



**RESTAURANT**  
INDIA.IN

## ACKNOWLEDGEMENT

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We are thankful to all team members who have contributed to this white paper including -

Mr. Deepak Yadav  
**Director & CEO, Francorp**

### References

- Edelwiss QSR report
- R&R reports
- Nirmal Bang
- Statista
- IMARC Group

# Executive Summary

## Key findings in the whitepaper

- 1.** The food service market of India was valued at USD41.1 billion in 2022 and is anticipated to grow at a CAGR of 11.19% and reach USD79.65 billion by 2028. The Global food service industry is forecast to reach 4.43 trillion in sales in 2022.
- 2.** 96% of operators experienced supply delays or shortages of key food or beverage items in 2021 – and these challenges will likely continue in 2022-23.
- 3.** As a result of inflation, nearly 51% of consumers are either dining out less or ordering less frequently. Nearly 40% of consumers are ordering fewer items or ordering less expensive items in their order.
- 4.** Employment figures in the food services industry in India amounted to over 7.3 million in 2021. Despite over two million jobs lost during the peak of the COVID-19 pandemic, the industry is expected to reach 10 million by 2025.
- 5.** India's Quick Service Restaurants Market is estimated to be USD 690.21 Mn in 2022 and is expected to reach USD 1069.3 Mn by 2027, growing at a CAGR of 9.15%. Over FY20-25, the QSR chain market is estimated to be the highest-growing sub-segment--23% CAGR—of not just the chain market, but also the entire foodservice market.
- 6.** Online partnerships have enabled restaurants to increase overall topline by 30% with incremental sales coming in from online channel.
- 7.** More than 20 Indian Origin brands have expanded to have 75-100 stores and more in India in last half decade where even pandemic could not stop their growth. Of this about 10 Brands have over 100 stores of which 5 brands have over 150+ stores.

# State of Restaurant Industry 2022

The restaurant Industry has a broadened definition before the pandemic and includes All meals and snacks, and liquor prepared away from home including all takeout meals and Beverages.

**T**he 2022 State of the Restaurant Industry is showing new trends developing that are critical to the industry's success in the coming year. Overall the industry is in a highly disruptive state of affairs And

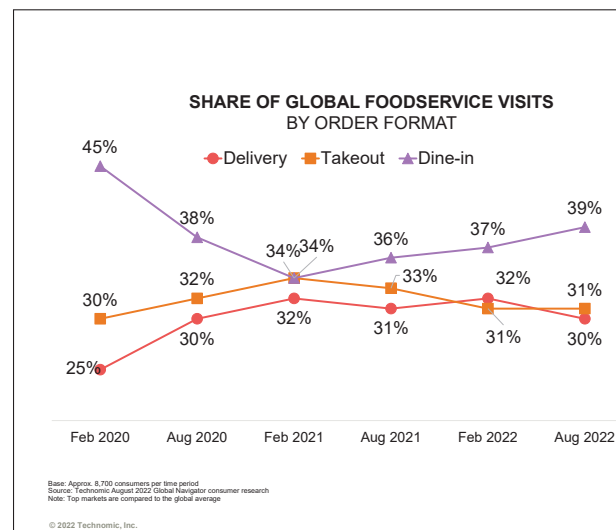
Inflation is one of the major operational challenges in the industry. The market value of the Indian restaurants and food service industry was about four trillion Indian rupees as of the fiscal year 2020. While the restaurants and food service market in the country is divided into two segments, the unorganized segment accounts for the major share of the market size. Nevertheless, the organized sectors grew at a strong rate between 2014 and 2020. India's foodservice market is anticipated to project robust growth in the forecast period with an impressive CAGR of 11.19% and reach USD79.65 billion by 2028. The value of the chain segment, including quick service restaurants (QSR), more than doubled and saw a 9.3% increase in the value of the Global Foodservice industry after subtracting the inflation rate at 4%. The unorganized segment comprises individuals or families selling ready-to-eat food through vendors, dhabas, food carts, street stalls and more. Based on the Survey, the take-away and home delivery segments are seeing moderate growth after at a higher growth rate between the FY2020 and FY2021 period as compared to dine-in segment which is now growing steadily from FY2021

**12.4%**

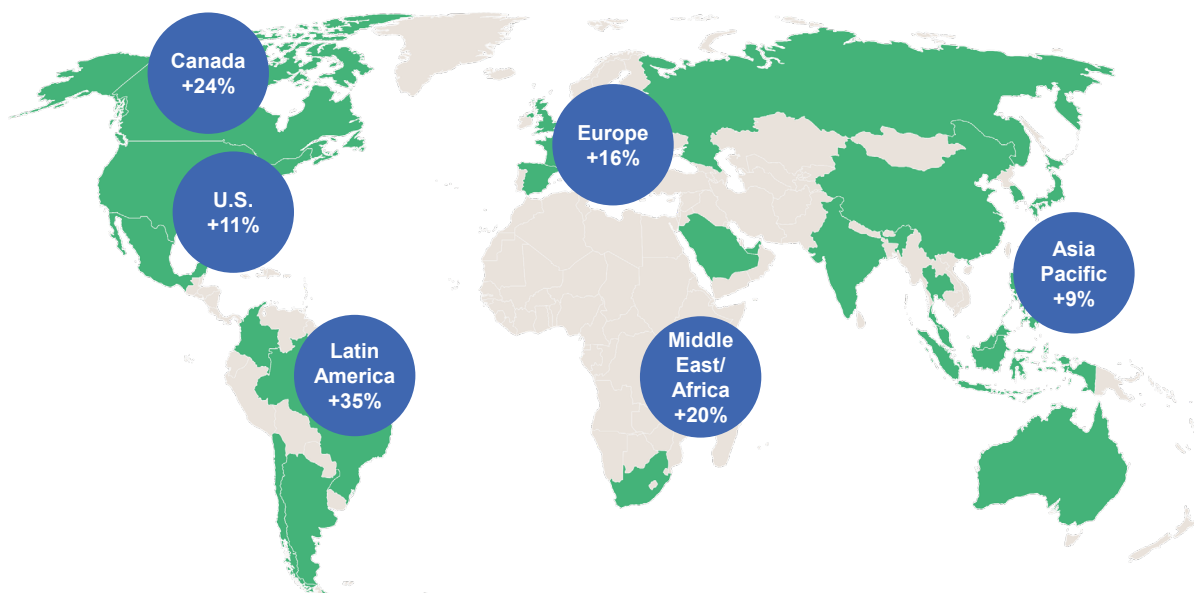
Growth in Value in 2022 (Preliminary)

**16.8%**

Growth in Value in 2021



## FOODSERVICE IN 2022 GLOBAL CHANGE IN SALES



# Economic overview

## GDP GROWTH IN 2021-22

GDP in India is expected to reach 2980.00 USD Billion by the end of 2022, according to Trading Economics global macro models and analysts expectations. In the long-term, India's GDP is projected to trend around 3000.00 USD Billion in 2023 and 3450.00 USD Billion in 2024, according to our econometric models.

"Real GDP at Constant (2011-12) Prices in Q1 2022-23 is estimated to attain a level of Rs 36.85 lakh crore, as against Rs 32.46 lakh crore in Q1 2021-22, showing a growth of 13.5 per cent as compared to 20.1 per cent in Q1 2021-22," ministry of statistics and programme implementation stated.

## INDIA CONSUMER CONFIDENCE INDEX 2022

Consumer spending, which accounts for nearly 55 percent of economic activity, has been hit hard following a rise in prices of food and fuel, though monthly inflation has moderated in the past three months. Consumer confidence has been on recovery path since July 2021 after the impact of the COVID-19 pandemic waned; though the current situation index (CSI) remained in negative terrain, it improved in the latest survey round on the back of better sentiments on general economic situation and spending (Chart 1 and Tables 1 and 6).

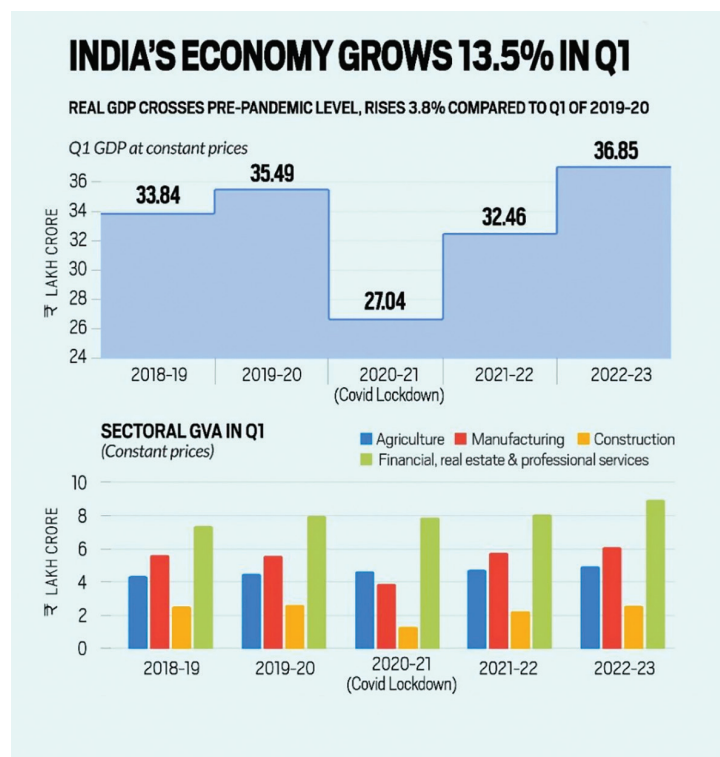
Households expressed pessimism about their current income but a majority of them expect higher income over the next year

The expectations on employment conditions have moderated since March 2022 survey round but they remained in positive terrain. Consumer confidence for the next one year, as measured by the future expectations index (FEI), remained steady and the expectation at the aggregate level remains close to its level in the previous survey round

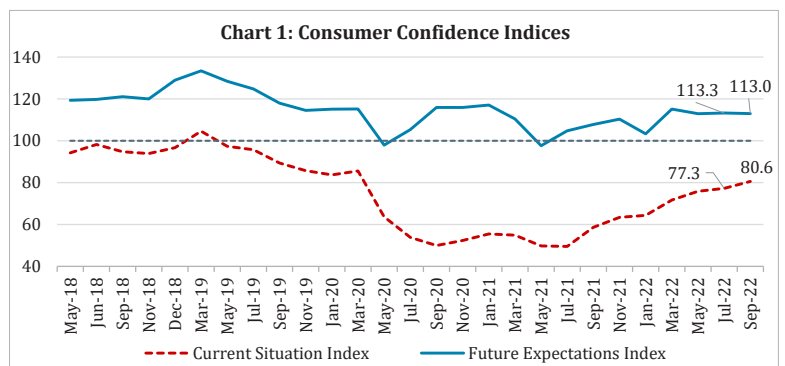
Most households reported higher current spending, which was mainly driven by essential spending; nearly three-fourths of the respondents expect further rise in overall spending over the next year and another 20 per cent expect it to remain around the prevailing levels

Consumer spending across India amounted to over 22.6 trillion rupees by the end of second quarter of 2022. Since having declined in 2020 due to the COVID-19 pandemic and the lockdown period, consumer spending across the country made a sizable recovery rapidly in spite of forecasts predicting this revival to occur during the second half of 2021.

India's gross domestic product (GDP) grew at 13.5 per cent during the April-June 2022-23 quarter (Q1 FY23),



SOURCE: BUSINESS TODAY



SOURCE: RBI

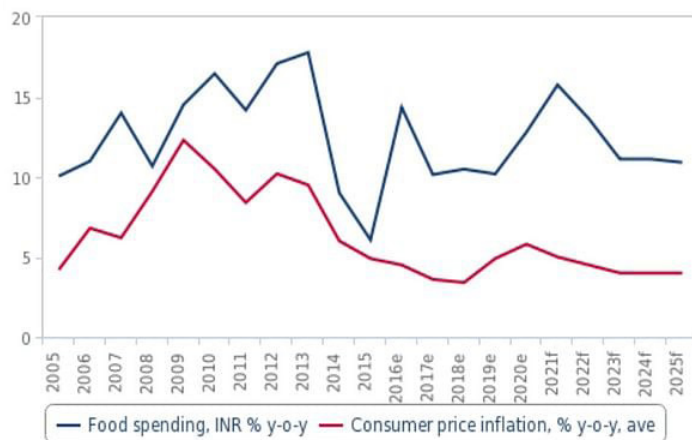
## DISPOSABLE PERSONAL INCOME

India's per capita net national income or NNI was around 150 thousand rupees in the financial year .

In 2018, expenditure on food per capita for India was 372.2 US dollars. Expenditure on food per capita of India increased from 193 US dollars in 2009 to 372.2 US dollars in 2018 growing at an average annual rate of 7.73%.2022. The median age in India in CY20 is estimated to be 28.7 years compared to 38.5 and 38.4 years in the United States and China, respectively. The growing working-age population has been a key factor contributing to the growth of the food business. The working-age population in India has risen notably, from 36% in FY2000 to 49.8% in FY2019 and the momentum is expected to continue, leading to rising income levels per household besides high discretionary spending in the long term.

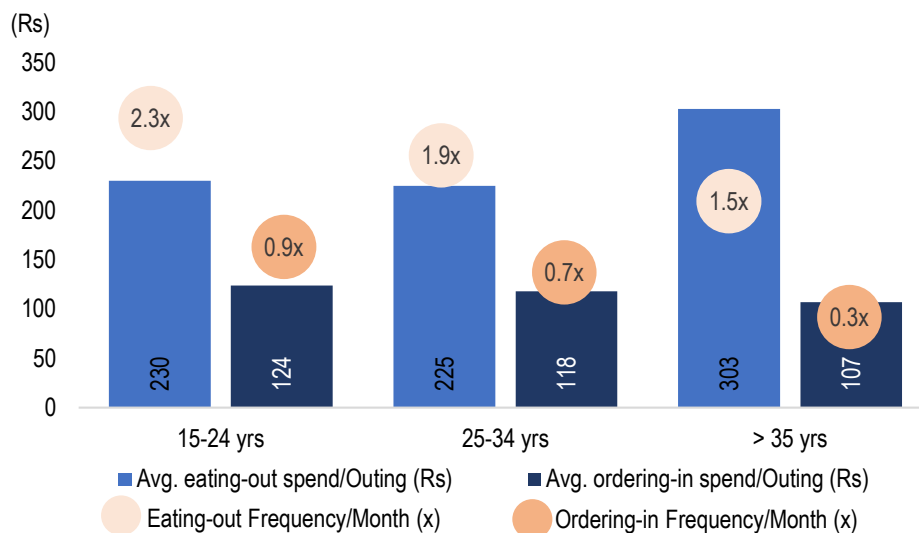
Increasing trend of consuming outside food, led by the millennials When it comes to consuming meals, most research studies have shown that the millennials (15-34 years) have lower willingness and lack of time to cook, leading to a strong preference for convenience. Their willingness to experiment, urge for variety, keeping up with new food fads, etc. further drive higher consumption of outside food. India has the highest number of millennials in the world, with 34% of its population comprising of them. In FY20, the millennials in India ate out 2x/month and ordered in 1x/month. Even going ahead, this segment of the population could become the largest disruptive force for India's consumption sector, including the food services industry.

## 35.3% Average indian Household Budget on Food by 2025



e/f = Fitch Solutions estimate/forecast. Source: National Statistics, Fitch Solutions

## Exhibit 3: Average eating-out and ordering-in frequency is highest among the millennials



Source: Technopak, Nirmal Bang Institutional Equities Research

## INFLATIONARY MARKET

As a result of the inflation, nearly 60% of consumers are either dining out less or ordering less frequently. Nearly 40% consumers are ordering less items or ordering less expensive items in their order.

## INDIA JOB MARKET 2021-2022

The job market in the country has been uninterrupted by inflation in the first quarter of 2022. There has been a momentous growth in hiring as employers increase hiring by 29% in April-June 2022 which is a 20% jump as compared to the previous quarter. According to Statista, the rate of hiring intent in India by various companies and corporates is estimated to be 35%. This has increased as compared to the 19% rate of the previous year. Over 8.5 million jobs were added during Sept-Oct 2022 as per CMI. This is higher than the pre-pandemic levels and comes after a gap of 32 months when the pandemic-induced lockdown had pulled down the number...

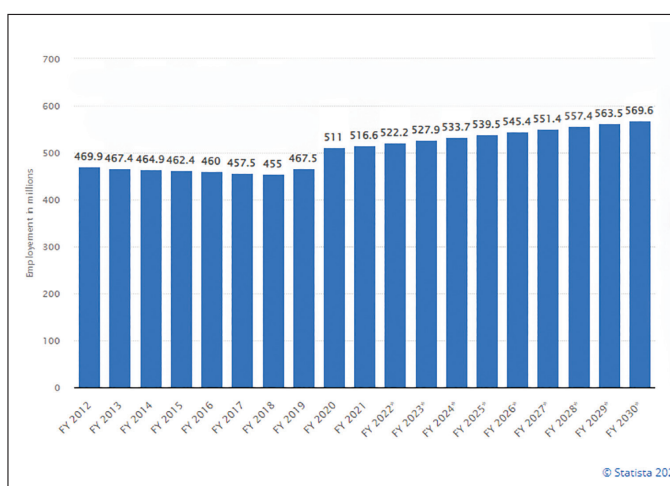
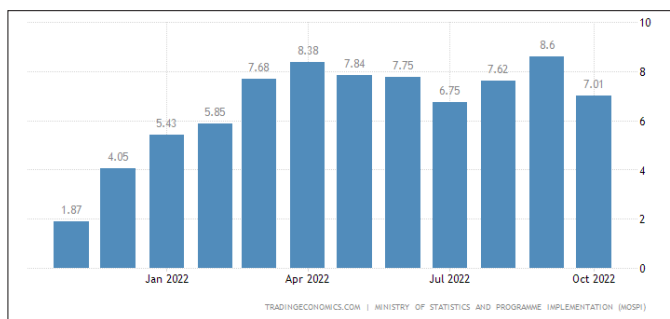
## REMOTE WORKING AND MOVEMENT OF PEOPLE

Research firm Gartner suggests that India will produce one of the most significant remote workers with one-third of employees working remotely by 2022. A silver lining remains for businesses operating within the food service industry. Because so many people felt isolated and experienced loneliness during the pandemic, there's a strong desire to socialize at restaurants and bars during downtime.

## INDIAN QSR SECTOR

India's quick-service restaurant (QSR) market is expected to clock a compound annual growth rate of 23% between now to the fiscal year 2025 as large food services chains such as McDonald's, Burger King, and Domino's, among others, deepen their reach in India's smaller cities and benefit from a younger demographic. The QSR industry growing at a rapid pace leading to be a \$134.3 million industry in tier II and tier III towns alone.

The QSR segment is a tight-knit market dominated by leading international brands having physical stores. Over FY20-25, the QSR chain market is estimated to be the highest growing sub-segment--23% CAGR--of not just the chain market, but also the entire foodservice market,"



SOURCE: STATISTA

The annual spending of middle class household on Fast Food Restaurant in India's Tier II and III cities has grown by 108% in the last two years, from Rs 2,500 to Rs 5,400.

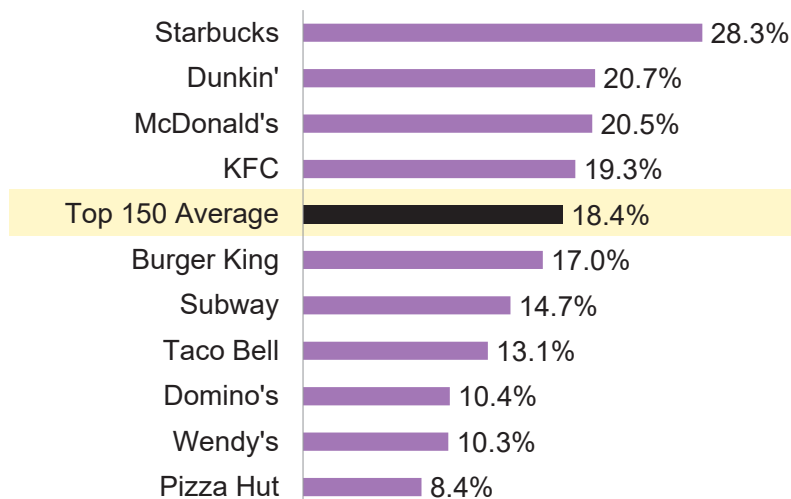
QSR industry growing at a rapid pace, leading to a \$134.3 million industry in tier II and tier III towns alone.

There are 490 QSR brands in India, out of which 428 are currently operational. It has also been a hot segment for investments, with several of these brands within India having raised \$1.3 billion so far in about 64 deals.

## Top 10 chains Global Sales Growth

**Big players continue to get bigger**

### TOP 10 CHAINS: GLOBAL SALES GROWTH



Source: Technomic 2022 Top 150 Global Chain Restaurant Report  
Note: All sales figures in USD

### FOOD CHAIN STORES SAW BIG GROWTH IN 2021-2022

QSR companies bounced back sharply during Q2FY22 owing to higher footfalls as the unlocking of lockdown restrictions and the pace of the vaccination drive picked up in the country.

The QSR sector grew 67% YoY with a 383bps improvement in margins during Q2FY22. SSSG for WDL, JFL, BK, and DIL were 84%, 26%, 62% and 72% respectively. It pegged the QSR chain market to be the highest-growing sub-segment in the food services market over the next five years. "Over FY20-25, the QSR chain market is estimated to be the highest growing sub-segment--23% CAGR—of not just the chain market, but also the entire foodservice market," the Edelweiss report said. The increasing trend of eating out in urban cities in India, across all economic classes, without the need for any special occasion, has boosted the demand for QSRs. People increasingly prefer eating outside as a part of their leisure outings or shopping experience. This trend is mainly visible among the millennial age group of 25 to 40 years. Moreover, with the growing exposure to international lifestyles and culture, people have started developing their tastes and are eating out at restaurants more often to have different cuisines. In India, food services companies are likely to invest 4%-6% of their net revenue in marketing, of which 45% is on online & digital media marketing.

QSR Q4FY21 metrics	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %
Revenue	1592	1436	11%	1557	2%
Gross Profit	1171	1018	15%	1154	1%
Gross margins	74%	71%	266bps	74%	-59bps
EBITDA	325	226	44%	339	-4%
EBITDA margins	20%	16%	467bps	22%	-136bps
PAT	73	-21	NA	95	-24%

In terms of spending on different formats within the chain segment, Global consumer data points to increases for all restaurant segments in six months with Highest in MENA, India, China, and Indonesia. An average household spends the highest on the Cafe format (18%) followed by Full-Service Restaurants (16%) and the Retail food service format (9%), driven by easy access, affordability, availability of options, etc.

urbanization is happening at a fast pace in India, with an average of 35.39 % of the Indian population living in urban cities, according to the World Bank collection of development indicators data, 2021, thus rising urbanization is boosting the eating-out culture in the country due to increasing disposable income and hectic lifestyles in urban areas. Additionally, with an increasing proportion of the working women population, the trend for home-cooked meals has gone down, leading to robust demand for out-of-home food consumption.

### Future Focus

## Consumer data points to increases for all restaurant segments in six months

Highest in MENA, India, China, Indonesia

Base: 8,703 consumers  
Q: Compared to your current behavior, do you expect to order from the following more often, the same amount or less over the next six months?

Note: Net change= difference between "more often" and "less often"

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### NET CHANGE IN ANTICIPATED SEGMENT USAGE (OVER NEXT 6 MONTHS)

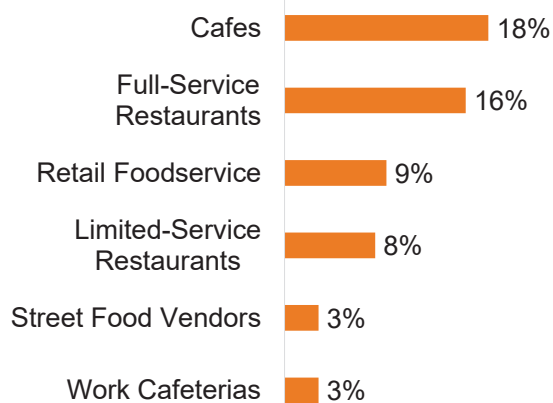


Exhibit 9: Growth in Chain Food Service Market Size to be led by QSRs and CDRs

Chain Food Service Market Size (Rsbn)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY25P	FY14-20 CAGR (%)	FY20-25 CAGR (%)
Total	150	175	204	236	285	350	397	966	17.6	19.5
QSR	66	78	91	105	130	162	188	524	19.1	22.8
CDR	47	56	67	81	98	118	134	302	19.1	17.6
Cafe	16	17	18	19	21	24	25	37	7.7	8.2
FD/IC	9	10	12	13	15	19	21	43	15.2	15.4
PBCL	7	9	11	12	15	21	24	53	22.8	17.2
FDR	5	5	5	6	6	6	6	6	2.7	0.7

Source: Technopak, Nirmal Bang Institutional Equities Research

Note: FD/IC = frozen desserts; PBCL = pub, bar, club and lounge

## PRODUCT INNOVATION & MENU REJIG

Menu themes and new Product development strategies are now being seen in the Restaurant industry. New Product Development to remain a key traffic driver despite headwinds

**Exploring Collaborations:** This is on the back of collaborations between two groups that have synergies and are consumer favorites. Restaurants are pushing the boundaries of brand collaborations to interesting and unexpected places to stand out. For eg: For the first time in what undoubtedly is the most epic collaboration of 2022, KFC India partners with Nestle to delight fans with the KFC Popcorn Bowl Made with Maggi.

**Products positioned around health, nutrition, wellness,** convenience, local sourcing, and sustainability will remain favorable to consumers amid current conditions. For eg: Subway has been our go-to restaurant when it comes to a healthy diet. Keeping in mind the customer taste, In 2021, Subway India has enhanced the quality of its protein flavours and revitalized its menu across its 660-plus restaurants in the country. With this, Subway aims to bring in more wholesome and a flavourful meal experience for its customers.

## HEALTHY FOOD QSR

**The focus on protein-based diets** is also very large in today's time. Focus on Plant-based proteins continues to grow to meet the dining-out experience for vegans, and vegetarians, but Restauranteurs are also adding chicken variety menus through salads, and fried chicken. For eg: Harnessing the plant-based revolution, Starbucks has launched its new dairy free addition to its menu across outlets in India - Oat Milk. Addition of oats is an extension of the coffee major's already existing variety of plant-based choices such as almond & soy.

**Sourcing Locally produced ingredients** have become popular the back of Supply chain challenges and also led to many new brands convenience, local sourcing, and sustainability will remain favorable to consumers amid current conditions. For eg: Locally produced, responsible sourcing has become a keyword across the restaurant sector. McDonald's in its media report stated that 100% of the palm oil they sourced in 2021 was certified by the Roundtable on Sustainable Palm Oil (RSPO) and 100% of soy sourced in 2021 for the feed of chicken used in McDonald's products supported deforestation-free supply chains globally.

**Local partnerships** Simple But Impactful Restaurants are bringing changes by maximizing excitement off minimal change in the kitchen and operations Fan-created it.

**Indian Focused Menu :** The top international food service companies are strongly engaged in innovating their services and strategizing their food menus per Indian tastes and preferences. In July 2022, Starbucks could launch masala chai and filter coffee in India, a global first for the biggest global coffee chain revamping its menu to attract consumers with Indianised and more affordable options. The menu could include street-style freshly assembled sandwiches, milkshakes, bite-sized snacks, and a smaller beverage cup.

- In July 2022, McDonald's Corporation expanded its business by establishing a new food outlet in Ekta Nagar, Gujarat. Furthermore, the respective outlet is also India's all-outlet drive-thru restaurant.

- In May 2022, Domino's India launched paratha pizza across 1500 stores in India. The new products include Cheese Paratha Pizza, Paneer Paratha Pizza, and Chicken Keema Paratha Pizza.



# Industry Growth Roadblocks & Best Practices to overcome

## FOOD COSTS

Among the operational challenges in the food service industry is the rising cost of goods. According to the restaurant supply chain company, food costs increased 38% during the pandemic, with some industry staples – The cost increases are happening with a variety of food products. According to the Poultry Federation of India (PFI), the cost of production for eggs has increased by 20-25 percent this year, while inflation in chicken prices rose by more than 20.74% in March 2022, while the overall food inflation in the meat and fish category was 9.63%. The new average retail prices for common garden vegetables have now shot up to Rs 120-140 per kg from Rs 60-80 earlier in metros. Many factors contributing to increased food costs (such as relative shortages of staple goods and rising fuel prices) are here to stay.

On the back of this lots of restaurants are putting more emphasis on reducing food waste and spoilage on their premises. Restaurants are Limiting food servings to small portions to minimize food waste and control food costs in restaurants. Today Restaurants are also Revising menus to emphasize items with lower food costs and side by side also adding higher margin items to the menu.

## LABOR COSTS

The food and beverage job market combined with the industry's notorious lack of stability is a common problem encountered in restaurants, as these factors make attracting and retaining excellent employees a challenge. The human resource structure is at the core of the hospitality industry, and the labor cost accounts for the majority of expenses in the restaurant business. The percentage of restaurant labor costs to sales averages 22-40%, and in some cases, it can be almost as high as 75%. Add to this the potential for minimum wage increases and a still uncertain future, and restaurant owners are going to be paying more for staff than ever before.

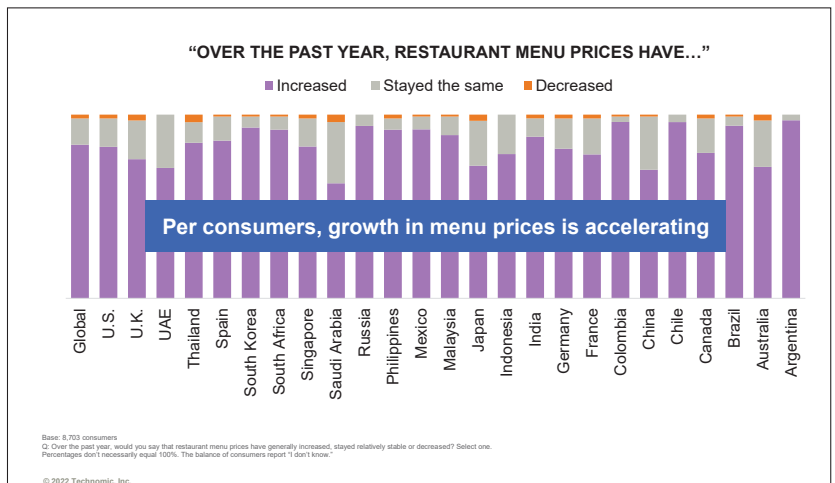
In this scenario, Global Food Chains are investing increasingly in automation. Subway Launched their vending format recently.

## SUPPLY CHAIN DISRUPTIONS

For the restaurant industry, supply chain issues and challenges have increased food costs and shortages of main ingredients, such as chicken and corn. Supply lines are jammed, which has created pockets of scarcity and added costs that are eventually passed on to consumers. Supply issues have a significant impact on what can (and can't) be menued. COVID-19 impacted restaurant supply chains, making it difficult for some restaurants to source their normal ingredients and impacting raw material prices. The

crisis forced restaurants to reduce their menus and move to more local ingredients. For the restaurant industry, supply chain issues and challenges have increased food costs and shortages of main ingredients, such as chicken and corn. Supply lines if jammed, create pockets of scarcity and added costs that are eventually passed on to consumers that lead to rise in prices. Supply issues have a significant impact on what can (and can't) be menued.

The learning however was that Smaller menus save costs and are easier to execute – even with minimum staffing – which, in turn, increases operational efficiency. On the other hand More and more consumers are interested in what their food contains, where it comes from, who produces it and how fresh it is. Consumers want to be able to trace the individual steps their food takes on its way from farm to fork. Greater transparency and improved traceability not only help consumers make informed choices about their food, but this also helps minimize the production and distribution of poor quality food.



## THE FUTURE IS AUTOMATION!

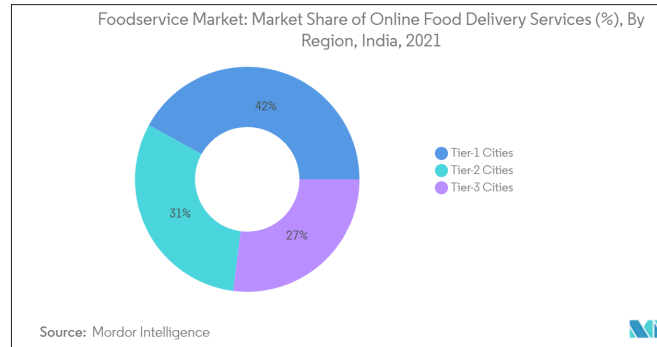


## Cloud Kitchens & Delivery

India's cloud kitchen market is anticipated to grow with approximately 15.5% to 17.5% CAGR value during the forecast years 2024-2028. The Cloud Kitchen Market was valued at USD 371.9 million in 2020 and is expected to witness

during 2022-2028. India's cloud kitchen market may achieve a market value of over USD2.5 billion by 2028 growing with a CAGR ranging from 15.5% to 17.5% during the forecast period, 2024-2028. The takeaway and home delivery segments are expected to expand at a higher growth rate of around 18.0% and 17.4%, respectively, between the FY2021 and FY2025 periods as compared to the dine-in segment. Demands for online food delivery and pre-cooked meals are the major factors driving the growth of the Indian cloud kitchen market in the upcoming five years.

The increased usage of social media marketing is expected to create a lucrative potential for the cloud kitchen market to grow and expand its consumers. According to Forbes, Facebook mobile ads make for 87 percent of ad income, which was USD 9.16 billion at the beginning of 2018.



### CLOUD KITCHEN INDUSTRY OVERVIEW

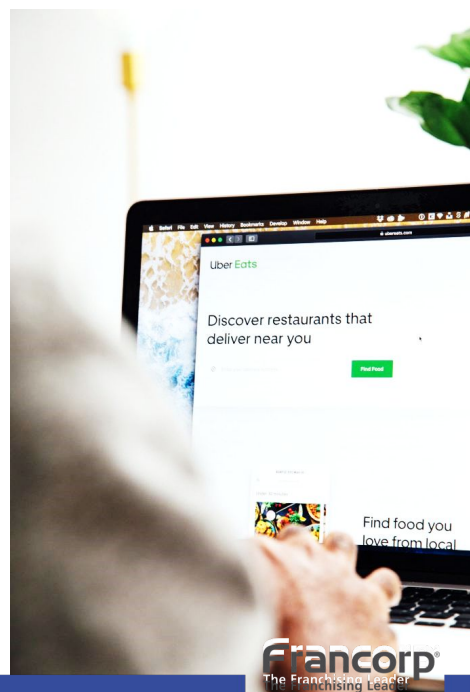
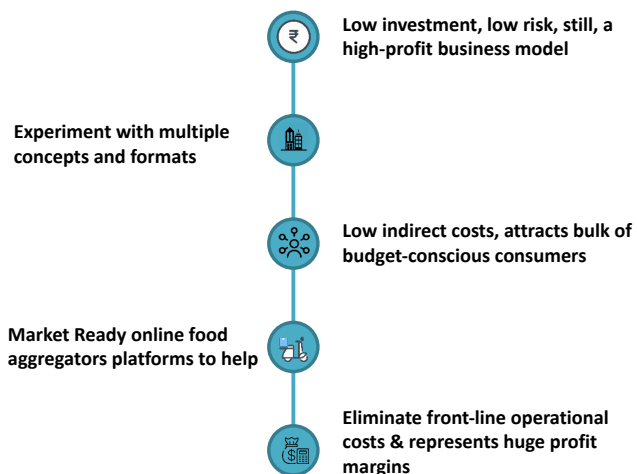
The online food delivery segment in India operates mainly under two business models: Restaurant food through consumer delivery, in which meals are ordered online through a restaurant website and delivered directly by the restaurant without any intermediaries (e.g., McDonald's, Domino's Pizza, Burger King). And another is through a consumer delivery platform where the meals are booked online through a third-party network that handles delivery independently of the restaurant (e.g., Zomato, Swiggy, UberEATS).

**The Licenses required for the Cloud kitchen industry include -**

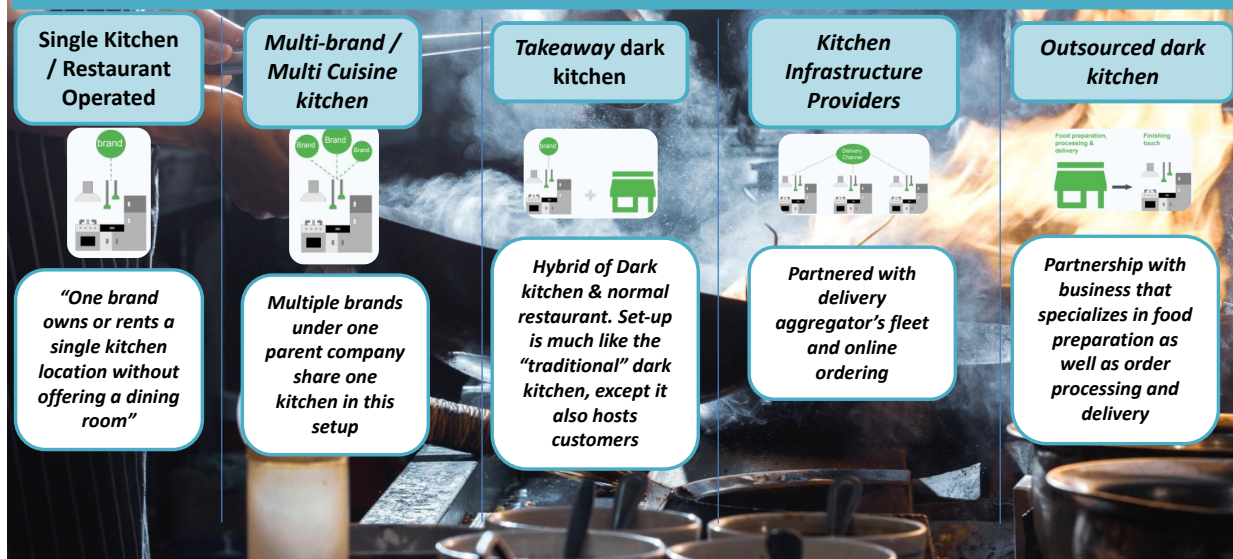
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## The relevance of Cloud-Kitchen Business Model



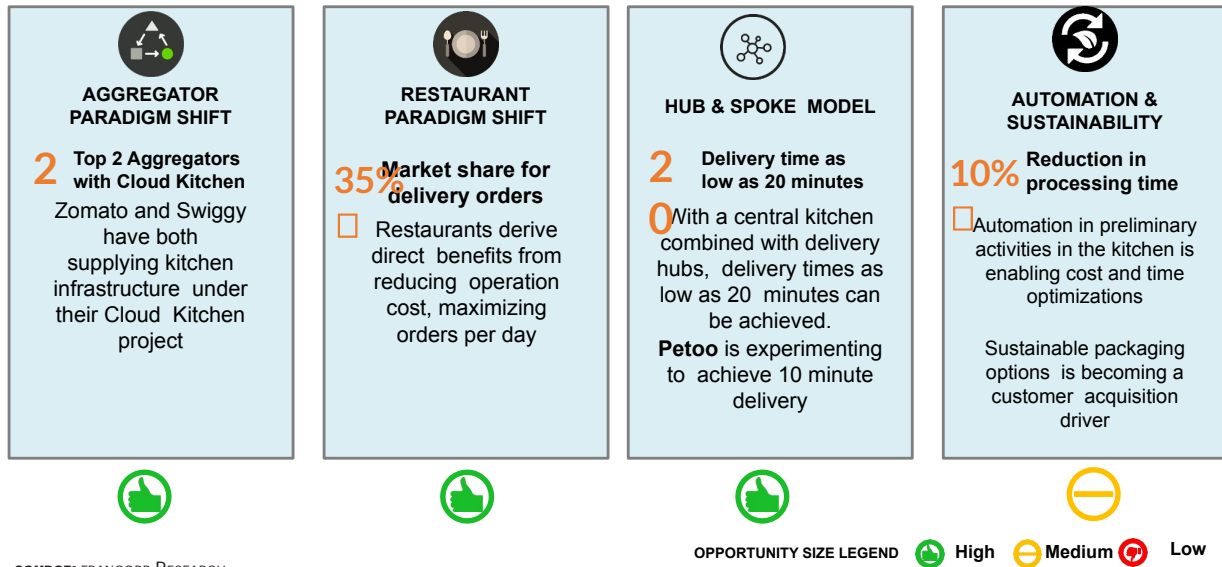
## Cloud Kitchen Formats





## Supplier Trends

inDUSTRY  
inSIGHT

Healthy margins and better quality assurance is driving a move towards Cloud Kitchen model



## BUSINESS VIABILITY – UNIT ECONOMICS

	PROPERTY	GROCERY	CHEF & STAFF	DELIVERY	PROCESSING & SUPPORT	CUSTOMER ACQUISITION	AVERAGE ORDER VALUE	COMMISSION
3000 – 4000 orders per month for a restaurant  <b>RESTAURANT COST</b>	\$1000 - \$1,200 Per Month	\$6000-8000 Per Month	\$3000-3500 Per Month	-	-	\$1000-1200 Per Month	\$7-\$8	-
 <b>CLOUD KITCHEN MARGINS</b>	70%	0%	30% Over Restaurant	10-15%	0%	0%	-	20%-25%

**SOURCE:** FRANCORP RESEARCH

# Consumer Acceptance

**N**ew generations view restaurants as a partner in their at-home meal prep. It's no longer a simple binary choice between a restaurant meal and home cooking. Gen Z adults love restaurant subscriptions, voice ordering, and 3rd-party delivery. As per a survey done for the "RestaurantIndia 2022" White paper they are more likely to incorporate restaurant-prepared items into meals made at home than they were before the pandemic. This is particularly popular with Gen Zs and millennials, with more than 70% indicating increased reliance on mixed meals. Millennials and Gen Zs are also highly inclined towards Ready to Eat and Ready to Cook foods. 54% of consumers have said Offer of the Day is an important factor to order from a Cloud Kitchen.

Mobile wallets by 2025 will lead this market segment with the highest revenue shares of the market on account of increased usage of the payment portals. One-tap payments and the growing dependency of consumers on the mobile wallet also play a vital role in the market expansion. However, rising inflation is a challenge for cloud kitchens on how to improve margins without impacting the customer experience.

## NIGHTLIFE AND CASUAL DINING

Dominated by owners and restaurateurs who own most of the pubs, lounges, bar individually, there is sudden growth of the segment in the country. As per reports, India pub, bar, café and lounge (PBCL) market is expected to exhibit a CAGR of 13.8% during 2022-2027. They are gaining prominence as a place of socializing and peer get-togethers, offering a unique ambiance, entertainment, and a wide variety of food and beverages. In India, pubs, bars, cafés and lounges constitute a major share of the food and beverage industry and it can be segmented into chain markets and stand-alone markets. The chain market consists of companies operating three or more operations under a single operation.

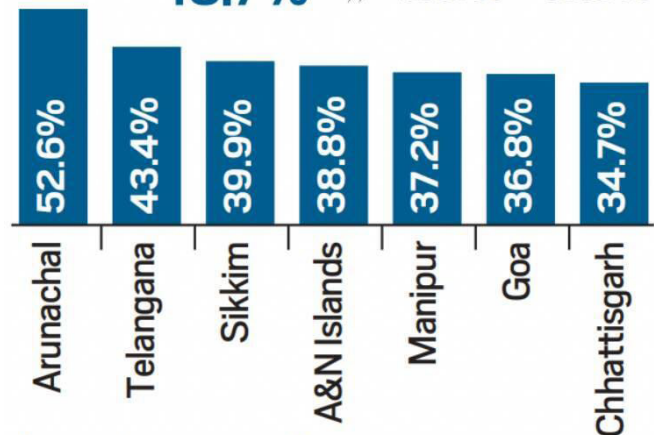
Alcohol consumption in India amounted to about five billion liters in 2020 and was estimated to reach about 6.21 billion liters by 2024. The increase in consuming these beverages can be attributed to multiple factors including the rising levels of disposable income and a growing urban population among others. As per IWSR Drinks Market Analysis India's \$20 billion (€20.5 billion) alcohol market is set to grow by 7% annually in the 2021-25 period, with whisky and spirits among favorites. Overall, around 1% of Indian women aged 15 and over drink alcohol, compared to 19% of men in the same age group. The analysis by Lancet showed consumption was the highest among men in the age group of 40-64 years, in which alcohol consumption has increased by 5.63% since 1990, followed by the 15-39 age group with a jump of 5.24%. For the elderly it has increased by 2.88%. Casual dining is one such sector that has seen continuous growth in last decade. Driven by young crowds, office goers, and experiential customers, it has been growing at a steady rate of 11.9%- 13 per cent.

% of population aged 15 and over who currently drink alcohol, as reported



**MEN**

**ALL-INDIA 18.7%** » Urban 16.5% | Rural 19.9%



**Lowest consumption:**

Lakshadweep 0.4%, Gujarat 5.8%, J&K 8.7%, Rajasthan 11.0%, Maharashtra 13.9%, UP 14.5%



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