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August 21, 2025

To,

<b>National Stock Exchange of India Ltd.</b> Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Email: <a href="mailto:cm1ist@nse.co.in">cm1ist@nse.co.in</a> <b>Symbol: DEVYANI</b>	<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Email: <a href="mailto:corp.relations@bseindia.com">corp.relations@bseindia.com</a> <b>Security Code: 543330</b>
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**Sub: Transcript of Investors & Analysts Conference Call**

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the Investors & Analysts Conference Call held on August 13, 2025, post declaration of Unaudited Financial Results of the Company for the quarter ended June 30, 2025, is enclosed.

The same is also being uploaded on website of the Company at [www.dil-rjcorp.com](http://www.dil-rjcorp.com).

You are requested to take the above on record.

Yours faithfully,

**For Devyani International Limited**

**Pankaj Virmani**  
**Chief Sustainability Officer & Company Secretary**

*Encl: As above*





## Devyani International Limited

### Q1 FY26 Earnings Conference Call Transcript

August 13, 2025

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**Moderator:** Ladies and gentlemen, good day and welcome to the Devyani International's 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, sir.

**Anoop Poojari:** Thank you. Good afternoon everyone and thank you for joining us for Devyani International's Q1 FY26 Earnings Conference Call.

We have with us Mr. Ravi Jaipuria – Non-Executive Chairman of the Company, Mr. Raj Gandhi – Non-Executive Director, Mr. Virag Joshi – CEO and Whole-time Director and Mr. Manish Dawar – CFO and Whole-time Director of the Company.

We will initiate the call with opening remarks from the Chairman, followed by key financial highlights from the CFO. Thereafter, we will have the forum open for a Q&A session.

Before we begin, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now request Mr. Ravi Jaipuria to make his opening remarks.

**Ravi Jaipuria:** Good afternoon everyone and thank you for joining us today. I am pleased to welcome you all to Devyani International's post results earnings conference call to discuss our performance for the first quarter of the financial year 2025-26.

India's QSR industry is on a structural growth trajectory, underpinned by rising urbanization, growing income levels, increasing digital adoption, increase in female work participation rate and a growing appetite for convenience especially among younger consumers. While near-term macro factors have led to a phase of soft consumer demand, we see a better outlook for the industry in coming times. We are learning from the evolving consumer trends, and we need to reset our business to have a differentiated and compelling proposition for our consumers, whether they are online or offline. We strongly believe that our industry will remain a prime beneficiary of evolving consumer behavior. It's important that job creation continues in the economy with rising per capita income, which will lead to higher consumption.

Considering the significant market potential, we continue to execute on our long-term growth agenda. I am pleased to announce that we have concluded the acquisition of Sky Gate Hospitality, which runs 'Biryani by Kilo' and 'Goila Butter Chicken' brands and increased our stake to 86.13% subsequently. This gives us access to market-leading brands to expand our presence in the Biryani and the Indian cuisine segment – one of the largest food categories in the country. Sky Gate Hospitality has 105 outlets at present, and we are confident that these brands will be one of the key contributors to our expansion plans going forward.

Across the portfolio, we are expanding our footprint in a focused manner. To this end, we have added new stores in KFC, Pizza Hut and other brands in our geographies. We are also in the process of launching our three new international brands i.e. New York Fries, Tealive and Sanook Kitchen in the next quarter.

Cognizant of the current demand scenario, we continue to support the brands through investments in marketing, promotions and attractive offers. At KFC, we launched the 'Epic Savers Offer', providing a '9 for INR 299' combo. This offer has been enthusiastically received by the consumers. We are already seeing significant contribution from this combo, despite it being a dine-in only offer.

Pizza Hut saw the launch of 'Juicylicious' range of pizzas with 3 unique flavors of marinated toppings and Indian sauces. We have seen a good response and adoption for the product. To provide more value to our customers, we also piloted 'Unlimited Pizza Fridays' at select stores. Results are encouraging as the participating stores showed healthy growth in transactions and ADS.

Our financial performance has been healthy. On a consolidated basis, Quarter 1 revenues reached INR 1,357 crore, a 11.1% year-on-year growth. This growth was driven by healthy growth from KFC, Costa, and the Food Court business in India, and supported by 11.2% year-on-year growth in the international business. Reported EBITDA came in at INR 205 crore with EBITDA margin at 15.1%. The slight dip in margins was due to deleverage from lower ADS year-on-year and investments in marketing and promotion in the quarter.

As one of the leading QSR players, we are well positioned to benefit from the rebound in consumer spending. Our multi-cuisine, multi-format strategy caters to a broad spectrum of consumer tastes, occasions and price points, while diversifying away from any category or geography specific risks. It also enhances our ability to capture opportunities across varied markets and evolving consumer trends. With the strength of our brands and our execution capabilities, we are confident of our ability to deliver consistent growth. Our focus will remain on scaling profitability, strengthening both our core & emerging brands and creating long-term value for all our stakeholders.

With this, I would like to conclude my address and now I hand over to Manish for the financial highlights.

**Manish Dawar:**

Thank you Mr. Jaipuria. Good evening everyone. A very warm welcome and thank you for your valuable time for attending DIL's Q1 FY26 Earnings Conference Call, our 16<sup>th</sup> such call since our listing in August 2021.

We ended June 2025 with a total store count of 2,145 stores, comprising of 1,067 KFC stores, 627 Pizza Hut stores and 221 Costa Coffee stores.

As you all know, we have signed up new brands and completed the acquisition of Sky Gate Hospitality recently. In view of this, please note that we have made an update to how we report our India operation metrics. From this quarter, we are

presenting our data across 3 key operating segments which is Yum! Brands consisting of KFC and Pizza Hut; other franchise brands such as Costa Coffee, New York Fries, Tealive and Sanook Kitchen; and our own brands, including Vaango and recently acquired Sky Gate Hospitality portfolio. This will give better clarity and alignment with how we manage and how we look at our business internally as well.

We are also consolidating Sky Gate Hospitality financials from the current quarter. The transaction was consummated on 10<sup>th</sup> of June. Hence, the results have been consolidated from 11<sup>th</sup> of June, and the impact of 20 days is present in the consolidated numbers of DIL.

On to the financial metrics, consolidated operating revenues for Q1 FY26, including Thailand, was INR 1,357 crore, up 11.1% Y-o-Y. Consolidated Q1 FY26 gross profit came in at INR 925 crore, up 9.5% Y-o-Y, with margins at 68.2%. Brand contribution margin was at 13.1% versus 15.3% last year. This dip is mainly on account of decline in margins in the Indian operations.

Consolidated operating EBITDA on a pre-INDAS basis was INR 110 crore with margins at 8.1% versus 8.9% in the previous quarter. Lower brand contribution margin led to the decline. Reported EBITDA was INR 205 crore with margin at 15.1%.

Indian operations grew 11% Y-o-Y to reach INR 932 crore in revenues. Gross margin came in at 69.6%, a decline of 2.3% versus previous year. This has been primarily on account of investments to support transaction growth in our brands. There was also a small impact from the increase in raw material prices of cheese, flour, and edible oil.

A change in GST applicability on rent has also led to an increase in rental costs. As a reminder, our industry does not get input credit on GST. Further, high saliency of off-premise sales across the 2 key brands, i.e. KFC and Pizza Hut, led to higher aggregator and delivery expenses. These costs have increased on a structural basis across the industry, and the impact will continue for the year. We took initiatives to mitigate this increase by way of tight control on utility costs and other operational expenses. However, they could not fully offset the impact.

On to the brands. KFC in India added 8 net new stores in Q1 FY26. With this, the total store count for KFC in India stands at 704 stores as of 30<sup>th</sup> June and we are on track to open approximately 100-110 net new stores. Average daily sales at INR 98K for KFC was higher sequentially but lower on a Y-o-Y basis. We have seen good progress with KFC SSSG after multiple quarters, with SSSG stabilizing at negative 0.7%. Revenues came in at INR 613 crore, up 10.5% Y-o-Y. Gross margin was lower at 67.1%, primarily due to investments in growing transactions and increase in edible oil prices. The brand contribution margin came in at 15.5% for Q1 FY26 due to lower gross profit margin, higher delivery and aggregator costs and deleverage on lower ADS.

With the aim of improving the performance of the brand, we continued rationalizing our footprint at Pizza Hut. Due to closures of non-performing stores, we ended Q1 FY26 with 618 Pizza Hut stores in India, a net decline of 12 from the previous quarter. In the current financial year, we are planning to slow down our organic expansion of Pizza Hut stores openings. Pizza Hut India revenues for the quarter was INR 187 crore, up 3% Y-o-Y. The ADS recovered slightly to INR 33,000 on a sequential basis. SSSG came in at negative 4.2%, and efforts are underway to stem the decline. Gross margin at 74.8% was lower due to inflation in flour and edible oil prices, coupled with investments made to support the brand. The brand had a slight negative brand contribution in the current quarter.

Franchised brands, which include Costa Coffee and the newer brands in India had a stable quarter. We opened the maiden New York Fries store at Mumbai International Airport. We are enthused by the performance and will continue to grow New York Fries and other brands. The division's revenues came in at INR 52 crore with stable gross margin at 75.2% and brand contribution of INR 6.7 crore. Brand contribution for the division includes the start-up costs associated with the new brands.

Our own brands, which include Vaango, Biryani by Kilo and Goila Butter Chicken brands reached INR 35 crore in revenues with steady gross margin at 70.1%. Please note that acquisition of Sky Gate Hospitality was effective from 11<sup>th</sup> June. Hence, only 20 days of financials of Sky Gate Hospitality are included. Brand contribution margin from own brands declined to 6.7% owing to this consolidation and dilution from Sky Gate portfolio of brands. We are working towards achieving positive brand contribution and turnaround of Sky Gate over the next 12 months.

Our international business continues to grow steadily. Revenues reached INR 433 crore in Q1 FY26 with gross margins at 65.6%. Brand contribution improved to INR 72 crore, representing 16.7% margins on the back of better gross margin performance in the Thailand business.

In conclusion, we are navigating a phase of soft consumer demand with a disciplined and measured approach. Our marketing strategy strikes a balance between broad-based brand campaigns and targeted tactical interventions. Driving profitable and sustainable brand growth remains our unwavering North Star.

On that note, I would like to request the moderator to open the forum for any questions or suggestions that you may have. Thank you very much.

**Moderator:** Thank you sir. We will now begin the Q&A session. First question is from the line of Aditya Soman from CLSA.

**Aditya Soman:** So, 2 questions from me. Firstly, on KFC, we have seen sort of flattish like-for-like growth on a base that was already quite negative. So from here on, to see an improvement in trajectory at KFC, what in your view are sort of the 2 or 3 key things that need to happen to start seeing a meaningful improvement? And within this sort of flattish SSSG, is there any meaningful trend difference that we saw maybe in the first half of the quarter versus the second half or in the more recent period in July?

And my second question is on these new brands that we are adding, whether it's Biryani by Kilo or New York Fries. Over what period does the management intend to make these significant from an overall company perspective?

**Manish Dawar:** Thanks, Aditya. Let me first talk about KFC SSSG. I agree that KFC has seen negative SSSG for a few quarters. In fact, to be precise, almost 8 to 9 quarters. Despite that, we have managed to stem the de-growth in KFC SSSG and we are virtually flat this time. This quarter there was a seasonal shift. Given that impact, we would have been probably virtually flat or a small positive on KFC SSSG. Having said that, we have seen good growth momentum in the online category because we took initiatives specifically on online channels. And therefore, the SSSG on online, which is Zomato and Swiggy is positive. We are trying to address the dine-in piece, which we are hoping that we will be able to do that over the next 1 or 2 quarters. And therefore, with that, you will see the numbers kind of improving, because what we saw on online from a SSSG perspective is very heartening.

Coming to the new brands, Biryani by Kilo or New York Fries, etc. Right now, as far as the new brands that we have signed up, we want to test those brands, see how the consumer responds and then scale them up. We have opened the first New York

Fries store at Mumbai Airport. We will be shortly opening some of the Tealive stores and maybe Sanook Kitchen as well. We will start with a couple of stores to see how the consumer responds. So, therefore, these will take some time to scale up and become an overall meaningful contributor within the DIL portfolio.

As far as Sky Gate portfolio is concerned, which is Biryani by Kilo and Goila Butter Chicken, it's almost about 105 stores. So, the objective there is to first set the model right. As you all know, it's a loss-making portfolio at present. So, our first priority is to turn around the brand. We are hoping that in the next 12 months we will have a positive brand contribution and brand EBITDA. And post that, we will start to ramp up the brand in our own channels and elsewhere. Simultaneously, we have also started experimenting the new formats and the new distribution channels for Biryani by Kilo, i.e. at the airports and food courts, again, to test how the consumer response is from a dine-in perspective. We are also starting to work on some bit of recipe optimization from the kitchen preparation time and so on and so forth. So, there's lot of groundwork which has already started to happen, along with the turnaround priority. And once this is all achieved, that is where we will talk about a significant ramp-up in the new portfolio. Hope that answers your questions.

**Aditya Soman:** Yes. Thanks so much, Manish. Very clear. Maybe just on Biryani by Kilo, just as a follow-up, the current model is largely delivery-only, is it?

**Manish Dawar:** See, they do have some dine-in stores, but even from those dine-in stores, predominantly it's delivery. So, if I were to look at the overall portfolio, 90% plus is delivery, whether you talk about the dine-in stores or the cloud stores.

**Moderator:** Next question is from the line of Gaurav Jogani from JM Financial.

**Gaurav Jogani:** Sir, my first question is with regards to the gross margin impact that we are seeing because of the promotional spends. How long do you expect these to sustain? And additionally, given that they will also help to drive the transaction growth, so at an EBITDA level, when do you expect this to start contributing positively?

**Manish Dawar:** So, Gaurav, we ran multiple campaigns online to see how the consumer is reacting, I mean, online, one is able to kind of measure such things much more closely and much faster compared to the offline channel. And that's the reason you see a significant impact in the gross margin as well as the brand contribution. Having done that for a couple of months, our plan is to continue with the same model for another 1 or 2 months, get our learnings, and then start to optimize in terms of what is working, what is not working. And therefore, within the next quarter, basically Q3, we will start to see the gross margin improving as well as the same flowing into the brand contribution margin. Right now, we are in the process of testing multiple things and then the objective is to basically fine-tune after that.

**Gaurav Jogani:** Sure, Manish. And I am assuming that this will be across both the brands, KFC and Pizza Hut?

**Manish Dawar:** The nature and the extent, and therefore, the impact is different. But as an initiative, it is for both brands.

**Gaurav Jogani:** Sure. And Manish, the next question is with regards to this drag from the Sky Gate Hospitality brands on the own brands portfolio. If you can quantify how much of that has contributed negatively towards the margins in this quarter for the own brands?

**Manish Dawar:** Maybe I can quantify it on a one-time basis, but we will not be able to do it on a continuous basis, because we are going to be presenting the divisional results as



own brands. Otherwise, given the multiple brands we have, it will become very, very complicated for everyone. So, the negative brand contribution for the first 20 days that we have consolidated is about INR 1.2 crore from the portfolio. Therefore, if you were to look at the own brands portfolio, excluding the Biryani by Kilo portfolio, then the numbers are virtually flat.

**Gaurav Jogani:** Okay. And Manish, sir, last question is with regards to the impact that you called out from the GST bit of the rental, and some impact of that increase in the aggregator expenses. If you can elaborate that a bit?

**Manish Dawar:** If you remember, last year, October, there was this GST ruling change, whereby earlier, for example, there was this whole exemption, which was available for rentals lower than a threshold level, which government kind of brought in as a reverse charge mechanism. And therefore, as far as the corporates are concerned, they are supposed to pay GST on 100% of the rents, wherein earlier, given the lower income levels of the landlords, you would save some bit of GST. So, that impact has carried out. So, since in QSR, as you know, the GST is not allowed to be set off. Therefore, in our case, it kind of hits the bottom line. So, that's the impact that I talked about.

**Gaurav Jogani:** Okay. And you said something about the aggregator bit as well, the aggregator cost also increasing?

**Manish Dawar:** If you see in the current quarter, KFC online sales are higher than earlier quarters. And with online sales becoming higher, because we have these multiple initiative on the online channel, obviously, your aggregator cost also goes up because the aggregator proportion is going up in the overall sales.

**Moderator:** Next question is from the line of Sujit Jain from Bajaj Allianz Life Insurance.

**Sujit Jain:** This is to Mr. Jaipuria, and these are not quarter-related questions. A few points. Our categories are urban-centric, so that brings cyclicity. When urban is in a slowdown, we also slowdown. We don't have an answer to the entire industry except Jubilant to 20-minute delivery, which has worked for them. For us to even think about something like that, maybe we need to get our store economics right before we start thinking of adding an additional expenditure line. The third thing is that if I look at 9 to 10 quarters, the SSSG has been negative to flat, whereas the like-to-like for someone like Jubilant has been positive. So, there is at least one player that has done better in the industry. And the 4<sup>th</sup> thing is some of the categories that you have entered, there's a regional variation such as in biryani. And for example, when I tasted at Vaango, because of the batter that will change locally from place to place, there's a limited standardization you can do. So, how do you address that?

**Manish Dawar:** Okay. Let me address a few questions, Sujit for you, and then Mr. Jaipuria would also come in. So, you talked about Biryani in terms of the regional piece. You are right, there are multiple types of biryani available in the country. If I remember my number right, there are almost 300 types of biryani which are available. But if you were to sub-segment the entire market, and you were to analyze in terms of what works in the overall category, Hyderabad biryani is the biggest piece, followed by Lucknowi biryani and then Kolkata biryani. Therefore, if you were to look at almost 70% of the market, these would be top 4 to 5 types. Now if you look at the BBK portfolio, we have Hyderabad, Lucknowi and Kolkata, which is already present, and that is working well for us. Hyderabad biryani works on a PAN India basis. Lucknowi biryani works virtually on an all India basis. Kolkata biryani is predominantly in the East. So, they have already fine-tuned the portfolio on the basis of these 3 biryani. Maybe, if we need to add 1 or 2 more, we can do that. But otherwise, we are largely covering what is important from an overall market perspective.

Coming to your point on the brands being urban-centric, if you look at the overall QSR market, Jubilant is there in 400-plus cities. We are also in about 280-290 cities. If you look at the penetration of the food aggregators, they are currently in more than 800 cities. So, therefore, we are straddling much beyond what are historically understood as urban centers. The growth opportunity lies in the Tier-2 segment, because the awareness and the aspiration is there; but the income levels need to go up further. We have started to have a presence beyond the urban centers. That's how we managed to cover almost about close to 280 to 290 cities. Again, it is not just about opening a store, you need to have the portfolio, you need to have the right product mix, right price points, what works in a smaller town from a promotion point of view, etc. So, all of that also need to be worked out. We have already optimized a few things and we are working on the rest. So, therefore, we are geared up beyond the urban India. Obviously, we are far far away from rural as of now. But let's say, urban itself is still a very very big opportunity.

Your another question was about delivery. Am I right?

**Sujit Jain:** Yes, the 20-minute delivery.

**Manish Dawar:** Yes. So, we have experimented, as I said, on the delivery platform, and that's given us good results from a SSSG perspective, both for KFC and Pizza Hut. But obviously, you are right that Jubilant is doing a far better job versus what we are doing, because their model fits very well with the overall delivery portfolio, because it's a delivery-first brand. And we have kind of over a period of time, moved from a dine-in-centric brand to a delivery brand. We are also moving in that direction. We are internally strategizing in terms of how do we kind of capture that market quickly and maybe we will be able to come back to you in the next few quarters on how we are able to better cater to the current consumer preferences. At the same time, on the dine-in basis, we have to work on our menu options and what we offer to the consumers on a unique basis versus what is there in delivery. So, that is again something that we are already working on.

**Sujit Jain:** Sure. And how to improve the store economics so that you can accommodate more branding expenditure and including more expenditure on this delivery initiatives?

**Manish Dawar:** See, we need to continue to optimize the formats for the dine-in channel. And as you know, over the last few years, we have reduced the store format sizes. So, KFC format used to be 3,000 square feet. We are down to about 1,400 to kind of catch up with the delivery trends and the lower dine-in. Similarly, for Pizza Hut also, we have moved away from a dine-in-first brand to a delivery focused format. And this needs to be continuously optimized. At the same time, we also need to be cognizant of the fact that there is a category of consumers who prefer a good dine-in experience, so which kind of have started to work on a very segmented basis. So, therefore, more than the format optimization, we also need to combine formats along with the channels that will give us good results and that also is a plan that we are currently working on.

**Sujit Jain:** Just wanted to hear Mr. Jaipuria, how he wants to take this company at the pole position.

**Ravi Jaipuria:** I think it's better that Manish answers this since he is on the ground level with this, and that's why I have kept quiet.

**Moderator:** Next question is from the line of Niharika Karnani from CapGrow Capital.

**Niharika Karnani:** Couple of questions. First question is more towards the QSR sector. So, do you think QSR sector has kind of bottomed out? Or is it also facing threats from the likes of,



say, cloud kitchen or consumers ordering more from the likes of Swiggy, Zomato? Is this more of a structural change? Or is it related to QSR slowdown?

And second is, when do we see SSSG getting ramped up? Like is it a matter of a couple of more quarters? Or will the turnaround take some more time?

**Manish Dawar:**

Hi, Niharika. See, to your first question in terms of what is happening with the QSR sector and where is it headed, in our view, there is nothing wrong with the QSR sector. We believe that this is one of the highest opportunity industries. Now when you talk about, let's say, just the listed QSR space, obviously, it is different. When talking about QSR as an industry, it will include aggregators, local competition, that all the new players who are coming in, etc. There are also multiple start-ups which have experimented with traditional foods that they have tried to convert into QSR format. Coming to the listed players, we have expanded very, very aggressively over the last 4 to 5 years. If you look at, let's say, Devyani numbers, what they were around the time we listed to where we are now, we are multi-fold in terms of the top line. Similarly, the competition has also grown. Now that densification has come at the cost of SSSG. But if the overall industry has to grow, we have to make sure that we are densified. Take U.S. as a market. In the U.S., QSR industry is bigger than the FMCG industry, because of the food habits, because of the multiple choices available, because of the densification and so on and so forth. So, therefore, in our view, there's a significant opportunity in the QSR space. The densification is required. Once consumption starts to pick up, we will see the SSSGs also coming back. It is impacted by how aggressively we open and add new stores. And I have said in my comments that you will see a very limited Pizza Hut organic expansion. And therefore, we are hopeful that with slightly reduced pace of store addition, we should see positive SSSGs. On KFC, if you look at the current quarter's performance, virtually we have contained the decline, which was there for the last many quarters, because we have played out some online strategies. So, therefore, we are working on these things and you will start to see positive SSSGs over the next few quarters.

**Niharika Karnani:**

Okay. Got it. Just one follow-up here. So, what are your views on cloud kitchen? Will it be a threat? Or is it just complementary to listed players?

**Manish Dawar:**

See, it is complementary because today, if you look at the consumer convenience, they prefer to consume food at home, given urbanization, traffic jams, etc. We have to ensure that we become a very meaningful player as far as the cloud kitchen or, let's say, online food strategy is concerned, because it's important that we are able to satisfy the consumer demand. And as Sujit mentioned, for example, Domino's has kind of worked very beautifully on this whole 20-minutes delivery time and they are seeing good results. We are also working on a similar strategy, because if 50% of the orders are getting delivered at home, then obviously, you need to make sure that you have a proper location strategy, you have to have a cloud strategy so that you are able to serve the consumer demand through the aggregators. So, all of those pieces are work-in-progress and we are already working on those.

**Moderator:**

Next question is from the line of Jignanshu Gor from Bernstein.

**Jignanshu Gor:**

Manish, just one question. I think a lot of it has been discussed already. On KFC and Pizza Hut, I hear the argument and the logic behind the marketing investments or the promotional investments to bring transaction growth. So, 2 parts to this question. (a) For the current quarter in the Y-o-Y or sequential improvement in SSSG that we have seen, would you be able to share what kind of transaction growth have you seen in both these brands? (b) Do you have a particular ADS number in mind at which you will sort of start to taper these specific investments in growing transactions, if at all?

- Manish Dawar:** Okay. So, obviously, we don't disclose the transaction numbers, but we have seen almost 10% plus improvement on the transactions overall with the initiative that we have taken. If you look at only the online strategy, which is where this whole initiative was focused on, we have seen much higher transaction growth. So, therefore, this was one, as I said, to test. Second is to kind of spur consumer momentum a little bit. And within this, now we will select in terms of what to do and how aggressively to do that.
- On the ADS side, our normalized KFC target is about INR 100,000 of ADS on a consistent basis for the full year. And that is what we want to kind of aim at on an immediate basis. And once that is there, obviously, we will start to rationalize. So, they both kind of work together from that point of view.
- Jignanshu Gor:** Okay. Great. Just a clarification. These promotions or campaigns were done across all stores/ cities? Or was it selected clusters for KFC and Pizza Hut?
- Manish Dawar:** Jignanshu, there was a differentiated strategy for online and offline. Where we have seen a huge momentum is the online strategy. Obviously, those promotions and schemes were not run in the dine-in channel. Dine-in had different sets of promotions. So, that's how it has been. But obviously, as you know, the entire servicing is from the stores only.
- Jignanshu Gor:** Correct. But it was across geographies, right? It wasn't like focused only on metros or on Tier-2 and so on?
- Manish Dawar:** No, across geographies, you are right.
- Moderator:** Next question is from the line of Saurabh Kundan from Goldman Sachs.
- Saurabh Kundan:** My question is also regarding these promotions. Just wanted to understand them a little better, Manish. What is the nature of these spends that you are doing, especially on online? Is it something paid to aggregators for better visibility? Or are these some menu level strategic pricing or combos that you have done, based on insights that are leading to better revenue growth?
- Manish Dawar:** Saurabh, there are multiple ways to handle the entire online piece. One is banner advertising, which in any case, we have been doing in the past. We have continued with it and it comes out of the overall advertising spends. It predominantly goes into the aggregators apart from the other targeted digital media. In terms of the last spend, that has been mainly consumer-focused, in the shape of participating in some flash sales. It could also be a new combo. It could be a little bit of a different structure and therefore, a higher discount and so on and so forth. So, there have been multiple combinations which we have tried.
- Saurabh Kundan:** Right. So, some of those spends are for visibility.
- Manish Dawar:** Spends on visibility have been more or less in line with whatever we have done in the past. Largely, it has been targeted directly at consumers.
- Saurabh Kundan:** Okay. All right. My second-to-last question is, at this stage, could you provide some color on the initiatives you mentioned? Specifically, which ones are proving effective, which you intend to scale back, and which you plan to continue?
- Manish Dawar:** See, obviously, I will not be able to share each promotion's detail. But obviously, we have seen what the result has been. So, as I said, I cannot give you entire rundown of all the promotions.

- Saurabh Kundan:** Understood, sir, I just meant, is it something like value that's working? Or is it, I don't know, some combos, any pattern to the initiatives that are working?
- Manish Dawar:** See, the value always works for the Indian consumer, right. That's normal, you pick up any category, any industry, you give value to the consumer, there will be queues. So, therefore that's working.
- Moderator:** Next question is from the line of Percy Panthaki from IIFL Securities.
- Percy Panthaki:** Hi Manish, I was just looking at the dine-in numbers for KFC. So, you have given the total sales and you have given the dine-in percentage, so you can calculate that. And I see that the dine-in sales in rupee crore terms has declined 14% Y-o-Y. This is in spite of whatever store additions we have. So, on a per store basis, it's probably declined in the high teens. So, just wanted to understand this, like while we are seeing a growth in the online format, is it just a customer shifting the channel from online to offline? And if so, it's really not very good, right? Because we have had negative SSSG for the last 2, 3 years, which means that the capacity utilization in the store is anyways low. And if we get higher capacity utilization in store, the flow-through from gross margin to EBITDA is going to be huge. So, we should focus on that rather than diverting the customer away from the dine-in towards delivery by launching these schemes and all that.
- Manish Dawar:** So, Percy, what you are saying is right, because if you see Q1 FY25, the ADS was INR 104,000. And now it is INR 98,000 with a much higher share of delivery. As I said, we have taken some specific initiatives for online. And obviously, when we focused more on online, there are some consumers who shifted, because they were able to get the value proposition sitting at home. If you see the last few quarters, we have been kind of protecting our margins, not participating, whereas the competing businesses have been doing that and the margins were eroding. So, therefore, we also wanted to kind of test. We have seen better transaction growth. We have seen better SSSGs and so on and so forth. As Mr. Jaipuria also said in his address and I also mentioned, we need to have a very, very differentiated strategy now for online and for dine-in, which is what we are working on, so that we are able to differentiate the consumers. But with our learnings, obviously, we will now be balancing out in terms of what is happening in the online and dine-in to ensure minimal cannibalization.
- Percy Panthaki:** So, this Epic Savers, 9 pieces for INR 299, which is for dine-in, was that run only towards the end of the quarter or was it running for the entire quarter?
- Manish Dawar:** It was somewhere in the middle of the quarter, and it was only a dine-in. This offer was not available on online basis.
- Percy Panthaki:** Yes, which is why my question that if it is available only for dine-in and despite that, the dine-in salience has fallen and the absolute sales per store has fallen. So, does it mean that this offer is not really having the kind of impact that we hoped for? Or is it that just it was for a very small part of the quarter, and therefore, the impact is not visible?
- Manish Dawar:** See, whenever we experiment with new offers, we set some kind of targets for ourselves on the target menu mix. From that perspective, Epic has kind of exceeded that menu mix target. But at the same time, some of the offers which were available online were much more compelling than this value proposition from a consumer point of view. And therefore, we have seen the online momentum much more than offline. So, that's the reason I said that once we now try and balance out things, you will see a better one coming in.

- Percy Panthaki:** Understood. So, for bringing the dine-in growth back, do you think just continuing the Epic Saver is going to be enough or some more intervention will be required?
- Manish Dawar:** So, this will obviously continue. Obviously, we are also planning on some more promotions which are dine-in focused. We are also looking at some more value offers there. So, therefore, that's the overall strategy that I talked about.
- Percy Panthaki:** Understood. Just one more question from me, again, possibly on KFC only. So, we have seen almost 2 to 3 years of bad top line and demand scenario. Now generally, there is one school of thought which says that when we are having this kind of a backdrop, then the recovery can be equally sort of steep. So, rather than just go into a low-single or mid-single digit, we can have 1 year, 1.5 years of double-digit kind of SSSG, just because we have had a poor performance in the past. So, do you think that the averaging just works out on its own? Or there is something very specific, which would be needed for the double-digit growth to happen or just a normal consumer recovery will help that double-digit SSSG to happen?
- Manish Dawar:** See, we have seen this consumer behavior in multiple cycles in the past, right. Whenever it's weak and then suddenly it kind of spikes up, we have seen that in other industries also. Now overall, it's a play of whether the consumption is strong or not. If the consumption is strong, it comes back even more strongly. And given this phenomenon also probably is bottoming out, it could be some good times. So, we can discuss this more on an offline basis. But we are as hopeful as you are.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as the last question and would now like to hand the conference over to the management for the closing comments.
- Raj Gandhi:** Thank you very much. We hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about our Company, please feel free to contact our Investor Relations team. Thank you once again for your interest and support and for taking the time out to join us on this call. Thank you very much.

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