

A photograph of a restaurant table setting. In the foreground, a white plate holds a piece of seared fish on a bed of greens, garnished with a dark sauce. A hand with red nail polish is visible on the right side of the plate. In the background, there are several glasses, some containing water or wine, and silverware. The lighting is warm and ambient, typical of a restaurant interior.

MARC

MARC Insights – Restaurant Industry Overview

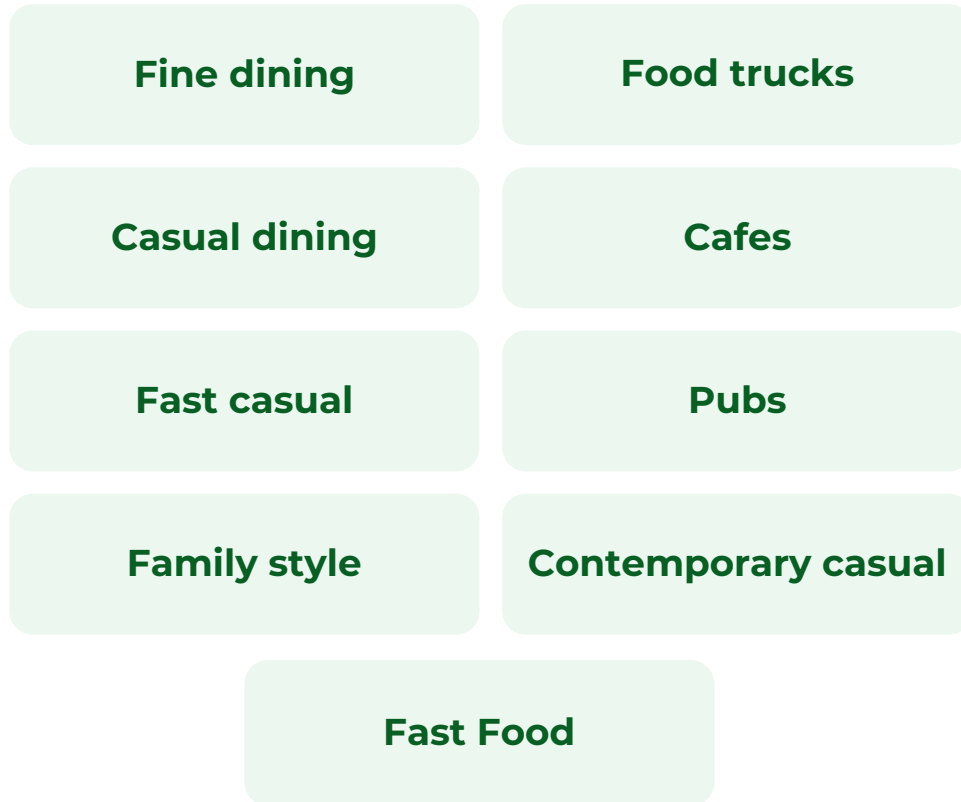
2023

**Do you want to
know more
about the
Restaurant
Industry's
performance?**

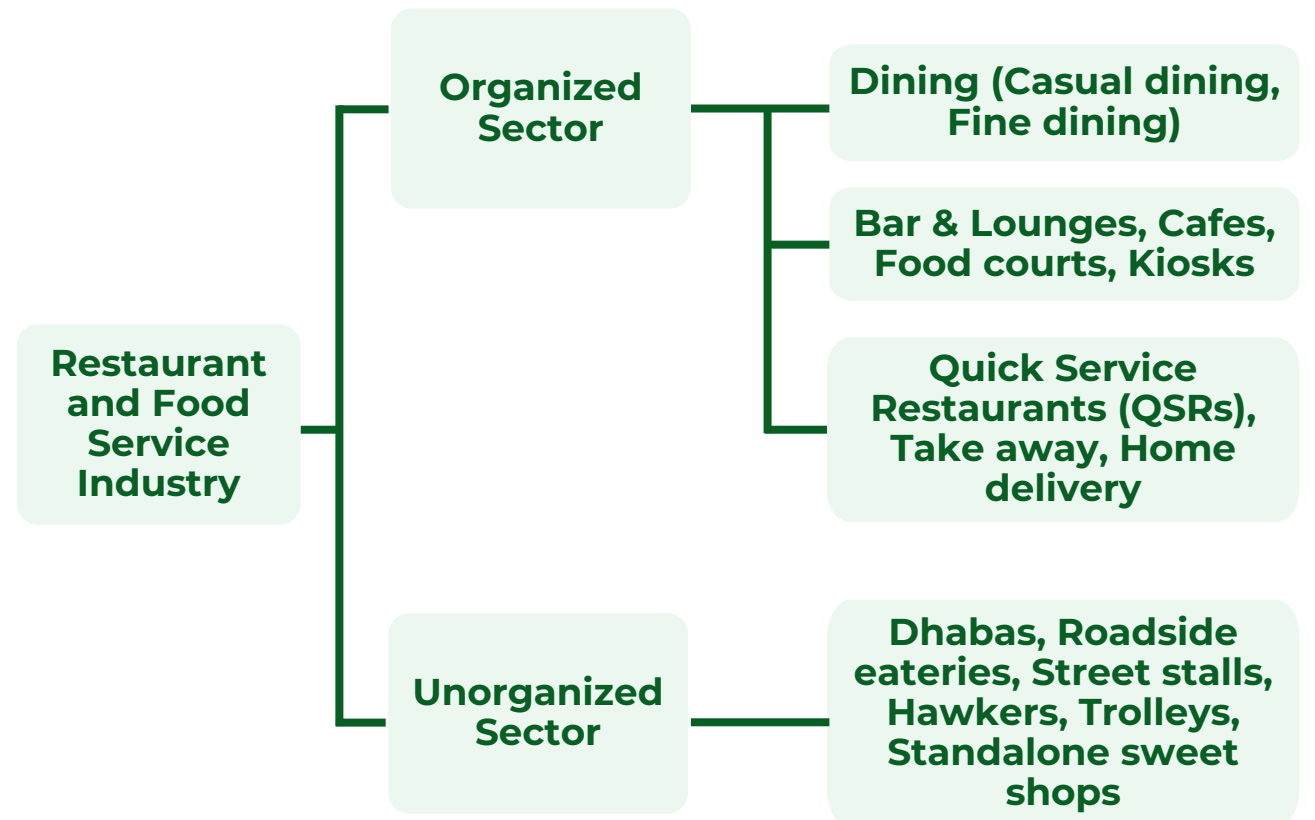
MARC's Research expertise can help you unlock full potential of your business by gaining deeper insights on your target market, understand your customer requirements better, know your competition's actions and performance and hence derive the most optimum customer value proposition to make your business a success!

The Restaurant Industry In India

Businesses within the restaurant industry are placed in the following categories based on their menu style, pricing and level of service offered



The restaurant industry in India is a popular business sector and comprises of two major segments:
1. Organized sector 2. Unorganized sector



Market Overview & Growth Drivers

11.19%
CAGR

The market size for food services in India was **\$41.1 billion** in **2022**, and it is projected to increase at a **CAGR** of **11.19%** through 2028.

12.58%

Expected Growth Rate of Indian Food Service Market During the Next **5 Years (2023-2028)**

15.40%

Expected Growth Rate of the Organized Restaurant Sector till **2025**

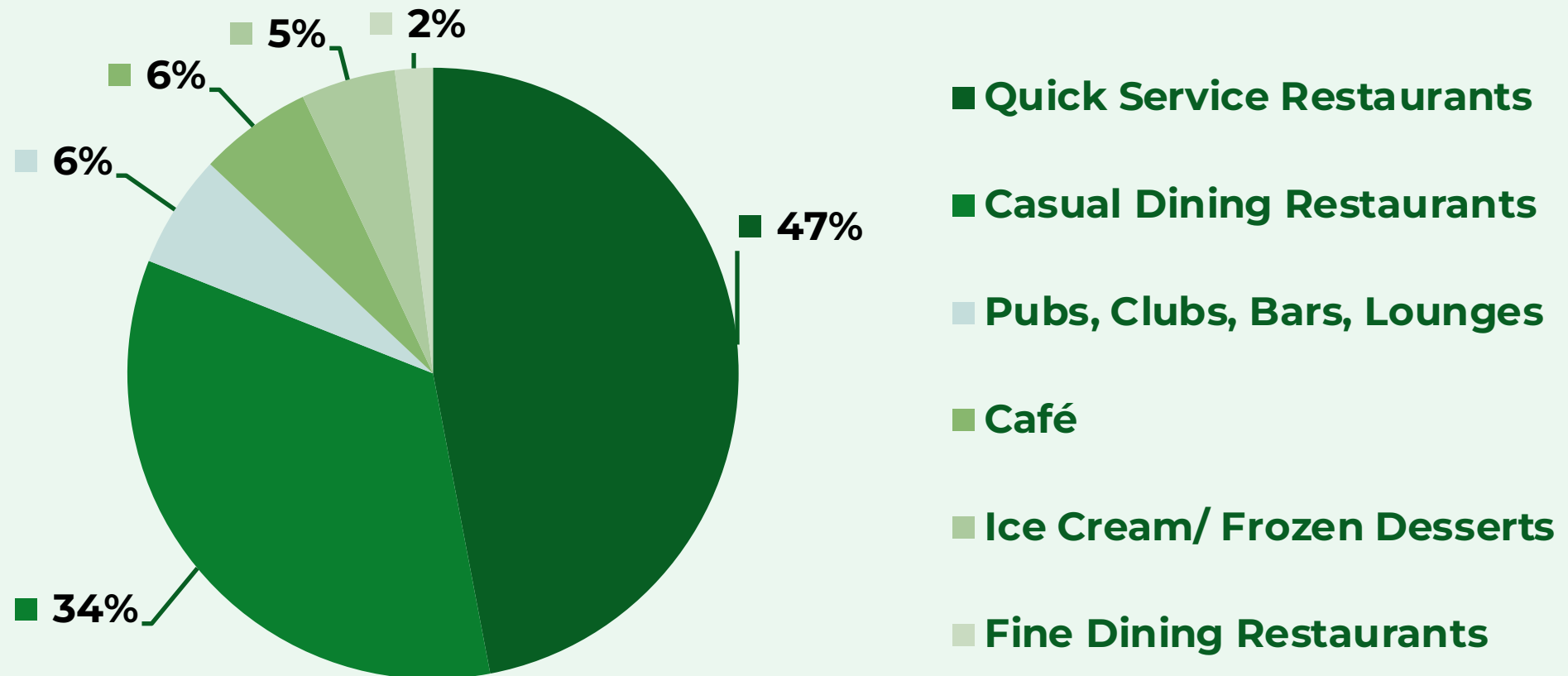
28.94%

Expected Growth in the Indian Online Food Delivery Industry **(2020-2026)**

Reasons For Growth of the Industry

- **Changing demographics:** In India, there is a sizable working population that includes women. There is a liberal, progressive, and upwardly mobile middle class, and the number of nuclear families is rapidly rising.
- **Greater spending power:** India's per capita income has been gradually rising, which has increased Indians' disposable income.
- **Exposure:** Traveling outside of India has made Indians more knowledgeable about other cultures' cuisines. The popularity of television food and cooking shows like MasterChef has further increased public awareness of fine dining.
- **India as a travel destination:** Restaurants in the nation have every motivation to diversify their menus and provide higher-quality services in order to meet the demands of a growing international market as India projects itself as a key tourism destination to the rest of the world.
- **Digitalization and Infrastructure Development:** Customers have had a better eating experience as a result of elements such as shorter wait times and improved ordering, which keeps them coming back for more and drives the industry's growth. Restaurants benefit from digitalization and infrastructure development by being able to better manage expenses, reduce waste, maintain quality, etc.

Distribution Of Organized Food Service Sector



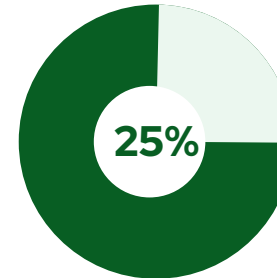
Impact Of Covid 19 On The Industry

The Indian restaurant market size fell from **Rs 423,624** crore to **Rs 200,762** crore in FY2020.

The Indian food service industry met only **40%** of its estimated revenue target of **Rs 4.95 lakh crore** in FY21. The Indian Food service Industry was set to meet **85%** of the **Rs. 5.48 lakh crore** revenue target in FY22.

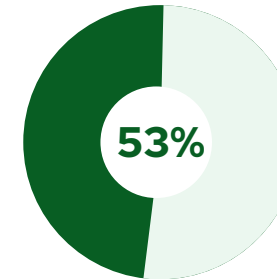
Delivery took off during the time period. Pre-COVID, **10%** of restaurant revenues came from food delivery, **29%** after the first lockdown and **33%** after the second lockdown.

By the beginning of 2021, overall food services market bounced back to almost **74%**, with organized sector showing almost **90%** recovery



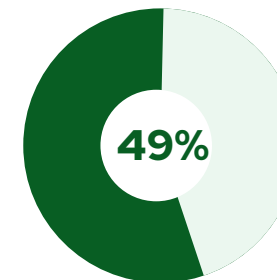
Called It Quits

25% of restaurant owners had to permanently quit due to the pandemic situation.



A Bleak Picture

The Indian restaurant market dropped off **53%** in 2020.



A Ray Of Hope

As restrictions were eased, the Food Service Industry managed to cut some losses and sales were **49%** of pre-covid estimates by 2020-end

Post Covid Trends



Healthier options

Indians are looking to prioritize eating healthy and are willing to pay higher prices for healthy meals.



Increase In Online Delivery

Ordering isn't for lazy nights anymore. People are enjoying fine dining experiences from their homes as well.



Ghost Kitchens

Also called as dark or cloud kitchens, they cater to consumers without a physical restaurant space. For ex: Fasoos.



Increase in Digitalisation

QR code menus and digital tablets are being used to display menu items, placing orders and provide feedback .



Simplified Menus

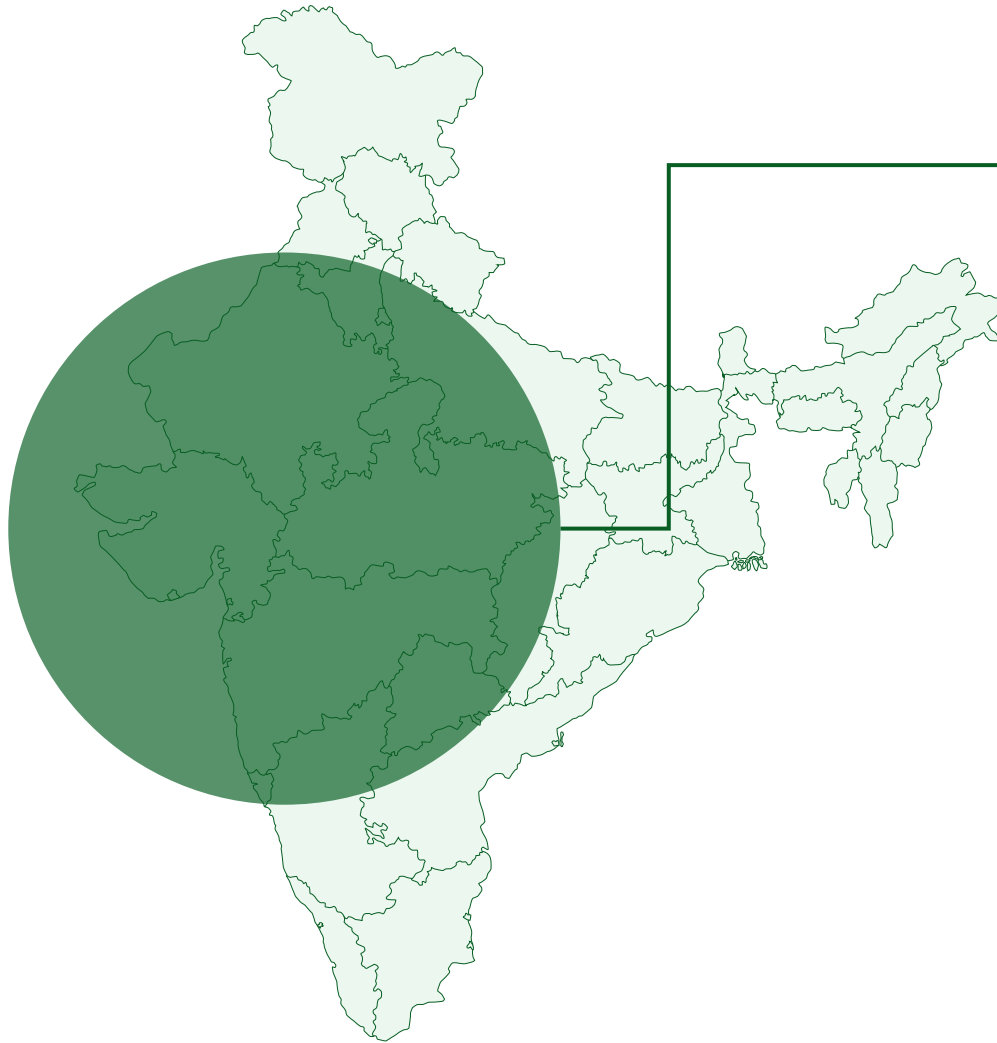
In the new age of niche restaurants, chefs can master menu items and improve the quality of food while reducing food costs as well.



Increase in Culinary Experiences

Post-covid, diners are walking in to get fresh culinary experiences like Korean, Japanese, North-East Indian, etc.

Regional Trends in the Indian Food Service Industry



Among other regions, **West and Central India** currently dominates the market



For the third time in a row, Delhi was named the "Dining Capital of India," hosting 32% of all diners in India.



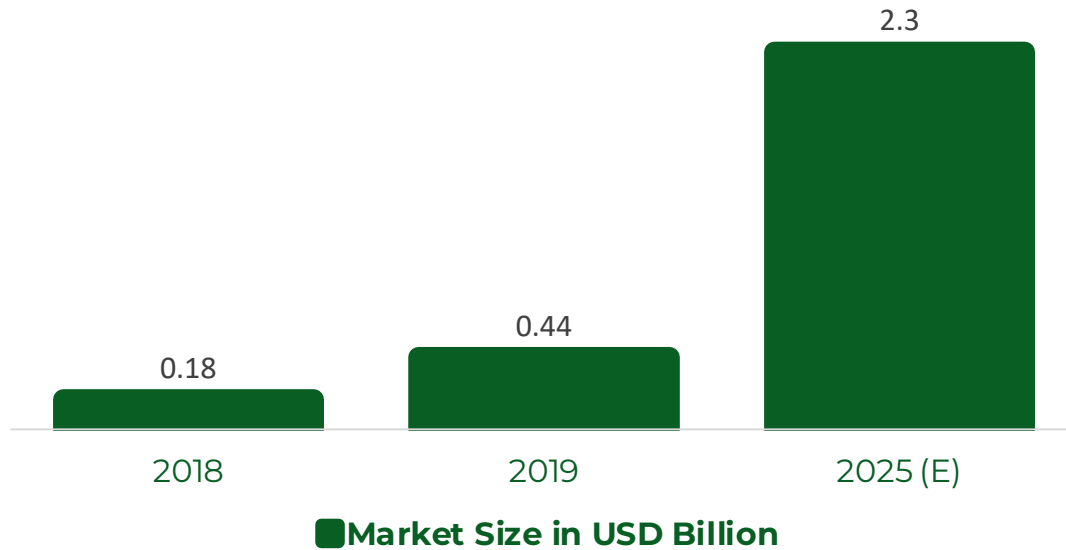
Whereas Bangalore accounted for a respectable 18% of all diners in India.



With 44% of reservations made for "Table for 2," Udaipur is the new "City of Love," while Agra and Ludhiana had the most "Table for 4" bookings.

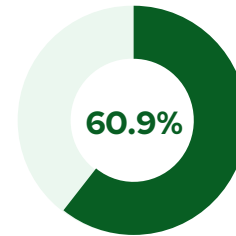
Key Developments In The Restaurant Industry

Market Size Of Cloud Kitchens In USD Billion

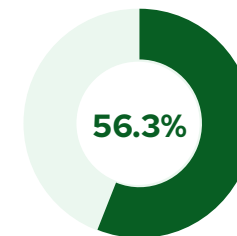


Cloud Kitchens are doing better when compared to other models. Several reasons such as the reduction in **Operational Costs, Labour Costs, Property Costs**, and increase in **Profit Margin** are driving the popularity of Cloud Kitchens.

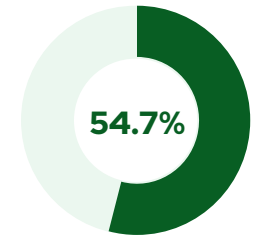
Concepts Predicted To See Rise in Popularity



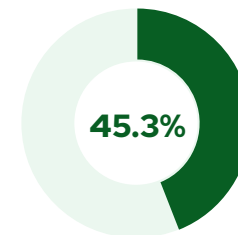
60.9% of experts, believe Cuisine agnostic, chef owned/led delivery restaurants will rise in popularity



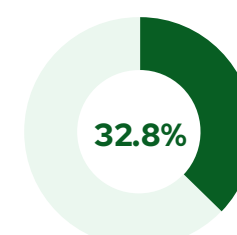
56.3% of experts believe, Regional cuisine-based concepts will rise in popularity



54.7% of experts believe, Farm to table restaurant Concepts will rise in popularity



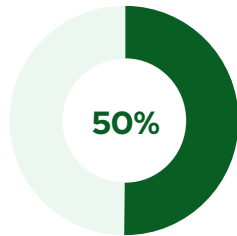
45.3% of experts see a Rise in travelling restaurants (legacy restaurants popping up in other cities)



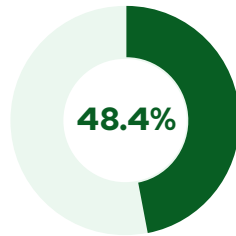
32.8% of experts see a rise in Naked kitchen/ food theatre based concepts (ie. Kitchen in full public view for transparency)

Cuisines & Factors Affecting Restaurant Choices

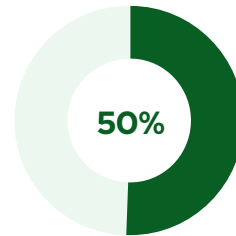
Cuisines Likely To Flourish



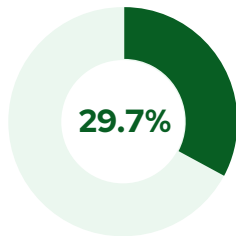
50% of experts say that **Korean** cuisines will flourish.



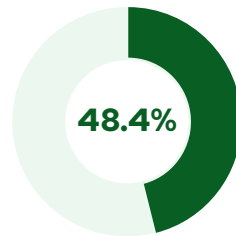
48.4% of experts say that **Japanese** cuisines will flourish.



50% of experts say that **Mountain Cuisines** will flourish.



29% of experts say that **Micro Cuisines (South-East Asia)** will flourish.



48.4% of experts say that **Micro Cuisines (North-East India)** will flourish.

Note: Indianized American Cuisine is also likely to flourish in the industry.

Factors affecting choice of Restaurants

Type of cuisine **37 %**

Deals **36 %**

Ordering for oneself, family or friends **12 %**

Ordering for an occasion **9 %**

Service/ Speed of Delivery **6 %**

Key Figures To Consider

An average bill of **Rs 2,670** was paid in **2021** as compared to Rs **1,907** in **2020**.

Source: Dineout trends Report 2021

95 % Of diners are comfortable visiting restaurants that clearly communicate protocols in dining and kitchen areas.

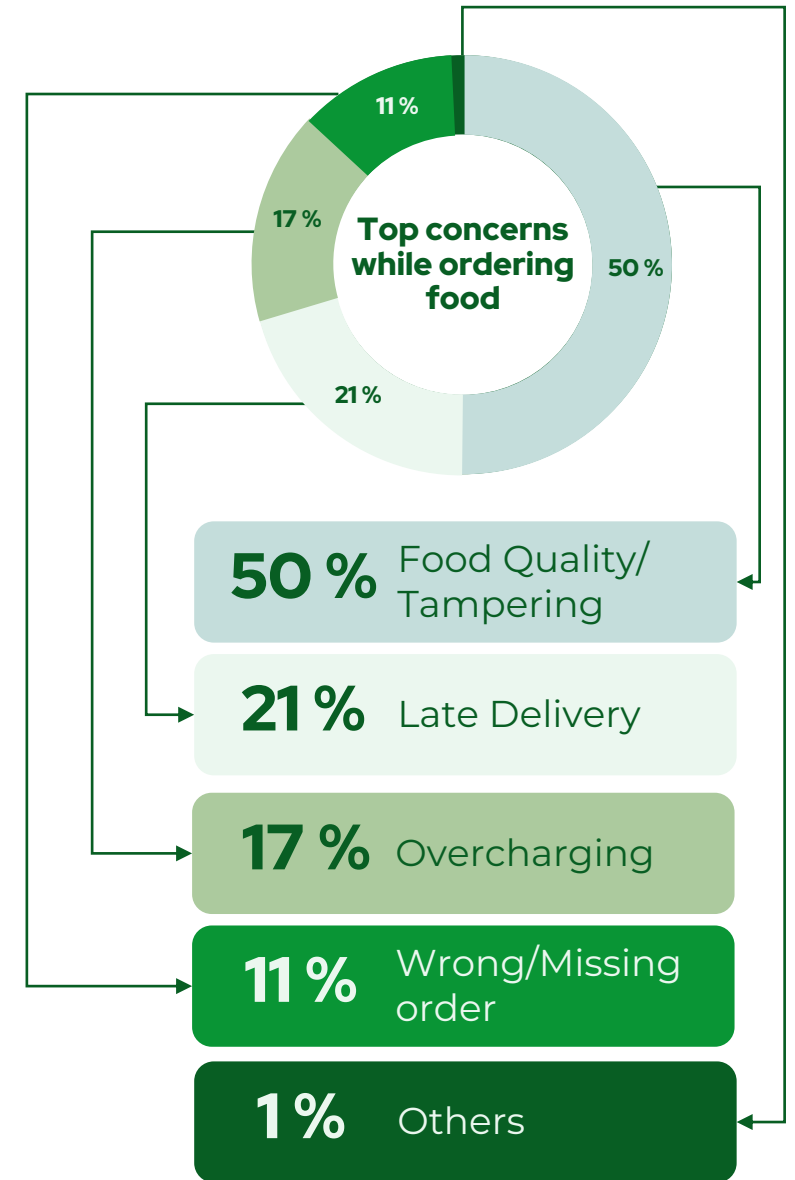
Source: Survey via Economix Consulting Group (ECG)

98 % Diners rated Cleanliness, Hygiene and Safety Protocols as important factors prior to dining at restaurants.

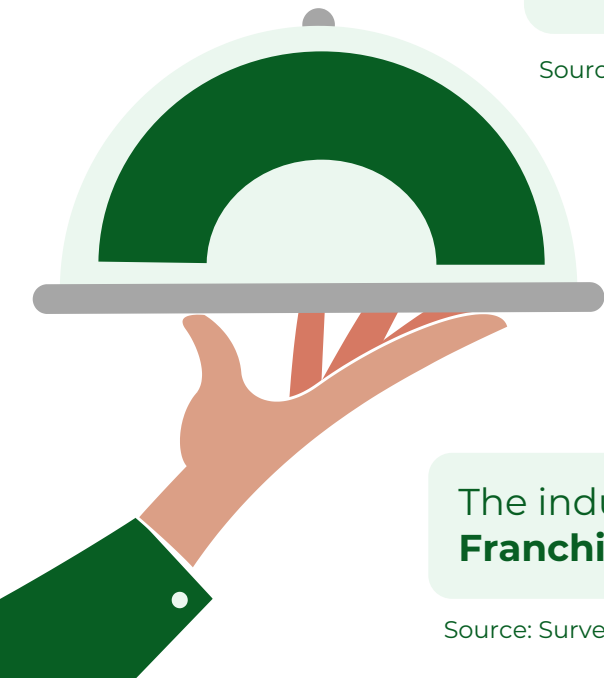
Source: Survey via Economix Consulting Group (ECG)

The industry is seeing a sharp shift towards **Franchisees** and **Fine Dining** Restaurants.

Source: Survey via Economix Consulting Group (ECG)



Source: Survey via Numr CXM



MARC Forecast

The 3 pillars of the restaurant industry

Hygiene

Technology

Convenience

Potential Future Challenges

Labour Shortages

Supply Chain Disruptions

Food Supply Issues

Taxation

Using People First approach and focus on the following

Hygiene

Food Quality

Online Orders

Ambience

Simple Menu

Technology

Cuisines likely to flourish

Korean

Japanese

Mountain Cuisines (India)

Micro Cuisines (South-East Asia)

Micro Cuisines (North-East India)

Micro segments likely to flourish

Fine Dining Restaurants

Cloud Kitchens

Cafes

Casual Dining Restaurants

Quick Service Restaurants



Ever wondered
if your business
is performing up
to its full
potential or if its
in-tune with the
industry?

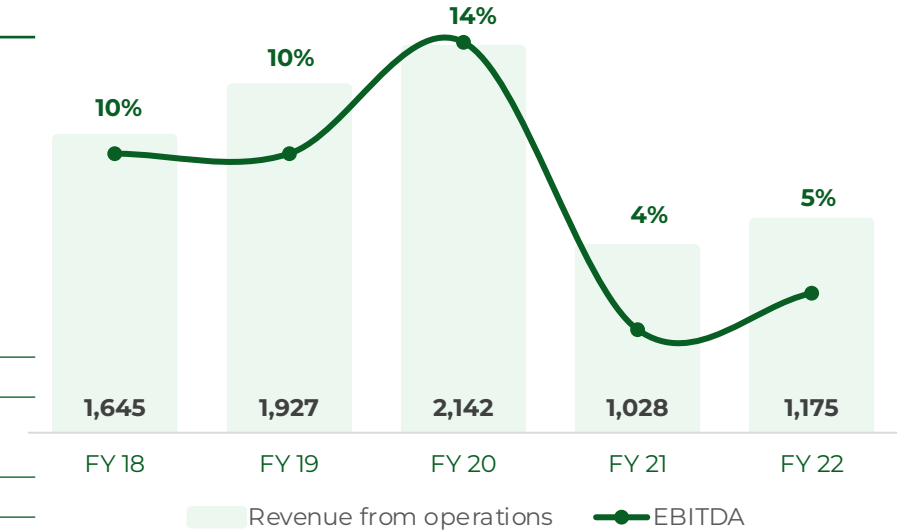
MARC's detailed and comprehensive analysis of your business performance, as well as of your competitors and their strategies and how your own business is performing against the industry benchmarks, all of this with MARC's personalized recommendations.

Note: Financial figures used in the following section of the report are fictional and are used to represent MARC's capabilities.

Profit & Loss Snapshot

PL Snapshot (Restaurant 1)

INR in Lakhs	FY18	FY19	FY20	FY21	FY22
Revenue from Operations	1,645	1,927	2,142	1,028	1,175
Consumption	(760)	(839)	(822)	(376)	(413)
Expenses	(727)	(894)	(1,022)	(613)	(700)
Employee Benefits	(286)	(340)	(393)	(244)	(292)
Rent	(114)	(137)	(128)	(64)	(81)
FPL Expenses	(71)	(99)	(98)	(59)	(92)
Repair & Maintenance	(33)	(67)	(93)	(73)	(70)
Other Expenses	(223)	(253)	(311)	(175)	(165)
EBITDA	159	194	297	38	61
Finance Cost	(32)	(110)	(81)	(76)	(63)
Depreciation	(35)	(44)	(63)	(55)	(35)
EBT	91	39	154	(92)	(36)



Consumption Cost stood high at 46% in FY18 which dropped to 35% in FY22, this increased the Gross profit margins from 54% to 65% from FY18 to FY22 respectively. Basis on competitor analysis an average COGS (Cost of goods sold) stood at 40%.

- The revenue from operations is further divided into sales for delivery, pick-up, dine-in, Swiggy, and Zomato based on orders. For the review period up until the epidemic year, or FY21, the revenue is seen to have a growing trend.
- Employee benefits costs as a percentage of total sales rose from 17% in FY18 to 25% in FY22. Primarily, due to an increase of 7% in staff welfare expenses.
- As a percentage to Revenue, FPL and repairs & maintenance costs have also slightly increased from FY18 to FY22.

Revenue Comparison



Dine - In

It was observed that in FY19, 54% of the total orders were through Dine in which contributed to 77% of the total revenue. However, In FY22 26% orders contributed to 50% of the total revenue. The APO as on FY22 stood at INR 2,065

2019

54%

of Total Orders

77%

of Total Revenue

2022

26%

of Total Orders

50%

of Total Revenue

Avg per order – INR 2,065



Delivery Partners

It was observed that in FY19, 10% of the total orders were through Delivery Partners which contributed to 4% of the total revenue. However, In FY22 50% orders contributed to 29% of the total revenue. The APO as on FY22 stood at INR 614

2019

10%

of Total Orders

4%

of Total Revenue

2022

50%

of Total Orders

29%

of Total Revenue

Avg per order – INR 614



In – House Delivery

It was observed that in FY19, 36% of the total orders were through In-House Delivery which contributed to 20% of the total revenue. However, In FY22 21% orders contributed to 18% of the total revenue. The APO as on FY22 stood at INR 910

2019

36%

of Total Orders

20%

of Total Revenue

2022

21%

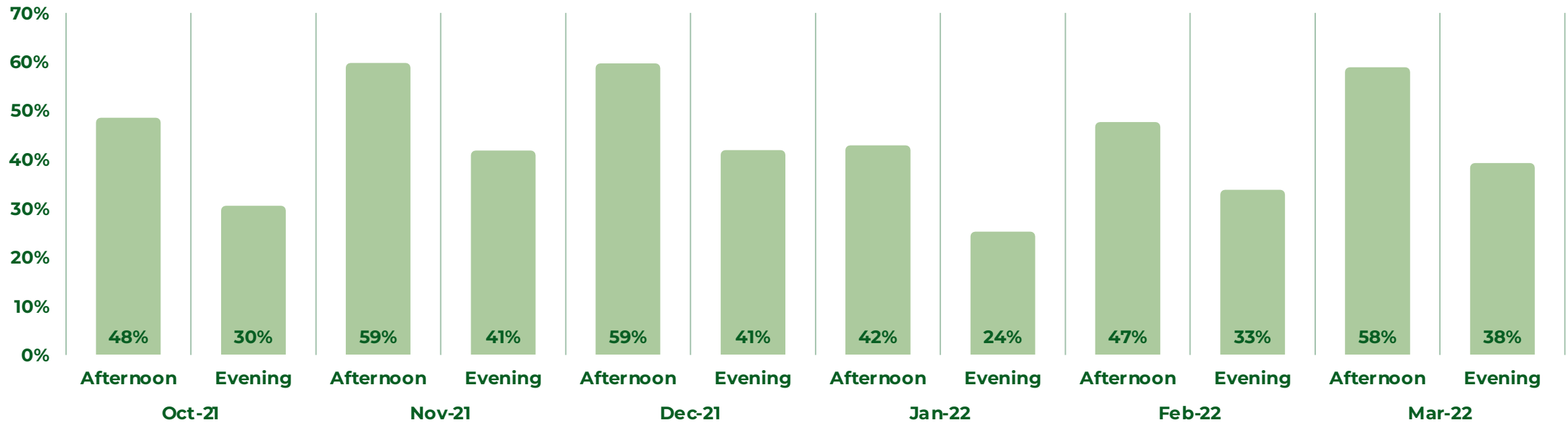
of Total Orders

18%

of Total Revenue

Avg per order – INR 910

Afternoon/Evening Occupancy Trends

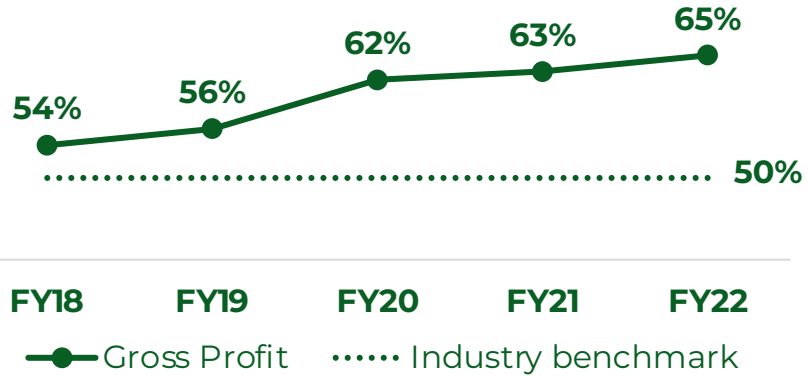


The above graph shows the Monthly, Afternoon and Evening Occupancy.

- It is observed that across the period from Oct-21 to Mar-22, the afternoon occupancy is way higher than evening occupancy. In Mar-22, Afternoon occupancy at 58% is higher than Evening occupancy of 38%.
- It is observed that 55% of the total pax in afternoon generate 60% of the total revenue and the APC stood at INR 996, whereas 45% of the total evening pax generate 40% of the total revenue and the APC stood at INR 1,444.

Ratio Analysis - Part 1

Gross Margin (%)



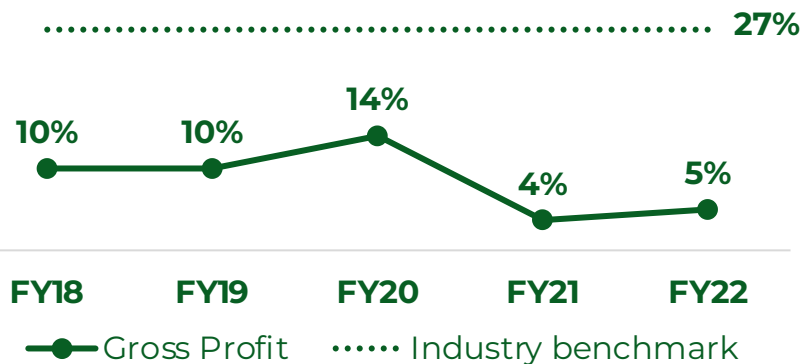
50% Industry Benchmark

Basis on MARC Analysis, an average Gross margin of Restaurant industry stood at 50%.

40% Restaurant 1 Average

Average Gross margin for the period under review stood at 60% and has shown a positive trend from FY18 to FY22.

EBITDA Margin (%)



27% Industry Benchmark

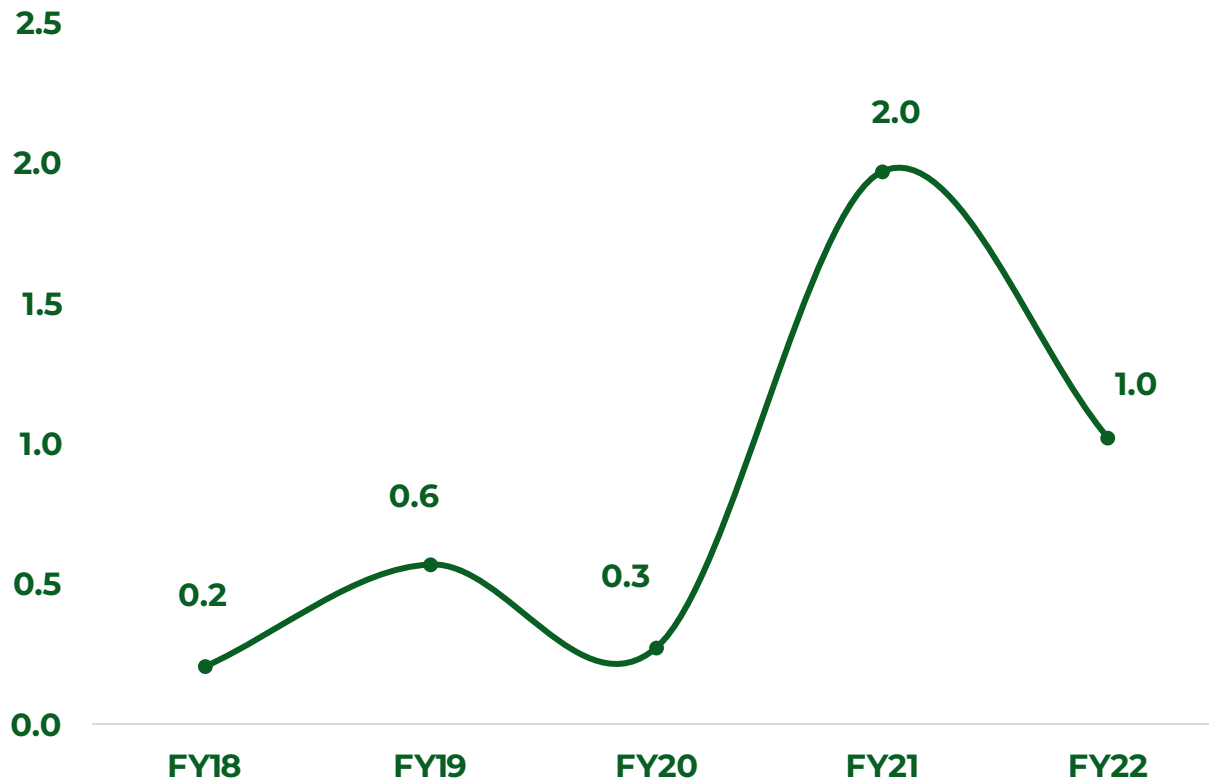
Basis on MARC Analysis, an average EBITDA margin of Restaurant industry stood at 27%.

10% Restaurant 1 Average

Average EBITDA margin for the period under review stood at 9% and has consistently been below the industry benchmark.

Ratio Analysis - Part 2

Interest Coverage Ratio



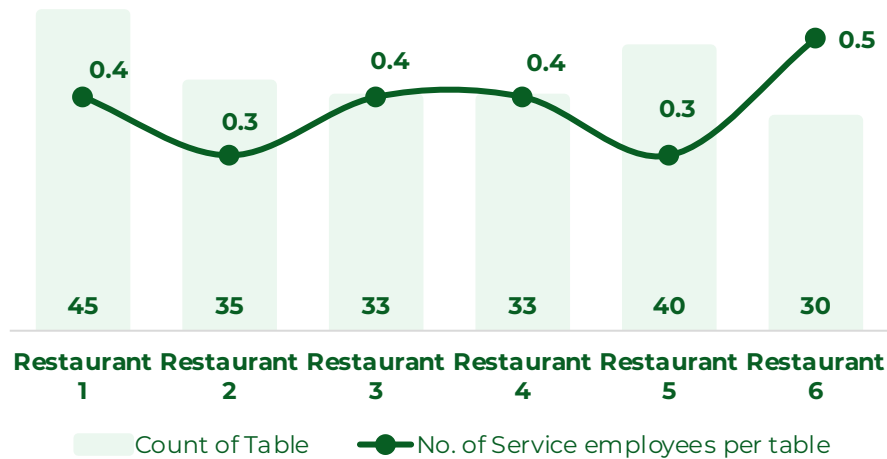
1.8X times (Industry)



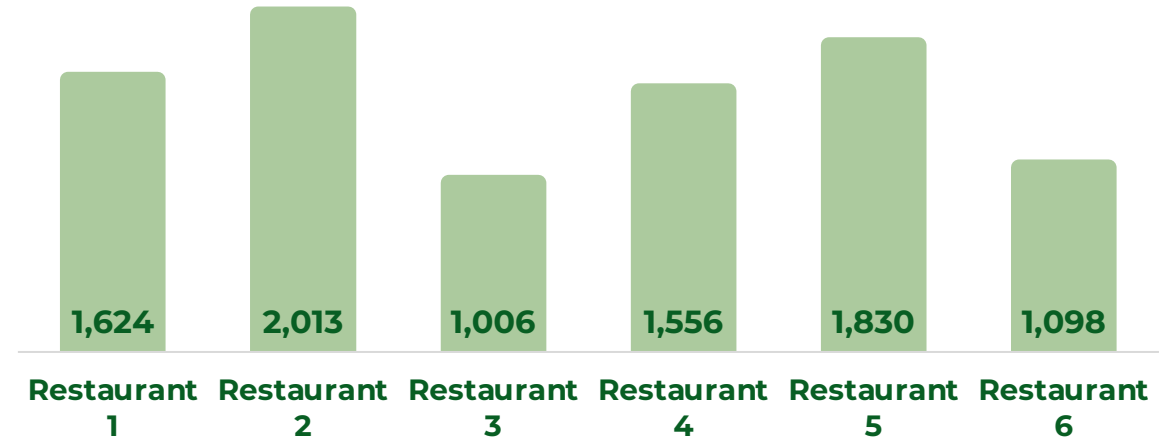
1.0X times (FY 22)

- **ICR**, or **Interest Coverage Ratio**, is a metric used to assess a company's capacity to pay interest.
- According to MARC Analysis, the average ICR for the restaurant sector was **1.8 times**.
- The ICR for **Restaurant 1** as of **FY22** was **1.0 times**, which is less than the **FY22** industry average.

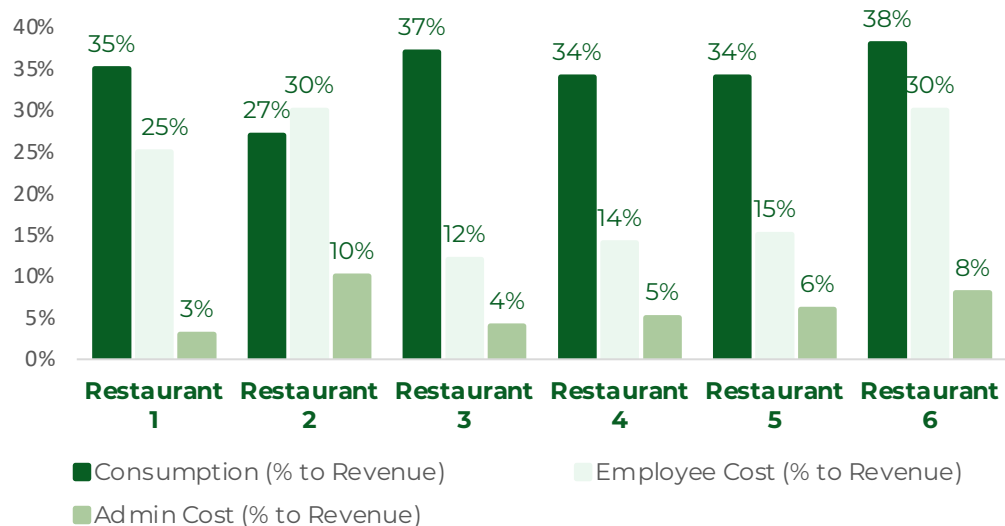
Competitor KPI Comparison – Part 1



Average Per Order



Key Costs As % To Revenue



- The graphs represents No. of Emp. per table, Average Per Order and Key Costs as a % of revenue.
- While comparing No. of Emp. Per table **Restaurant 1** stood second highest at **0.4**.
- When compared Key costs as a % to revenue, Consumption cost of **Restaurant 6** stood the highest at **38%**, while **Restaurant 3** stood second highest at **37%**.
- While compared APO against other restaurants, **Restaurant 2** stood the highest at **INR 2,013**.

Competitor KPI Comparison – Part 2

Restaurant 1 KPI Comparison

Particulars	Restaurant 1	Restaurant 2	Restaurant 3	Restaurant 4	Restaurant 5	Restaurant 6
Average Per Order	1,624	2,013	1,006	1,556	1,830	1,098
Occupancy	47%	41%	70%	50%	40%	50%
Avg Footfall (In Thousands)	72.4	46.0	142.3	112.3	85.7	96.8
Consumption (% to revenue)	35%	27%	37%	34%	34%	38%
Employee Cost (% to revenue)	25%	30%	12%	14%	15%	30%
Admin Cost (% to revenue)	3%	10%	4%	5%	6%	8%
Capacity	200	140	130	130	240	120
Per Table Capacity	4	4	4	4	6	4
Count of Tables	45	35	33	33	40	30
Number of Service Emp.	19	12	12	12	13	14
No. of Service emp. per table	0.4	0.3	0.4	0.4	0.3	0.5
Revenue (INR Lakhs)	1,175	926	1,432	1,747	1,568	1,062

Profit & Loss Account – Restaurant 1

Variance Analysis – Restaurant 1

INR in Lakhs	Actuals					Variance Analysis			
	FY18	FY19	FY20	FY21	FY22	FY19	FY20	FY21	FY22
Revenue from Operations	1,645	1,927	2,142	1,028	1,175	17%	11%	-52%	14%
Consumption	(760)	(839)	(822)	(376)	(413)	10%	-2%	-54%	10%
Expenses	(727)	(894)	(1,022)	(613)	(700)	23%	14%	-40%	14%
Employee Benefits	(286)	(340)	(393)	(244)	(292)	19%	16%	-38%	20%
Rent	(114)	(137)	(128)	(64)	(81)	20%	-7%	-50%	27%
FPL Expenses	(71)	(99)	(98)	(59)	(92)	39%	-1%	-40%	57%
Repair & Maintenance	(33)	(67)	(93)	(73)	(70)	101%	39%	-22%	-4%
Other Expenses	(223)	(253)	(311)	(175)	(165)	13%	23%	-44%	-6%
EBITDA	159	194	297	38	61	22%	53%	-87%	60%
Finance Cost	(32)	(110)	(81)	(76)	(63)	240%	-26%	-7%	-17%
Depreciation	(35)	(44)	(63)	(55)	(35)	28%	41%	-11%	-37%
EBT	91	39	154	(92)	(36)	-57%	291%	-160%	-61%



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