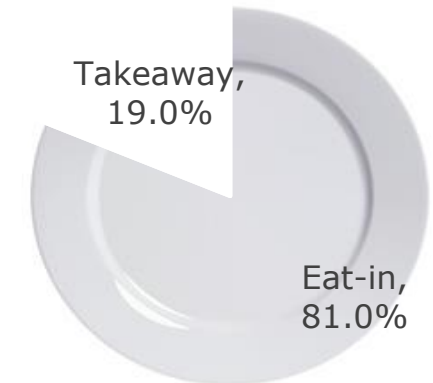
2017-22 CAGR: 10.0%



Online vs Offline



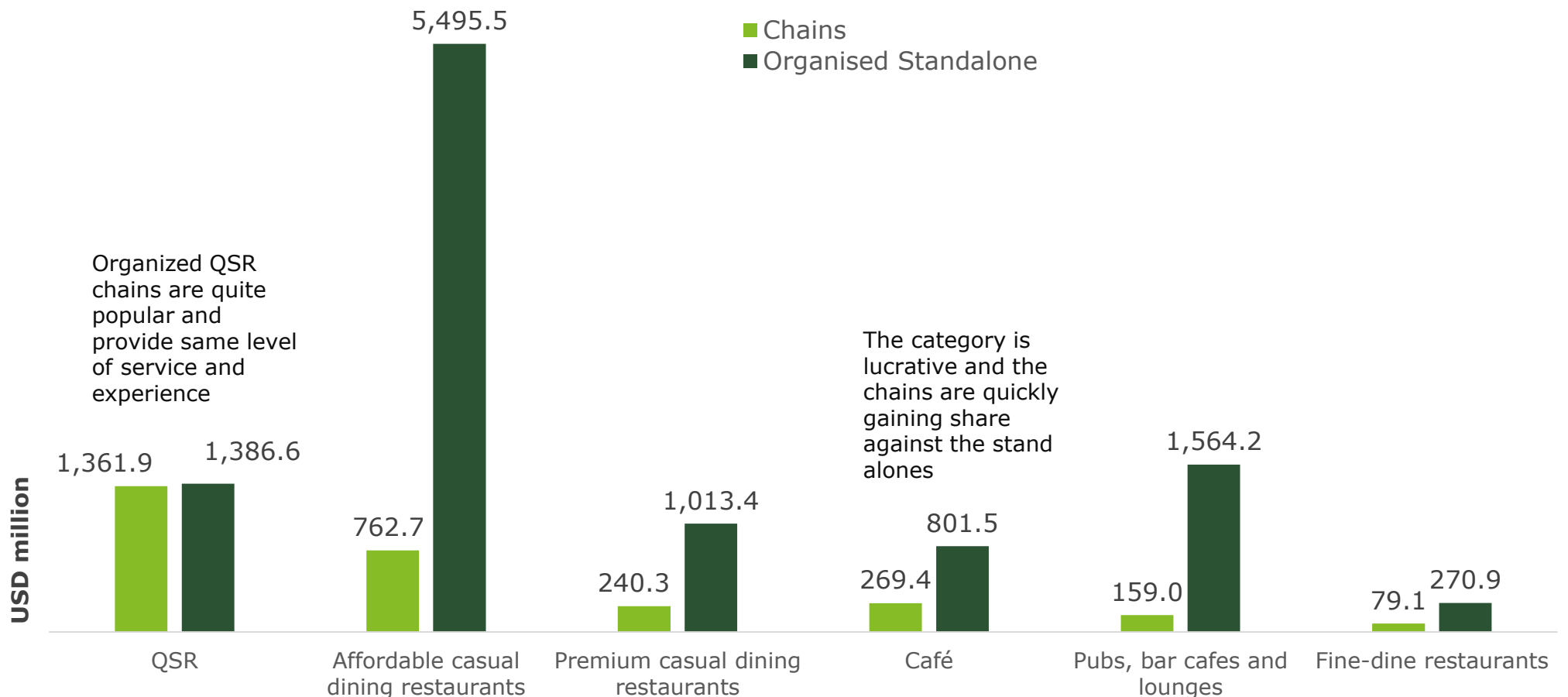
Eat-in vs take away



Source(s): Company databases; News articles; NRAI India Food Services Report 2016; Deloitte analysis

Food chains vs. standalone outlets in India

Standalone store formats are more popular as compared to chain store formats within the organized food service segment. However, QSR chains' performance is competitive to standalone QSRs owing to their similar food and experience offerings - backed by their strong SOPs



Source(s): Company databases; News articles; NRAI India Food Services Report 2016; Deloitte analysis

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Operating models

QSR players have adopted different operating models in the Indian market



Company Owned Company Operated (**COCO**)

Company Owned Franchise Operated (**COFO**)

Franchise Owned Franchise Operated (**FOFO**)

Franchise Owned Company Operated (**FOCO**)

Operating models of select QSR players

- All outlets owned & operated by company
- Full control over quality, pricing and day to day operations
- Requires substantial investment

- Outlets are owned by the company but operated by franchise
- Franchise receives management fees as remuneration which is generally percentage of revenue/profits
- Entails high risk on the part of company

- Outlets are owned and operated by franchise
- Company receives royalty from franchises which could be either fixed or based on a certain percentage of revenue
- Company provides know-how, technical skill and trained resources

- Outlets owned by franchise & operated by company
- No additional capital investment required
- Full control over quality, pricing & daily operations
- Franchise receives a %age of profits/revenue as remuneration

Players	COCO	COFO	FOFO	FOCO	JVs
McDonalds			✓		
KFC	✓		✓		
Subway			✓		
Dominos			✓		
Nirulas	✓		✓		
TGIF					✓
Starbucks					✓

Source(s): Company databases; News articles; NRAI India Food Services Report 2016; Deloitte analysis

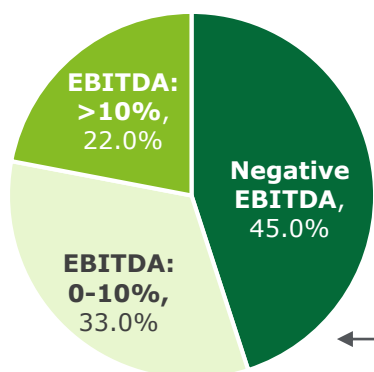
Key challenges for restaurants in India

Ill-planned expansion leading to high costs, cannibalization, countering huge unorganized restaurants and requirement of skilled-chefs are some of the pressure points that the industry is facing

1 Tight operational metrics
Almost half of the organized QSRs are financially struggling

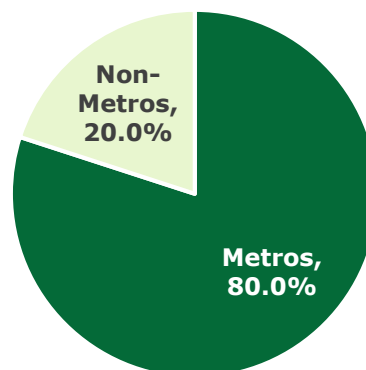
High rentals
According to the sources, rentals and operational costs (including salaries and maintenance) constitute around 32-36% of the total cost of a QSR outlet

Breakdown of EBITDA for QSRs in India



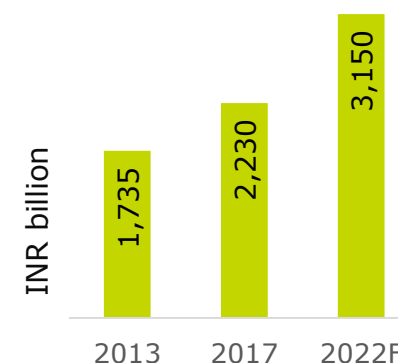
2 Cannibalisation
Almost 4/5th of the QSRs are operating in metro cities and concentrating on same set of consumers

Breakdown of QSRs by cities



3 Huge unorganized market
Though the share of organized restaurants is increasing, the unorganized food service market still holds a significant amount of sales in the sector

Unorganized market



4 Skill-based issues
With rising demand for global food, the expat chefs are hired at a premium to prepare the regional, specialty, international or multi-cuisines

5 Complicated licensing
A new restaurant business needs approvals and licenses from multiple authorities to be operational

6 Others
Consistency in quality and taste, wastage and location and size of stores

Source(s): Company databases; News articles; NRAI India Food Services Report 2016; Deloitte analysis



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