Report on QSR Industry in India

For Tea Post Ltd.

3rd June 2025

Disclaimer

*This study has been undertaken through extensive secondary research, which involves compiling inputs from publicly available sources, including official publications and research reports. Estimates provided by Dun & Bradstreet ("**Dun & Bradstreet**") and its assumptions are based on varying levels of quantitative and qualitative analysis including industry journals, company reports and information in the public domain.*

Dun & Bradstreet has prepared this study in an independent and objective manner, and it has taken all reasonable care to ensure its accuracy and completeness. We believe that this study presents a true and fair view of the industry within the limitations of, among others, secondary statistics, and research, and it does not purport to be exhaustive. The results that can be or are derived from these findings are based on certain assumptions and parameters/conditions. As such, a blanket, generic use of the derived results or the methodology is not encouraged.

Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements.

The recipient should conduct its own investigation and analysis of all facts and information contained in this report is a part and the recipient must rely on its own examination and the terms of the transaction, as and when discussed. The recipients should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.

Table of Contents

Annexure for Abbreviation used

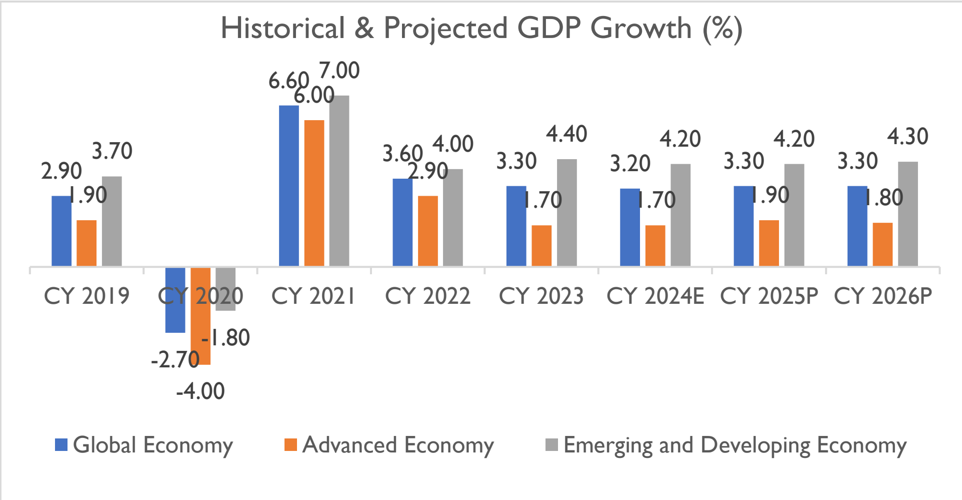
GDP	Gross Domestic Product
GVA	Gross Value Added
IIP	Index of Industrial Production
PFCE	Private Final Consumption Expenditure
GFCF	Gross fixed capital formation
WPI	Wholesale Price Index
CPI	Consumer Price Index
y-o-y	Year on Year
m-o-m	Month on Month
IMF	International Monetary Fund
RBI	Reserve Bank of India
MOSPI	The Ministry of Statistics and Programme Implementation
Est., Adv. Est	Estimated, Advance Estimates
P, F	Projected, Forecast
USD	US Dollar
INR	Indian Rupee
Mn, Bn, Tn, Cr	Million, Billion, Trillion, Crore
PLI	Production Linked Incentive
QSR	Quick Service Restaurant
CAGR	Compound Annual Growth Rate
FDI	Foreign Direct Investment
NRAI	National Restaurant Association of India
COCO	Company-Owned, Company-Operated

FOCO	Franchisee Owned Company Operated
FOFO	Franchisee Owned Franchisee Operated
COFO	Company Owned Franchise Operated
RTD	Ready-to-Drink
FSSAI	Food Safety and Standards Authority of India
FLRS	Food Licensing and Registration System
NOC	No Objection Certificate
HACCP	Hazard Analysis Critical Control Point
FIFO	First In, First Out
FMFO	First Manufactured, First Out
FEFO	First Expired, First Out
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
PAT	Profit After Tax
PPM	Parts Per Million

Global Macroeconomic Landscape

Global Economic Overview

The global economy, which grew by 3.30% in CY 2023, is expected to record a sluggish growth of 3.20% in 2024 before rising modestly to 3.30% in 2025. The year 2024 continued to remain a challenging year marked by uncertainties and transformative shifts. Numerous factors such as high inflation in many economies despite central bank effort to curb inflation, continuing energy market volatility driven by geopolitical tensions particularly in Ukraine and Middle East, and the re-election of Donald Trump as US President extended uncertainty around the trade policies as well as overall global economic growth. High inflation and rising borrowing costs affected the private consumption on one hand while fiscal consolidation impacted the government consumption on the other hand. As a result, global GDP growth is estimated to grow by 3.20% in CY 2024 as compared to 3.30% in CY 2023.



Source – IMF Global GDP Forecast Release January 2025

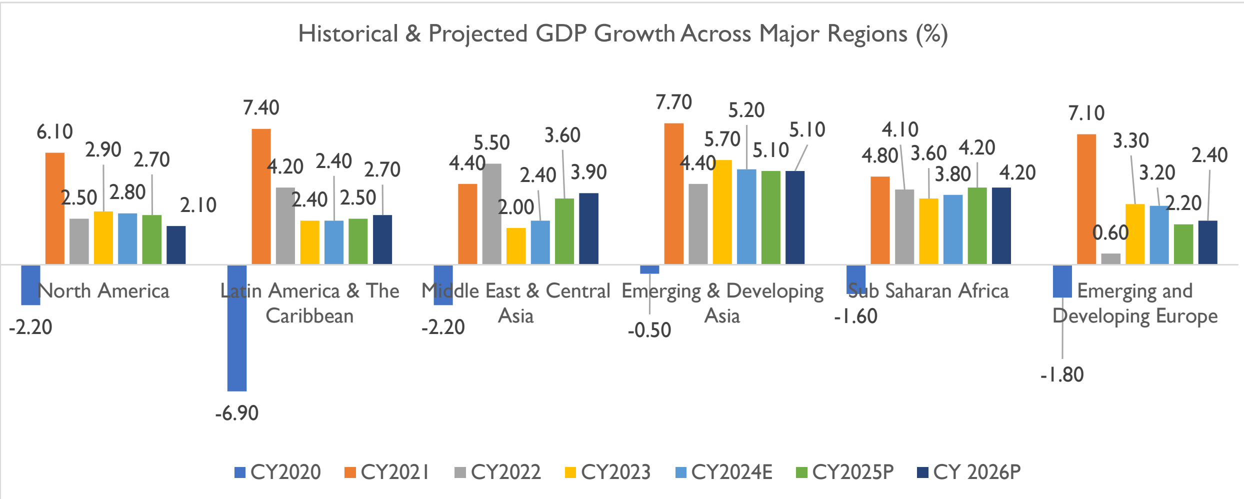
Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. It comprises of 40 countries under the Advanced Economies including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected countries from the Euro Zone (Germany, Italy, France etc.). The group of emerging market and developing economies (156) includes all those that are not classified as Advanced Economies (India, China, Brazil, Malaysia etc.)

Global Economic Outlook

At broader level, the overall world GDP growth is expected to grow modestly by 3.30% in 2025 and 2026 up from 3.20% in 2024. The real GDP in advanced economies is projected to grow 1.90% in 2025, up from 1.70% in 2024 while the GDP growth in emerging economies is expected to continue growing at 4.20% as in 2024. Global inflation is expected to decline steadily, to 4.20% in 2025 and to 3.50% in 2026 still somewhat higher than the 3.10% pace in 2019. In advanced economies, where inflation surged to multidecade highs following the pandemic, price pressures are expected to moderate but remain uneven. Wage cost pressures, potential tariffs and limited innovation undermining global competitiveness in some sectors are likely to persist across European economies and the UK. In the US, we expect the moderating trend in inflation will remain in place through early 2025, though it could then change as deregulation, potential immigration restrictions and tariffs lead to a renewed inflation impulse. In contrast to President-elect Trump's first term, these inflationary pressures would come in a new paradigm defined by fragile supply conditions, elevated geopolitical tensions and structural upside risks to inflation. Geopolitical tensions such as the wars in Ukraine and the Middle East could further exacerbate inflation volatility, particularly in energy and agricultural commodities.

Historical and Projected Regional GDP Growth

GDP growth across major regions exhibited a mixed trend between 2022-23, with GDP growth in many regions including North America, Emerging and Developing Asia, and Emerging and Developing Europe slowing further in 2024. In 2025, GDP growth in Emerging and Developing Asia (India, China, Indonesia, Malaysia, etc.) is expected to decrease further from 5.20% in CY 2024 to 5.10%, while in the North America, it is expected to decrease from 2.8% in CY 2024 to 2.70% in CY 2025.



Source-IMF World Economic Outlook January 2025 update.

Except for Emerging and Developing Asia, Emerging and Developing Europe and North America, all other regions are expected to record an increase in GDP growth rate in CY 2025 as compared to CY 2024. Further, growth in the United States is expected to come down at 2.71% in CY 2025 from 2.80% in CY 2024 due to lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand. India and China saw greater-than-anticipated growth in 2023 due to heightened government spending and robust domestic demand, respectively and expected to slow down due gradually in 2024 and in subsequent two years. Mainland China will face a different macroeconomic challenge: the risk of deflation due to subdued consumer spending trends, cautious business investment and ongoing deleveraging in the property sector. This has prompted authorities to announce stimulus measures to prevent exacerbating deflationary pressures. Indeed, deflation could slow the economic recovery by delaying consumer purchases, eroding corporate revenues and worsening real debt burdens, particularly if property sector weakness and slowing exports continue to weigh on private sector confidence. Emerging markets will grapple with the challenge of curbing inflation while contending with fragile supply chains, volatile commodity prices and foreign exchange fluctuations. Sub-Saharan Africa's expected growth in 2024 is attributed to the diminishing negative impacts of previous weather shocks and gradual improvements in supply issues.

India Macroeconomic Analysis

India emerged as one of the fastest growth economies amongst the leading advanced economies and emerging economies. India's economy showed resilience with GDP growing at 8.20% in CY 2023. The GDP growth in CY 2023 represents a return to pre pandemic era growth path. In CY 2024, even amidst geopolitical uncertainties, particularly those affecting global energy and commodity markets, India continues to remain one of the fastest growing economies in the world and is estimated to have grown at 6.60%.

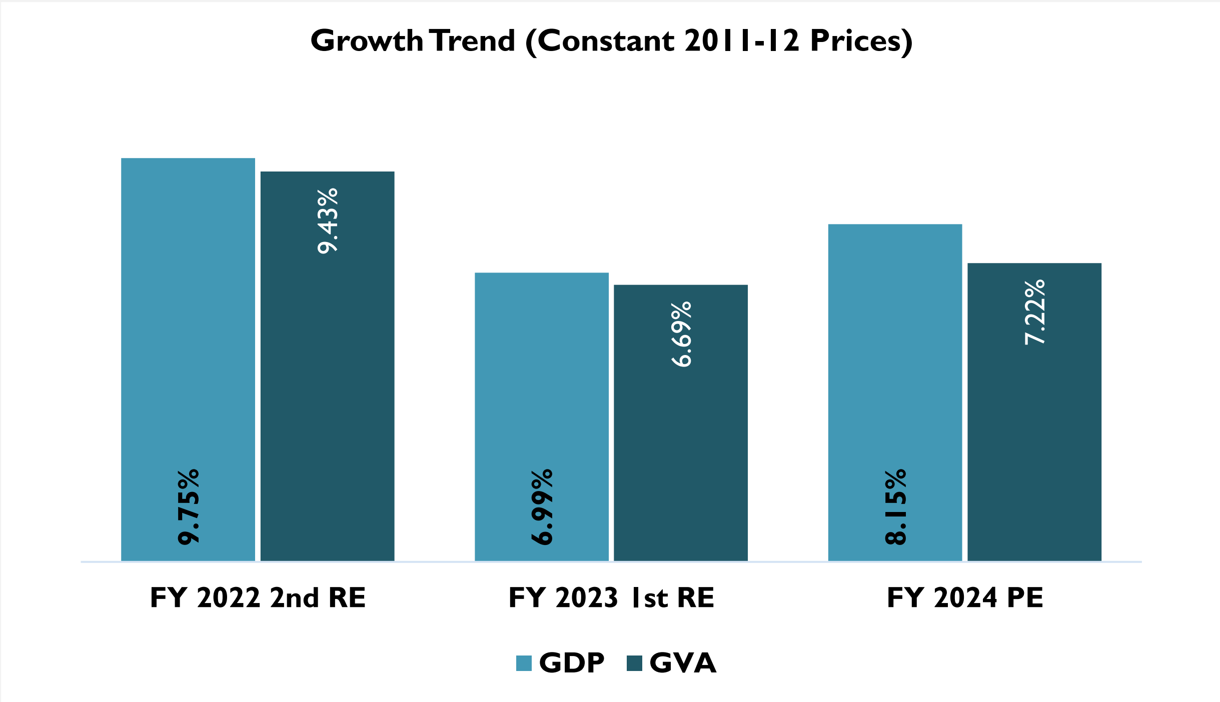
Country	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024 E	CY 2025 P	CY 2026 P
India	-7.30%	8.90%	7.20%	8.20%	6.50%	6.50%	6.50%
China	2.30%	8.10%	3.00%	5.20%	4.80%	4.60%	4.50%
United States	-3.40%	5.70%	2.10%	2.90%	2.80%	2.71%	2.10%
Japan	-4.60%	1.60%	1.00%	1.70%	-0.20%	1.10%	0.80%
United Kingdom	-9.80%	7.40%	4.10%	0.30%	0.90%	1.60%	1.50%
Russia	-3.00%	4.70%	-2.10%	3.60%	3.80%	1.40%	1.20%

Source: World Economic Outlook, January 2025

The Government stepped spending on infrastructure projects to boost the economic growth had a positive impact on economic growth. The capital expenditure of the central government increased by average 26.52% during FY 2023-FY 2024 which slowed to 7.27% in FY 2025 which is expected to translate in moderating GDP growth of 6.5% in 2024. In the Union Budget 2025-2026, the government announced INR 11.21 billion capex on infrastructure (10.12% higher than previous year revised estimates) coupled with INR 1.5 trillion in interest-free loans to states. This has provided much-needed confidence to the private sector, and in turn, expected to attract the private investment.

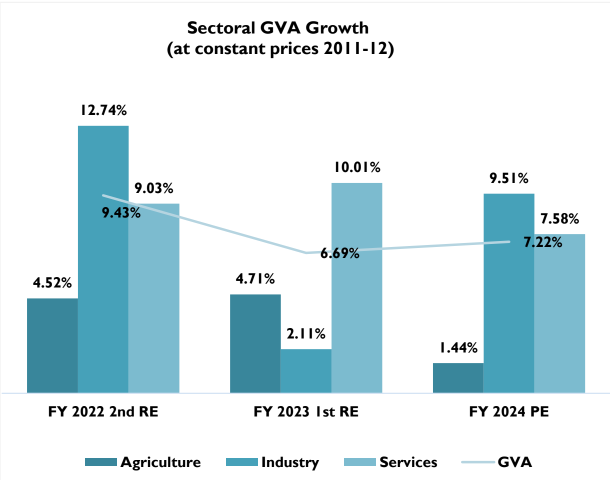
Historical GDP and GVA Growth trend

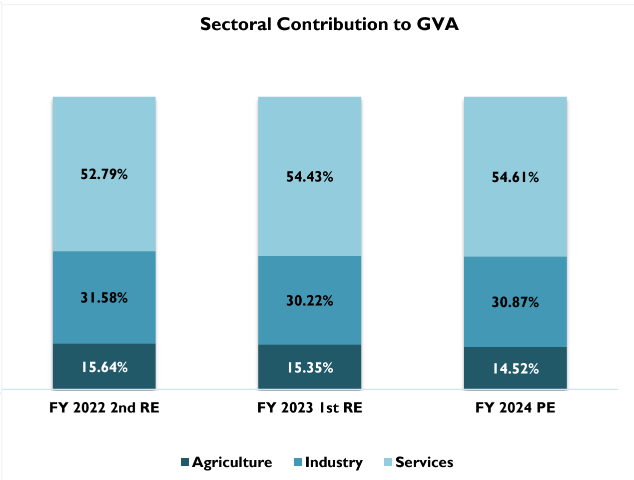
As per the provisional estimates 2023-24, India's GDP in FY 2024 grew by 8.15% compared to 6.99% in the previous fiscal on the back of solid performances in manufacturing, mining, and construction sectors. The year-on-year increase in growth rate is also partly due to by a strong growth in investment demand led by public capital expenditure.



Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics: FY2024

Sectoral Contribution to GVA and annual growth trend





Source: Ministry of Statistics & Programme Implementation (MOSPI)

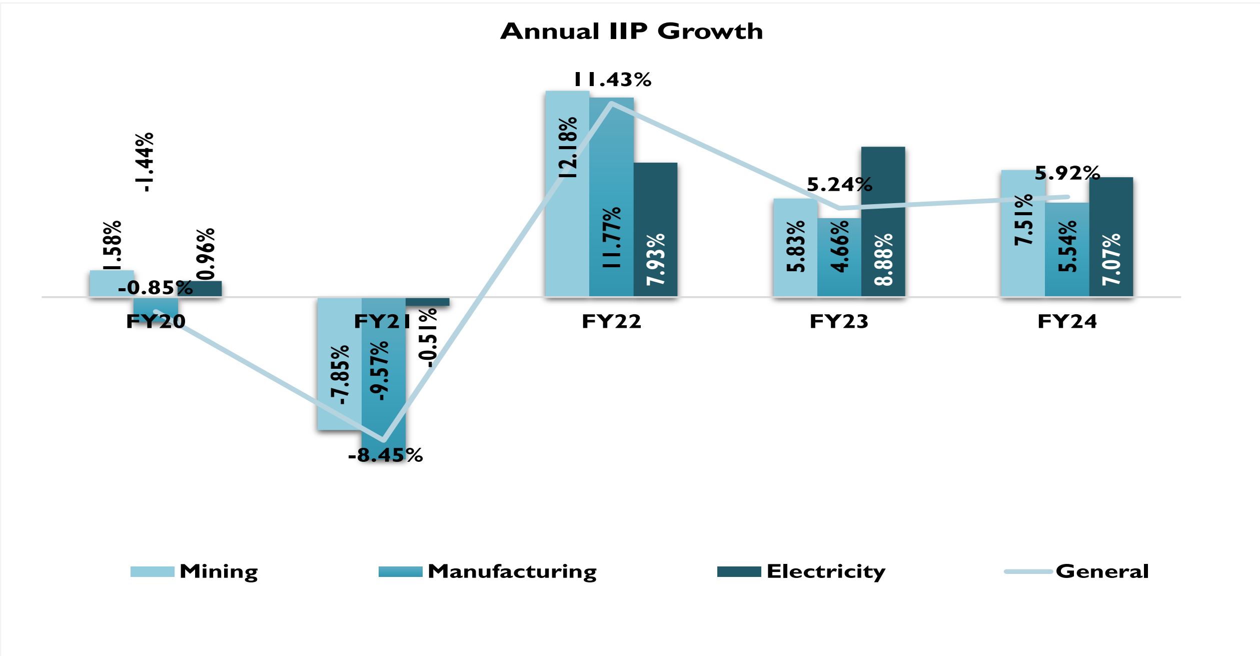
Sectoral analysis of GVA reveals industrial sector recovered sharply registering 9.51% year-on-year increase in FY 2024 against 2.11% in the previous fiscal. In the industrial sector, growth across major economic activity such as mining, manufacturing and construction sector rose significantly and it registered a growth of 7.09%, 9.86% and 9.94% in FY 2024 against a year-on-year change of 1.9%, -2.20%, and 9.44% in FY 2023, respectively.

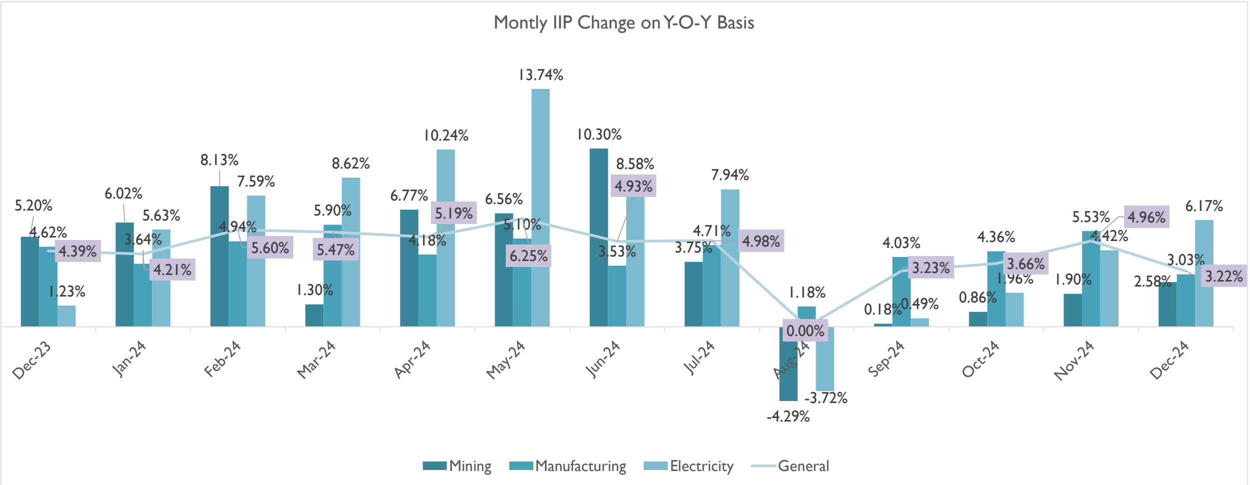
Utilities sector observed a marginal moderation in year-on-year growth to 7.53% against 9.44% in the previous years.

Talking about the services sector's performance, with major relaxation in covid restriction, progress on COVID-19 vaccination and living with virus attitude, business in the service sector gradually returned to normalcy in FY 2023. Economic recovery was supported by the service sector as individual mobility returned to the pre-pandemic level. The trade, hotel, transport, communication, and broadcasting segment continued to strengthen in FY 2023 and grow in FY 2024, although the growth hasn't shown substantial increases. In FY 2024, services sector grew by 7.58% against 10.01% year-on-year growth in the previous year.

Annual & Monthly IIP Growth

Industrial sector performance as measured by IIP index grew by 5.92% in FY 2024 (against 5.24% in FY 2023) backed by the increased in Manufacturing index, which has 77.63% weightage in overall index. The manufacturing index grew by 5.54% in FY 2024 against 4.66% year-on-year growth in FY 2023. Mining sector index too grew by 7.51% in FY 2024 against 5.83% in the previous years while the Electricity sector Index, witnessed an improvement of 7.07% in FY 2024 against 8.88% in the previous year.



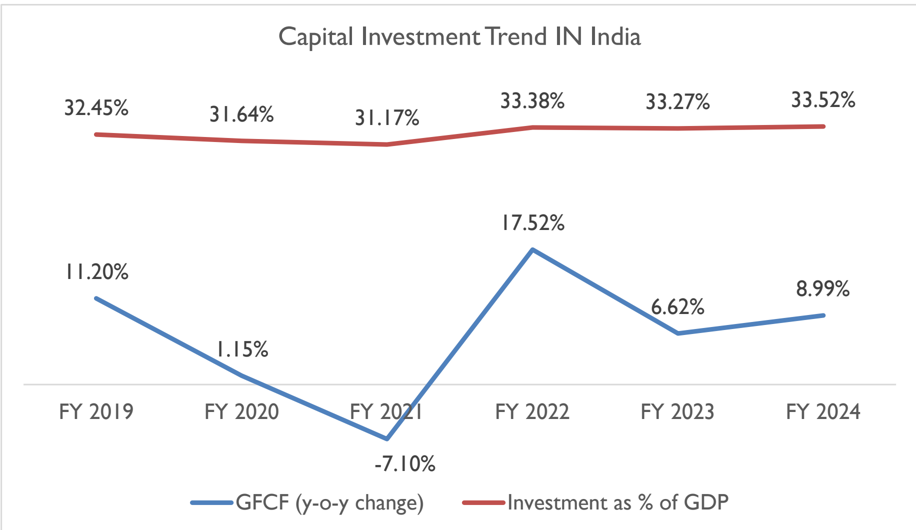


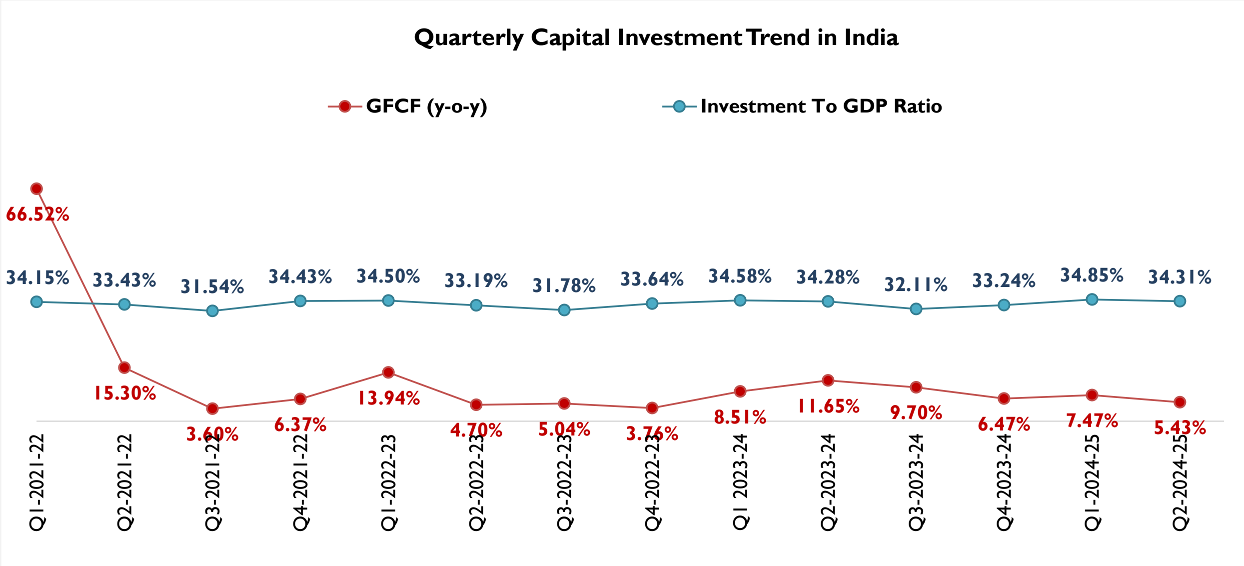
Source: Ministry of Statistics & Programme Implementation (MOSPI)

In the current fiscal FY 2025, the monthly IIP measured index has reported steady improvement over the last fiscal during the first quarter but in later month starting from July 2024 its year-on-year growth moderated due to the high base effect as month year-on-year growth between July 2023 to October 2023 ranged in between 6.18% -11.89% range. Overall month IIP index growth moderated to 3.22% in December 2024 against 4.96% growth in the November 2024 and 4.39% growth in December 2023. Both manufacturing and mining index indicated moderation in December 2024 over the previous month as well as against December 2023 while growth in electricity Index improved considerably against November 2024 and December 2023,

Annual and Quarterly: Investment & Consumption Scenario

Other major indicators such as Gross fixed capital formation (GFCF), a measure of investments, gained strength during FY 2024 as it registered 8.99% year-on-year growth against 6.62% yearly growth in FY 2023, taking the GFCF to GDP ratio measured to 33.52%, the highest in last six years.

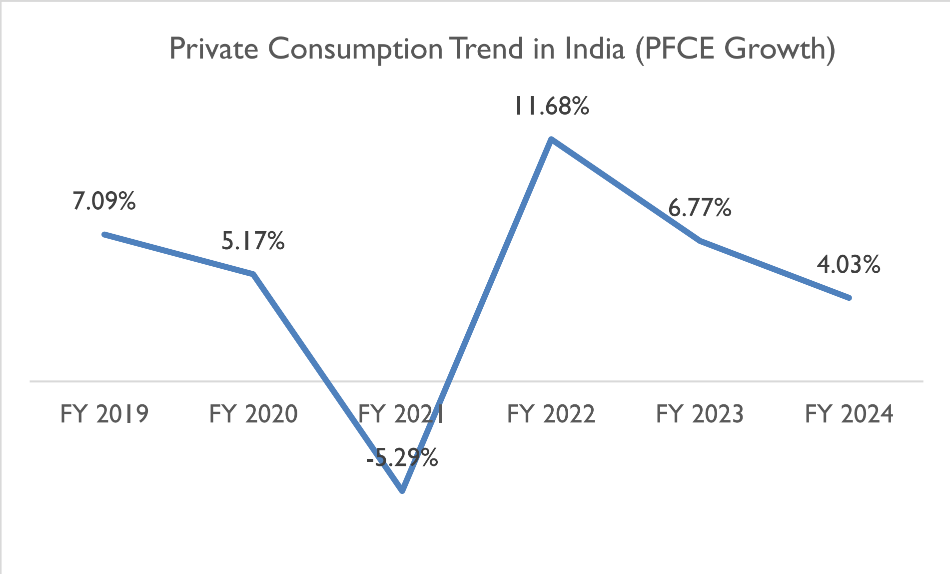


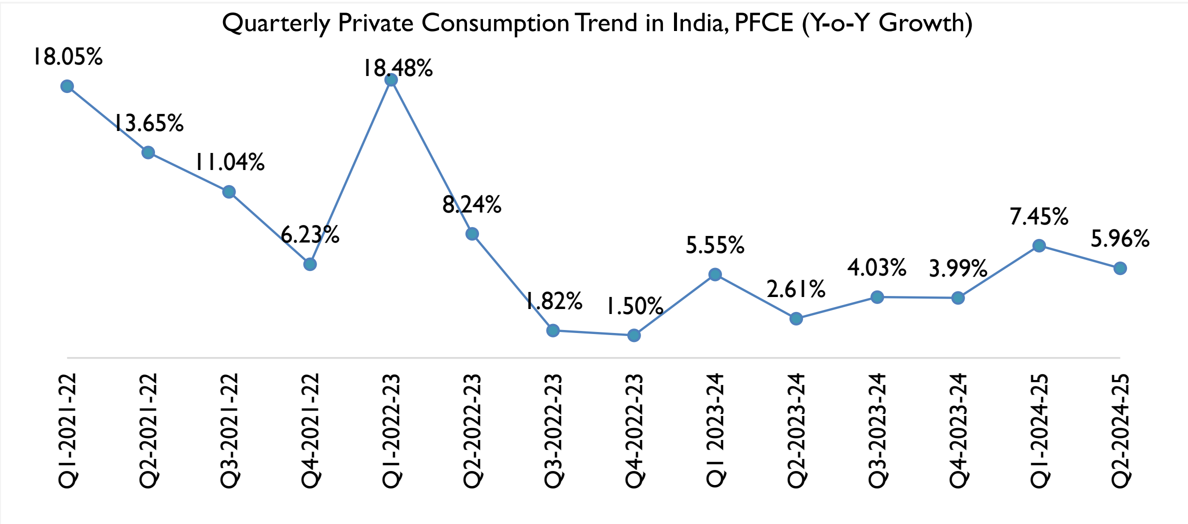


Source: Ministry of Statistics & Programme Implementation (MOSPI)

On quarterly basis, GFCF exhibited a fluctuating trend in quarterly growth over the previous year same quarter. In FY 2024, the growth rate moderated to 6.47% in March quarter against the previous two quarter as government went slow on capital spending amidst the 2024 general election while it observed an improvement in Q1 FY 2025 by growing at 7.47% against 6.47% in the previous quarter. Still, the growth rate remained lower compared to the same quarter in the previous year. The GFCF to GDP ratio measured 34.31% in Q2 FY 2025.

Private Consumption Scenario





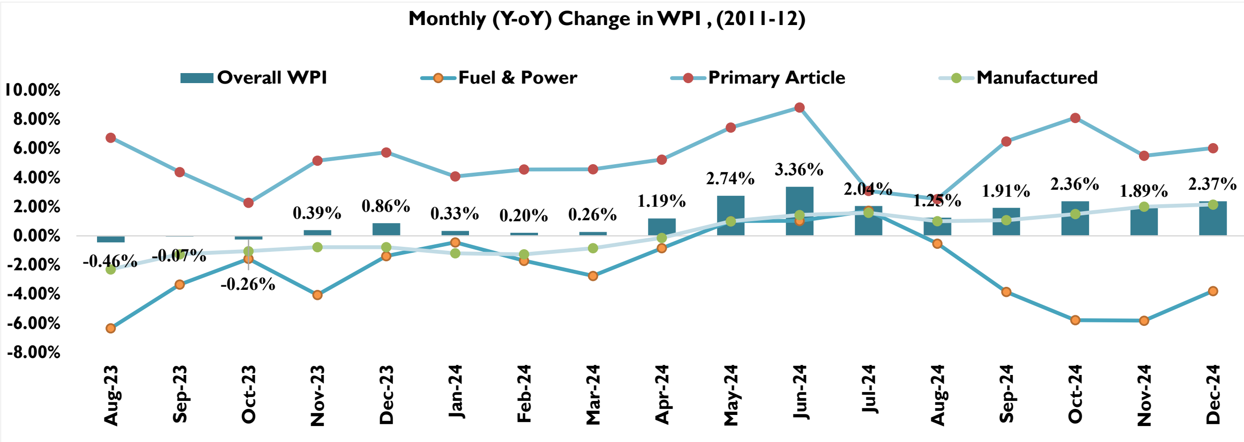
Sources: MOSPI

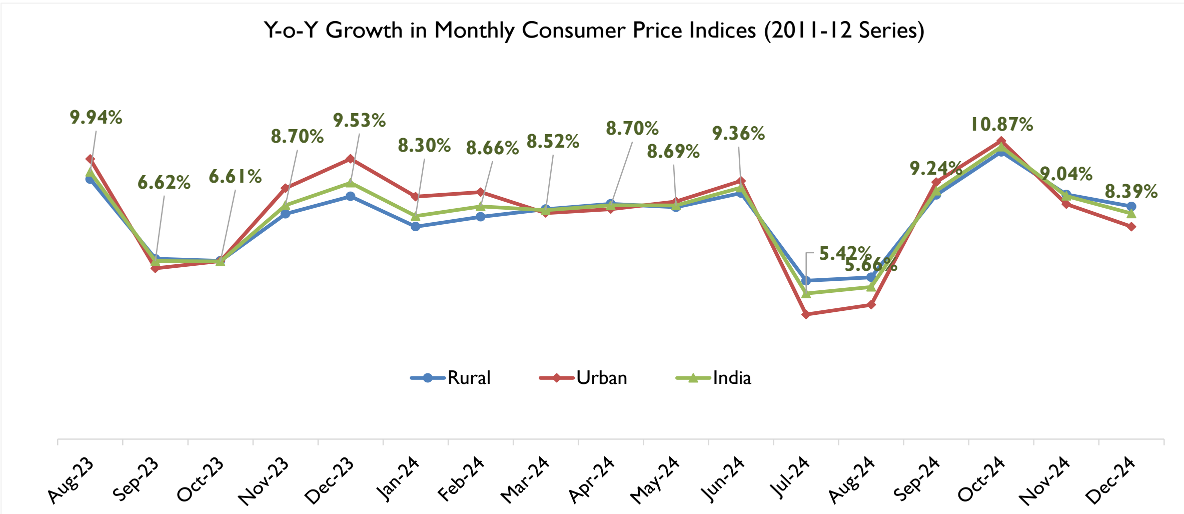
Private Final Expenditure (PFCE) a realistic proxy to gauge household spending, observed decelerated in FY 2023 and FY 2024 amidst high inflation. However, quarterly data indicated some improvement in the current fiscal as the growth rate improved over the corresponding period in the last fiscal.

Inflation Scenario

The inflation rate based on India's Wholesale Price Index (WPI) exhibited significant fluctuations across different sectors from August 2023 to December 2024. Overall WPI number measured 2.37% higher in December 2024. Increasing inflation in December 2024 was primarily due to increase in prices of food articles, manufacture of food products, other manufacturing, manufacture of textiles and non-food articles etc. By December 2024, Primary Articles WPI inflation moderated compared to October prices level but increase marginally compared to the previous month and observed 6.02% year-on-year growth over the same month last year. The Price of food articles observed a decline of (-3.08%) and crude petroleum & natural gas (- 2.87%) in December 2024 compared to the previous month i.e. November 2024. However, the Price of non-food articles grew by 2.53% and minerals by 0.48% in December 2024 as compared to November 2024.

Moreover, power & fuel, the index for this major group increased by 1.90% to 149.90 in December 2024 from 147.10 in the month of November 2024. Price of electricity (8.81%) and coal (0.07%) increased in December 2024. The price of mineral oils (-0.06%) decreased in December 2024 as compared to November 2024.

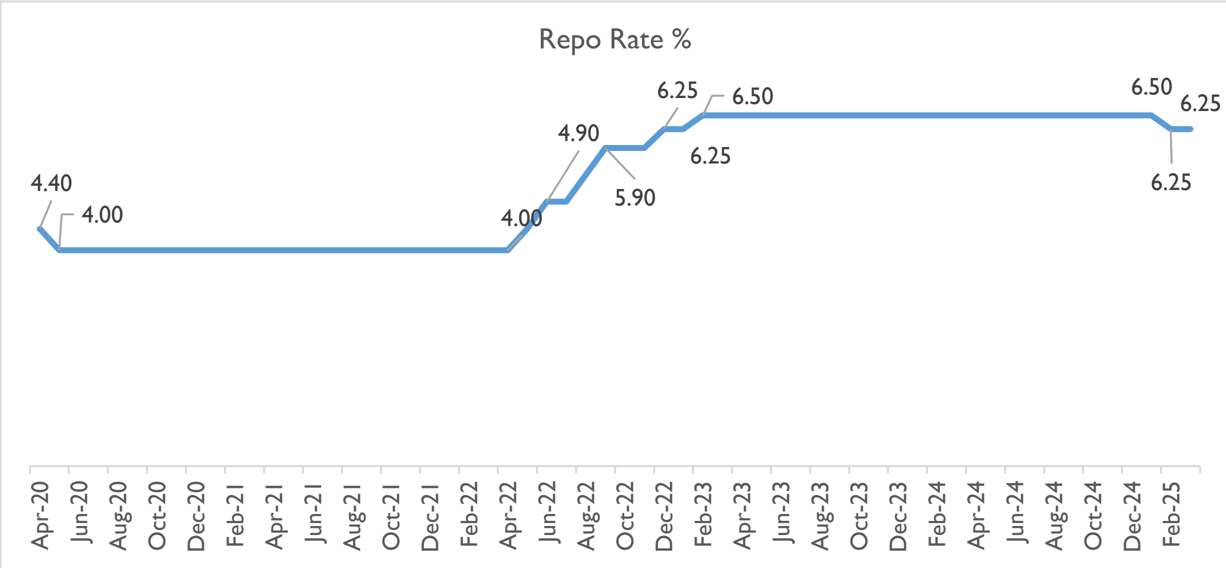




Source: MOSPI, Office of Economic Advisor

Retail inflation rate (as measured by the Consumer Price Index) in India showed notable fluctuations between August 2023 and December 2024. Overall, the national CPI inflation rate increased to 9.94% in August 2023 but moderated to 8.39% by December 2024, indicating a gradual easing of inflationary pressures across both rural and urban areas. Rural CPI inflation peaked at 9.67% in August 2023, declining to 8.65 % in December 2024. Urban CPI inflation followed a similar trend, rising to 10.42% in August 2023 and then dropping to 7.90% in December 2024. CPI measured above 6.00% tolerance limit of the central bank since July 2023. As a part of an anti-inflationary measure, the RBI has hiked the repo rate by 250 bps since May 2022 and 8 Feb

2023 while it held the rate steady at 6.50 % till January 2025. In February, RBI reduced the repo rate for the first time in the last 5 year by 25 basis point to 6.25% from 6.50% previously.



Sources: CMIE Economic Outlook

Growth Outlook

India's H1 FY2024-25 GDP slowdown is cyclical, influenced by credit tightening and delayed fiscal spending, but strong fundamentals should drive growth in the latter half. The continuity of the NDA government supports ongoing reforms, including labor and land reforms, and efforts to control retail inflation by managing food prices. Inflation eased to 5.5% in November 2024, but risks from high food prices and geopolitical tensions remain. Rural demand has been resilient due to favorable monsoons and agricultural output, while urban demand faces pressure.

Externally, global geopolitical tensions, including the Gaza conflict, pose risks to global stability. The Indian rupee weakened in October 2024 but outperformed its peers, supported by RBI interventions and high FX reserves. Despite this, external pressures, including US monetary policy, will continue to strain the rupee in the near term.

India's projected GDP growth for CY 2025 is 6.50%, the fastest among major emerging markets, and is expected to maintain this growth rate through 2029. Inflation is expected to slow, with improvements in infrastructure, digital technology, and ease of doing business supporting long-term growth. The Union Budget 2025-26 also targets a reduced fiscal deficit of 4.4% (lower than the revised estimate of 4.8% of GDP in 2024-25), highlighting India's capacity to grow while adhering to fiscal goals. Capital expenditure has been significantly boosted, projected at 3.4% of GDP (INR 11.1 trillion) for FY2025-26, the highest in 21 years. Investments in port connectivity and commodity corridors aim to enhance manufacturing competitiveness and achieve export targets.

With a focus on stimulating demand, driving investment and ensuring inclusive development, the budget introduces measures such as tax relief, increased infrastructure spending and incentives for manufacturing and clean energy. These initiatives aim to accelerate growth while maintaining fiscal discipline, reinforcing India's long-term economic resilience. The expansion of tax relief i.e. zero tax liability for individuals earning up to INR 12 lacs annually under the new tax regime is expected to strengthen household finances and, consequently, boost consumption.

Food Service Industry in India

Rapid urbanization is driving the demand for food services, with urban areas having a higher concentration of restaurants, cafes, and other food outlets. Busy lifestyles, especially in urban areas, are leading to an increase in demand for convenience foods, boosting the foodservice sector.

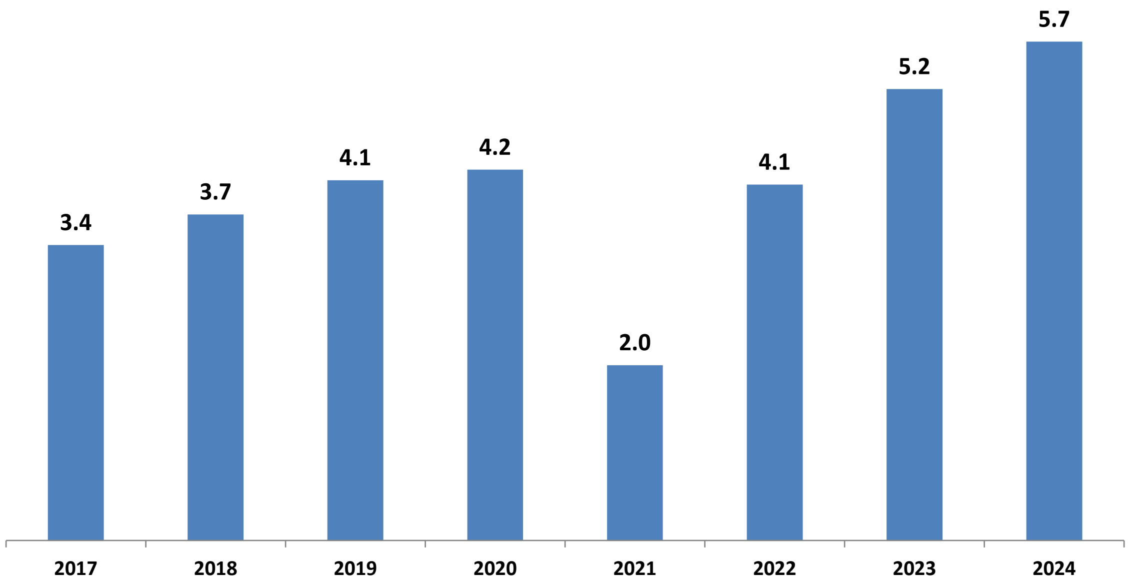
Key Highlights of Indian Food Service Industry

- It is the third largest industry in India valued at INR 5.69 trillion contributing 1.9% to India's GDP and estimated to grow to INR 7.76 trillion by 2028, registering 8.1% CAGR during 2024-2028. Within the overall food service industry, the organized food service segment is expected to grow at 13.2%. and its share it expected to grow to 52.7% in 2028 from 43.86%.
- By 2028, India is expected to become the third Largest Food Services Market overtaking Japan and become the second fastest growing Food Services Industry Globally after Brazil.
- The industry is the second largest employer with 8.55 million in 2024 and estimated to increase by over 20% by 2028.
- Its tax contributed stood at INR 338.09 billion in 2024, is expected to reach INR 555.94 billion by 2028. The industry contributes ~1.4% to GST collection.

Historical Market Size Growth of Indian Food Service Sector

According to the India Food Services Report 2024 by the National Restaurant Association of India, the Indian food service market is valued at INR 5.7 trillion, with organized food service business operating in QSR segment contributing 27% of the total organised food service market translating into the market size of INR 674.4 billion. Currently, the overall food services sector contributes about 1.9% to India's GDP.

Indian Food Service Market Size (INR Trillion)



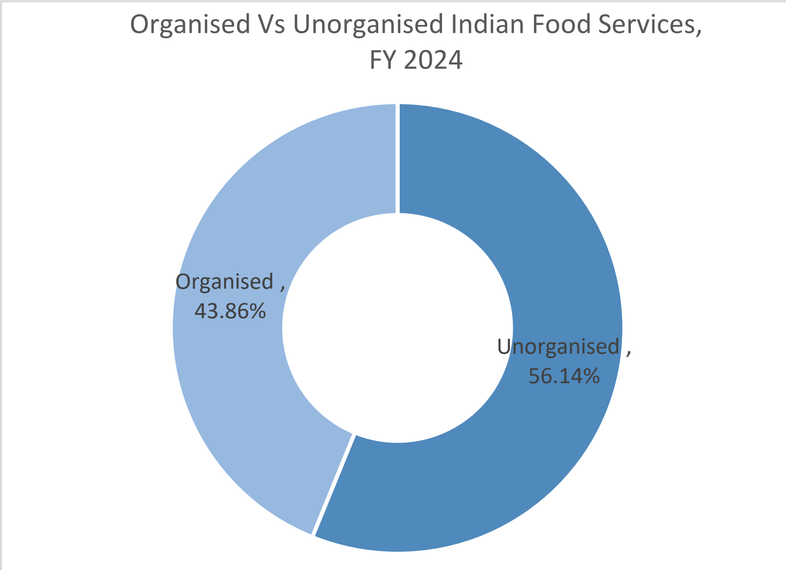
Source: NRAI

The food service industry, despite facing significant challenges during the COVID-19 pandemic, has shown remarkable resilience. This booming industry is already the second-largest employer in the country, boasting a workforce of 85.5 lakh in 2024.

Furthermore, the industry has witnessed significant expansion in the online food delivery market, with around 66 million users of food delivery platforms identified within the urban demographic, highlighting the evolving consumption habits driven by convenience. An increase in demand for online food ordering is fuelling the growth of the cloud kitchen sub-segment.

The evolving food and beverage landscape in India is gradually driving a shift away from home cooking, fueling demand for both dine-in and delivery services. The average Indian now dines out 7.9 times per month, a 20% increase from 6.6 times in 2018-19.

Market Share of Organised Food service and Unorganised Food Service sector -2024



Source: India Food Service Report 2024, NRAI

The **unorganized food service segment** remains a dominant force within India's overall food services market, contributing **56.14%** to the total market. In FY 2024, this translates to INR **3.2 trillion** of the total (INR 5.7 trillion) Indian food services market. This sector encompasses a diverse array of establishments, including roadside eateries, Dhaba's, food carts, kiosks, and street vendors. These businesses play a vital role in the country's food culture by offering affordable, accessible, and authentic dining experiences to millions across both urban and rural areas. Despite operational challenges like lack of standardization and limited scalability, the unorganized segment remains crucial to the food service landscape, supporting employment and contributing significantly to the economy.

The organized food service segment, on the other hand, accounts for 43.86% of the total market, equating to INR **2.5 trillion in FY 2024.** This segment is driven by the growth of Quick Service Restaurants (QSRs), casual dining chains, and premium food service brands, supported by investments in technology, branding, and supply chain optimization. Together, the casual dining and QSR segment contributed about **75% share in the total organised food service business in FY 2024 while independently these segments contributed 48% and 27%, respectively.** Prominent players such as McDonald's, KFC, Pizza Hut, and domestic brands like Haldiram's, Adyar Ananda Bhavan, Barista, Wow! Momo Foods, Barbecue nation, Chai point, Chaayos, Cafe Coffee Day etc. continue to be prominent players in the organised QSR sector. The organized segment's focus on standardization, quality, and customer experience has allowed it to address diverse consumer preferences effectively.

Evolution of QSR Industry in India

Quick Service Restaurants (QSR) refers to food outlets offering the fast-food variants with minimal service. These establishments typically have a streamlined menu and cater to a high turnover of customers. QSRs can operate as standalone outlets or as part of large chains. These outlets are equipped for both dine-in and drive-thru options. Popular QSR chains in India include McDonald's, Domino's, KFC, Burger King, Haldiram, Bikanerwala etc.

The QSR segment has been expanding rapidly in India, driven by its unique ability to serve quick meals tailored to customer preferences. Indian consumers increasingly value faster turnaround and convenience in their food choices, making QSRs a popular option for quick, hassle-free meals. Affordability is another significant factor, as price-sensitive customers prefer QSRs for its budget-friendly pricing compared to full-service restaurants. Additionally, these restaurants are innovating with fusion and customization, incorporating regional flavors, and offering personalized meals to cater to the diverse tastes of Indian consumers.

The evolution of QSRs since its launch in India is categorized into three phases listed below:

Stage	Phase I (1991-2001)	Phase II (2001-2010)	Phase III (2010 Onwards)
Market	High focus on Metro & Mini Metros	Low penetration in Tier I & Tier II cities	Penetration in new segments & increased penetration in Tier II & Tier III cities
Model	Ownership/Franchise Model & Management Contracts	Continuation with franchise model & Joint Ventures	Emphasis on contracts more centered around revenue sharing[1]
Funding	Funded by personal, capital & conventional means	Partnerships JVs with related business interest, initiation of PE funding.	Expansions under brands concept through PE
Customer	Initial market creation and awareness, introduction of organized QSR concepts to urban consumers	New opportunity areas with focus on CRM, expansion and extended capacity building	Customer engagement, format diversification and product enhancement, investment on digital and technology.

The QSR sector in India has transformed from simple street food stalls into contemporary, technology-driven establishments gradually over years. The industry has experienced remarkable expansion in recent years, and forecasts suggest that the trends will continue to evolve. The liberalization of the Indian economy in the 1990s opened doors for Foreign Direct Investment (FDI). International fast-food joints gradually started establishing in Indian food service market around 2000. This period witnessed the establishment of iconic brands like Kentucky Fried Chicken introduced its signature fried chicken to Indian consumers. Pizza Hut: This popular pizza chain offered a variety of pizzas and other Italian American dishes. McDonald's: The Golden

[1] Franchisee Laws and Regulations Report 2025, India, based on Finance Act, 1999

Arches became a familiar sight in Indian cities, serving burgers, fries, and other fast-food items. These international chains, along with local QSR brands, contributed to the growth and diversification of the Indian food service industry during this period.

The last decade was a time of significant growth and transformation for the Indian QSR industry. Key trends and developments started emerging during this time such as Rapid Expansion of International Chains**,** faster market Penetration into Tier-II and Tier-III cities, reaching a wider consumer base. Localized menu offerings were another major development along with rise of domestic QSR chains. The Indian QSR industry experienced a significant shift around 2016 with the rise of online food delivery platforms such as Swiggy and Zomato. These platforms made it convenient for consumers to order food from their favourite restaurants. As consumer preferences evolved towards healthier eating, QSR chains responded by introducing salads, wraps, and other nutritious options. Social media and influencer marketing further amplified the industry's reach, attracting a wider audience and driving growth of the segment.

QSR industry witnessed a surge in establishing itself in India between 2010 and 2016, where there was a high penetration across tier II cities, characterized by rapid expansion, increased competition, evolving consumer preferences, technological innovation in the outlets, new market entrants with multiple product offerings and so on. This period witnessed the setting up of the QSR industry as a high potential market in India.

The convergence of a young, urbanizing population, migrating towards cities is leading to a scenario where around 36%[2] of Indian population were living in urban area in 2023. This is expected to increase year-on-year due to better job opportunities and better lifestyle facilities. Similarly, there is a steady increase in female work force, which are a direct driver for QSR as women in India are primarily responsible for cooking and feeding a family. As these women join work force, the responsibility of cooking and feeding is shared among the family, which gives an option to choose a QSR when the family members are busy with their work. The women workforce has witnessed a significant rise of 41.7%[3] in FY 2024, compared with 23.3% in FY 2018. A steep rise of more than 10% increase in just five years, is a direct driver increasing the role and dependence on QSR. This trend is likely to continue, thus making QSRs an inevitable part of today's life.

Another key factor propelling QSRs demand is the increasing disposable incomes, and digital connectivity paving way for home delivery through food delivery apps. This is made possible through high internet penetration[4] in India which increased from 21.37% in December 2014 to 69.10% as on September 2024[5]. This also has direct influence in the growth of QSR chains not just in established cities, but also in untapped potential from Tier II and Tier III cities.

2 World Bank Data, 2023
3 [Press Release: Press Information Bureau]
4 Total Internet Subscribers per 100 population
5 TRAI Performance Indicator Report, January 2025

Indian Quick Service Restaurant (QSR) industry

The Quick Service Restaurant (QSR) industry is one of the most dynamic and rapidly growing segments of India's food service market. Characterized by its ability to offer fast, convenient, and affordable dining experiences, the QSR sector has become an integral part of the urban and semi-urban lifestyle in India. The sector currently contributes about 1.9% to the country's GDP. The Indian organised QSR market valued at INR 674.4 billion in FY 2024 and is expected to grow at a CAGR (Compound Annual Growth Rate) of 17-18% between FY 2024-28, to reach approximately INR 1,270-1,311billion by FY 2028. India's unique demographic factors—including the world's largest youth population, rising disposable incomes, and increasing urbanization—have created fertile ground for the growth of QSRs. These restaurants serve a wide customer base, from time-strapped professionals seeking quick meals to families and youth looking for affordable dining options. International brands like Burger King, McDonald's, Pizza Hut, Subway and others predominantly operate in India through master franchise agreements. For instance, Devyani International Limited is a key franchisee operating KFC, Costa Coffee and Pizza Hut outlets in India. In contrast, domestic players such as Wow! Momo, Chaayos, Chaipoint, Burgrill, have primarily adopted COCO model.

The sector has also benefited from technological innovations, including digital ordering platforms, mobile apps, and aggregator partnerships. Furthermore, the rise of cloud kitchens and the integration of localized menu offerings have allowed QSR chains to capture a more diverse and geographically dispersed market.

Despite challenges like high competition and supply chain disruptions, the QSR industry continues to demonstrate resilience and adaptability. It is increasingly recognized as a key driver of employment, innovation, and economic growth within India's food services landscape.

The Indian Quick Service Restaurant (QSR) industry benefits from a significant presence of untapped potential, driven by favourable demographic factors in a country with the highest share of young population globally. Key growth drivers include rising disposable income, evolving customer preferences, cultural exchange, and increased accessibility to QSR formats. The market is dominated by organized restaurant chains, which offer a uniform and high-quality customer experience through substantial investments in branding and operational efficiency. This differentiates them from the unorganized sector, which struggles with scalability, consistency, and access to skilled labor. Despite these challenges, the unorganized sector remains a critical component of the broader food services ecosystem while both the organized and unorganized food service sectors collectively form a vibrant and dynamic industry that caters to India's diverse culinary preferences and rapidly changing consumer behavior.

Current Scenario – Organized & Unorganized Sector of Indian QSR Industry

Unorganized Sector

The unorganized sector of the Indian Quick Service Restaurant (QSR) industry plays a significant role in the overall food services landscape, characterized by a variety of traditional dining formats. This sector includes roadside eateries, Dhaba, and food stalls, which are integral to India's culinary culture and contribute to the vibrant street food scene. This segment is crucial as it caters to a large portion of the population, particularly in urban and semi-urban areas, where affordability and accessibility are key factors for consumers.

Many consumers prefer the authentic flavours and local dishes offered by unorganized eateries, often viewing them as more relatable compared to organized chains. This preference is driven by a desire for traditional cuisine and unique local experiences. The unorganized sector faces challenges such as lack of standardization, inconsistent quality, and limited access to technology. These factors can hinder growth and operational efficiency compared to organized player.

As organized QSRs like McDonald's and Domino's expand their reach through innovative strategies and delivery services, unorganized eateries are increasingly leveraging platforms like Zomato and Swiggy to enhance visibility and customer engagement. This trend allows them to tap into a larger customer base while maintaining their unique offerings.

Although, the unorganized sector faces various challenges, it remains a vital part of India's QSR landscape, driven by consumer preferences for authenticity and local cuisine. As the industry evolves, there is potential for growth through innovation and adaptation in response to changing market dynamics.

Organized Sector

The organized sector of the Indian Quick Service Restaurant (QSR) industry has experienced significant growth and transformation, driven by changing consumer preferences, urbanization, and the increasing penetration of international brands. This sector is characterized by established chains that offer standardized menus and services across multiple locations. The organized QSRs have evolved from merely offering hygienic and cost-effective meals to providing a diverse range of comfort foods that cater to both price-sensitive consumers and those seeking premium dining experiences. This shift has broadened their addressable market significantly.

Key Demand Drivers of Indian QSR industry

Favourable Consumption Pattern

Approximately 70% of food services consumption is concentrated in India's 50 largest cities. This is due to the higher disposable incomes, urbanization, and evolving consumer lifestyles in these areas and in the medium term these will remain the hotspots.

Furthermore, the Indian government's relatively lenient regulatory environment has made the country more business-friendly for foreign direct investment (FDI) in the food and beverage industry. With simpler standards and fewer restrictions compared to other sectors, India has become an attractive destination for international brands seeking to establish or expand their footprint in the Indian market. The service sector, which includes food services, accounted for over 16% of total FDI inflows into India in recent years. In FY 2024, the services sector overall attracted significant FDI equity inflows, with countries like Singapore, Mauritius, and the U.S. being leading investors. India has also seen increasing investments in quick-service restaurants (QSR) and international restaurant chains, driven by favorable government policies such as 100% FDI under the automatic route for food product retailing. India's restaurant industry has become a hotspot for foreign direct investment (FDI), driven by its dynamic growth and the increasing appeal of its diverse food culture. The industry's trajectory showcases how global players are recognizing India's expanding consumer base, evolving preferences and openness to international flavours and dining experiences. Global chains like McDonald's, Starbucks, and Domino's continues to expand aggressively, adapting their menus to suit Indian tastes. Investments in cloud kitchen startups and food delivery platforms (e.g., Zomato and Swiggy) have surged. Strategic partnerships and joint ventures with Indian firms enable international brands to localize operations and navigate regulatory landscapes. FDI bolsters GDP growth, creating jobs and enhancing infrastructure in the food services sector.

Penetration in Tier II and Tier III Markets

Since, Tier1 cities are mostly saturated, the Tier II and Tier III cities in India are emerging as the focal point for growth presenting a promising opportunity for homegrown QSR chains including the tea focused QSRbrands . Other factors that contribute to the burgeoning potential of these markets are lower operational costs, due to low rental expenses. The expansion into these cities not only promises significant revenue growth but also allows brands to establish a presence in relatively untapped regions, thereby strengthening their foothold in India’s dynamic QSR food service industry. The expansion into these markets is driven by a combination of economic, demographic, and operational advantages that make these regions highly attractive for QSR chains.

Key Growth Factors favouring expansion into Tier II and Tier III markets:

1. **Lower Operational Costs**
    - **Real Estate Savings**: Rental expenses in Tier II and Tier III cities are significantly lower compared to metro areas. For instance, average retail space rents in metro cities like Mumbai can range from ₹150-₹300 per square foot, while Tier II cities often offer rents at ₹50-₹80 per square foot. This makes it financially feasible for brands to establish outlets.
    - **Labor Costs**: Wages for staff in smaller cities are typically 20-30% lower than in Tier I cities, further reducing operational overheads.

2. **Growing Consumer Aspirations**

   - Rising disposable incomes and an increasing preference for organized dining experiences among the middle class are driving demand for QSRs in smaller cities.
   - Reports from the National Restaurant Association of India (NRAI) indicate that the contribution of Tier II and Tier III cities to India's food service market has grown from 21% in 2016 to 32% in 2023.

3. **Changing Demographics**

   - The urbanization of smaller cities is accelerating. As of 2023, approximately 36% of India's population resided in urban areas, with a substantial portion in Tier II and Tier III cities. These cities are experiencing rapid development, with infrastructure improvements and the rise of organized retail spaces such as shopping malls and multiplexes.
   - A younger population, with over 50% of residents below the age of 30 in these regions, is creating a demand for trendy, affordable dining options like QSRs.

4. **Increased Digital Penetration**

   - The proliferation of internet connectivity and smartphone usage has led to the adoption of food delivery platforms like Swiggy and Zomato in Tier II and III cities. This has expanded the reach of QSRs beyond physical outlets, increasing accessibility for consumers.
   - As of September 2024, internet penetration (total Internet Subscribers per 100 population) in India stands at 69.10, with significant growth observed in rural and semi-urban areas.

5. **Untapped Market Potential**

   - Unlike metro cities, where QSR penetration is nearing saturation, smaller cities offer a largely untapped customer base. This gives brands the opportunity to build a strong presence without intense competition.
   - According to a report by Technopak Advisors, Tier II and III cities are expected to account for 45% of new retail developments by 2027, including food service outlets.

6. **Localized Menus and Branding**

   - Brands entering these markets are tailoring their menus to suit local tastes and cultural preferences. For instance, several QSR chains offer region-specific dishes or vegetarian-only menus in states like Gujarat and Rajasthan. This localization strategy helps brands resonate with the target audience.

Supportive Demographic Shift

The younger generation especially the Gen-Z and millennial, have a high purchasing power and an increasing influence on market trends. India has a significant portion of its population in the youth bracket, estimated at around 230–250 million individuals. This group forms a substantial part of the workforce, consumer base, and social influencers. *As of 2024, Indian Gen Z (ages 12–27) comprises over 472 million people, making it one of the largest Gen Z cohorts globally. They represent around 30–35% of India's total population*.

A significant proportion of youth are migrating to urban areas for education and employment, leading to the growth of food service industry. High smart phone and internet usage among youth is fostering digital growth and innovation. India is already the second-largest online market globally, with youth dominating digital content consumption and e-commerce. Also, these age group people are particularly responsive to international culinary movements and are more willing to experiment with foreign cuisines.

This trend is amplified by the younger generation's exposure to global food culture through social media, travel, and entertainment. As they embrace foreign food experiences, their preferences are driving the rise of international food brands and innovative local adaptations, especially in the QSR sector. Gen-Z (roughly ages 18–25) and millennials (ages 26–40) already account for around 40% of the total food services consumption in India. Gen-Z has a higher inclination to eat out compared to older generations. This is driven by factors such as social media influence. With busy schedules and increasing disposable income, younger consumers prefer the convenience of ordering food or dining out, especially for social events, gatherings, or during work. This creates a fertile ground for international chains to expand their presence in India, catering to a youthful audience eager for variety and novelty in their dining choices

An Overview of Organized Café Segment in India

The café segment in India has undergone remarkable growth and transformation, evolving from a niche market to a vibrant and essential part of the country's food and beverage landscape. This segment encompasses a variety of establishments, including coffee shops, specialty cafés, and chains that offer a range of coffee and tea-based beverages and snacks.

Tea and coffee outlets, and bakeries along with dine in facility are considered a café. Tea, the preferred, most consumed beverage across India, has always been a cornerstone of hospitality, culture, and daily life. Traditionally, tea as a beverage was available in small tea shops apart from consumption at homes. However, the market for tea consumption with a dine-in experience started a revival with the rise of organized tea cafes. In the early 2010s, a new trend of emergence of tea cafes in urban neighborhoods, malls, and shopping centers.

The organized café segment in India is thriving, fueled by evolving consumer preferences, particularly among younger, urban, and aspirational demographics. The rise of tea and coffee culture in a dine-in setup in India is attributed to changing lifestyles, urbanization, and an increasing preference for quality beverage experiences, with international variants and flavours. Consumers are seeking places to socialize and relax, leading to a surge in demand for cafés that offer not just beverages but also a conducive environment for gathering.

One of the critical drivers for this segment's growth is the expansion of India's retail infrastructure, including shopping malls, high streets, and commercial complexes. As per Industry stakeholders, India was a home to more than 750 operational shopping malls, with a combined area of over 200 million sq. ft. as of 2024. While nearly 200 plus mall shopping malls encompassing 60 million sq. ft of retail space are expected to be added over the next five year between 2025 and 2030. This growth provides ample opportunities for café chains to establish their presence in prime locations, capitalizing on increased foot traffic and consumer spending.

The café market in India is vibrant and rapidly evolving, with both international and local players competing for market share. Each brand has its unique positioning, catering to different consumer preferences, from premium experiences to quick-service café formats.

Key Differentiating factors of an Organized Café Segment:

- **Ambience and Design**
  - **Aesthetic Appeal**: Organized cafés focus on creating a visually appealing atmosphere with modern, cozy, or thematic interior designs that cater to their target demographic. Elements like greenery, art installations, and cultural influences are often incorporated.
  - **Seating Arrangement**: Cafés offer diverse seating options, from intimate two-seater arrangements to larger group tables, as well as designated workstations or casual lounge areas to suit varied customer needs.

- **Music and Lighting**: Carefully curated playlists and ambient lighting create a relaxing and inviting space. Dynamic lighting is often used to adjust the mood during different times of the day.

- **Innovative and Exotic Offerings**
  - **Signature Offerings:** Standout menu items, such as unique coffee blends, artisanal teas, and gourmet desserts, are a hallmark of organized cafés, giving them a competitive edge.
  - **Customization Options**: Customers are provided with personalization opportunities, such as choosing milk alternatives (soy, almond, oat), sugar-free or keto-friendly options, and custom flavour combinations.
  - **Seasonal Specials**: Regularly updated menus reflect current trends, cultural festivals, or seasonal produce, keeping the café relevant and exciting.
- **Customer Experience**
  - **Service Quality** – Friendly, knowledgeable, and well-trained staff deliver superior customer service, fostering customer satisfaction and loyalty.
  - **Technology Integration –** Features such as mobile app ordering, table reservations, loyalty programs, and contactless payment options enhance customer convenience
  - **Fast Service** – Automated coffee machines and streamlined workflows allow cafés to cater to high customer volumes efficiently.
  - **Consistency** – Organized café chains employ rigorous staff training and quality checks to ensure brand consistency in taste, presentation, and ambiance across locations.
  - **Community Engagement** – Events like book readings, local festivities, collaboration work and art exhibitions make cafés a hub for social interactions and strengthen ties with the local community.
  - **Social Media Presence** – Active engagement with customers online through campaigns, feedback, and visual content. Organized cafés create campaigns featuring customer testimonials, "behind-the-scenes" content, and promotions to engage their audience actively and maintain visibility.
- **Quality Standards**
  - **Hygiene and Cleanliness:** Maintaining a spotless environment. Beyond dining areas, some cafés include visibly clean preparation zones, a practice that builds trust among customers. Cafés also adopt pest control measures and clearly display hygiene certifications.

- **Standardized Recipes**
  - **Ensuring consistent taste and presentation across multiple outlets.** Automated recipe systems ensure that beverages taste the same across locations, reinforcing customer loyalty and brand recognition.
- **Target Market Focus**
  - **Demographic Alignment:** Tailoring offerings and branding to appeal to specific customer profiles (e.g., millennials, students, families, or professionals). Specialized menus and experiences are tailored to target specific groups—for instance, affordable combos for students or sophisticated menu options for professionals.
  - **Pricing Strategy**: Balancing affordability with perceived value to attract and retain customers. Cafés leverage tiered pricing strategies, offering a mix of affordable beverages alongside premium options, ensuring inclusivity without diluting the brand's aspirational appeal.
- **Eco-Friendly Practices**
  - Using biodegradable packaging, encouraging reusable cups, and minimizing waste along with sustainable sourcing through partnering with ethical suppliers for coffee and other ingredients. Partnerships with ethical farms and direct trade agreements ensure high-quality products while supporting fair trade practices.
- **Location and Accessibility**
  - **Prime Location** - Strategically situated in high footfall areas such as malls, commercial zones, or near public transit hubs. Strategic positioning near corporate offices, universities, and high-traffic transit hubs enhances footfall. Many cafés now experiment with kiosk models for additional reach.
  - **Accessibility** – Easy entry, parking options and valet parking provision if required. Wheelchair-friendly entrances, family-friendly facilities like diaper-changing stations, and pet-friendly outdoor areas enhance inclusivity.
- **Differentiated Experiences**
  - **Add-on Services** – Offering wireless internet, charging ports and suitable meeting rooms. Some organized cafés also offer additional features such as book exchanges, board games, or AR/VR gaming zones to engage a wider audience.
  - **Work-friendly Ambience** – Some cafés create designated "silent zones" for remote workers, equipped with ergonomic furniture, high-speed Wi-Fi, and power outlets.

- **Thematic Elements** – Creating niche experiences such as pet-friendly spaces, play area for kids etc.

- **Competitive Pricing and Loyalty Programs**
  - **Value for Money** – Offering packages, combos, or discounts to maintain competitive pricing. Some organized cafés attract price-sensitive customers through affordable packages, "happy hours," or weekday discounts.
  - **Loyalty Rewards** –Membership programs offering benefits like birthday discounts or free upgrades on orders incentivize repeat visits.
- **Focus on Specialty Product**
  - **Artisanal Offerings**: Organized cafés increasingly partner with specialty roasters to offer single-origin coffees, seasonal blends, and premium brewing techniques such as pour-over or siphon brewing.
- **Emphasis on Health and Wellness:** Cafés are incorporating healthier food and beverage options, such as organic and plant-based choices, to cater to the growing health-conscious population. Expanding offerings of sugar-free, vegan, and gluten-free products caters to the dietary needs of modern consumers. Some cafés also feature superfoods like matcha, turmeric, or chia seeds in their beverages and snacks.

  Some organized cafés also display nutritional information for menu items to help customers make informed choices.
- **Technology integration:** Cafés are leveraging technology to enhance customer experience, including mobile ordering, loyalty programs, and digital payment options. Unified platforms allow customers to order, provide feedback, and collect loyalty points seamlessly.
- **Focus on local sourcing and sustainability:** Many cafés are prioritizing sourcing ingredients locally and adopting sustainable practices to appeal to environmentally conscious consumers. Many organized cafés work directly with local farmers to source high-quality coffee beans, ensuring freshness and fostering regional partnerships. Some chains adopt renewable energy sources or offset their carbon footprint by supporting reforestation projects.
- **Cloud Kitchen**

  Cafés integrate cloud kitchens into their business models to serve locations where opening physical stores may not be viable, allowing them to expand delivery reach efficiently.

Prevalent Business Models

India's organized tea and cafe chain operate using a variety of business models, allowing them to cater to different market needs and scale effectively. While large chains often adopt hybrid models combining company-operated and franchise operated, several specific models/ variations are prevalent within both company operated and franchise operated, each offering unique benefits and operational structures. These models allow for flexibility and adaptability, depending on the brand's growth strategy, market positioning, and financial objectives.

1. **Company Operated:** Under the Company Operated model, the company undertakes the full responsibility for the set-up, interiors, management, and operations of the café. This encompasses a comprehensive range of duties, from the initial site selection to the ongoing operational oversight, ensuring the café delivers as per business objectives and operational standards. Two major variations in company operated business models are discussed below:
   - **COCO (Company Owned Company Operated) Model:** Under this model**,** the brand owns the franchise store unit and operates the business itself where the company invests its own money in the franchise and the franchise is managed by employees of the brand. Consequently, the franchise is fully financed by the franchisor, and it is the employees of the franchisor who oversee the day-to-day operations of the franchise. Small regional players often prefer the company-owned company operated model. This approach allows them to maintain greater control over quality, operations, and brand consistency. By avoiding the initial costs and ongoing royalties associated with franchising, they can mitigate risks and focus on building a strong brand presence within their local markets. An example of the Company-Owned, Company-Operated (COCO) business model for tea cafes in India are the stores of Chaayos which operates COCO model. As per the company website, the company operates with over 200 stores across India.
   - **FOCO (Franchisee Owned Company Operated) Model:** Here, the franchisee invests in property and capital expenditures, while the franchisor manages daily operations and business activities. Best for investors who want to avoid operational responsibilities while still earning a share of the returns. The franchisor ensures consistency in operations and quality. The franchisee receives a fixed percentage of profits or revenue share. FOCO model has been a successful strategy for Cafe Coffee Day, enabling it to become one of India's largest coffee café chains with thousands of outlets spread across various regions.

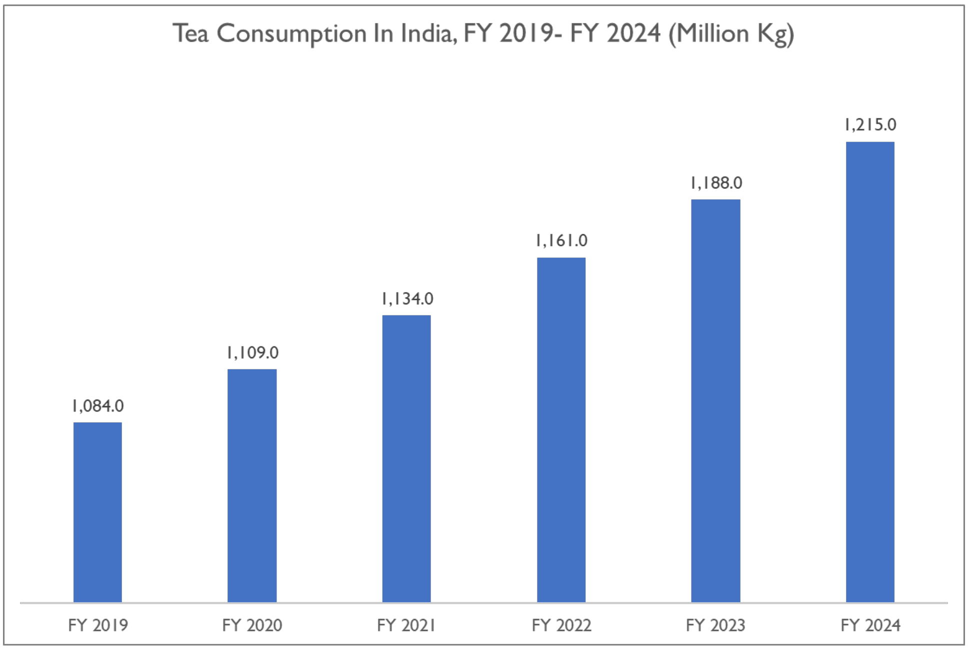
2. **Franchise Operated:** Under the franchise operated model, companies enter a franchisee arrangement whereby the franchisee is responsible for the management and operations café and the franchisor provide ongoing support to such franchisee against a certain fee in form of one-time franchisee fee and royalty fee. Under the franchisee arrangement, the companies do approve the proposed location of the café and generally enter tripartite lease arrangement if the proposed café is on lease basis. Two major variations in company operated business models are discussed below:

- **FOFO (Franchisee Owned Franchisee Operated) Model:** Under this model, the franchisee possesses and manages the franchise business in accordance with the guidelines set by the franchisor. The franchisor determines the pricing and products for the outlet. They offer the brand name in exchange for a franchise fee for a specified duration. The franchisee is responsible for the operating expenses and is required to pay a certain percentage of their revenue (royalty) to the franchisor. Chai Sutta Bar, Teatime, The Tea Leaf and Coffee Bean are the major brands that work on FOFO model.
- **COFO (Company Owned Franchise Operated) Model:** In the COFO model, the franchisor allocates resources to invest in the franchise business, while the franchisee is responsible for its operation in accordance with the franchisor's guidelines. Nevertheless, this franchise business model is relatively uncommon within the industry, as most franchisors seeking to expand their business operations typically prefer to manage these ventures independently.

3. **Hybrid Model:** Under the hybrid model, the company has a mix of both company operated and franchised operated stores. This model helps to distribute cost across all the major heads labour, raw material, real estate, and marketing. Additionally, operating under a hybrid model allows the company to maintain high standards and consistency in key markets or flagship locations through company operated stores, while foraying into wider geography and expanding brand presence through franchisee operated stores. This flexibility makes the brand more appealing to diverse markets while preserving a unified brand identity. **Tea post, and Chaiwaale,** are two of companies the operate under this model.

Current Landscape in Organized Tea Retailing

Tea is the staple drink and is ranked as the second most consumed beverage after water. India is the world's top tea-consuming country with 80% of the tea produced is consumed by domestic population. As per the Indian Tea Association, India's tea consumption has increased consistently at 2.5% CAGR between FY 2014-24 increasing from 1,084 million Kgs to 1,215 million kgs. Besides regular consumption at home, this growth is also attributed to out of home consumption, driven by the increasing presence of organized tea retailing café business in India. The tea consumption in India is poised for steady consumption growth through the emergence of structured and organized tea Quick Service Restaurants (QSRs).



Source: Indian Tea Association

The consumer's tastebuds have evolved from just milk-based tea to dozens of variants including green tea, white tea, Oolong, black tea, spiced tea, herbal variants, etc. Today, Tea is not just seen as a drink for social gathering but also complementing the lifestyle journey for a health-conscious customers.

Evolution of Tea Retailing

Evolution of tea retailing dates to a century old historic retailing methods to present day café set up and the way the market is moving towards future potential. Tea retailing in India has a fascinating history that evolved from colonial introduction to a widespread consumer market. The commercial tea business in India began in the early 19th century and underwent significant transformations over the decades. The initial tea market was primarily controlled by foreign companies. In the early 1920s, Brooke Bond pioneered a revolutionary direct selling system that dramatically expanded tea distribution. Prior to this, tea packet sales were largely confined to expatriate British staff and were not widely accessible to the general Indian population.

Initial marketing and expansion strategies included:

- Traveling salespeople promoted tea at train stations, factories, and in rural areas.
- Free sample cups were distributed at public demonstrations.
- Companies showed consumers how to brew tea.
- Tea was marketed as a healthy, energizing alternative to other beverages.

The early tea brands focused on affordability to appeal to the broader Indian market. Initial packet tea prices were relatively high, with brands like Red Label priced at nine annas per pound. The tea's cost was approximately 60% of the total price, which was still considered expensive at the time. Despite being considered as expensive, these marketing efforts created a growing demand. Loose teas, which were about 20% cheaper, became particularly popular among lower-income consumer. By then, the distribution channels were well established, where companies like Brooke Bond and Lipton developed a sophisticated depot system to ensure the growth of distribution channels by:

- Salesmen visited retail outlets weekly.
- Tea was sold on a cash-on-delivery basis.
- This system ensured fresh stock and built personal relationships with retailer.

By the early 1960s, Brooke Bond's weekly sales had dramatically increased from 1,426 chests in 1930 to 24,000 chests, reflecting the massive growth in tea retailing. Tea shops emerged in city centers, particularly in Kolkata, where "tea cabins" became important social spaces. These establishments became hubs for intellectual discussions and cultural exchange. Parsi cafes in Mumbai and Delhi also played a significant role in popularizing tea consumption. The Indian Tea Board's promotional efforts helped create strong consumer demand, particularly among the masses who were drawn to more affordable loose tea varieties. Today, India stands as the second-largest tea producer globally, with a highly sophisticated and technologically advanced tea industry that continues to evolve and expand its retail strategies.

Current Landscape of Organised Tea Cafés

The tea retailing landscape in India has undergone significant transformation over the past decade, driven by innovation, changing consumer preferences, and technological advancements. In contrast to coffee café which started in India in early 2000 with the indigenous brands such as café Coffee Day, Barista and arrival of other international brands such as Starbucks, Costa Coffee, Gloria Jeans, etc., the tea café culture made its way in in urban neighbourhoods, malls, shopping centres, etc. only in 2010. Chai point followed by Chaayos which was launched in 2012, were the pioneer in the organised tea café retailing segment in India. These two brands popularized the concept of drinking tea in sophisticated designed places. Witnessing the healthy growth trend, multiple other homegrown companies and foreign companies have explored the tea café chain industry in India. Besides Chai Point and Chaayos, the country presently is a home for several other tea café brands that operate is format ranging from kiosk retail outlet to large format. These include Tea Post, Chaiwaale, MBA Chaiwala, Kannu Ki Chai, Chai Sutta Bar, Chai King, Wagh Bakri Tea Lounge, etc.

Emergence of Tea Café Chains

Tea café chains have revolutionized the traditional tea consumption model. Branded tea chains have emerged across Indian cities, providing an alternative to the ubiquitous roadside tea stalls. These chains offer:

- A midway option between home consumption and street tea.
- More sophisticated tea experiences.
- Personalized tea options.

Targeting Millennial Consumers

Companies have strategically focused on younger demographics:

- Targeting the 15-34 age group, which comprises almost one-third of India's population.
- Providing extensive customization options (up to 12,000 tea variations)

Innovative Delivery and Packaging

Tea companies like Chai Point have introduced innovative solutions:

- On-demand delivery services.
- Specialized packaging like the Chai Flask, made of heat-retaining cardboard and a five-layer pouch within, which keeps tea hot for an hour.
- Targeting office goers with convenient delivery options.

Emerging Market Opportunities

Key growth areas include:

- Organic and specialty teas
- E-commerce expansion
- Ready-to-Drink (RTD) beverages
- Herbal tea blends with wellness focus

Recent Developments

Notable industry moves include:

- Tata Global Beverages launching Tata Cha in 2017
- Dabur introducing Vedic Tea with Ayurvedic herbs
- Tata Consumer Products expanding green tea portfolio

The tea retailing landscape continues to evolve, driven by consumer preferences, technological innovation, and a focus on health and personalization.

Growth Drivers for Organised Tea Cafes

- **Socializing Space**

  Cafés offer a relaxed and aesthetically pleasing environment, making them ideal for casual meetups, informal business discussions, and work sessions. Younger consumers are drawn to these spaces as they prioritize experiences over mere consumption. The design, ambiance, and curated playlists in cafés often encourage longer stays, fostering a culture of social interactions over shared beverages and snacks. The blend of comfort and connectivity has turned cafés into cultural hotspots, bridging generational and demographic divides.

- **Mobile Food ordering Applications**

  The proliferation of food delivery platforms like Zomato, and Swiggy have revolutionized access to café products, allowing customers to enjoy premium coffee and snacks at home. Many cafés now integrate seamlessly with these platforms, offering exclusive discounts, subscription packages, and loyalty rewards. The ability to customize orders and track deliveries in real time has further enhanced convenience, leading to increased sales from both dine-in and delivery channels.

- **Increasing number of Food Vloggers**

  The rise of food vloggers and influencers on platforms like Instagram and YouTube has been pivotal in promoting café culture. High-quality visual content showcasing unique café themes, signature dishes, and luxurious interiors captivates audiences and piques their curiosity. Influencers' reviews and partnerships with café brands have helped convert online followers into loyal customers. These collaborations also drive viral trends, such as the popularity of "Instagrammable" beverages and dishes, which significantly contribute to footfall.

- **Inflow of FDI**

  India's business-friendly policies and growing consumer base have attracted multinational café giants like Starbucks and Costa Coffee. Foreign Direct Investment (FDI) has introduced advanced brewing technologies, global supply chains, and professional training programs, significantly raising the standard of café services in India. Additionally, the presence of international brands has spurred local players to innovate and compete, thereby fostering overall industry growth.

- **Premiumization Trend**

  Urban millennials and Gen Z consumers increasingly view cafés as lifestyle statements. Willingness to pay for premium offerings, such as single-origin coffees, gourmet teas, and artisanal snacks, has driven cafés to elevate their menus and interiors. The trend of "affordable luxury" ensures that cafés provide high-quality experiences while remaining accessible to a broad audience. This has also led to the emergence of niche cafés specializing in vegan, keto-friendly, or gluten-free offerings, catering to specific consumer preferences.

- **Rise of Third Spaces**

  Cafés serve as "third spaces," offering an environment distinct from home and work. Features like free Wi-Fi, power outlets, and ergonomic seating make them attractive to students, freelancers, and professionals. The sense of community created by these spaces encourages regular visits, making cafés integral to the daily lives of urban dwellers. This trend has further evolved post-pandemic, with individuals seeking hybrid environments that combine leisure with productivity.

- **Youth Centric Marketing**

  Café chains heavily invest in youth-focused branding and marketing strategies. From vibrant and relatable social media campaigns to collaborations with artists, musicians, and influencers, cafés resonate deeply with younger demographics. Limited-edition menu items, gamified loyalty programs, and seasonal events further solidify their connection with youth culture.

- **Expansion into Tier II and Tier III Cities**

  As aspirations for urban lifestyles grow in smaller cities, café chains are capitalizing on these untapped markets. Offering premium experiences in cities that lack established hangout spots allows café brands to establish a strong foothold. The affordability of real estate and growing disposable incomes in these regions further facilitate expansion. Localized menus and culturally relevant branding also help these cafés connect with diverse audiences.

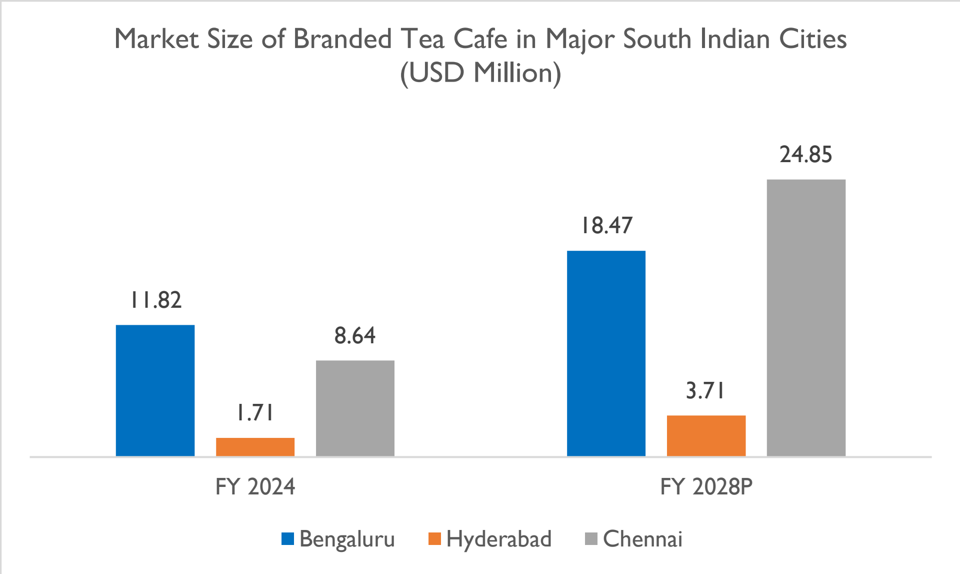
- **Trend of Offering Workplace at a Café**

  The shift to remote and hybrid work models has significantly increased the demand for work-friendly cafés. Organized café chains now emphasize quieter zones, private seating arrangements, and workstations with power outlets. Many also provide flexible options like hourly rentals for dedicated spaces, creating a seamless blend of café and co-working environments.

The organised tea cafés emphasize experiential and aspirational elements. Cafés appeal to younger, urban consumers seeking a blend of leisure and luxury, resulting in faster growth compared to the steady performance of QSRs. By aligning with lifestyle trends and offering curated experiences, cafés have carved a distinct niche in India's evolving food and beverage landscape.

An overview of Tea Café Culture in Major South Indian Cities and NCR Region[6]

The tea cafe culture in Bengaluru is experiencing significant growth, with the market size valued at USD 11.82 million in 2024. It is projected to reach USD 18.47 million by 2028, growing at a CAGR of 11.8%. This indicates a strong and expanding market for tea cafes in the city. This growth is driven by factors such as urbanization, a young and tech-savvy population, and the rising popularity of specialty beverages and experiential dining.



Source: Primary Research

Approximately, more than 100 branded tea cafe chains are present in Bengaluru, indicating a competitive market. Chai Point and Chaayos have a dominant presence with around 45 and 24 outlets respectively, highlighting their established market share. Furthermore, Local branded chains like Tea Day and Hatti Kaapi also have a significant presence, showcasing the diversity of the market. Innovative players like Kongsi Tea Bar are active in the city, contributing to the evolving tea cafe landscape.

Hyderabad tea cafe market size, valued at USD 1.71 million in 2024, is projected to reach USD 3.71 million by 2028, exhibiting a robust CAGR of 21.3%. The market is becoming increasingly competitive, with a mix of national and local brands vying for market share. Tea cafe brands like Chaayos, Chai Sutta Bar, and Teaology have a strong presence. Whereas local brands like Cafe Niloufer and Hyderabadi Chai Adda also hold strong appeal, leveraging their established reputations. There's a significant opportunity to elevate the Irani chai experience by offering modern cafe settings and innovative tea blends.

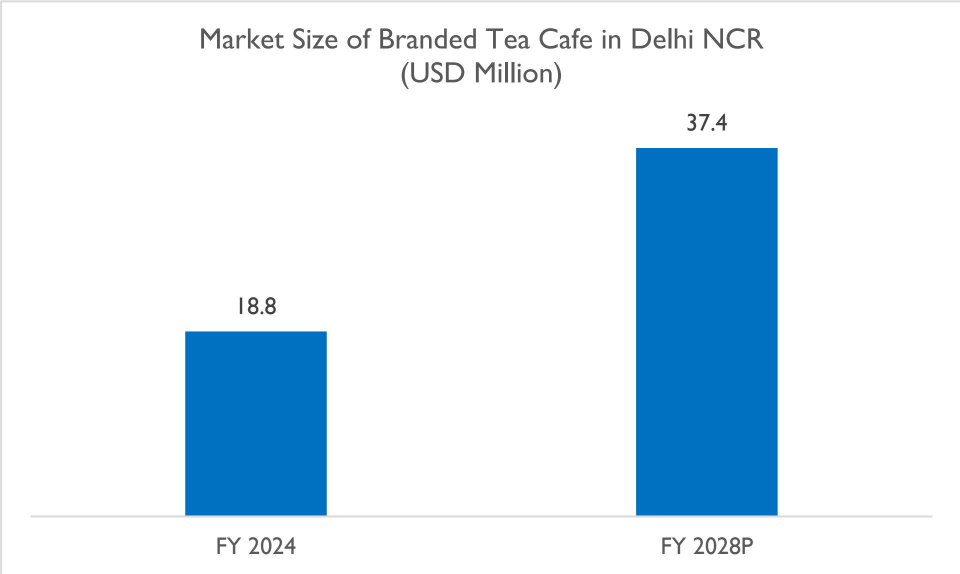
Chennai's tea cafe market is witnessing a remarkable surge, with a market size of USD 8.64 million in 2024 and is projected to reach USD 24.85 million by 2028. This growth is driven by a rapidly evolving consumer

[6] The findings covered in this section are based on a primary survey conducted by a third-party agency appointed by Tea Post. These findings have been provided to us by Tea Post and have not been independently verified or validated by the D&B team.

landscape and a growing preference for tea as a social beverage. Chai Kings and Chai Waale have established themselves as market leaders, commanding significant market share with 50 and 60 outlets respectively.

An overview of Tea Café Culture in Delhi NCR[7]

The tea cafe culture in Delhi NCR is experiencing remarkable surge over the past few years, with market size valued at USD 18.8 million in FY 2024, is projected to reach USD 37.4 million in FY 2028 at CAGR of 18.7%. This growth can be attributed to several factors, including increasing disposable incomes, changing consumer preferences, and the rising popularity of social gatherings in cafe settings. From the artistry of brewing the perfect cup to the vibrant community spaces these cafes create; tea has become a cornerstone of Delhi NCR's social fabric. Consumers are looking for an environment that fosters connection, conversation, and a deeper appreciation for the beverage itself.



Source: Primary Research

Moreover, Chaayos is at the forefront with a notable presence in Delhi NCR. Apart from established players, Delhi NCR is also experiencing a rise in innovative local brands such as Chai Garam taps, Chai Story, Tea Max Café and The Chai Factory.

Key Trends

- Major Indian cities like Delhi, Gurugram, Bengaluru, Chennai, etc. are witnessing a vibrant blend of global tea trends, like the surge in herbal and functional teas (matcha, turmeric, etc.), alongside a strong resurgence of local and regional flavours.
- In Hyderabad, the enduring popularity of "Irani chai" remains a cornerstone, with modern cafes offering innovative twists on this classic. Similarly, in Chennai, "Sulaimani" tea with local spices is

[7]These findings are based on a primary survey conducted by a third-party agency appointed by Tea Post. These findings have been provided to us by Tea Post and have not been independently verified or validated by the D&B team.

getting more traction. Turmeric lattes, ginger-infused teas, and moringa blends are gaining popularity in India, reflecting a growing awareness of Ayurveda and traditional wellness practices.

- As disposable incomes rise, consumers in South Indian cities and Delhi NCR are willing to pay a premium price for high-quality tea experiences. Tea cafes are responding by offering extensive tea menus, featuring single-origin teas, specialty blends, and artisanal brewing methods.
- Bubble tea's popularity among younger consumers remains strong. In Bengaluru, Kongsi Tea Bar offers a variety of bubble tea options, as a result the chain is active with a strong foothold in the city.

Regulatory Landscape

Regulatory Framework Governing QSR Industry in India

The Quick Service Restaurant (QSR) industry in India is subject to a variety of regulations, primarily overseen by the **Food Safety and Standards Authority of India** (FSSAI). FSSAI registration is mandatory for anyone involved in the food business, from raw material suppliers to final retailers. This ensures that food safety and hygiene standards are maintained throughout the entire food supply chain. It is mandatory to take FSSAI Basic Registration and license as per the law. These regulations may be called the Food Safety and Standards **(Licensing and Registration of Food Businesses) Regulations, 2011.** Under the food safety and standards act, 2006 all food business operators must take license to start business in India. Food Licensing and Registration System (FLRS) has been developed under the guidelines of food safety and standards regulation 2011. FLRS is a web-based system to facilitate food business establishments to apply for license/registration online and track the status of the application.

FSSAI offers two main types of registration for food businesses:

1. Basic FSSAI Registration:

- **Eligibility** Small businesses with an annual turnover of less than INR 12 lakh.
- **Process:** A relatively simple online application process.
- **Purpose:** Primarily for small-scale food businesses like petty retailers, street vendors, and home-based food businesses.

2. State License:

- **Eligibility:** Food businesses with an annual turnover between INR 12 lakh and INR 20 crore.
- **Process:** A more detailed application process, often requiring physical inspections.
- **Purpose:** For larger food businesses, including restaurants, manufacturing units, and large-scale retailers.

3. Central License:

- **Eligibility:** Food businesses with an annual turnover more than INR 20 crore, then the food business owner should apply for a central license using Form B. This license is also required for food businesses with branches across India.
- **Process:** A more detailed application process, often requiring physical inspections.
- **Purpose:** For large food businesses, including restaurants, manufacturing units, and large-scale retailers.

It's important to note that even if a business starts with a basic registration, they may need to upgrade to a state license as their business grows and their annual turnover exceeds INR. 12 lakh limits.

Key check points required for Food Business in India

All food businesses, regardless of size, must obtain either a basic registration or a state license. By complying with FSSAI regulations, food businesses can ensure the safety and quality of their products, protect public health, and build a strong reputation[8].

- **FSSAI License**: All food businesses, including QSRs, restaurants, and cafes, must obtain a valid FSSAI license. The type of license required depends on the scale and nature of the business.
- **State-Level Licenses**: Depending on the state, additional licenses and permits may be required from local authorities.
- **Hygiene Ratings**: FSSAI promotes a hygiene rating system to encourage food businesses to maintain high standards of cleanliness and sanitation.
- **GST Registration**: If the restaurant's turnover exceeds a certain threshold, GST registration becomes mandatory.
- **Other relevant licenses**: Depending on your specific operations, you might need additional licenses like liquor licenses or music licenses.
- **Food Safety and Hygiene Standards:**
  - **Personal Hygiene:** Strict guidelines for personal hygiene of food handlers, including personal hygiene, use of hairnets, and uniforms. Food handlers should avoid wearing jewelry or other accessories that could contaminate food.
  - Frequent hand washing is essential. Ensure clean water, soap, and sanitizer is readily available. Refrain from smoking, chewing tobacco, or gum while handling food. Avoid spitting, sneezing, and touching ready-to-eat food with bare hands. Never handle food and money simultaneously.
- **Transportation, Handling, and Storage of Prepared Food**
  - FSSAI regulations mandate hygienic transportation of prepared food. Delivery times and temperatures must be controlled to prevent bacterial growth. Separate storage is required for vegetarian and non-vegetarian foods, with cooked food placed above uncooked items.
  - Preserved foods should be stored in cool, dry conditions. Fermented and acidified foods should also be stored in a cool, dry place. Cold storage items should be stored in small quantities.
  - The use of legal, artificial food coloring or flavoring is permitted. Any surplus or defrosted food must be discarded.
- **Preparation and Processing**

[8] https://fssai.gov.in/upload/uploadfiles/files/Licensing_Regulations.pdf

- FSSAI guidelines emphasize proper handling and cooking techniques to eliminate or reduce food borne hazards. Prioritize methods that prevent recontamination. Always maintain strict separation between vegetarian and non-vegetarian foods, both raw and cooked.
- Avoid direct contact between food and raw materials. Ensure that frozen foods are thawed completely before cooking. Refrain from reusing cooking oil. Monitor fermented foods closely to prevent microbial growth. Store in-process ingredients and raw materials safely to avoid contamination.
- FSSAI has specific guidelines for foods with high levels of salt, sugar, acid, or low moisture content. Consumers should be informed about allergens like eggs, fish, milk, nuts, etc., present in the food. Food must be stored securely. If raw ingredients are added to cooked food, their levels must be carefully monitored and controlled.
- FSSAI mandates the use of safe drinking water, free from contaminants, toxins, and chemicals. This includes water used for ice production, as freezing does not eliminate impurities. Water used for drinking, cooking, cleaning, and ice making must be potable. Water storage containers should be clean, covered, and equipped with taps. These containers must be regularly cleaned, drained, and dried. Proper disposal of wastewater is essential.
- Source your raw materials from reliable and reputable suppliers. Before purchasing, inspect the materials for signs of spoilage, off odors, defrosting, or foreign contamination. Adhere to inventory management principles like FIFO (First In, First Out), FMFO (First Manufactured, First Out), and FEFO (First Expired, First Out) to ensure timely usage of stock. Ensure that your storage capacity is sufficient to prevent accidental contamination or temperature abuse, especially for frozen foods.

- **Processing and Preparation of Fruits and Vegetables**

  Produce like fruits and vegetables should be stored separately to prevent cross-contamination. Remove any damaged parts before use. Wash produces thoroughly in potable water. Ready-to-eat produce should be sanitized with alkaline water or 50 ppm chlorinated water. Cut fruits and vegetables should be stored in clean, covered containers in the refrigerator.

- **Cleanliness and Sanitation:** Regular cleaning and sanitization of food preparation areas, utensils, and equipment. To maintain food hygiene, food selling zones must be clean, dry, and well-ventilated. Avoid areas with high humidity. Waste should be kept away from food preparation and storage areas. No one should spit, wash hands, or engage in unhygienic practices near food. Toilets should not directly open into food handling or selling areas. Wastewater should be disposed of properly. Decorative elements should not compromise food hygiene.
- **Pest Control:** Effective pest control measures to prevent contamination.
- **Accurate Labeling:** Clear and accurate labeling of food products, including ingredients, nutritional information, and expiry dates.

- **Food Safety Standards:** Adherence to FSSAI standards for food packaging materials.
  - **Food Safety Audits:**
    - **Periodic Audits:** FSSAI may conduct regular inspections to ensure compliance with food safety regulations.
    - **Third-Party Audits:** Some states may require food businesses to undergo third-party audits to verify compliance.

Additional Regulations:

- **Consumer Protection Act:** Ensures fair business practices and protects consumer rights.
- **Labor Laws:** Adherence to labor laws, including minimum wages, working hours, and social security benefits.
- **Employee Health and Safety:** Provision of a safe and hygienic work environment.

Threats & Challenges Impacting the Indian Tea Café industry

The Indian Tea Café industry, while robust, is not immune to various threats and challenges. Here are some of the most significant ones:

- **Operating Business Climate:** Economic downturn, Inflation and Rising Costs of raw materials, labor, and energy significantly affects the profit margins of the food service industry. Economic recessions can lead to reduced consumer spending as seen during the Covid-19 period when aggregate sales of Indian food service business dipped sharply by nearly 53%. In 2021. Inflation again significantly impacts the food and beverage industry in various ways, influencing both costs and customer behavior. Inflation typically drives up the cost of raw materials, such as vegetables, grains, and meat. This increase in food prices puts pressure on restaurants, which must either absorb these costs or pass them on to customers through higher menu prices. Apart from food costs, inflation also impacts other operational costs, such as utilities, wages, and rent. Restaurants may face increased energy bills and higher labor costs, especially if they need to raise wages to attract or retain workers amidst rising living costs
- **Competitive Landscape**
  - **Intense Competition**: The QSR industry is highly competitive, with numerous players vying for market share. Major cities like Mumbai have seen a significant rise in both organized and unorganized food services, with fine dining and casual dining outlets leading the charge. The total number of restaurants in Mumbai alone exceeds 141,000, with the food service industry valued at around INR 550,000 million in its organized sector.
  - **Brand Differentiation**: Differentiating a brand in a crowded market can be challenging, especially for smaller chains.

- **Digital Disruption**: The Indian food service sector is witnessing a shift driven by technology, consumer preferences, and a heightened focus on sustainability. The rise of food delivery platforms, and online ordering supported by rising smartphone sale and digital payment solution has increased competition and changed consumer behavior. In the wake of increasing digital disruption, resilience in operations is no longer about enduring economic market fluctuations but building adaptive systems capable of scaling business efficiently. Predictive analytics, strategic sourcing, and investments in human capital are essential drivers of sustainability in business operations.

- **Consumer Preferences and Trends**
  - Health and Wellness Trends: Growing consumer awareness of health and nutrition has led to increased demand for healthier food options.
  - Changing Consumer Preferences: Evolving tastes and preferences can quickly render popular menu items obsolete.
  - Ethical and Sustainable Sourcing: Consumers are increasingly demanding ethically sourced and sustainable ingredients. At times this can increase the cost and decrease margins.

- **Supply Chain disruptions**

  Supply chain disruptions can lead to shortages of essential ingredients, forcing QSRs to limit menu offerings and increase prices. To mitigate these risks, QSRs should diversify their supplier base, improve inventory management practices, and develop comprehensive contingency plans to ensure operational continuity

- **Operational Challenges**
  - Labor Shortages: The industry often faces labor shortages, particularly in key positions like cooks and managers. Also, Soaring labor costs, fuelled by minimum wage hikes and a tight labour market, pose a serious threat to profitability and retention of staff
  - Supply Chain Disruptions: Disruptions in the supply chain can lead to shortages of key ingredients and increased costs.
  - Food Safety and Quality Control: Maintaining consistent food safety and quality standards is essential to avoid reputational damage.

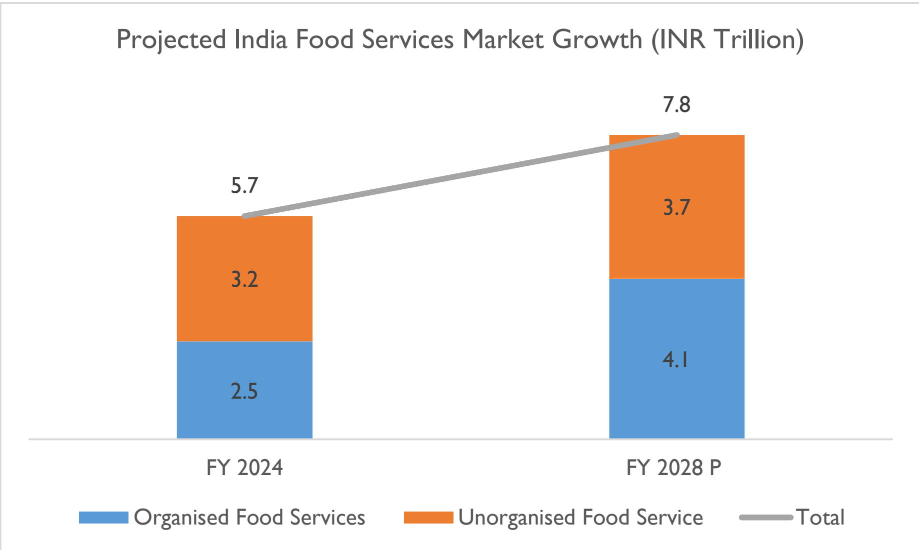
- **Regulatory Environment**
  - Stricter Food Safety Regulations: Increasingly stringent food safety regulations can increase compliance costs.
  - Labor Laws and Minimum Wage Increases: Changes in labor laws can impact operational costs.

- Tax Regulations: Tax policies can affect profitability and investment decisions.

- **Technological Challenges**
  - Cyber security Threats: QSRs are increasingly vulnerable to cyber-attacks, which can compromise sensitive customer data.
  - Digital Transformation: Implementing and maintaining digital technologies can be costly and complex.

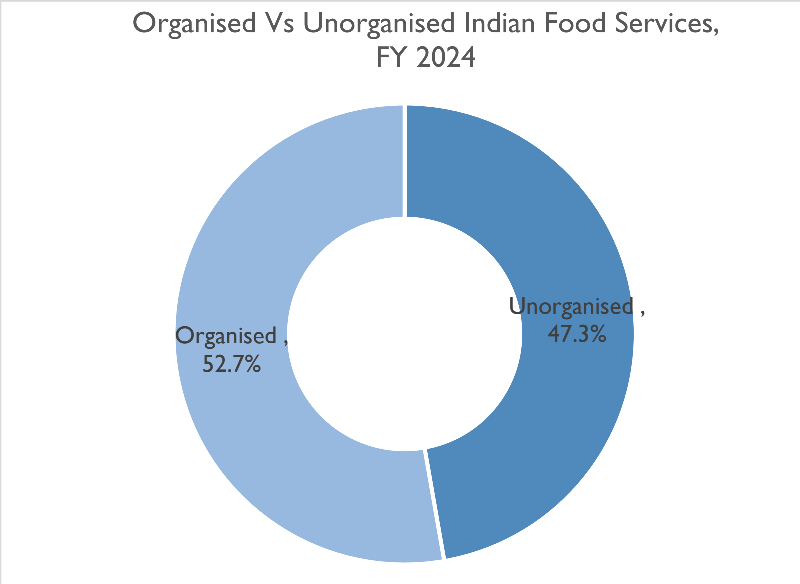
Growth Forecast

India is expected to be third Largest Food Services Market by 2028 overtaking Japan and second fastest growing Food Services Industry globally after Brazil. The Indian food service market is projected to experience healthy growth trajectory increasing from INR 5.7 trillion to INR 7.8 trillion, registering 8.1% CAGR between FY 2024-2028. The rise in disposable incomes and rapid urbanization are significant factors contributing to the growth of the food service sector. As more consumers move to urban areas and experience higher income levels, the demand for dining out and food delivery services is expected to increase. There is a marked shift in consumer preferences toward convenience and variety in dining options. The average Indian consumer is expected to increase their frequency of eating out from about five times a month to seven or eight times in coming 5-6 year.



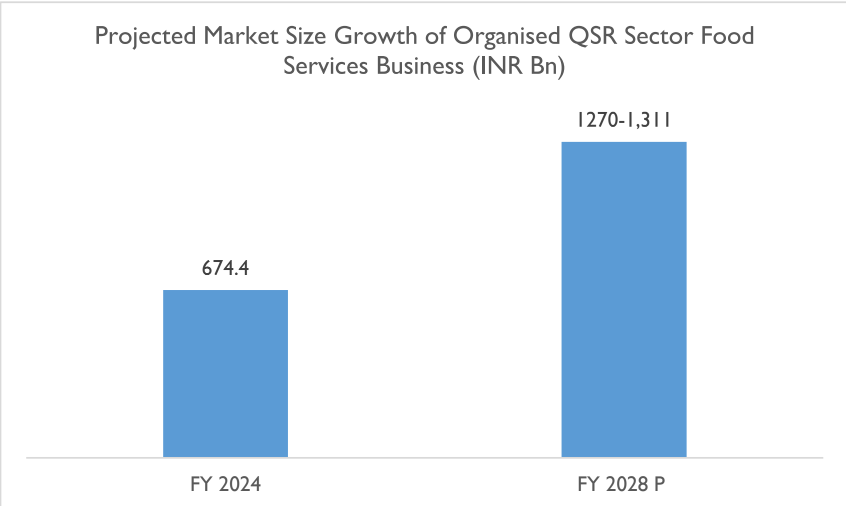
Source: India Food Service Report 2024, NRAI

Simultaneously, the overall all organised food segment is poised for significant growth, with a projected compound annual growth rate (CAGR) of 13.2% translating in market size of INR 4.1 trillion by FY 2028.



Source: India Food Service Report 2024, NRAI

This will elevate its market share to 52.7%[9] by FY 2028. Conversely, the unorganised segment's share is expected to contract from its current 56.1% to 47.3 % over the same period.



Source: India Food Service Report 2024, NRAI

Within the organised food services segment, the casual dining segment is expected to lose about 4-5% share to QSR segment by FY 2028 translating in improving the organised QSR share to 31-32% in FY 2028 from 27% in FY 2024. Simultaneously, casual dining share is estimated to reduce to 43-45% share from 48% in FY 2028. Consequently, the organised QSR segment is expected to outperform the organised casual dining segment and projected to grow at CAGR of about 17-18% while casual dining segment is projected to grow at 10.1%-10.7%.

Expected Growth in Organized Café Market in India

Poised by the healthy growth trajectory in the organized QSR segment, the organized café market in India too is expected to experience healthy growth. T**he India Cafes & Bars market is estimated to reach**

[9] India Food Services Report 2024, National Restaurant Association of India

approximately USD17.54 billion by 2024 and is expected to witness a compound annual growth rate (CAGR) of 8.33% by 2029. The organized café market in India is on a robust growth trajectory, with significant opportunities arising from Changing consumer preferences of GenZ, diverse offerings, urbanization trends, income growth and an evolving cafe culture that emphasizes quality and unique experiences.

Major Trend Shaping the Future Growth in the Indian Food Services Business

- The acceleration of online food delivery services has transformed consumer behavior, with a notable increase in convenience-driven dining.
- While consumption is currently concentrated in the top 50 cities, significant growth opportunities are anticipated in tier 2 cities and beyond as these areas experience rising affluence and changing lifestyles.
- Consumers are increasingly seeking diverse culinary experiences, with many ordering from multiple cuisines across different restaurants. This trend is likely to drive further growth in both dine-in and delivery segments.

By 2030, the addressable customer base for the Indian food services market is projected to expand significantly, increasing from approximately 320-340 million to around 430-450 million consumers. This expansion will be supported by macroeconomic trends such as rapid urbanization and rising affluence, positioning the Indian food service market at a transformative juncture.

Thus, the Indian food service market is set for robust growth driven by a combination of economic factors, digital transformation, and evolving consumer preferences, making it one of the most dynamic sectors in the country's economy.

- Factors driving this growth include rapid urbanization, increasing disposable incomes, and a shift in consumer preferences towards convenient and quick dining options. The rise of food delivery platforms has also significantly contributed to the expansion of the QSR market, making it easier for consumers to access their favourite meal.
- Major players in the QSR sector are actively expanding their store networks. It is estimated that top domestic QSR players will add approximately 2,300 stores between FY2023 and FY2025. This expansion is supported by a growing appetite for fast food among urban consumers.
- The market is characterized by a strong preference for meat-based cuisines, with pizza being one of the fastest-growing segments within the industry. This trend reflects changing dietary habits and an increasing acceptance of international food styles among Indian consumers.
- The integration of technology in operations, such as online ordering systems and mobile applications for delivery services, has streamlined customer experiences and contributed to increased sales volumes.

Challenges Ahead

- Despite the promising growth outlook, the industry faces challenges such as inflationary pressures on food costs, which could impact profit margins. Maintaining consistent quality across multiple outlets remains a critical concern for operators as they expand rapidly.
- The QSR market is highly competitive, with both international giants like McDonald's and KFC and domestic brands vying for market share. This competition necessitates continuous innovation and adaptation to consumer preferences.

In summary, the Indian QSR industry is set for significant growth, driven by urbanization, changing consumer behaviours, and technological advancements in food service delivery. While challenges exist, the overall outlook remains optimistic as the sector adapts to meet evolving market demands.

Competitive Landscape

The Indian café and QSR industry is characterized by dynamic competition, offering a mix of fragmented and consolidated market segments. While large players like Starbucks and Costa Coffee dominate the café market, the tea chain segment features a mix of organized and unorganized players, with strong contributions from domestic brands. This duality makes the industry highly competitive, with varying barriers to entry depending on the segment.

The Indian café and tea chain market faces increasing competition from the entry of foreign players in the Indian café market. For e.g., established Indian Café brands like Barista and Chaayos experienced a drop in growth rates to 5% in FY24, down from nearly 70% in FY23. Similarly, Starbucks' growth declined to 12% from 70% in the previous fiscal year, while Third Wave Coffee's growth fell sharply to 67% from 355%. Café Coffee Day managed a modest 9% increase in FY24 compared to 59% a year earlier. In contrast, Tim Hortons observed doubled its sales in FY24 and plans to expand to over 100 stores in the next three years.

Additionally, the unorganized sector, which includes roadside tea stalls and small cafes, continues to hold a significant share, presenting stiff competition to organized chains by leveraging affordability and cultural resonance. On the other hand, international players pose a challenge by offering premium experiences and innovative menu options targeted at urban millennials and professionals.

Barriers to entry are moderate; while operational costs and branding efforts pose challenges for new entrants, the relatively low real estate and labor costs in Tier II and Tier III cities offer opportunities for smaller players. The rise of franchising operated stores has further eased the entry of regional and local brands, allowing them to expand their footprint with minimal capital investment.

Major Players in the Industry

The industry is home to several key players spanning international café chains, large domestic tea chains, and smaller regional brands.

DUN & BRADSTREET INFORMATION SERVICES INDIA PVT. LTD. * MUMBAI *

- **International Players**: Starbucks, and Costa Coffee, dominate the café landscape, focusing on premium positioning, standardized offerings, and aspirational branding. In August 2022, Tim Hortons marked its entry into the Indian market. The company has been spreading its retail footprint in India and currently operate with 40 stores spread across in major metros and tier-1 cities including Delhi, Mumbai, Bengaluru, Pune, Gujarat, Hyderabad, Punjab, and Chandigarh.
- **Large Domestic Players:** In the organised café chain segment, brands like Barista Coffee Company, Café Coffee Day, Indian Coffee House, Chaayos, Chai Point, and Tea Post lead the organized market. These brands emphasize innovation, cultural relevance, and scalability through franchising.
- **Medium-Sized Players:** Brands like Chai Sutta Bar, Yewale Amruttulya, Teatime, and Premacha Chaha have built strong regional presences, often blending affordability with authenticity to cater to a broad customer base.
- **Unorganized Sector**: Despite the growth of organized players, unorganized tea stalls continue to dominate the overall market, particularly in rural and semi-urban areas, with their simplicity, accessibility, and cost advantages.

Analysis of key factors shaping competition in the sector

The competition in the food servicing industry in India is shaped by several key factors that drive both operational success and challenges for restaurants. These include:

- **Market Segmentation and Consumer Preferences**

  With the growing diversity of the Indian population, restaurants must cater to regional tastes, dietary preferences (e.g., vegetarian, vegan), and a rise in demand for healthier, organic, and low-calorie food options Understanding these preferences is crucial for staying competitive, particularly in metro cities where food trends change rapidly.

- **Technological Integration**

  The increasing reliance on technology for ordering, payment and customer service has reshaped competition. Restaurants that leverage digital platforms (like mobile apps, online ordering, and digital payment solutions) to streamline operations and enhance customer experience are gaining an edge Additionally, innovations such as AI and robotics in kitchen operations or automated ordering systems are emerging as competitive differentiators.

- **Online Food Delivery and Aggregators**

  The growth of online food delivery platform like Swiggy and Zomato has intensified competition, as restaurants now face direct competition from other outlets in the virtual market place. Establishing a strong online presence and optimizing for delivery can significantly influence a restaurant's success.

- **Food Quality and Diverse Offerings**

  Offering distinctive and innovative dishes can attract customers. Using fresh, locally sourced ingredients enhances the dining experience. Catering to specific dietary needs (e.g., vegan, gluten-free etc.) can expand the customer base.

- **Cost Efficiency and Supply Chain Management**

  The rising cost of ingredients due to inflation, combined with the need for efficient supply chain management, impacts profit margins. Restaurants that can secure quality ingredients at competitive prices and minimize waste are better positioned to thrive

- **Brand and Marketing Strategies**

  In a crowded market, strong branding and effective marketing play a pivotal role. Restaurants that effectively use social media platforms to promote special offers, new menu items, or customer engagement tend to build a loyal following and differentiate themselves from competitors. Implementing special offers, happy hours, and loyalty programs to attract customers. Offering various pricing options, such as prix fixe menus or buffet-style dining.

- **Location and Accessibility**

  Choosing a location with high foot traffic and visibility. Providing ample and accessible parking facilities.

- **Great Customer experience**

  Providing timely and attentive service, Well-trained staff can enhance the dining experience. Creating a positive vibe and lively atmosphere. Restaurants that invest in creating memorable, personalized experiences for customers tend to build stronger brand loyalty.

The competition in the food servicing industry in India is multifaceted, with factors ranging from consumer behaviour and technological advances to operational efficiency and effective marketing strategies driving the dynamics.

Profiling of Key Peer Companies

Name of the Company	Business Overview
Tea Post Ltd.	Incorporated in 2015, Tea Post Limited is an emerging organized tea café chain operating under the Indian quick service restaurant segment. It is amongst the fastest growing organised tea café QSR companies in terms of sale growth and the fastest growing company in terms of EBITDA growth in the last three year amongst the selected peers. The company is headquartered in Ahmedabad, Gujarat and has 250 café's outlets in 4 states spread across 60 cities in India and also have 3 Cafe's in Dubai (UAE). In India, the company's cafés are having

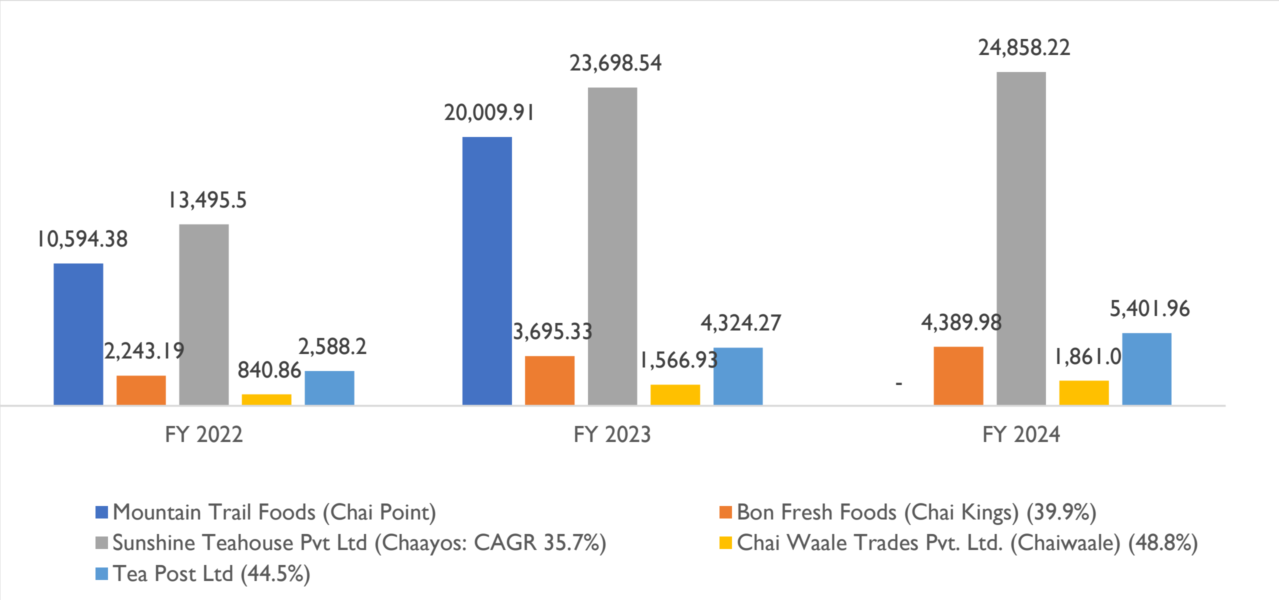
	presence in Gujarat, Maharashtra, Madhya Pradesh, and Rajasthan. The company is the largest players in Gujarat in the tea café segment in terms of stores with 195 stores as on March 31, 2025. The company's cafe outlets are operated under two business model i.e. company operated (65 cafés), and franchise operated model (188 cafés) while its cafés are segmented into three formats based on café size, positioning, and target audience. These include, Small Format, Standard Format, and Flagship Format (Desi Café). On menu side, Tea post offers 100% veg menu. Its beverages menu includes over 15 varieties of tea including traditional (ginger and elaichi) hot tea, masala chai, and other natural flavoured tea options along with cold alternatives such as iced tea, cold coffee, mocktails, shakes, and coolers etc. Besides beverages, the company's food menu also includes a wide range of snacks, such as samosas, poha, upma, sandwiches, and more. With its widespread presence and wide range of menu, the company reported brand sales totalling over INR 126 crores in FY 2025.
Mountain Trail Foods Pvt Ltd (Chai Point)	Founded in 2010, Chai Point operates in tea organized retailing industry. The company has a strong presence across the country with a unique business model focusing on providing a relishing tea drinking experience to its customers, with a focus on convenience and innovation. The company majorly operate through the company owned stores. The company is also in to vending business, it is one of the leading manufacturer and service provider of a Premium Range of Coffee Vending Machine. With registered office in Bengaluru in Karnataka, the company operates with 170+ outlets spread across India in 9 major cities including Mumbai, Chennai, Bengaluru, and New Delhi.
Bon Fresh Foods Pvt Ltd (Chai Kings)	Chai Kings registered and started by Bon Fresh Foods in Medavakkam in 2016. With registered office in Chennai, Tamil Nadu, India, the company has over 56 outlets of which 50 are in Chennai. The company was established with the vision to bring a refreshing and hygienic chai experience to tea lovers. Chai Kings offers a variety of teas, ranging from milk, black, to herbal and ice-tea and wide range of flavours tea such as ginger, masala, sulaimani, dum, lemon, hibiscus, tulsi, and apple jostle. The company's food menu also snacks item that complement the beverages. Beside operating in store format, the company do market its food menu at the events including weddings, corporate events, exhibitions, picnics etc. The company offers extended food menu for event-based serving including vegetarian and non- vegetarian food item or breakfast, lunch, dinner, and high tea.

Sunshine Teahouse Pvt Ltd (Chaayos)	Sunshine Teahouse Pvt Ltd with its brand Chaayos, operates in the organized tea retail café segment in India since 2012. The café chain offers about including 25 tea types of tea flavours and 12,000 ways to customize them along with snacks menu including sandwiches, samosas, and street foods. Besides tea, the company also offers snacks and tea blends in packaged form. Headquartered in Delhi, the company operates over 200 outlets across India including cities of New Delhi, Gurgaon, Noida, Hyderabad, Bengaluru, Mumbai, and Pune. The company majorly operates through company operated stores.
Chai Waale Trades Private Limited (Chai Waale)	Chai Waale is an expanding QSR chain, specializing in diverse array of exotic-flavoured chai and aims to provide a hygienic and enjoyable dining experience since 2018. With registered office in Chennai, Tamil Nadu, India, the company has over 55 outlets in Chennai that operates in a hybrid model with a mix COCO and FOFO stores. Chai Waale primarily serves young working individuals who are increasingly health-conscious and have higher disposable incomes.

[The remainder of this page has intentionally been left blank]

Financial Analysis [10]

Comparison of Revenue from Operations (in INR Lacs)

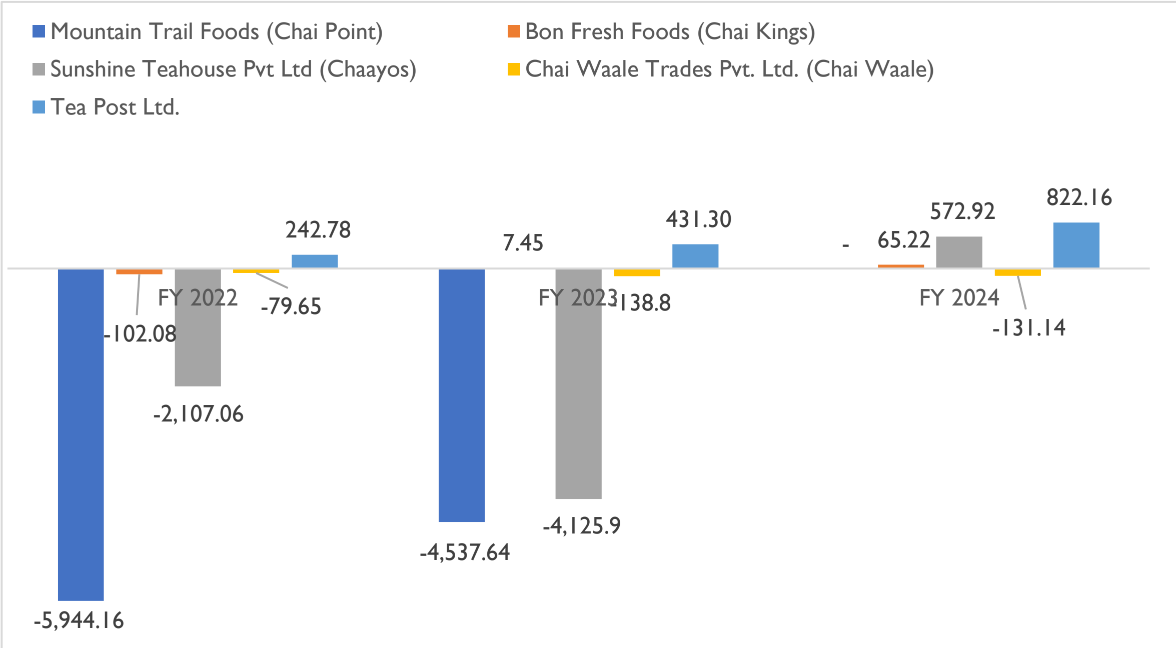


Source: Annual Report,
Note: FY 2024 Financial for Mountain Trail Food (Chai Point) is not yet published.
Note: Sunshine Teahouse Pvt Ltd and Tea Post Limited financials are based on Ind AS

The revenue of the four company has increased consistently over the period FY 2022-24. Tea Post reported a revenue of INR 5,401.96 lacs for FY2024, ranking it second in the peer group after Sunshine Teahouse (Chaayos) with INR 24,858 lacs. In terms of revenue size, Mountain Trail Foods (Chai Point) was ranking next to Sunshine Teahouse in FY 2023. In terms of sales growth, Tea Post recorded 44.5% CAGR between FY 2022-24, ranking second in the peer group after Chai Waale Trade Pvt. Ltd.

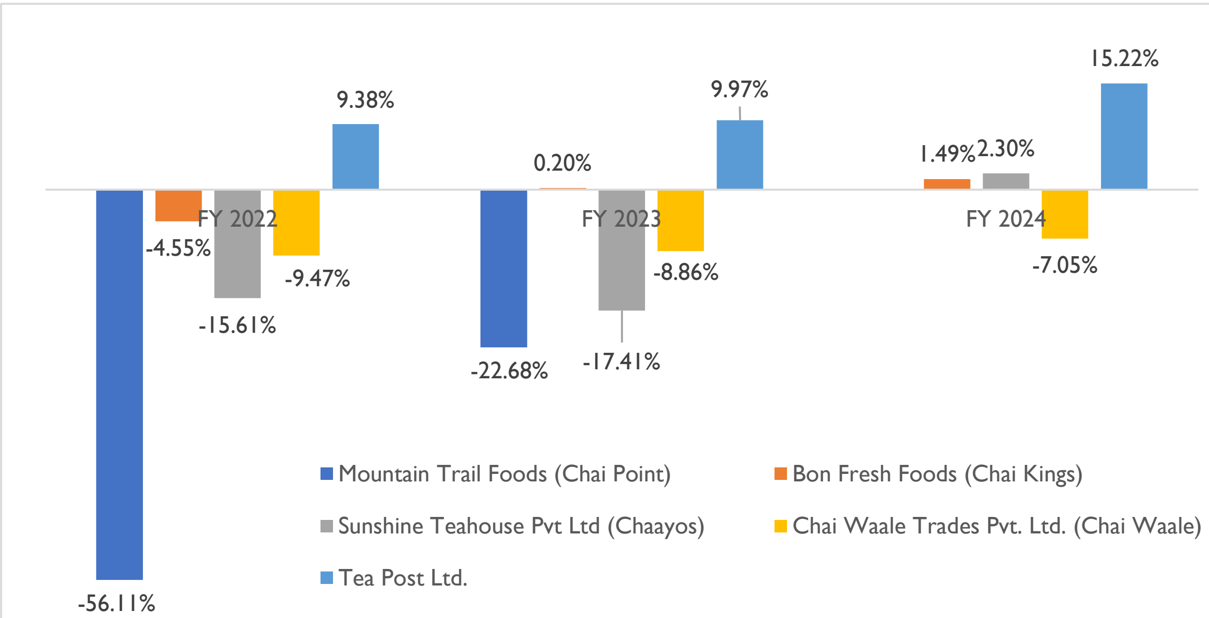
[10]Based on the Restated Financial Information shared by the company (Tea Post Ltd)

Comparison of EBITDA (in INR Lacs), EBDITA Margin (%)



Source: Annual Report
Note: Sunshine Teahouse Pvt Ltd and Tea Post Limited financials are based on Ind AS

In terms of EBITDA, Tea Post ranked first with INR 822.16 lacs in FY 2024, registering a consistently year-on-year (y-o-y) increasing trend. On a y-o-y basis, the company registered an impressive 91% growth in EBITDA in FY 2024.



Source: Annual Report.
Note: Sunshine Teahouse Pvt Ltd and Tea Post Limited financials are based on Ind AS

Amongst all the peer company for which FY 2022-24 financial were available, the Tea Post's EBITDA Margin consistently remain positive and observed increasing trend between FY 2022-24. In FY 2024, Tea Post registered an EBITDA margin of 15.22%, highest among the peer group.

SWOT Analysis

Strength:

- Increasing out of home consumption for coffee, tea and other beverages and rising fast-food demand supported by income growth is driving the café business in India.
- Established brand presence and efficient supply chain network support the widespread market penetration of an organized QSR cafés in India. Moreover, customers tend to get loyal to a prominent café chain which favours the operation of organized café business.
- Organized QSR café benefit from the economies of scale in reducing cost and increasing profits.
- Menu diversity to offer regular snacks item and budget friendly meal to address the different market and demand has been benefitting the growth of organized QSR cafe industry.

Weakness

- Maintaining Heightened hygiene standard, services quality and consistent product quality across all locations is vital for customer satisfaction and loyalty. As the business grows, ensuring that quality standards and service quality with increased business presence can be a significant challenge. Moreover, constant pressure to improve the drive-thru speed of service is also a major challenge in the QSR industry.
- Menu and service standardization in organized QSR industry may limit customization and easy adaptability.
- Managing inventory, food wastage and forecasting raw material requirements remain challenging, necessitating careful logistical planning and resource allocation.

Opportunities

- There is a growing consumer preference towards healthier food choices. This includes a shift towards organic, natural, and sugar-free products in various food product preparation. Health-conscious consumers are increasingly prioritizing ingredients that offer nutritional benefits without compromising on taste. This growing health awareness is driving the emergence of startups that are focusing on experimenting and introducing innovative products to keep up with this transforming consumer demand.
- Potential expansion into new geographic markets especially in tier-3 and tier-4 provides promising opportunity to the organized QSR company to expand their operation in India.
- Organized QSR café possess better ability to integrate the usage of innovative technologies to enhance customer service and operational efficiency benefits.
- In the wake of the busy lifestyles of modern consumers, the proliferation of online platforms and delivery services has made doorstep food delivery more convenient. This trend opens new growth prospects for organized QSR industry to target wider consumer base.

Threat

- External operating environment such as economic slowdown and occurrence of pandemic (Covid-19) like situation have potential to adversely impact consumer spending pattern thereby negatively affect the performance of organized QSR industry.
- Sticky menu cost which comparatively less flexible than that of fluctuation in input/ingredient cost and Labour cost has a potential to wipe of the companies' margin in the QSR industry.
- The growing consumer trend towards health consciousness challenges the traditional QSR offerings which is often tagged as junk food.
- The new entrant along with emerging player in organized QSR often struggle to establish their brand as they face fierce competition from both local eateries and global giant chains.
- In the wake of expanding social media penetration, any negative publicity has potential to damage the brand image and business operation of the Organized QSR company.
- The organised QSR café industry operates in a regulatory environment subject to frequent updates and amendments. Staying agile and responsive to changes in government policies, laws, and guidelines is essential. This includes promptly adjusting business practices and operational procedures to comply with new regulatory requirements, ensuring ongoing legality and operational continuity.

Company Profile[11]

Incorporated on November 5, 2015, Tea Post Limited is an emerging organized tea café chain operating under the Indian quick service restaurant segment. It headquartered in Ahmedabad, Gujarat and has 250 tea café spread across in 60 cities in India, across states of Gujarat, Maharashtra, Madhya Pradesh, and Rajasthan. The company also has an international presence with 3 cafes in Dubai, UAE. The company follows a cluster-based approach for expanding their store network where the company first launches its company operated cafés in high traffic areas in a new target city and then develop their network of franchisee and company operated café within that cluster. This model has helped the company to rapidly increase its store network. Consequently, the company through its network of tea cafés has penetrated across different tier cities starting from tier-1 cities to tier-3 cities and other lower tier cities.

[11] As per the Dun & Bradstreet research based on information available in public domain i.e. on the company website and input received by the company.

Tea Post is the largest player in organized tea café market in Gujarat, in terms of store count. The company has 195 tea café alone located in the single state.[12]

Company Name	Number of Retail Store Outlet	Geographical Presence
Tea Post Ltd	253 stores	Domestic Presence in 60 cities including 195 in Gujarat, 44 in Maharashtra, 9 outlets in Rajasthan and 2 in Madhya Pradesh. International presence in city i.e. 3 stores in Dubai, UAE. Tier-wise breakup of Tea Café in India: Tier-1: 79 Tier-2: 20 Tier-3: 20 Others: 131
Mountain Trail Foods Pvt Ltd (Chai Point)	170+	Mumbai, Chennai, Bengaluru, and New Delhi.
Bon Fresh Foods Pvt Ltd (Chai Kings)	56	50+ in Chennai
Sunshine Teahouse Pvt Ltd (Chaayos)	200 +	New Delhi, Gurgaon, Noida, Hyderabad, Bengaluru, Mumbai, and Pune.
Chai Waale Trades Pvt. Ltd. (Chai Waale)	55	Chennai

Sources: Company Website and Secondary Research

Tea Post operates as a café chain that specializes in offering a variety of tea (chai) and Indian snacks in a comfortable, affordable, and hygienic setting. The brand emphasizes quality and hygiene, sourcing tea from Assam and ensuring all ingredients are fresh and locally sourced. The company focuses on providing fresh, home-like chai and snacks at pocket-friendly prices, catering to a broad audience from urban to semi-rural areas. It caters to diverse customer segments, including families, millennials, students, and professionals, and is considered a go-to store for its target market.

Business Model

Tea Post operates on an asset-light model with a combination of company operated and franchisee operated tea cafés, allowing for scalability while its cafés are segmented into three formats based on café size, positioning, and target audience. The company operates with efficient control over its supply chain network through its supply centres located in Gujarat and its group of identified vendors for food ingredients,

[12] D&B has compiled and compared the store count information of the leading players in the Organized tea café segment through desk research / secondary research. Basis store count, Tea post has the maximum store count in Gujarat and none of the other leading players that D&B assessed have such a high store count in Gujarat state.

packaging, warehousing, and logistics with the objective of operating its café outlet with optimum level of inventory and accepted standards[13].

Peer Benchmarking

Indicator	Tea Post Ltd [1]			Bon Fresh Foods (Chai Kings)			Sunshine Teahouse Pvt Ltd (Chaayos)			Chai Waale Trades Pvt. Ltd. (Chaiwaale)			Mount Trail Foods (Chai Point)[2]		
Years	**FY24**	**FY23**	**FY22**	**FY24**	**FY23**	**FY22**	**FY24**	**FY23**	**FY22**	**FY24**	**FY23**	**FY22**	**FY24**	**FY23**	**FY22**
Revenue from Operations (₹ in Lakh)	5,401.96	4,324.27	2,588.20	4,389.98	3,695.33	2,243.19	24,858.22	23,698.54	13,495.51	1,861.00	1,566.93	840.86	-	20,009.91	10,594.38
EBITDA (₹ in Lakh)	822.16	431.30	242.78	65.22	7.45	-102.08	572.92	-4,125.88	-2,107.06	-131.14	-138.83	-79.65	-	-4,537.64	-5,944.16
EBITDA Margin (in %)	15.22%	9.97%	9.38%	1.49%	0.20%	-4.55%	2.30%	-17.41%	-15.61%	-7.05%	-8.86%	-9.47%	-	-22.68%	-56.11%
PAT (₹ in Lakh)	-101.90	-94.47	-93.71	-80.15	-118.61	-236.06	-5398.44	-10,949.49	-7,129.40	-183.32	-182.49	-99.20	-	-7,013.23	-8,398.08
PAT Margin (in %)	-1.89%	-2.18%	-3.62%	-1.83%	-3.21%	-10.52%	-21.72%	-46.20%	-52.83%	-9.85%	-11.65%	-11.80%	-	-35.05%	-79.27%
ROCE (in %)	13.92%	7.06%	-3.58%	-23.20%	-28.19%	-49.36%	-10.39%	-26.58%	-77.56%	-17.87%	-16.83%	-14.12%	-	-125.05%	-93.83%
RoNW (in %)	-10.11%	-8.62%	-10.44%	-*	-*	-*	-21.25%	-71.26%	-107.60%	-21.48%	-23.31%	-26.02%	-	-153.68%	-146.62%
Net Cash from/ (used in) Operating Activities (₹ in Lakh)	737.71	17.17	313.96	-	164.43	150.68	1,228.35	-3,324.58	- 5,994.07	20.60	-125.06	-101.01	-	3,944.10	-4,254.09
Net Cash from/ (used in) Investing Activities (₹ in Lakh)	-470.71	-528.06	-132.59	-	-16,804.09	-2.72	376.00	-24,537.07	-110.65	-21.15	-128.55	-165.64	-	-2,490.00	-724.69
Net Cash from/ (used in) Financing Activities (₹ in Lakh)	-223.54	-144.53	407.61	-	-	-	-4,220.40	30,620.19	4,367.19	-1.57	272.02	238.24	-	2,933.54	7,183.80

Sources: Company's MCA Filing, Annual Report

**Note: There is no cash flow statement for Bon Fresh Food for FY 2024. Also reported negative PAT and negative networth hence ROE is not computable*

Financial figures across peers may not be directly comparable, as Tea Post Limited's financials from FY22 to FY24, and those from FY23 to FY24 for Sunshine Teahouse Private Limited, are reported under Ind AS accounting standards.

[1] Based on the Restated Financial Information shared by the company for FY 2022-24

[2] FY 2024 are yet not filed with MCA

[13] D&B has not verified this claim and neither have checked the supply chain efficiency of any peers.

Calculation Used:

PBT-Other Income +Finance Cost+D&A	EBITDA
EBITDA/Revenue from Operations	EBITDA Margin
PAT	PAT
PAT/Revenue from Operations	PAT Margin
Capital Employed	Total Equity (or networth) - Intangible Assets (Including Intangible Asset under Development, goodwill) + short term borrowings + long term borrowings + deferred tax liability - deferred tax asset
Return On Capital Employed Return On Networth (RoNW)	EBIT/ Capital Employed PAT/ Average Networth