

HUNGRY NATION



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Navigating the QSR boom in India

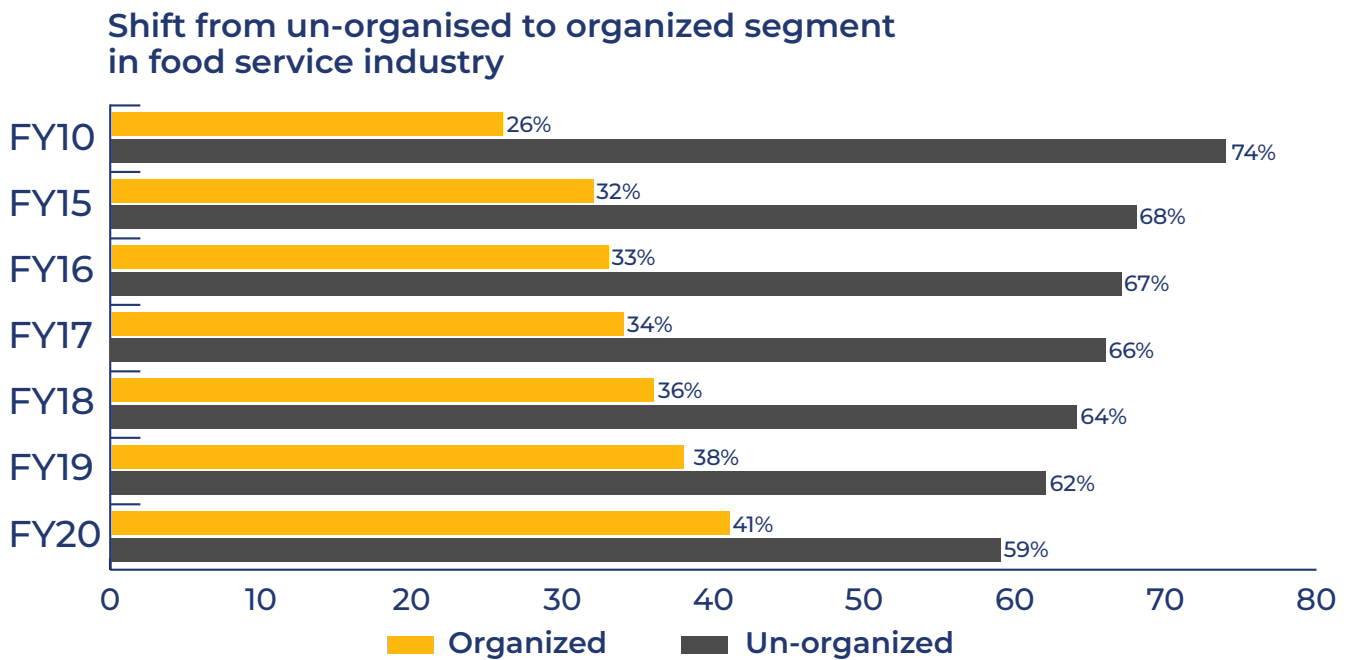
In this month's letter, we'll deep dive into the Quick Service Restaurant (QSR) sector in India, exploring its growth potential and capital expenditure trends. Fasten your seatbelts as we take you on a culinary journey filled with insights and savory developments!

The acronym QSR, or Quick Service Restaurant, represents the concept of rapid service within a relaxed dining setting, typically offering limited seating and a streamlined menu. This unique approach to dining has gained immense popularity, especially in the fast-paced world of modern consumers.

The Indian Food Service Industry as a whole is estimated to be around ₹4,320 cr and is expected to grow at 9% compound annual growth rate (CAGR) until FY26. This industry can be further categorized into two segments: organized and unorganized, each playing a distinctive role in shaping the culinary landscape of the country.



The Organized space which is growing much faster and is projected to experience a robust growth of **12% CAGR** and gain market share from the unorganized as shown in the graph below.



Source: Spark Capital: Indian QSR Sector

The Indian QSR Sector on the Verge of Transformation!

The QSR sector in India has undergone a significant surge in capital investment over the past few years. Driven by shifting **consumer preferences, rising disposable incomes, and the expanding middle class**, both investors and businesses are directing resources towards expanding their QSR chains.

Notably, the QSR sector is poised for substantial growth in terms of store expansion, with an anticipated **growth rate of 20% CAGR until FY27**. This promising outlook is reflected in recent developments, such as the **series of IPOs** by companies like Devyani International Ltd. (Pizza Hut, KFC, Costa Coffee), Sapphire Foods India Ltd. (Pizza Hut, KFC), Barbeque-Nation Hospitality Ltd., and Restaurant Brands Asia Ltd. (Burger King) in the past two years. Moreover, we can expect more players to enter the market in the foreseeable future.

In addition to these high-profile IPOs, numerous unlisted QSR players have also increased their investments in opening new stores. Brands such as Haldiram, Jumboking, WOW momo, Wok Express, Subway, and La Pinos have all expanded their presence.

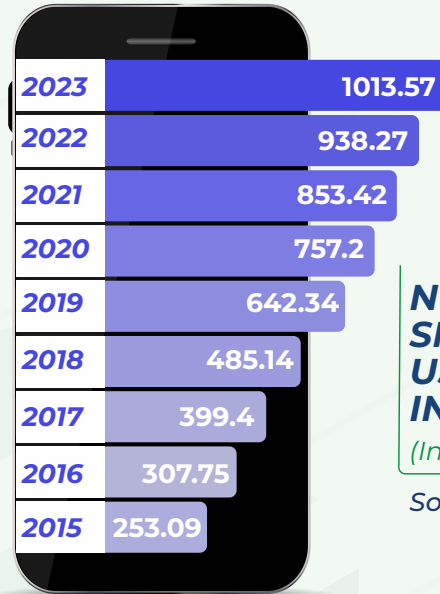
“La Pinos has achieved the remarkable status of becoming the third-largest pizza chain in India, following Dominos and Pizza Hut.”

Key Growth Drivers for the QSR Sector

The Quick Service Restaurant (QSR) sector in India has witnessed a substantial increase in capital expenditures. This surge can be attributed to several factors, which I have outlined in the following points.

Rising Smartphone Penetration & Busy Lifestyles:

The proliferation of smartphones has made it easier for consumers to order food through mobile apps and websites. *"Jubilant Foodworks Ltd, which operates the Domino's Pizza chain in India, reports that 98% of their total online orders are placed through their mobile application."* In addition to the increasing mobile phone penetration, individuals are becoming more individualistic in their preferences and tastes. People



NUMBER OF SMARTPHONE USERS IN INDIA IN 2015 TO 2023

(In Millions)

Source: Statista

can now order their favorite fast food with just a few taps on their smartphones. When combined with the busy lifestyles of urban Indians, characterized by long working hours and hectic schedules, this accessibility has become highly appealing.



The Craving for Convenience: The demand for dining out or ordering food from restaurants has surged. Notably, prior to 2019, the frequency of people dining out stood at 8 times a month. However, this figure nearly doubled to 16 times per month for the urban population following the COVID-19 pandemic.

This increased demand directly benefits the Quick Service Restaurant (QSR) sector, as it caters to individuals seeking rapid service and convenience through various channels such as dine-in, takeaway, and delivery. Furthermore, the emergence of innovative formats, such as **Drive-Thru stores**, has garnered attention. In this setup, customers can drive into the store premises, place their orders from the comfort of their cars, and receive their meals within minutes, all without leaving their vehicles. This laser focus on convenience has become a defining feature of the industry.




"It's worth noting that major players like McDonald's and KFC are making substantial investments in establishing drive-thru format stores along national express highways, reinforcing the industry's commitment to convenience."

Evolving Roles of Women in India:

Traditionally, women bore the primary responsibility for meal preparation in Indian households. However, an increasing number of women are now engaged in work outside the home, leaving them with limited time for cooking. Drawing from personal experience, I've witnessed my mother and aunt actively assisting my grandmother in preparing our daily meals, including lunch boxes and breakfast. However, the

modern working woman is less likely to engage in daily kitchen duties. Instead, she may opt to order meals online through platforms like Zomato or Swiggy. This shift is reflected in the changing dynamics of working women in India.

"The average cooking hours per week in Indian households are down from 14 hours per week in 2014 to 11-12 hours per week."

	 India	 US	 China
Population (Billion)	1.38	0.33	1.44
Access to Internet/Population (%)	49	94	68
Online Food Delivery Market (\$ Billion)	2.9	49	110
Restaurant Food/Food Consumption (%)	8-9	47-50	42-45
Online Food Delivery Users (Million)	50-55	100-125	500-550
Online Food Delivery Users/Access to Internet (%)	8	38	53

Source: Zomato Ltd. DRHP

to food for consumers has witnessed a substantial increase. While online food services in India remain under-penetrated, there is a strong likelihood of steady growth. This growth is being propelled by evolving consumer behavior, reduced reliance of millennials on **home-cooked food** and **kitchen setups**, the rise in **consumer disposable income & spending**, and increasing adoption among smaller cities.

As John Pershing once said, *"Infantry wins you the battle, logistics wins you the war"* this quote aptly summarizes the vital role that efficient food logistics plays in the ever-evolving landscape of the food delivery industry.

Labour Force Participation Rate (LFPR) in % for persons of age 15 years and above

Period	Rural		Urban		Rural + Urban	
	Male	Female	Male	Female	Male	Female
2022-23	80.2	41.5	74.5	25.4	78.5	37.0
2021-22	78.2	36.6	74.7	23.8	77.2	32.8
2020-21	78.1	36.5	74.6	23.2	77.0	32.5
2019-20	77.9	33.0	74.6	23.3	76.8	30.0
2018-19	76.4	26.4	73.7	20.4	75.5	24.5
2017-18	76.4	24.6	74.5	20.4	75.8	23.3

Source: Annual Report Periodic Labour Force Survey (PLFS) 2022 - 2023

The Ascendance of Food Logistics:

The food delivery business has undergone a remarkable transformation, emerging as a revolutionary force for restaurants. A decade ago, only a limited number of restaurants could provide food delivery services. However, with the advent of food aggregators like **Swiggy and Zomato**, access

UNLISTED COMPANIES IN EXPANSION MODE



Lite Bite Foods Pvt Ltd: The management of Lite Bite Foods Pvt Ltd. has pointed out plans to aggressively expand "Punjab Grill" one of its most well renowned fine dining brands by deploying about ₹200 cr to expand the footprint of its restaurants to 100 restaurants in the next 4-5 years

Jumboking: Indian burger brand Jumboking aims to investing aggressively to open 250 outlets over the next 5-6 years, mainly in Tier II/III towns



Everstone: Over the next decade, Everstone plans to add 2,000 Subway restaurants across India, Sri Lanka and Bangladesh. The agreement promises to more than triple the chain's size in the area. As per EMEA president at Subway, the restaurant's presence across India will more than triple over the next 10 years

Bikano: Bikano is looking at strengthening its production facilities with a ₹100 cr capex in 2 to 3 year's time, which will include one in Hyderabad mainly to cater to the south and west Indian markets



Wow! Momo Foods: The quick-service restaurant chain, Wow! Momo, has secured ₹75 cr in funding during its Series D round from Value Quest Capital. This investment is aimed at supporting Wow! Momo's expansion strategy, which includes opening additional stores, establishing cloud kitchens, and venturing into the new segment of Wow! Kulfi

Haldiram: Future endeavors are ambitious and involve diversifying their business, particularly with a strong focus on entering the bakery sector. They are also considering an initial public offering (IPO) in the near future, and they aim to grow their dine-in restaurant chain, with aspirations to increase the number of restaurants to 100 in New Delhi and 30-40 in Nagpur with a global expansive vision



Lenexis Foodworks: Wok Express/Chinese Wok a brand under the Lenexis Foodworks umbrella is working towards opening 300 stores over the next 3 years and expand to pan India cities like Delhi, Bangalore, Hyderabad, Indore, etc.

In conclusion, the QSR sector in India is very dynamic and ever-evolving that perfectly embodies the phrase "**You are what you eat!**" It's not just about food but also about innovation, convenience, and changing lifestyles. As we wrap up our journey through the QSR landscape, it's evident that India's food service sector is on the **cusp of remarkable transformation, with QSRs leading the charge.**

So, whether you're a food enthusiast, an investor, or simply someone who enjoys delicious meal. The QSR sector in India has something to offer for everyone.

Hope it was a good read!

----- Thank You for reading!! See you Next Month! -----

Some Interesting Finds

- 🔗 Food Services Industry in India
- 🔗 Ep# 12 | WTF is The Restaurant Game?
Nikhil w/ Pooja Dhingra, Zorawar Kalra & Riyaz Amlani
- 🔗 Is WESTLIFE getting ready to Rule Indian QSRs?

**Click on the Above Text Access the Links*

 **Bon Appétit!**

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