

# Fast food chains face profit fall in India

Reuters

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**T**op fast-food franchisees in India are likely to report a slump in quarterly earnings as cash-strapped consumers continued to cut back on dining out and ordering in, analysts said, spurring the hundreds of new restaurants that operators opened in 2023.

Pizza franchisees such as Jubilant Foodworks, Devyani International and Sapphire Foods India struggled throughout 2023 due to heightened competition, with burger chains also joining the struggle later in the year due to inflation.

Even new affordable menu items, such as Burger King's ₹99 combination of burger, beverage, and fries, introduced last year, failed to lure customers as India's monthly inflation rate remained above the target



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rate so far this year. "Earlier you might be visiting (fast-food chains) three or four times monthly. Now everyone is restricting to once or twice," said Kranthi Bathini, equity strategist at WealthMills Securities. Analysts polled by LSEG estimate net income slumping between 54% and 97% in the March quarter for Devyani and

Sapphire, which run the Pizza Hut chain of restaurants, and McDonald's operator Westlife Foodworld.

They expect a net loss at Burger King operator Restaurant Brands Asia to widen sequentially, also marking at least a 12th consecutive quarterly loss.

Same-store sales are also

likely to fall across the board, analysts say, with the decline expected to be more pronounced at Pizza Hut stores at more than 10%.

However, this has not deterred franchisees - including Sapphire and Devyani, which also run KFC stores, from opening new restaurants nationwide, from Kalimpong hill town in West Bengal to Shoolagiri village in Tamil Nadu.

While restaurant operators and analysts expect the aggressive store opening plans to drive long-term growth, it has not immediately translated to earnings growth, also squeezed by stiff competition from local rivals.

Local pizzerias such as La Pino'z are mounting pressure on international counterparts, while Restaurant Brands and Westlife face competition from regional players such as Jum-boking and Biggies Burger.