‘We do not need PE investment as we have strong cash flows’

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At a time when Mc Donald’s restaurants are shutting down in North India, Amit Jatia, Vice-Chairman, Westlife Development – the master franchise of McDonald’s in the West and South – is smug after the September quarter performance, as his company reported positive sales growth for the ninth consecutive quarter. Unlike Connaught Plaza Restaurants, its counterpart in the North and East, which is facing turbulent times with an alleged breach of franchise agreement with Mc Donald’s, Westlife Development is going strong, adding 25-30 outlets in its own territories. In a chat with BusinessLine, Jatia explains some the factors that have worked in his favour, leading to successive quarters of growth, and what lies ahead for his QSR chain. Excerpts:

THE BL INTERVIEW

How would you rate your performance for the July-September quarter?

Last year during the September quarter, our SSSG (same store sales growth) was at 6.4 per cent, and on top of that,we have managed to grow at 8.4 per cent this quarter, which is absolutely solid. What this conveys is that the foundation that we have built over the 8-9 quarters is working, reflecting the strength of the brand. We are the only brand in the QSR space that has managed to keep its SSSG on the back of bold moves, and have not been deep discounting to retain customers.

Some of these bold moves have been the launch of Mc Cafes, which stand at 136; the second one is delivery, which has grown to post double-digit growth year-on-year, and also initiatives such as happy price combos.

Considering you already have your own thriving delivery platform under Mc Delivery, why do resort to other food aggregators such as Zomato and Swiggy for the same?

Out of the total delivery business, about 50 per cent comes from digital delivery platforms, including the app and web. The majority of our business continues to come from the our own digital platform and the rest from other aggregators.

Our philosophy is that just like we are present in every mall, we want to be on every platform, but at the same time, the business from aggregators is not substantial compared to our own platform.

So is Mc Delivery also functioning like a food-delivery start-up?

We run our delivery system like a start-up and we were in this business before others. We do not need to invest behind them. One can think of every Mc Donald’s as a kitchen, and today we have 265 kitchens across the West and South. In delivery, operational excellence is extremely important, which is what Mc Donald’s is known for.

Two years ago we launched our app, before which we had the web platform, and this year we completely re-engineered our app.

Start-ups seek PE funds, would you do the same with Mc Delivery?

We do not need PE investment since we have strong cash flows due to our restaurants, and those investments are going into delivery in any case.

Today we are a listed company and have FIIs, but we did have PE funds as investors in 2010, and some of them such as Bay Capital still have some stock but not a board seat in the company. We are a public listed company and not a private company seeking PE funds.

How did GST and demonetisation impact your QSR business?

The quarter during demonetisation our SSSG was at 5.1 per cent and in the quarter when GST was introduced, it was at 8.4 per cent unlike any other QSR.

We did not rely on buying our customers through discount coupons and free offers since we had already built strong platforms by making investments, and bold moves such as Mc Cafes, re-imaging, delivery and brand advertising .

But did the equity of Mc Donald’s as a brand erode as result of outlets closing down in the North and employees getting laid off?

All I can say is that in the West and South we kept the brand vibrant, current and top-of-mind for the consumer. You cannot have equity eroding and also grow sales. What is happening in the North is between Mc Donald Corp and CPRL (Connaught Plaza Restaurant).

We are adding about 2,000 jobs every year and are building 25 to 30 restaurants in our investment plan, which is about ₹500 crore over the next 3-5 years.

At the recently concluded World Food India, almost 60 global food brands are expected to enter India. Do you see competition increasing in the QSR space as a result?

The other food brands are talking about food service, production facility and farming, which we have already been doing for the past 20 years. We already have an established system where lakhs of farmers are working for us.

We will continue to fight with the new guys of tomorrow, but our foundation is too solid to get impacted by any of this.

We have a capex every year of about ₹120 crore and are a debt-free company.

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AMIT JATIA
Vice-Chairman, Westlife Development