WESTLIFE FOODWORLD LTD.
[Formerly known as Westlife Development Ltd.]
Regd. Off.: 1001, Tower-3 • 10th Floor • One International Center•
Senapati Bapat Marg • Prabhadevi• Mumbai 400 013
Tel : 022-4913 5000 Fax : 022-4913 5001
CIN No. : L65990MH1982PLC028593
Website :www.westlife.co.in | E-mail id : shatadru@westlife.co.in

15th May, 2023

To,
BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

Sub : Compliance with Regulations 30 of the SEBI (LODR) Regulations, 2015, submission of transcript of earnings conference call for the quarter ended 31st March, 2023

Re : Westlife Foodworld Ltd. (formerly known as Westlife Development Ltd.) ("the Company") : Scrip Code-505533

Dear Sirs,

In compliance with Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of earnings conference call for the quarter ended 31st March, 2023.

In this regard, the transcript of the said earnings conference call has also been uploaded on the Company's website and can be accessed at the weblink: https://westlife.co.in/investors-earnings-release.php

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For **Westlife Foodworld Ltd.**

Dr Shatadru Sengupta
Company Secretary

Encl : as above

Westlife Foodworld Limited
Q4 FY23 Earnings Conference Call

May 09, 2023

MANAGEMENT:

- Mr. Amit Jatia – Vice Chairman
- Ms. Smita Jatia – Director
- Mr. Saurabh Kalra – Managing Director
- Mr. Akshay Jatia – Executive Director
- Mr. Saurabh Bhudolia – Chief Financial Officer
- Mr. Chintan Jajal – Lead Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to the Westlife Foodworld Limited Q4 and Full Year FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

We would like to remind you that certain statements made by the management in today's call may be forward-looking statements. These forward-looking statements reflect management's best judgment and analysis as of today. The actual results may differ materially from the current expectations based on a number of factors affecting the business. Please refer to the safe harbor disclosure in the earnings presentation. I now hand the conference over to Mr. Chintan Jajal. Thank you, and over to you, sir.

Chintan Jajal: Thanks, Bikram. Welcome, everyone, and thank you for joining us on Westlife Foodworld Earnings Conference Call for the fourth quarter ended 31st March 2023.

I am Chintan Jajal, Lead IR Westlife. From the management team, I have with me have with me Mr. Amit Jatia, Vice Chairman; Ms. Smita Jatia, Director; Mr. Saurabh Kalra, Managing Director; and Mr. Akshay Jatia, Executive Director; and Mr. Saurabh Bhudolia, Chief Financial Officer. We will kick off today's conversation with Smita sharing her thoughts on overall business progress and outlook. This will be followed by Akshay taking us through operational, financial, and strategic highlights. Post that, we can open the forum for questions and answers. We will be referring to earnings presentation and financial releases available on the stock exchange and the Investors page of our website.

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

Smita Jatia: Thank you, Chintan, and a very good afternoon to you all. On behalf of the Westlife Foodworld team, I'd like to warmly welcome you to our investor update. It gives me great confidence and happiness to share that we have delivered another strong quarter, resulting in a record year.

We can say with great optimism that our strategy is generating growth and strengthening our brand year after year, and we have now established a new baseline to build upon. We also acknowledge that our strong performance is a result of great teamwork and individual efforts. Towards that end, we are rewarding our employees with the highest ever variable pay. We also celebrated our success in a grand convention in Pattaya, wherein 650 of us together and aligned to the organizations vision. We achieved the execution excellence through our focus on menu, meals, and branding.

Our increased sales reinforced our belief in our bricks and clicks Omni channel strategy, in which dine-in and convenience channels complemented each other, providing consumers with more occasions and options to experience us. We have consistently driven efficiencies in utilities, supply chain and productivity, resulting in margin improvement. Our consistent focus on the right network and economics, cost management and profitability and seamless service at every customer touch point throughout the year has enabled us to build a strong business model, which is broadly debt-free and a much-loved brand.

Our expansion plans are on schedule to add 40 to 45 new restaurants in FY '24. If we continue to grow at this rate, we will be well positioned to provide all our stakeholders with accelerated business results and long-term value. We also promised a strong succession plan for the company and to that end organization elevated Saurabh Kalra, our COO, to MD with effect from March 2023. I'm also delighted to inform you that Rohit Kumar and Sohail Nalwalla joined our team as CHRO and supply chain Head, respectively. We are confident that the knowledge and expertise of our management team will continue to enable our differentiation.

In conclusion, I'd like to say that I'm proud of the remarkable progress we've made on our strategic growth levers, which include driving profitable growth, increasing wallet share, exploring whitespace space opportunities, expanding our geographic footprint, and increasing market penetration. I believe we are on a strong growth trajectory and will continue to build on all our competitive strengths and further our business advantage.

I'd like to thank all our shareholders, customers, partners, and employees for their contribution to our strong performance. I will now request Akshay to share the operational highlights of the quarter gone by.

Akshay Jatia: Good day, everyone. I hope you have been able to go through the numbers. FY '23 was a great year for us, where we executed our strategic goals flawlessly. During the year, we have grown from strength to strength, achieving market-leading performance across all core parameters and establishing a new baseline with the highest ever annual sales at INR22.7 billion, backed by 36% same-store sales growth. Our average unit volumes crossed INR66 million with nearly 60% of sales driven through digital. Our EBITDA margin was the highest ever at 17.3%, while ROCE stood at 31% with a strong financial position. Looking at the year, we can finally say we have a emerged bigger better bolder, which is what our goal was when we entered the COVID period.

Moving to quarter 4, it is very encouraging to see that the growth trend has persisted across channels, geographies, and the portfolio. Overall, sales during the quarter grew by 22% year-on-year on the back of very healthy same-store sales growth of 14%. Our on-premises business gained significant traction by growing 38% year-on-year, led by continued strong uptick in the dine-in business. A key driver of this performance is our robust value proposition backed by relevant offerings and consistent investments in modernizing our restaurants, which offer memorable customer experiences.

As of March end, over 72% of our restaurants are in the experience of the future format. Our off premise business continued to rise steadily on a high base, contributing over 40% of the business. Our McDelivery platform continued to grow at 1.5x the growth of third-party operators. We introduced our new McDelivery app in March. It has a highly scalable market which significantly enhanced user experience design. It will help us drive much higher levels of consumer interaction, while offering the ability to manage greater order volume during peaks. Our menu innovation centered around burgers, meals, chicken and McCafe continues to work well for us and captures the diverse consumer preferences.

Our Chicken Big Mac launch elevated the Mac platform and burger meals while bolstering our market position in chicken. McCafe beverages also grew strongly. I'm pleased to share that we saw continued improvement in our great-tasting burger scores and coffee scores, which stood at the highest ever mark in Q4. Geographically, west, and south markets continue to grow steadily. Digital sales in Q4 jumped sharply to 62%, led by improvements in self-ordering kiosks and an increased number of EOTF stores.

Moving to Slide number 10 on profitability. We saw an overall improvement in margins. Gross margins improved by 371 basis points year-on-year, led by onetime volume delivery incentive, cost savings and flow-through of earlier pricing actions while EBITDA margins grew by 51 basis points to 16.5%, with gains being partially offset by higher G&A. Our cash PAT stood at INR567 million in Q4, implying a 10.2% margin. During the quarter, we added 18 new restaurants achieving the annual target of 35 new restaurants in FY '23. With this, we now have a total of 357 restaurants, including 311 McCafes, 68 Drive Thrus and 220 EOTF restaurants across 56 cities.

Going ahead, we have further stepped up our plans to add 40 to 45 new restaurants in FY '24, eventually moving towards our vision of having 580 to 630 restaurants by 2027. I would also like to touch upon another topic, which was discussed doing strategy day back in early December. As you would have noted the business is generating a healthy amount of cash, perhaps slightly more than what we will need for network expansion, capex, and other business activities. Hence, we were working on refreshing our dividend distribution policy with an aim to balance shareholder reward while retaining sufficient capital for growth.

Accordingly, today, the Board approved an updated dividend distribution policy which guides for maintaining around 25% dividend pay-out ratio subject to conditions mentioned in the policy. The policy document will be available on our corporate website shortly. Also for the first time, Hardcastle Restaurants Private Limited, our wholly owned subsidiary proposed a dividend to Westlife.

I will end by saying that we had a strong quarter and a remarkable year. We are happy with our achievements so far but aiming much higher. I now hand over the call to the moderator and open the forum for your questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We will wait for a moment while the question. Take our first question from the line of Jay Doshi from Kotak.

Jay Doshi: Hi, thanks for the opportunity and congratulations on a fairly decent SSSG performance. My question is can you give some color in terms of how SSSG trends have been during the course of March quarter Jan, Feb, March and continuing into April. Have you seen any deceleration in general? Or has it been more of stable for you?

Amit Jatia: Thank you, Jay. I'll have Saurabh answer the question.

Saurabh Kalra: Okay. I think it's a good question. I think same-store sales growth for us in Q4 was robust. As we've also outlined in the deck that we see this last year as a new baseline, which has been established. And from here on, we expect what we have talked about in Vision 2027, which is high single-digit same same-store sales growth coming into account. And we believe from that standpoint, what we delivered last quarter was quite robust and quite good.

Jay Doshi: Thank you and congratulations Saurabh, on your elevation. My second question is on -- it's a bookkeeping question. Could you please provide us breakup of capex, the INR270 crores capex that you've done in the year spread across new stores, EOTF initiative or any other upgradations?

Amit Jatia: Amit, here. So sorry, we don't share breakup of our capex, but broadly 60%, 70% of that is into new stores.

Jay Doshi: Understood. So in that case, is there any significant inflation in per store per restaurant capex that you've seen given the inflationary environment? Because if I'm not mistaken, INR270 crores, of which CWIP increases 20. So INR250 crores would be of that 60% could be INR150 crores for 35 gross store openings. So am I and it comes across a little over INR4.25 crores. So whereas our earlier impression was 3.25 or something, including McCafe.

Amit Jatia: Yes, let me start -- so you see store capex. Therefore, we always give a range. And I think we had talked about it in the last call as well, where we are now sort of between INR3 crores and INR4 crores. So for example, if you do a Drive Thru, it's on the higher side and now McCafe along with the EOTF and certain higher design standards that we are now following, would stay in the INR3.5 crores to INR4 crores range. Also remember, we have not only increased the penetration of McCafe, now almost 311 restaurants. Also now EOTF is in 72% - 73% of our restaurants. So there's a lot of incremental investment that has gone to keep our facilities modern.

Also, I mentioned this in the past, at least I'm a strong believer that you've got to keep your facilities, your asset base, very modern and relevant. And even by global McDonald's standards, in fact, 95% of our stores are in that category. So we have invested a lot of money into that.

There are some IT investments as well on information technology as the base is increasing. Just to give you a small example, with 350 restaurants, different cities, price points, product, deals could be different. We put in a central file management system that allows us to manage our menu across all these stores sitting from the corporate office itself and some investments in technology around our app and so on. So like I said that it's not all into new restaurants. But I hope I answered your question.

Jay Doshi: Thats helpful. One final follow-up there. So next year, you are targeting 40, 45 stores versus gross to openings of about 35, 36 there. So there will be 30% higher store opens. Will this absolute number of INR270 crores go up? Or do you think that the other capex that you are doing will probably not grow or will moderate?

Amit Jatia: So our typical capex range is between INR200 crores to INR250 crores. And I think we will continue to maintain that.

Moderator: We take the next question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Congratulations for good set of numbers. I just wanted to check, between last quarter and this quarter, we have added 4 new cities. So would you give us some color, some sense how this SSG is panning out? And maybe if you have now touched upon the 67 million average store sale, what are the store sales happening in these 4 cities over, say, quarter 1, quarter 2?

Amit Jatia: I mean, we don't break up our SSG by cities, to be honest. And essentially, as I think we said in our presentation as well, that we are seeing the smaller cities respond extremely well. A lot of it has to do with aspiration and when especially the new experience of the future restaurants, along with McCafe opening in these new cities, we are seeing the response pretty good. So I would say that it is a [inaudible] but we don't share breakup, unfortunately.

Shirish Pardeshi: Amit that may be a number? Just let me clarify. Is that number is significantly higher than 14%?

Akshay Jatia: No. So what we've said in the past is that when we have gone into smaller towns and newer cities, we've seen a very good response for the brand because our product market fit and brand relevance has only been increasing. As a result, a smaller town have performed very well, and they inch up to the system average quite fast. I think that's all we said in terms of color, and we continue to maintain that.

Shirish Pardeshi: Sure, sure. That's helpful. My second question is that in this quarter, have we taken any price increases? And a second question to Saurabh is that what is the inflation rate we are facing at this time?

Saurabh Kalra: So from a pricing standpoint, we haven't taken any price increase yet. We typically take 2% to 3% a year. In this year, we will take 2% to 3%. Inflation, like all of you know, is generally in the range of what normal India range is, which is 4% to 6%. I think we have operated the business for 25 years with that range. The normalcy has restored unlike last year, where there was excessive inflation. There are some commodities like dairy, which are still having a little bit of inflation, but nothing out of manageable range, I feel very comfortable on the way we have been able to manage inflation and we'll continue to do that.

Shirish Pardeshi: Okay. My second last question, we have now 220 EOTF rather, which covers almost 72%. And during the Investor Day, you said that very quickly, you want to go to 100%. So does that mean that all the new stores that we are opening will essentially have a EOTF feature?

Amit Jatia: Yes, yes. Absolutely.

Shirish Pardeshi: Okay. Okay. And my last question on the -- I'm sure you will not give me the number. But this Big Mac spot, what we have done, what would be a rough contribution maybe if you can share in terms of revenue or volume or in terms of SSG growth.

Amit Jatia: So as you rightly guessed, we don't share a breakup of our product mix. So sorry to share that we may not be able to.

Shirish Pardeshi: No. I mean I wanted to check this part is really helped. So it shows in the numbers. So such interference, you will do more of in FY '24? Or it's just one of the learning...

Amit Jatia: No, no. I mean, as I've said before, our menu is a very, very important part of our growth around SSG. And we you have to engage with the consumer, and we have 3 or 4 different ways in which we engage with them. And that, hopefully, that might give you some sense. So one is where we do what I call limited timeline line extensions. So we may take the McSpicy Chicken and play with it a little bit and give lovers of McSpicy Chicken a slight different flavour or something new to look forward to.

Then there are platforms and platforms are like the fried chicken where we've launched that particular platform itself. And then there are some other just seasonal things that we do, which in Diwali, we may do something or if there's a movie like Minions, we may do something with banana -- so this is how we deal with it. So you will continue to see us do things around premium, around value. It will fit the particular situation in the marketplace at that time. Right? So like gourmet burgers, I must say, was a quite interesting thing because everybody thought and that is ended, McDonald's ended with Aloo Tikki and McVeggie. But we clearly demonstrated that gourmet burgers have done well, and they are here to stay. And more recently, we did a Piri Piri extension around that, and that has worked very well for us as well.

Shirish Pardeshi: I got that, Amit, I was just trying to push you to give us some sense that is there any target the management is working that certain contribution should come from the new experiments or new product development or something like that?

Akshay Jatia: No. I think that our entire goal is to grow average unit volume, and we do that through this multi-category multi-day-part approach because we believe we're relevant across all these categories. We stand for all of them as leaders. So that's the approach when we look at new product development because we want to launch platforms. And within the platform, we do limited time offers, as we were saying. But the entire objective is to grow average unit volumes.

Amit Jatia: So one last thing on this, maybe that helps you. So we keep pushing ourselves to look for lines like we did with McCafe. So for example, we will keep experimenting with things, which will give us a very large chunk of our business for day after tomorrow. So past examples around that are the fried chicken, McCafe and things like that. So we are constantly innovating to see because we are saying that at least 50%, 60% of our business has to come from innovation over a 2- to 3-year horizon. So that keeps the brand modern and relevant, which is the vision that we've set for ourselves.

Shirish Pardeshi: Sure. That's helpful. My last question on the margin. If you can help me, given the milk inflation, which is looking very high rather steep and cheese is also looking very steep in the medium to short term, I'm not saying guidance, but should we inch up the margin because you always have the price increase lever with you. So any indication that we should we inch up more or we will take some time to improve the margin?

Saurabh Kalra: Like I said, I think the inflation is absolutely in the range we should be able to more than easily manage the inflation at this current stage of state of where it is right now. So from -- we don't give any future guidance. But obviously, we are comfortable managing it and continuing with the momentum which we've got as far as margins are concerned.

Moderator: Thank you. We'll take your next question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Congrats on a good set of numbers. My first question is on the gross margins, which have sequentially expanded 170 bps, so 3Q versus 4Q. Could you give some idea as to what has driven this 170-bps expansion?

Amit Jatia: Yes, sure. So I'll have Saurabh answer that.

Saurabh Kalra: Yes. So obviously, so we have given a bridge in terms of how in the presentation also. But if you look at it broadly, if I zoom out, then obviously, there have been inflation, which is reduced, etcetera, etcetera. We do go into renegotiation in the time of January. So some of it is the benefit which has come on the system, which is here to stay. And some of it is onetime, which is an advantage in terms of volume benefit, etcetera, which is flown back in the P&L in quarter 4. So that's how it is.

Percy Panthaki: Okay. So basically, the 71.9%, which we are seeing in our Q4 that is a more or less sustainable number is what you see?

Amit Jatia: See how -- this is Amit here. How I look at gross margin. As I mentioned before, I feel that we are in very good territory with gross margin, 100 bps here and there is hard to sort of determine. At the end of the day, it's about finally delivering the operating EBITDA. So sometimes that line item goes up, and sometimes one other line item goes up. But I would keep 100 bps plus/minus. And I would say that's the range in which we will deal with. I think Saurabh would also like to add...

Saurabh Bhudolia: Yes. This is Saurabh Bhudolia. And there is like a slight change this time, while we were doing the accounting of entire COGS, as the company has taken a few measures where we have started doing part of our production through the job worker, and expenses which is related to processing charges has been recouped from COGS to other expenses as processing charges. So if you see the like-to-like my gross margin should be for the quarter would be in the range of around 68.2%, because of this regrouping, it has went up to 71.9%. This entire regrouping impact has been given in the presentation for all the 5 comparable periods so that the apple-to-apple comparison can be done...

Percy Panthaki: Right. Got that. But there is still a sequential increase, and I was just asking the drivers for that. So got that. Second question is, over the next 2 to 3 years, what would be your main top line and bottom-line drivers. Like, for example, over the last 3, 4 years, McCafe was a big driver. But now with McCafe present in a very high percentage of stores, EOTF also presented a very high percentage of stores -- what are the drivers for the next few years because these drivers have served us well in the past, but they have sort of already caught up in terms of percentage penetration to a very large extent. Yes. So that's my question.

Akshay Jatia: Yes. So Percy, we had our strategy day in December, and we spoke about the next phase of growth being very similar, right? We've highlighted that our core remains burger. chicken. coffee. We're going to continue to double down on average unit volume growth through these categories. Secondly, we are a very strong digitally led company. So a lot of digital focus. We will continue to work on a growth pipeline as well, and we've discussed that too. So this is how we kind of build out that INR4,000 crores to INR4,500 crores of sales as a vision for 2027, and that's how growth will look like, but we'll -- I'll pass it on as well

Amit Jatia: Yes. So just to build on one what Akshay said that in the vision document which kind of describe what we will do. But I just also wanted to clarify that by no means have we even come close to scratching the surface on either McCafe or experience of the future. All we've done right now in the last 4 or 5 years is, one, get the platform across our network; and two, introduce the fact that McDonald's does beverages. We still feel there is a lot of room to play out in the beverage category. And similarly, the experience of the future, consumers are still understanding it. And day by day, it is helping us get a better yield on that and for consumers to feel more comfortable. Soon as they continue to use this after a few years further, consumers will now feel comfortable and as they get more comfortable, sales continue to grow. So I don't think it's over. I also wanted to add that along with what Akshay said.

Moderator: Thank you. We take the next question from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Congrats on a good set of numbers. So this off premise sales have seen some growth moderation in Q4 to about 5% despite launch of a new app. So what is the reason for that?

Saurabh Kalra: So I think, number one, a lot of our growth in the last full year has been on the back of dine-in. Now dining typically has got some amount of seasonality. We factored this kind of growth. We are very, very happy with 14% growth on a very high base. And we believe that this is something which is going to continue, and we'll be able to deliver our goals both for the year and for the next 5 years as we have talked about.

Devanshu Bansal: Great. And this 40% is it a optimum level of off premise mix? Or do you see further reduction in this sort of?

Saurabh Kalra: See, off-premises, on-premises, these are various channels to do sales, and that depends on the given point in time of where the business is. So for example, in the month of February, March where there are more exams, you will see off-premises business going up and on the other hand we see that turnaround in some other quarters. So we don't actually look on to off-premises, on-premises only from the length of percentages. I think as long as overall, the average unit volume is growing versus the previous year, we believe we are in a good space and growth has come from all channels so that on McDonald's true omni-channel experience comes to life across channels.

Devanshu Bansal: Got it. And the PPT mentions that McCafe has seen strong growth in this quarter. So what is the extent of recovery in McCafe sales relative to pre-COVID on a per-store level?

Saurabh Kalra: We don't give breakups. But having said that, I think we've already said last quarter that both Dine-In and McCafe are doing better than what they used to do pre-COVID.

Devanshu Bansal: Got it. Last question from my end. Sir, we have seen a very healthy top line growth, but G&A expenses sort of remained stable at about 6% in FY '23. Do you expect this level to sustain, or it can go down going ahead?

Saurabh Kalra: So I think one of the guidance which we need to look at is the annual number. This has been a phenomenal, phenomenal year for us, and we believe we have set up a new baseline on which we need to deliver beyond this in the coming years. If you look at it, I think Smita mentioned, we had our convention in Pattaya, 650 of us went and celebrated the great year. Also on the variable incentive, we have triggered a higher incentive than what was budgeted initially. So it's been a great year. It's -- some of it is onetime expenditure, which is coming to G&A. But to me, the way to look at the entire

P&L is with an annualized P&L for the entire financial year and through that financial year.

Amit Jatia: Yes. And longer term, as sales continue to rise, we do believe that there will be some benefits that we will get out of G&A as well.

Moderator: Thank you. Will take the next question from the line of Chirag Lodaya from ValueQuest Investment Advisors. Please go ahead.

Chirag Lodaya: Sir, my first question was on guidance on store addition. So we have said that we'll be opening 40 to 45 stores. Just wanted one clarification. Is it a gross store addition or a net for addition? And is there any seasonality in terms of store opening over the quarter?

Akshay Jatia: Sure. So we spoke about 42, I think, new stores in the coming year as being part of our plan. This is gross. We rarely close any stores. So at the most, it's a number of 1 to 2 or so. I'm sorry, could you repeat the second part of your question?

Chirag Lodaya: In terms of store openings throughout the year, is there any seasonality between the quarters?

Akshay Jatia: Yes. So I mean, what you've seen this year is you've seen a large number of openings in half 2. Our cycle times are long from identifying real estate to opening, especially as the opening more Drive Thrus. However, we look to even it out in the years to come. You will see marginally more store openings in half 2 this year as well probably. But we'll continue to kind of show you all the trend in the years to come as we ramped up our store opening plan.

Chirag Lodaya: And in terms of SSG, this year, we have done almost INR6.6 crores as average sales throughout the year. Do we expect high single-digit kind of this number? Is that the understanding are correct?

Saurabh Kalra: Yes. So the guidance we have given for the next 5 years is to maintain high single-digit SSG and new store growth on top of that. So yes, I mean, that is our plan as well.

Chirag Lodaya: And in gross margins, can you help us understand how -- what was the quantum of onetime volume delivery incentive?

Amit Jatia: So that comes every year. So it's more a quarter aspect. But essentially, as I mentioned in my earlier conversation that 100 basis points here and there, but I mentioned this even a year or 2 ago, but we continue to improve it, essentially, the focus about really to now grow gross margin, but at least to try and maintain it in this territory. The focus is really to grow sales and through operating leverage, bring profit to the bottom line.

Akshay Jatia: Yes. So as we mentioned, multiple in, it's about operating profit for us and that guidance, again, we've given in our vision statement. And we've spoken about how sequentially year-on-year improve our operating profit through multiple levers, operating leverage being one of them.

Chirag Lodaya: And just lastly, any plans to introduce chicken platform in West India? Or still it is a South phenomenon?

Amit Jatia: So currently, we retained this as a south phenomenon for now because it's still playing out extremely well over there. And when we think it's right, we may decide to do what we need to do. But for example, when you saw the chicken Maharaja Mac promotion, that was, of course, across West and South. So it is something that will evolve. But currently, the focus is to keep fried chicken in South India.

Moderator: We take our next question from the line of Amnish Aggarwal from Prabhudas Lilladher. Please go ahead.

Amnish Aggarwal: Congrats on some good set up numbers. I have a couple of questions. So my first question is that you can say there was a lot of buzz data demand in the various case segments in QSR that is slowing down. So what is your assessment? And what is the current state as we are sitting already in the month of May?

Akshay Jatia: So I think we've spoken about same-store sales growth delivered a very healthy number in the last quarter, and that is what we can comment on, right, as well in the current quarter. We maintain our plan like we said up high single-digit SSG for the year. So that's our outlook on demand as well as same-store sales growth.

Amit Jatia: And essentially, you see, at least from our point of view at McDonald's, we believe in growing the base line. And if you are continuously doing what I talked earlier about Horizon 2, like how we did McCafe few years ago. And similarly, we intend to do similar things in the future. We believe that by building baseline, as Akshay said, we will be able to maintain the same-store sales growth. And as long as we deliver that, I think what happens in the marketplace to some extent, is irrelevant, from our point of view. So we have to, of course, push harder, but we are quite confident that our foundation is strong to be able to deliver that.

Amnish Aggarwal: Okay. So that's very helpful. My second question is that next year, now we are aiming at adding, say, 40 to 45 stores. So I just wanted to understand that as we -- you can say, open now and new stores, while our average last year is on INR66 million throughput per store. So how is the performance in the new stores, say, in the first year or second year?

Amit Jatia: No, I mean, again, we don't share breakup of how stores age and all of that. But even these numbers that you've seen is with 35 new openings and before that, 25. So on our base, the percentage of new openings have been reasonably decent. So we don't -- we -- our belief is that the 66 has to go up, the $66 million volume per restaurant per year has to go up with new stores included in that.

Amnish Aggarwal: Okay. So it means you don't expect that any drag coming...

Amit Jatia: So whether this drag or not, we will give you a number higher than 6.6crs, is the endeavour -- so far, we've been able to do it through the last 5 years, I would say.

Amnish Aggarwal: Yes, yes, sure. And my final question is on the manpower cost in this quarter. So if you look at on a Q-on-Q basis, it has gone up from INR83.7 crores to INR92.6 crores. So just wanted to understand that, is there any onetime element in this?

Amit Jatia: Which number are we talking about?

Amnish Aggarwal: Payroll and employment benefits?

Amit Jatia: Payroll and employee benefits Yes. So that's to do with crew. You see what happens is, I mean, we has seen broken our P&L, and we are able to share for wise data. Now what happens is that as sales go up, your crew strength required goes up as well. Overall, I think if you look at it from a year-on-year basis, we've done extremely well. 9.1% has gone to 8.9%, and that normally comes through as well because as volume goes up, your incremental cost as a percentage goes down. In a quarter, things move up and down, it's hard to predict. So please look at it from a year-on-year basis.

Moderator: Take your next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: This is a question slightly away from Q4 numbers. What is recently happening in the QSR space as well as the food delivery space? How do you see this new opportunity of ONDC as a strategy? Or do you think it's an evolving one, and we have to wait and see how that helps the restaurants?

Amit Jatia: So how we approach new areas is that we register the fact that this is something to watch out for, and we start thinking about how we could sort of apply and utilize that. So there is a lot of conversation around what its implications are from our business point of view and that is something that will evolve quarter-on-quarter. So we will share more data as it evolves.

Madan Gopal: Okay. So as of now, you are on an assessment board?

Amit Jatia: Correct.

Madan Gopal: But definitely, as a platform, it all works well. There is one will be a difference from a margin perspective, more accretive compared to the existing channels, right?

Amit Jatia: No, I don't think so. I don't think it's going to be more accretive. I mean, again, you have to look at my comment consistently over the last 5 years. We've always been proponents of delivery. And while I see a lot of news items around how the industry is sort of up in arms against these aggregators, our belief has been, it is collaborative. You've got to participatively work out a business model that's a win-win for both because finally, the consumer is consuming our food outside of our restaurants on the delivery platform.

So we have been able to build our business model where it's all right for us to work with the 3PO as well which is reflected in our margin growth as well, that even the delivery business growing as a percentage larger than in-store in the last 2 to 3 years, if you noticed our margin has moved up quite well. So I don't have this stage it's too early to say that it will be margin accretive or not. But I'm just trying to say that it's already a decent margin for us in the current platform itself.

Moderator: Thank you... Take your next question from the line of Amruta from Wealth Managers India Private Limited. Please go ahead.

Amruta: So my question is regarding McBreakfast and how is the acceptance around the excess menu? And like does it have a sizable revenue contribution to the top line?

Amit Jatia: I'll answer the easy one. I'll give a more difficult one to Saurabh. So the easy one is we don't share the breakup of our breakfast sales, but I'll let Saurabh explain what breakfast does for us.

Saurabh Kalra: Yes, to me, I'll give you the flavour. We are the only player in the QSR industry doing breakfast out of home breakfast consumption at an India level is small. And our job is to grow this. Obviously, we prioritize based on the levers we have and what can maximize our revenue. So breakfast is always in the consideration set. It is in a horizon. We will put money on breakfast at some point in line, but we already see great green shoots. For example, if you look at the highway restaurants, especially on Mumbai Pune, I don't think anybody can miss the Mcdonald’s breakfast at Kalamboli and the restaurants on the highway. So we see great traction. We have to be able to be invested in breakfast as our take. And over a period of time, you will see as the breakfast market also starts to explode. Mcdonald’s is emerging, being the leader, and continuing to maintain its share of very, very high percentage of breakfast in the QSR industry.

Amruta: Sir, right now, like do all the McDonald's outlet serve breakfast? Or is it not proportion?

Saurabh Kalra: No, that's not the case because some of the malls open late. So we've got around 130-odd restaurants, which do the breakfast. So mostly all the restaurants which do not have any issues in the timing do breakfast. And all of them do very decently well. And we would like to keep the breakfast running and add to its value as we see that there is a big opportunity emerging.

Moderator: Thank you. We take your next question from the line of Kapil Jagasia from Nuvama Wealth Research. Please go ahead.

Kapil Jagasia: Sir, my first question is, during your 5-year vision meet, you had indicated gross margin target of 67% by 2027. And already, you are touching much higher margins around 68% in the last 2 quarters. So is it that like any improvement in margins going forward would be driven towards this new capex initiatives for tech and probably more of EOTF just your thought process on this?

Akshay Jatia: Sure. So if you see the annualized margin, I think we are probably roughly around 67-odd percent. And if you look at how margin works year-on-year, definitely, we strive to show some improvement, but food inflation in our country is pretty volatile. So as a result of that, we broke out 4 or 5 levers in terms of how we plan to drive operating profit moving forward. Gross margin is one of them, which we'll continue to work on. We will have a few years where it will marginally go up and probably stabilize. However, a lot of the growth is going to come from operating leverage, increasing sales, doubling volumes , as we've spoken about in our strategy mix. And as a result of that, we will see a lot of operating leverage increasing our operating profits.

Kapil Jagasia: Okay. And just to get my number right, you had indicated price hike of 2% in the coming year, right? So like for us, we would be taking a price of closer to inflation. So are we seeing less of inflation for us in the coming year? Or are we just taking a lesser price like because of increased competition? Just your thoughts on this?

Amit Jatia: So again, we've been very consistent with our price policy. Typically, we take between 2% to 3%, and it all depends on the situation at that time. At this point in time, no price increase has been anticipated, and that's where it is. In some very good years, we've not even taken a price increase. But typically, we prefer to stay at the 2% in great years. And when inflation is higher, we may go to the 3%, 4%. That's where it stands. So at this point, we haven't decided, but that's typically our principle how we think about it.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. And I would now like to hand the conference back over to the management for closing comments. Over to you, sir.

Amit Jatia: Yes. No, thank you, everybody, for participating on the call today. We really appreciate it. Have a lovely evening and talk to you soon.

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

Disclaimer: Please note that this transcript has been edited to correct any inadvertent grammatical inaccuracies or language inconsistencies that may have occurred while speaking.