westlife Foodworld

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Date: 9th February, 2026

To,	To,
BSE Ltd. (‘the BSE)	**The National Stock Exchange of India Limited (‘the NSE’)**
Phiroze Jeejeebhoy Towers	**Exchange Plaza**
Dalal Street	**Bandra Kurla Complex, Bandra (East)**
Mumbai 400 001	**Mumbai – 400051**

Sub : Compliance with Regulations 30 of the SEBI (LODR) Regulations, 2015, Submission of transcript of earnings conference call for the quarter ended 31st December, 2025.

Re : Westlife Foodworld Limited (“the Company”): Scrip Code-505533 and WESTLIFE (NSE)

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 December, 2026, held post the Board Meeting of the Company on 4th February, 2026.

In this regard, the transcript of the said earnings conference call has been uploaded on the Company’s website and can be accessed at the weblink: https://www.westlife.co.in/wp-content/uploads/2025/11/Q2FY26-WFL-Earnings-Call-Transcript-.pdf

You are requested to take the same on record.

Thanking you,

Yours faithfully,
For **Westlife Foodworld Ltd.**

Shatadru Sengupta
Digitally signed by Shatadru Sengupta
Date: 2026.02.09 16:43:36 +05'30'

Dr. Shatadru Sengupta
Company Secretary

Encl: as above

Westlife Foodworld Limited

Q3 FY26 Earnings Conference Call

February 04, 2026

MANAGEMENT:

- Mr. Akshay Jatia – President & Chief Executive Officer
- Mr. Saurabh Kalra – Managing Director
- Mr. Shardul Doshi – Chief Financial Officer
- Mr. Chintan Jajal – Lead Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to the Westlife Foodworld Limited Q3 FY '26 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 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, Rayo. Welcome, everyone, and thank you for joining us on Westlife Foodworld Earnings Conference Call for the third quarter ended 31st December, 2025. I am Chintan Jajal, Head IR at Westlife. From the management team, I have with me: Mr. Akshay Jatia, President and CEO; Mr. Saurabh Kalra, Managing Director; and Mr. Shardul Doshi, Chief Financial Officer.

We will commence today's discussion with Akshay presenting his perspectives on the company's overall business strategy, progress and outlook. Subsequently, Saurabh will provide an overview of operational and financial highlights. Then we will open the forum for questions and answers. Throughout the session, we will refer to earnings presentation and financial releases, which are available on NSE, BSE and Investors page of our website.

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

Akshay Jatia: Hello, and good evening, everyone. Thank you for joining us today. I hope you had the opportunity to review our Q3 results. This quarter, our efforts were firmly anchored in strengthening guest count momentum by sharpening our consumer proposition and consistently delivering a high-quality customer experience despite a challenging operating environment. Same-store sales growth in the quarter was negative at 3%. However, what is reassuring is that the underlying guest counts remain broadly stable on a year-on-year basis.

We began to see encouraging traction in guest counts from November. As a result, both November and December delivered flat to positive comparable guest count growth at the system level with the West continuing to outperform the Southern markets. This positive momentum extended into January, where we reported positive same-store sales growth supported by healthy mid-single-digit guest count growth. That said, these are still early days, and we would refrain from calling a sustained revival until we see a few more months of consistent momentum.

Before getting into the detailed performance of the quarter, I would like to draw your attention to Slide 9. One of the most pivotal shifts in our approach this year has been a sharper and more deliberate focus in driving guest counts through a winning consumer value proposition. We are now beginning to see early evidence of this strategy playing out. At the centre of our approach, there is a clear and unwavering promise: accessible everyday value combined with the iconic McDonald's experience delivered with absolute consistency and supported by strong economic discipline.

The balance between value experience and scale is what gives McDonald's its enduring competitive advantage. This framework is built on five core pillars:

First is value. McDonald's wins when value is predictable and trusted, not through sporadic discounting, but through everyday value that builds habits and reinforces our position as the default choice for consumers.

Second is experience. Guests come to us for the food they know and love, delivered quickly and seamlessly. Speed, accuracy and those familiar feel-good moments are critical in reducing friction and driving visit frequency.

Third is relevance. We must remain culturally relevant and unmistakably modern while staying true to what makes McDonald's, McDonald's. This means being an everyday choice across occasions, generations and platforms without compromising on our brand codes.

Fourth is profitability. Guest count growth needs to be volume-led while remaining margin protected. Growth must be sustainable, driven by initiatives that scale across our system and leverage our operational strengths rather than unsustainable and aggressive discounting.

And finally, it's all about consistency. This is non-negotiable. The same McDonald's experience in every restaurant, every day. Consistency is what converts trials into trust and trust into repeat visits at scale.

When these five elements work together, they compound, the outcome is not just short-term traffic uplift, but sustained market leadership, powered by a consumer value proposition that is truly differentiated and uniquely McDonald's. We're also pleased to have Shardul Doshi join us as our new CFO, bringing in strong financial leadership and discipline to our next phase of growth.

With this now, I will now hand it over to Saurabh to take you through the other highlights for this quarter.

Saurabh Kalra: Thank you, Akshay. Good evening, everyone. During the quarter, our focus remained firmly on driving our guest count momentum, as Akshay spoke about, through consumer value proposition while consistently delivering exceptional customer experiences across both the dine-in and delivery channels.

This focus will continue as we move forward. I'm particularly pleased that we strengthened our value proposition without even diluting margins. I think we had talked about it even in the last call that we were trialling out our value platform, and that seems to be giving us good results without diluting any margins.

Our consolidated revenue for the quarter stood at INR6.7 billion, reflecting our year-on-year growth of 2.6%. For the 9-month period, revenue grew 4.4% Y-o-Y. While the operating environment remains challenging, we are witnessing some early sign of improving guest counts, as Akshay highlighted earlier. The everyday value meal price at INR99 was launched in West in December and is seeing very healthy momentum in dine-in footfalls.

A key highlight of the quarter was the exceptional performance of our digital campaigns, which helped us achieve a record single-day guest count milestone on the McDonald's app. The Merry Meal introduced during Christmas period generated significant amount of brand buzz across all major social platforms and also in our restaurant, with merchandising selling out just in 6 days. Congratulations to the team on these strong wins, which continue to build the brand relevance and deepen consumer connection.

From a channel perspective, our on-premise business grew 6% Y-o-Y, supported by a strong value platform, sharper digital engagement and focus on hyperlocal marketing. Off-premises saw a slight decline, largely due to volatility in aggregators numbers. That said, our McDelivery channel continue to grow strongly and is emerging as a robust growth engine, supported by a strong customer acquisition and a promise of seamless and reliable 20-minute delivery experience.

Execution excellence continues to underpin our profitability. Like-for-like gross margin remained broadly stable on a sequential basis, driven by supply chain efficiencies, partly offset by menu price adjustment following GST rate change. There is an optical impact of approximately 400 basis points to 500 basis points in gross margin this quarter due to the regrouping of processing charges from other operating expenses to cost of goods. For a like-to-like comparison, please do refer to the gross margin note slide in our earnings deck.

Restaurant operating margin improved 150 basis points year-on-year, while operating EBITDA margin improved 70 basis points year-on-year. These improvements were driven through internal cost optimization initiative despite higher advertising and promotion spends and continued growth investment.

Cash PAT for the quarter stood at INR583 million, representing 8.7% of sales. Our digital ecosystem continued to be a growth driver. Digital sales remained stable at approximately around 74% to 75%, supported by loyalty program and increased engagement through our mobile app and self-ordering kiosks. Cumulative app downloads have reached nearly 50 million with around 3.5 million monthly active users.

We remain committed and disciplined on prudent network expansion. New store performance continues to improve, supported by better site selection and use of location intelligence tools, enabling a faster path to profitability and greater accuracy in predicted sales.

We opened 10 new restaurants during this quarter, taking our total restaurant count to 458 across 73 cities. All eligible restaurants now feature McCafé and experience of the future formats and 24% of our restaurant network offers drive-thru facility. We remain on track to reach our 580 to 630 restaurants by 2027.

In summary, Q3 marked meaningful process in strengthening our guest count momentum and enhancing brand relevance, underpinned by disciplined and sustained profitability. Going ahead, we remain focused on the core fundamentals that differentiate McDonald's: winning consumer proposition, consistently superior consumer experience and long-term margin discipline.

Thank you for your time, and we are now happy to take any questions you might have.

Moderator: The first question is from Devanshu Bansal from Emkay Global.

Devanshu Bansal: My first question is on this differentiated merchandise-based marketing strategy, first socks and now sipper. Also, it is creating a lot of positive noise on the social media. What has been the intent behind such campaigns, and maybe initial lead through from a growth acceleration perspective? And is there any additional cost related to these merchandises and where is it recognized in the P&L?

Saurabh Kalra: Thank you, Devanshu. Obviously, it's a part of the larger framework, as Akshay spoke about, driving value experiences for our consumers are one of the most important part and top 2 pillars to drive our guest count momentum in the near- to mid-term.

Given that was the context, then these are experiences which you would like to add, and this is something which is not only new to McDonald's, a lot of countries do this. So we have just used the McDonald's playbook to drive experiences for Gen Z kids and adults.

So, what in that format, I don't think there is cost additional attached to it because we charge it as a wholesome combo when we are providing it. And all of that is factored when we are creating a proposition for our consumers.

Devanshu Bansal: Fair enough. And Saurabh, so our gross margin has stayed flat sequentially. There are 2 things here, right? So there was this nearly 100 basis points of positive benefit that could have accrued from a GST perspective, and then for -- I guess, in December, you have launched these value promotions in the West region, and -- I could gather from your initial remarks.

So how should we see from a full quarter perspective I think from say Q4 expectation perspective there. And should we see some moderation in gross margin because the 100 bps impact that was there has been nullified by 1 month of value promotions. So any comment on that?

Saurabh Kalra: I think we had commented on that last quarter itself that we have passed on all the benefit which we are getting to the consumer. Because we had passed on every benefit, we also took this opportunity to simplify our operations business. And therefore, you see reclassification of some of the gross margins. So we did not see any additional benefit coming out of that.

However, we have not randomly launched INR99. I think there's a lot of work which went and we realized that it is not a worse or we will not take a margin hit when we do this INR99, and we have rolled it out in a certain manner so that it's accretive as far as the business is concerned. So it's been rolled out across all West, and select markets in South and some trials are going in a few cities in South too. So I don't think we have done anything which is going to have a negative impact on GP.

Devanshu Bansal: Sure. Fair enough. So the GP level should sustain, right? Yes. So got it. And lastly, sir, digital has been a key focus for us as well, right, along with value. But growth in optimized channels has been a bit soft. I understand that your own app is doing relatively better, but we are facing some challenges on the third-party aggregator side. Such challenges though are not visible for other that are reporting, right? So anything that you can sort of highlight which is impacting us more versus other players?

Akshay Jatia: So just to add over there, I think our digital sales continue to grow. We definitely have not as much growth as we would like on 3PO platforms for our brand, but we're working quite closely with them to figure out how to do this in a sustainable manner because our approach is to do it in a partnership approach, which will allow us to grow in a sustainable manner. So that's continuing.

But like you said, largely, we are very focused on our own McDelivery platform as well, which will allow us to kind of stay very close to our loyal consumer base. And that has actually seen a lot of traction with a lot of the growth investments that we've done over the last 6 months. And we've mentioned this before, but we've had significant uptick in December and January on our own platform as we've connected better with our customers. And it's been done through a multipronged strategy.

So it's not only about marketing or discounting. It's about making sure that the customer gets value for money across the experience from buying to fulfilment. So I think that's how we're looking at digital sales, and we've seen healthy growth in our overall contribution of digital sales to the business. So I think we're quite pleased with where we are today and things should only get better.

Devanshu Bansal: Got it. This is a small bookkeeping question, Akshay. So monthly active users and overall app download is a key metric here. We used to provide the growth rates in these metrics, but somehow we have avoided providing that. So if you could comment as?

Akshay Jatia: No, I think, we still provided. Devanshu, we still provided the monthly active users as well as cumulative app downloads. And definitely, they are important metrics to track. But what I've said in terms of overall growth of the business should kind of supersede that, right, because it's eventually about business growth. And we have seen very encouraging business growth on the app and our McDelivery platform over the months of December and January as all of the work that we've been doing has come together. So I would look at it in that way, and we'll keep sharing more colour as we break down the numbers.

Saurabh Kalra: And if there is any specific query, I think you can write to Chintan and he should be able to help you out in that.

Moderator: Next question is from Gaurav Jogani from JM Financial.

Gaurav Jogani: My first question is with regards to the store opening. So if we look at the store opening during this quarter, it was a bit lower versus last year or maybe the target number for the year now seems a bit higher for Q4. So is there some bunching we can expect because we have kind of maintained the guidance for CY '27?

Saurabh Kalra: Yes, we do foresee that we will open around 20 to 25 restaurants this quarter, which should be able to compensate for whatever was happening in October, November, December.

Gaurav Jogani: My next question is with regards to the growth investments that you have been doing for the own app as well as the store opening app as well. So are these expenses now done? And are these already reflecting in the Q3 and Q4, the other expenses line item?

Saurabh Kalra: So some growth investments are always on because we are always working on trying to do projects, etcetera, etcetera. Largely, the 2 which we had called out last time are largely done. Some of the variable component might kick in. And we are starting to see results from January. Maybe next time, we'll try to share a little bit more flavor on it.

Gaurav Jogani: So I mean despite that, you have seen a decent gross margin expansion and despite the negative leverage. So it is quite commendable to see that. So is there a right inference that once the SSG starts to turn positive, we could see good expansion in the EBITDA margin from here on.

Akshay Jatia: Definitely. Definitely. That's the business model we operate.

Gaurav Jogani: Okay. Sure. And just lastly, on the growth on the delivery front. So you did highlight to Devanshu earlier that your own apps are continuing to do well. But any sense you can give because the inference that comes is that there will be definitely a decline on the 3PO apps for you in terms of the sales?

Saurabh Kalra: So very clearly, what I can tell you is we had a deep run on one of the platforms. One of the other platforms was okay. We are working with them to get the relationship right and to be able to create a plan by jointly working on sustainability. And we have been seeing gradual process -- progress on both of them. And December and January has seen significant amount of progress as far as the 3PO partnership, etcetera, is concerned.

Now obviously, there is a choice which all of us make, depending on the investment, whether it's profitable, not profitable and what is everyone's score line, we made our choices. And that's also showing in some of the things which you see in terms of results. So we are reevaluating it. We are always trying to make sure that we are not losing our competitive advantage in any of the platform. That's the endeavor.

But we keep reevaluating and we keep working with even the 3PO partners. So I think this was what happened in October, November, maybe in some bit was what happened because of lack of planning, etcetera, on our part jointly, and then some of it will recover back.

Akshay Jatia: Yes. And I think like we said, right, the delivery platform, we feel has opportunity. And as we continue to work with our partners and grow our own app, you will see a growth in off-premise. So I think that's the way you should look at it

Gaurav Jogani: Sure. And just lastly, if I may slip in one more is in terms of the growth trajectory, you can help us out even on the offline phase during Q3, how the growth has progressed for you and the positive SSSG, how often -- the growth trajectory, how month-on-month that has progressed for you? And if this January month had positive SSSG, how much do you feel is sustainable going ahead.

Akshay Jatia: See, we don't break down those numbers, right? And I mean, for last quarter, you have our overall numbers. So we don't really break down how every month grows. But what we have called out is we definitely saw good recovery in guest counts in November and December. And we've also called out what the numbers are looking like in January to give you all more flavour.

Now beyond that, unfortunately, we can't give because that would be completely forward-looking. So I think that let's take this positively because we are experiencing good momentum, and we're confident that, that should play out over this quarter. So I think this is different to what we've said in the past. But again, it's too early for us to say too much. And secondly, can't really make any more forward-looking comments.

Moderator: The next question is from Rehan Saiyyed from Trinetra Asset Managers.

Rehan Saiyyed: Yes. So as you have highlighted regarding softness in South while the West showed healthy footfall growth. So is this divergence driven more by macro demand conditions or competitive intensity and discounting? Or how should we think about regional recovery timeline? This is my first question.

Saurabh Kalra: I think, we had already given a flavour and colour of it last quarter, where we said South is a little underperforming for us. And like I just mentioned, last time also, we had given a flavour that we are doing a lot of trials. I think the experimentation which we had done even in OND, I think right now, we are very clear on the playbook we want to play with.

We have experimented with app. We've experimented with promotions, including merchandise. We have also experimented with value platform. And like I said, a couple of trials in South are still on. So when we look at this holistic bucket, we believe we have an answer to be able to grow guest counts, both in dine-in and delivery across West and South. So that's what we are seeing in January, and that's what we do believe that we have the solution -- a holistic solution, which will help us grow across our geographies.

Rehan Saiyyed: Okay. Fair enough. And my second question is around the restaurant operating margin that we have seen that it has increased by 150 basis points Y-o-Y despite higher A&P spend. So how much of this improvement is structural cost efficiency versus temporary operating leverage? And I mean, what should we assume sustainable ROM band over the medium term?

Saurabh Kalra: See if you look at it, I think the best way of looking at a holistic restaurant operating margin is year-on-year improvement. I think you should take 9 months to 9 months view last year versus this year and be able to gauge of where are we heading where there is -- because 9 months to 9 months remove all the exceptions which might be there. We've also -- if you go to Page number 6, we've pretty much given what -- how the breakup looks like on the 9-month to 9-month margins.

Rehan Saiyyed: Okay. Fair enough. And last one bookkeeping question that we have seen one exceptional cost normalization, so in quarter 3 one-time gratuity related exceptional expenses has done so post this adjustment should we assume PAT volatility reduced meaningfully or are there any other known cost normalization that we have to think of?

Saurabh Kalra: Sorry, we couldn't hear the last question. Whatever I followed was it was a question around onetime exception, gratuity margin -- apart from that, there was nothing. It was – gratuity was the only exception which we had on the P&L.

Moderator: The next question is from Amnish Aggarwal from Prabhudas Lilladher.

Amnish Aggarwal: I have a couple of questions. My question pertains to the Slide 13, where we have 2 heads. One is royalty and one is other operating expenses, and there is a very sharp reduction in both of them. So any explanation on that would be useful.

Saurabh Kalra: There are no -- so actually, if you look at it every year in the month of December, we do get some amount of benefits due to if there is any exception in terms of reward, etcetera, McDonald's gives in order to open a holistic number of stores, etcetera. So we have continued to get that and we accrue it in December.

So every year, you will see some amount of that. And then that would be like I said, has been mentioned as onetime exception. Otherwise, if you look at normal 9-month to 9-month yearly P&L, it is like-for-like for the course.

Amnish Aggarwal: Okay. And what about the other operating expenses because this quarter, they have come off very sharply.

Saurabh Kalra: The other operating expenses is the regrouping, which I talked about. So we have used this opportunity to simplify our life as far as the operating life is concerned from an FP&D standpoint. So FP&D has gone down. And we did provide on another sheet on gross margin, there is a note on Slide 15, in which how processing charges have gotten added. So there is no difference in actual on the gross margin. Just regrouping and reclassification.

Amnish Aggarwal: Okay, sure. My second question is regarding the demand environment because you are indicating that post November, things have now started looking up. In terms of, say, overall scenario, put together the variations which are there in West and South, so how probable are we that in the current quarter, we will end up with a positive SSSG.

Akshay Jatia: So we, as I mentioned, cannot make forward-looking statements. But what we have done is definitely spoken about the momentum that we saw in December as well as extending into January.

So we've spoken about guest count going significantly positive, and we are witnessing same-store sales growth that's positive as well. So I think we can't say more than that, but that itself indicates that there's very good momentum that's building, and this is different to what we've seen in the past. So, we're going to continue to build on it.

Moderator: The next question is from Jignanshu Gor from Bernstein.

Jignanshu Gor: My question is slightly maybe looking at last 2 quarters, not necessarily this itself. For the same stores where we have -- if you keep out the new stores we've added, would you say the bill count or the footfall count that we are growing Y-o-Y to whatever extent, are we getting a lot of new customers? Or is it largely higher repeat rates from existing customers? So just wanted to understand what is the target and impact of all the marketing and product initiatives that we have done so far?

Saurabh Kalra: Sure. So I'll give you a little bit of flavour of it without actually giving you the real stuff. The reality of this is, obviously, we have started to lose the momentum of acquiring new customers at the rate which we required to deliver on our results. And that's why we went experimenting because otherwise, we might do stuff which might not be rational for business.

And we've always maintained, cost is a discipline, business is a discipline. We got to do right things all the time. And sometimes it might take time. And that's why we have talked about by the end of this year, we should be in a place where we would have experimented completely and have our playbook ready.

Now keeping that in mind, I think we did prepone some experiments like you talked about during the quarter of July, August, September and continued completing it towards October, November, December. Akshay has already mentioned, we are pretty much now complete in terms of the playbook we have. And that gives us confidence that this playbook will now work across geographies and will help us drive sustainably the momentum as far as the GCs is concerned.

That's why if you look at the Slide number 9, Akshay has talked about aggressive guest count growth and on value experience, relevance, profitability and consistency. I think we've looked at those pillars, and we were comfortable to give you out this guidance of saying how it is all coming together.

I don't know if I've answered it. But in December, we, for sure, saw the kind of new store -- new guest count we needed to bring in more customers. We've seen that kind of momentum stay in December and sustain and improve far more in January. So that's where the big picture lies.

Jignanshu Gor: Understood. So new guest count is the primary sort of focus and result. That's what I was -- I was wanting to understand. So that is…

Akshay Jatia: Correct. That was very a value-led entry-level price point communication, which is a holistic value though, will obviously bring in a lot of customers. We also have a lot of levers within the restaurant to trade them up, keep them coming back through our whole McDonald's experience that I mentioned in my commentary. So it's a holistic approach. It's not just about acquiring new customers. It's about acquiring them, retaining them and keeping them to -- keeping them coming back at a particular frequency.

Moderator: The next question is from Percy from IIFL.

Percy: Can you tell me what is the issue in South India? What is the reason why the sales growth is lower?

Akshay Jatia: So I wouldn't say there's an issue. I think, obviously, as we've been kind of focusing on the customer, right, even in the West, it's kind of taken us some time to fully understand how to deploy our strategy. And it's not very different from what we're doing -- what we've been doing in the past, but we're bringing everything together across the 5 pillars that I spoke about.

So we started that journey in the West. We've seen tremendous response in the West. We've already deployed it in certain markets in the South where we are already seeing a good response as expected. So I don't think there's anything too fundamentally different. I know that we have been calling it out because, obviously, traditionally, the West has done better. Our penetration in Gujarat, Mumbai, etcetera, has always been higher.

We have been correcting that over a period of time in the South, too. And I think we've reached a good stage where now with these interventions, both should come up to the levels that we require. So I don't think that there is a fundamental issue. I think with this momentum that we're seeing, we'll see a broad-based growth across our business.

Percy: But the growth in South India over the last 2, 3 quarters has dropped versus what it used to be earlier, right? So what is the reason for that?

Akshay Jatia: So that's what I was explaining, right? We've been very well penetrated in the West. I think our brand has obviously grown stronger as a result of that. As we've been correcting that in the South, opening more restaurants, focusing more on our experience in the South and execution in the South, I think we've replicated what we've been doing in the West, and that might have been a gap earlier.

So as we've been fixing that, we've also deployed this value-led communication in the South a little after the West. So it is lagging slightly, but we are seeing it now converge in terms of momentum. And you will see that gap narrow and narrow in the quarters to come as our strategy starts or continues to play out.

Percy: Okay. Second question is on the delivery. Is the growth very different between the 2 main aggregators or it's very similar, just the Y-o-Y growth rates or whatever you call it, growth or decline, whatever it is. Are the numbers different between the two aggregators or they are in the same ballpark?

Saurabh Kalra: No, they were very, very different for us. Obviously, needless to say, there are disciplines in terms of planning together, working together, improving partnerships as people change from either sides, some things always get dropped and sometimes it becomes transactional. So to pull it up and make it again a partnership. So it was different for us without meaning which one was better or which one was worse, it was different.

Percy: So it means that there is a problem in only one out of the two aggregators, which has to be resolved, right?

Saurabh Kalra: Yes.

Percy: And how quickly do you think that can happen? Will it take like one quarter? Or will it take two, three quarters? What's your estimate?

Saurabh Kalra: Like I spoke about, we started correcting a lot of things in November, December. I think we've gotten the playbook right like even for delivery. I think in January, we are seeing some amount of fusion of improvement across both the channels, too. So we don't think it is going to take quarters. We think that we should start becoming flattish for sure across channels.

And our focus remains, like Akshay said, to be able to grow our own channel, too, so that delivery continues to remain a strong pillar because the market is growing. Hearty point was not too many brands are able to create a delta on dine-in. And I feel very proud of the fact that we now have the playbook to grow dine-in at a very high level, which we already have and grow from there and also then play on the delivery side of it.

Percy: And this recovery, which is expected in one of the aggregators, does it come at a cost of margins for you or no?

Saurabh Kalra: Like we've always maintained, we don't rush into things. That's why if we have to take a punch on our face on lower sales, etcetera, we do it. But we make sure that none of our disciplines get compromised because we are not here for the short term. So what we are doing with all the partners is sustainable and is in the spirit of partnership. Yes, while the growth might be muted versus what it could be possibly.

Moderator: The next question is from Harit Kapoor from Investec.

Harit Kapoor: Just had one on the operating expenses. On the employee cost, if I just do a quick math on employee cost per store, you've seen actually that number coming off a little bit. Just could you -- and that's the feature of the last maybe 3, 4 quarters on a Y-o-Y basis. If you could just give a sense on what's happening on the tech side, there has been some help, which has allowed you to do this. How should we look at this number?

And the second part is on that -- on the operating cost side is the royalty bit. So while you did mention that incentives do fluctuate especially end of calendar year, this one is far lower than you've seen as a percentage, the rates are much lower than you've seen in the last several quarters. So is it just kind of end of the year incentive structure stuff and it should go back to normalcy from the next quarter? So these are my questions on the operating cost.

Saurabh Kalra: Yes. So like I said, it's an annual accruing activity. So if you look at 9 months to 9 months, that will give you an absolutely clear view. As far as labour is concerned, some of it is operating deleverage. I don't think there is fundamentally anything which is there. But if you look at it, we have been able to compensate for it in the other line items of the P&L.

So if you look at the P&L holistically, I think we've been able to do quite a decent job as far as cost is concerned. So despite a little bit of negative sales growth, we've been able to maintain and improve our profitability.

Harit Kapoor: Okay. Actually, my question was that you've done a very strong job because actually employee cost per store has actually come down. So that's actually something that I was trying to understand why? Okay.

Saurabh Kalra: Harit, maybe the benefit holistically is a little up by 20 bps, but yes, yes. Okay, go on.

Harit Kapoor: Yes. The second bit was. Yes, I'll take that. The second bit was on the uptick in growth that you were talking about in December, Jan. Sorry to just harp on this one. But how much of this would you believe would be driven by your own initiatives, which is either normalizing aggregator as the months go by, which is or -- and as well as the pickup of value as the advertising is hitting with the consumer and footfalls are getting picked up?

And how much of it is kind of, in your view, just overall demand led, which you would probably be seeing in your other SKUs also because you're seeing that trend -- another competitor also just called that out that you're seeing some improvement. So do you think it's also kind of overall demand-led or overall macro-led improvements also that have been favouring this performance?

Saurabh Kalra: So when we look at our October, November, December, which is our brand track, we don't see that the market has uplifted. It remains how it was in July, August, September. So it's been flattish as far as that is concerned. We have not yet -- we don't know about the results of Jan, Feb, March. So if market becomes a little bullish, we would know about it from our track results.

In October, November, December, definitely, we've not seen overall at an IEO level, which is informal eat-out level, there being tremendous amount of growth. In fact, it's remained pretty flattish from what it was in the previous quarter. So we would like to believe a lot of changes happened with experimentation, what we have done and then deployment of those experimentation in the marketplace.

Moderator: The next question is from Krishnan Sambamoorthy from Nirmal Bang Institutional Equities.

Krishnan Sambamoorthy: A few questions on McCafé. So the management has consistently maintained that 100% McCafé penetration is certainly not the end game, and there is a lot that can be done from a product offering perspective. Could you elaborate on some of the initiatives that you've taken so far? And have some of these been postponed in view of the operating environment?

Akshay Jatia: So we are at 100% penetration in terms of McCafe. And now the main job that we're doing is to ensure that people try our coffee and our beverages. So I think we've been doing a lot of work in ensuring that our quality remains consistent across all these outlets now that have McCafe.

And number two, I think it's about creating the habit. So we have a great product at a great price, and we're figuring out ways and implementing ways to make them have a coffee more regularly. So I think that's the first task to be done.

In terms of product innovation, we definitely can keep improving on that. But I think the first task to be done is most important. You will see innovation at the beverage level quarter-on-quarter, and you'll see that as we deploy offerings.

But most importantly, in fact, this last quarter, we launched a subscription plan, which is actually being received extremely well by our customers. It's a digital plan, and I encourage everyone on this call to try it because I know that most people would be coffee lovers.

And I think it's fantastic value and people are commending the overall experience from purchase to redemption to constant usage. So I think it's a great question. And I think our entire task is focused around making coffee drinking at McDonald's a daily habit.

Krishnan Sambamoorthy: Sure. Actually, one of the other things that you maintained is that one of the strength that McDonald's has is its ability to cater to various dayparts unlike some of the other QSRs and coffee was an important component of that.

Would you agree that, say, competition from some of the newer players, specifically Third Wave, Blue Tokai has affected that strength that McDonald's or McCafé has had; and therefore, the initiatives that you're talking about are even more important.

Akshay Jatia: So definitely, I mean, it's a similar story with Western Fastfood, right, and QSR. Why did it become so popular eventually? Because obviously, customers got exposed to it. And this job has to be done by the entire industry, which is why I always say competition is good because it; number one, exposes customers; and secondly, differentiates the best from the average to the bad.

And I think, obviously, as market leaders, we're going to continue to operate in that high level of quality. And as the market expands, it only makes us better positioned to take advantage of the consumer opportunity, which is what's happening, definitely. And I think that we're very fortunate that we've been ahead of the curve. And I think the market is only going to grow, and we are here to take advantage of that.

Krishnan Sambamoorthy: Lastly, I don't know whether you will be able to share this or not. Over a 2- to 3-year perspective, because of all these initiatives, do you see the revenue contribution from McCafé increasing by, say, 200, 300 basis points without sharing the absolute number?

Akshay Jatia: So obviously, beverage consumption increases, it is beneficial for margin. But the way I look at it is going back to our targets in terms of EBITDA and revenue growth. And I think that will kind of tell you the whole story because there's no point going into it at a category level in regards to our business model because something goes up, something goes down. But obviously, if overall consumption goes up, high-margin products sell more, it will be beneficial from a profitability point of view.

Saurabh Kalra: And it's definitely a growth category for us.

Moderator: The next question is from the line of Rishi Dilip Mody from RDM Advisory.

Rishi Dilip Mody: Yes. My first question is on the INR99 value proposition that you all have launched. You mentioned that it's not gross margin dilutive. So could you just give me an understanding on how and where has the cost efficiency come through for us versus, say, the prior quarter? Like what's being done different to ensure that this doesn't turn out to be gross margin dilutive?

Saurabh Kalra: Rishi, again, I will not give you too many details, but we used to run a 1 plus 1 proposition at INR69. So you have to look at it holistically of seeing what would have happened in the pro-mix. So it's about landing the product mix right. So we have worked on it. We don't see any dilution. So I'll not give you any details beyond that. I think, I've given you enough to detail on how.

Rishi Dilip Mody: So we have discontinued the INR69 offer, have we?

Saurabh Kalra: No, we have not discontinued. But in the pro-mix, when you put XYZ proposition, something goes down, something comes up. Overall, whether it's accretive on -- first accretive on rupee value, then accretive on percentage, how many customers can it get, there is a full maths to it, and that's why we wanted to do a lot of trials before we went live into it. And we did all that.

And needless to say, there are parts of supply chain efficiency when you know that you're going to sell a product at a certain level, you can go back and do things at the back end also. So overall, in the next scheme of things, this is not margin dilutive.

Rishi Dilip Mody: Okay. So EBITDA level, it's not margin dilutive, gross margin a little bit here and there. Is that the interpretation right now?

Saurabh Kalra: I will not give you that interpretation, but broadly, you can accept if that makes sense to you because, like I said, product mix, supply chain efficiency are still at the gross margin level. But yes, if this category becomes 100% of my sales, the percentage will go down needless to say, but you're actually running an entire product mix, right, in which McCafé is a category, this is a category, there is a core category, there is delivery business. So there are so many nuances to it, which I can't explain to you on a call for sure.

I think what is important is for businesses which are front-end facing is to be able to have the discipline of not doing stuff randomly and being able to go to the market and see what really impact it is creating. And for us, as we've seen now across the entire West and stores in South, we don't see it as margin dilutive.

Rishi Dilip Mody: Got it. Second question I had was on the royalty piece. So about 2.4% is the royalty for this quarter. And for 9 months, it's 4.5% versus last year, 9 months was 5%. Is this any -- like should we consider that this year will be -- there's some accretion on the royalty piece or some discounting that we've gotten from McDonald's…

Akshay Jatia: No, I think the way to answer that is this year would be the right base to look at it. I think we continue to work with our partner in terms of our royalty structure. And we've come to an agreement in terms of what the base should be. And this year is very well reflective of that base. As you know, we had put out a release when we closed that conversation. So that was only a few months ago. And I think this quarter is when the benefits have started kicking in.

Rishi Dilip Mody: Okay. So it will drop further like if H1 was higher royalty.

Akshay Jatia: No, no. This will be the royalty base and the rest is out on our website in terms of what the year-on-year escalation will be.

Rishi Dilip Mody: Okay. All right. Final question, other cuisine QSRs, like, say, Domino's or even Chinese QSR players have also increased their value proposition. They are also coming with INR99 lunch menu, INR99 combos, which used to be slightly higher priced earlier. Is that leading to a reduction in the pie overall for, say, burgers or for you guys? Is that impacting you all? Or it's now kind of settled down?

Akshay Jatia: So Rishi, I think we spent a lot of time talking about how these propositions that we've been deploying across the 5 pillars that I mentioned are actually bringing in more customers to our restaurant, right, where we've seen significant positive traction on guest counts over December and January. So if that was the case, then this wouldn't be happening, right? So I think we've already answered this question.

And competition will always exist. It existed 20 years ago, it exists now, and people will consistently try to capture the customers' mind. It's about how we do it differently, which allows us to continue to tread the path of market leadership, and we're very confident with the way we have centered our strategy around these five pillars that this will only continue.

Moderator: Next question is from Vishal Punmiya from Yes Securities.

Vishal Punmiya: Just a couple of small questions on innovations. If you could just highlight how has been the performance of the recently launched the Surprise Burger and also the Protein Slice, how is market -- how it has done versus your internal expectations? If you could give some numbers on that?

Akshay Jatia: So I think in terms of product innovation, the Protein Slice is definitely a great introduction. It's the first of its kind globally, and it's allowed us to continue to expand our offerings to be in the consideration set of customers. So we've got a huge thumbs up over there. And it's just the start. We're going to continue to build on these type of offerings that are valuable to a lot of the customers that come to us, and we have an opportunity to continue to grow this.

In addition to that, we'll be deploying innovations over the years, and we're thinking through it by keeping the customer at the center, and we're very confident that our calendar for this year also coming up is extremely strong.

Saurabh Kalra: And Chicken Surprise, we launched 2 years back, and it's -- and we've got great feedback. That's why we brought it front and center as far as even our value proposition is concerned. So it's an old product, but we brought it front and center.

Vishal Punmiya: Just a follow-up on the Protein Slice. What is the number in terms of upgradations among the restaurants?

Akshay Jatia: We don't break that down because it goes up, it goes down, but the idea is to increase the consideration set or to make sure that we fall in the consideration set of all customers. So even those health-conscious customers who are looking for a wholesome nutritious option can come to McDonald's and have a Protein Slice. But the idea is definitely to build on this conversion opportunity. So as it keeps building, we'll figure out how to share more flavor. I think it's too early right now to talk about it.

Vishal Punmiya: Okay. And just secondly, on one of the initiatives that we had done many quarters back, which is basically going away with the toy and introducing a book in the Happy Meals. What's been the performance after that? How has been the family discount after that kind of change in the portfolio?

Saurabh Kalra: So actually, there was an issue that we could not import toys out of the regular sources because of BIS issues and Government of India regulation, and we had to discontinue. We've been working on getting the toys back. As a short-term measure, we brought the books in.

And needless to say, books haven't been able to do what toys used to do for us. And then we are working -- till now, we are still working on being able to create a manufacturing facility either in India or being able to have a BIS certificate -- certified supplier outside India so that we can start importing toys and we can give back the toys -- get back the toys in our restaurants.

Moderator: The next question is from Tejash Shah from Avendus Spark.

Tejash Shah: My question pertains to broader QSR industry and our value proposition also. So post-COVID, we saw that the whole industry kind of dialed up aggressively on value offerings, which also weighed on billing value.

So all the recovery that we are hearing on QSR for the last 2 months, should we also assume that at least when the traffic improves now, the transaction or billing value will increase and there won't be any further downgrading or more value-seeking behavior from customers from here on, at least from the base perspective?

Saurabh Kalra: I think it depends on how we look at it. I think the important part is, like I had said in October, November, December, we haven't seen IEO movement. Luckily for us, Western fast food has continued to grow on the back of rapid store expansion by everybody. So that's continued to grow.

And that's the good news in our category that out of the eat out, we've continued to remain high-growth area amongst all the relative scale in the eat-out segment. Now when eat-out improves, how it will play out is a question which we continue to listen and observe the consumer. But what we know is, as McDonald's, we are successful when we serve a lot of consumers.

And we would like to do that over the next 1 to 2 years, anchor back in serving more and more customers. That's why Akshay, when he talked about Slide 9, talked about aggressive guest count growth as one of the key levers which we have. We don't want to get distracted right now by any other task than to be able to grow the guest count for near to midterm.

Tejash Shah: Just one follow-up there. So let's say, the linearity between aggressive guest count growth and the overall billing value or transaction value, would that be narrowing down? Or you believe that you don't want to comment anything on that front?

Saurabh Kalra: Right now, I don't want to comment because there are so many levers. It will give you the ability to take price increases. The moment you are able to take price increases, obviously, your bill value goes up. So there are so many levers in order to increase bill value. But if you get overly focused on bill value when consumers are not walking in the restaurant, it doesn't yield good results.

So for us, the short- to medium-term is to be able to get the momentum of guest counts in the restaurant. We feel the second task is easier. You can do that even in the toughest time, getting extra penny from the pocket of the consumer is not the most difficult task. I think the difficult task is how do you make a lot of consumers walk in and that's our focus.

That's why I don't want to comment on what happens on the other side. Needless to say, it's not that we -- if there is availability or we can focus on both of them together, we'll focus on both of them together.

Moderator: The next question is from Awais Bakshi from Sundaram Mutual Fund.

Awais Bakshi: Sir, just one question from my side. If we look at our overall performance, from a metro Tier 1 versus, say, rest of the market basis, point one, has there been degrowth, which has been more significant in one side of the market? Any comments on that, sir?

Saurabh Kalra: Yes. As we have mentioned, in July, August, September quarter also, South was leading, was a little higher as far as the decline is concerned and West was relatively better for us. And that's continued for us. However, like I said, we have experimented and we are now pretty confident that we have got a playbook to be able to grow in both the geographies.

Awais Bakshi: That's perfectly understood, sir. Just on a metro and Tier 1 versus, say, rest of the market side. Why I'm coming to this is the second part of the question that over last 2, 3 years, would it be fair to assume that relatively higher shares of our stores have been opened in relatively smaller tier markets given that, say, metro and Tier 1 are more smaller.

Saurabh Kalra: No, no. I think we have opened -- if you look at maximum numbers of stores have opened in the key cities, we have not opened more than 20% of our total restaurant opening in smaller towns.

Awais Bakshi: So compression is across these key cities too, hypothetically maybe due to competition on overall market being lower? Fair enough.

Secondly, just a follow-up on the discussion on the value proposition side. Do we look at our portfolio right now as value versus rest of the portfolio? Is that an internal thought process or marker we look at, at the overall restaurant side? Or that's not something we directly keep a track on.

Saurabh Kalra: I think one of the levers of value is an everyday affordable platform, but we would like to believe that our entire menu is value. A lot of people find value in the Spicy

Chicken. A lot of people find value in the Crispy proposition. So we would not like to break value down into an everyday affordable platform. Needless to say, we do evaluate an everyday affordable platform with the new customers coming in, is it doing that job or not. But I wouldn't club value and say value means the cheapest item on the menu.

Akshay Jatia: Correct.

Awais Bakshi: And sir, directionally, this piece continues to improve for us? Or is that one conduit for driving our overall growth in the past?

Akshay Jatia: Yes, definitely because it's value for money that keeps customers coming and it is our core pillar of driving discounts.

Awais Bakshi: Sure. Helpful. Thank you. Thank you for the answers.

Saurabh Kalra: Thank you. Thank you very much.

Akshay Jatia: Thank you so much everyone. Thank you…

Moderator: Yes, sir, that was the last question. Would you like to give any closing comments?

Akshay Jatia: Yes. Thank you so much, everyone, for joining our call, and we look forward to hosting you next time.

Saurabh Kalra: Thank you.

Moderator: Thank you very much. On behalf of Westlife Foodworld Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, 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. The audio of this call is available here.