



CONFIDENTIAL

Market overview and investment potential for concept restaurants in select countries

Discussion Document

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1 Why Invest in the F&B industry

- **Industry attractiveness**
- Global market overview

2 What are the target F&B segments to invest in

3 What are the target markets for investment

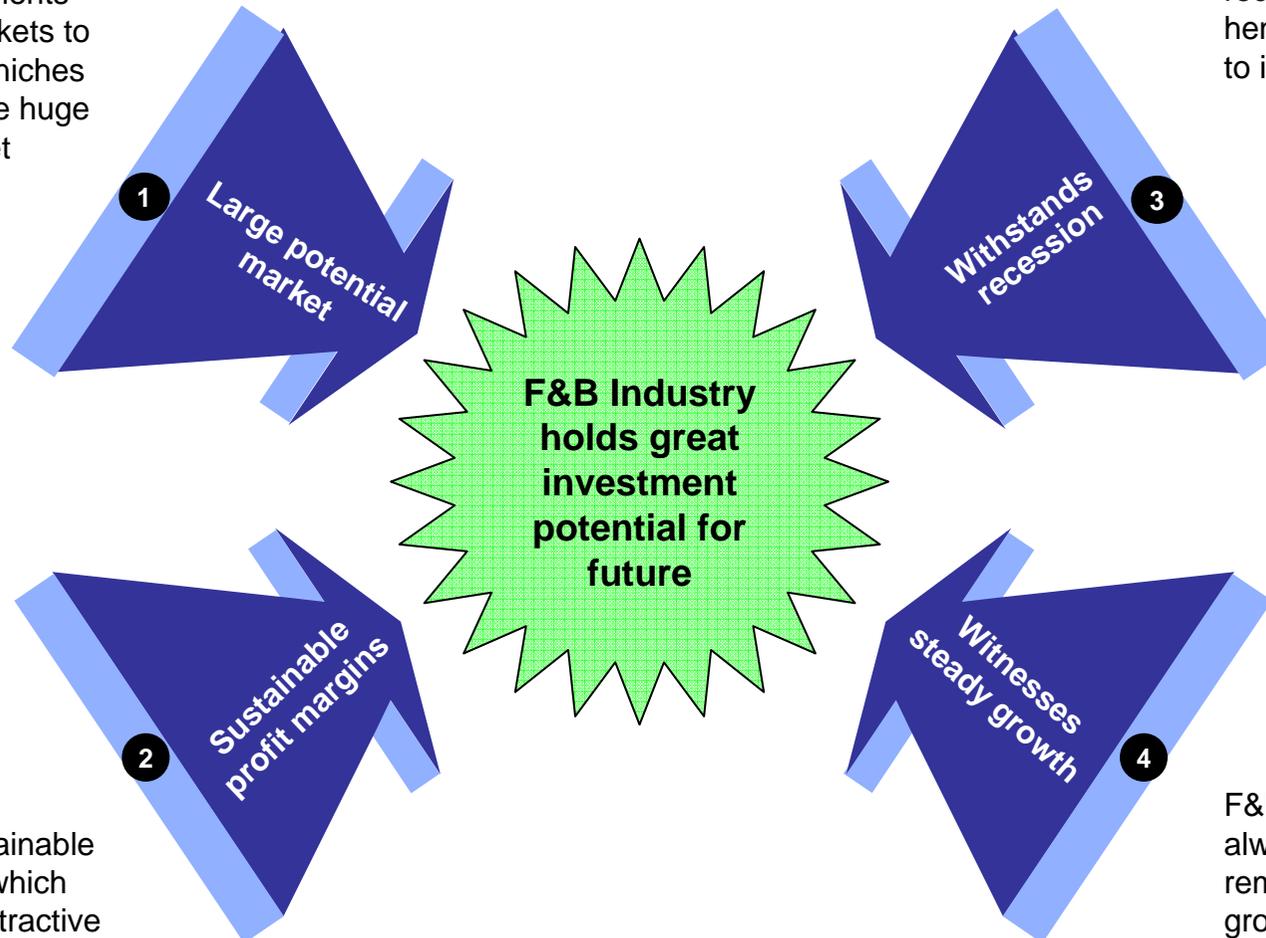
4 Appendices

- Detailed country profiles

FOUR FORCES MAKE THE F&B INDUSTRY HIGHLY ATTRACTIVE AND EVERGREEN

F&B business covers all market segments from mass markets to high net worth niches and hence have huge potential market

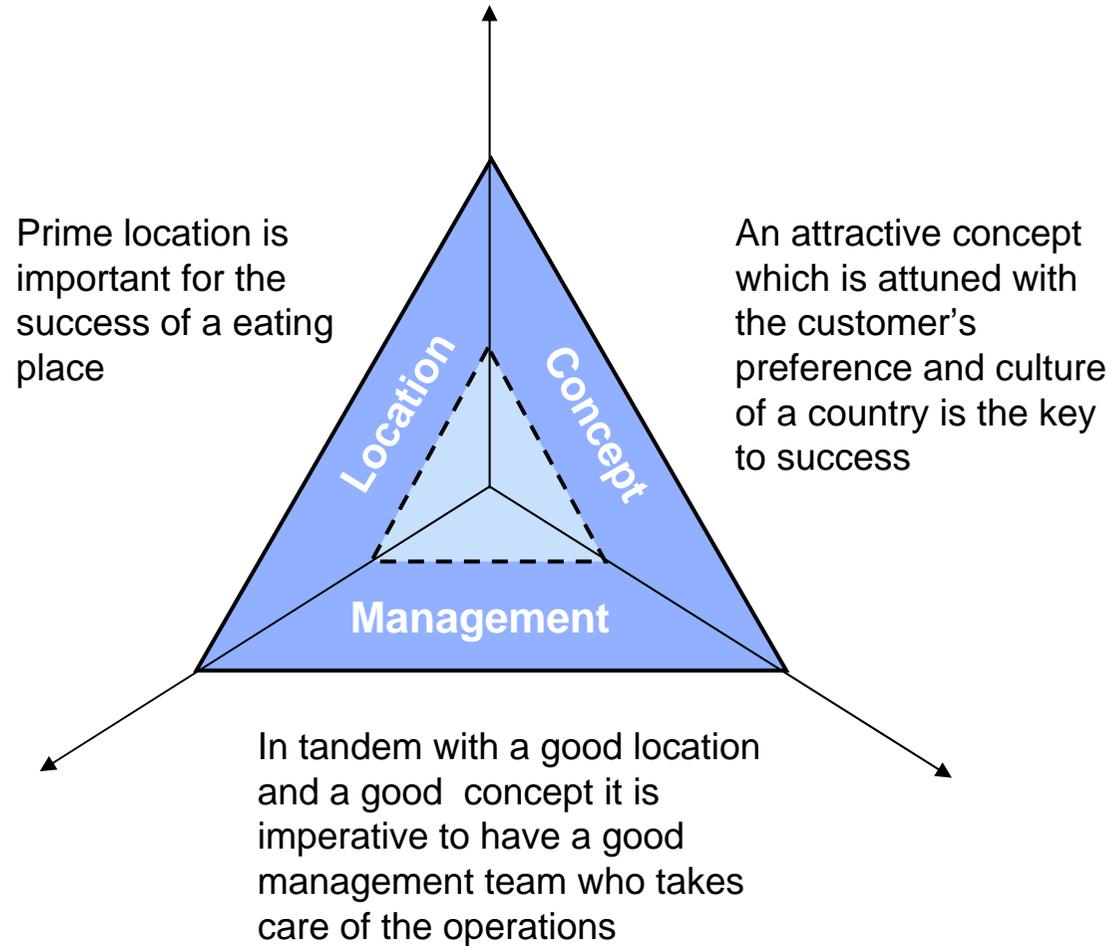
The F&B industry is recession-proof and hence a safe industry to invest in



F&B business generates sustainable profit margins which makes its an attractive market

F&B business has always been and remains a steadily growing business in any part of the `world

SUCCESSFUL INVESTMENT IN THE F&B INDUSTRY DEPENDS ON THREE FACTORS: LOCATION, CONCEPT AND MANAGEMENT TEAM



The total of rent cost of real estate, food cost, labour cost and investment should not exceed 70% of sales for superior returns at lower risk

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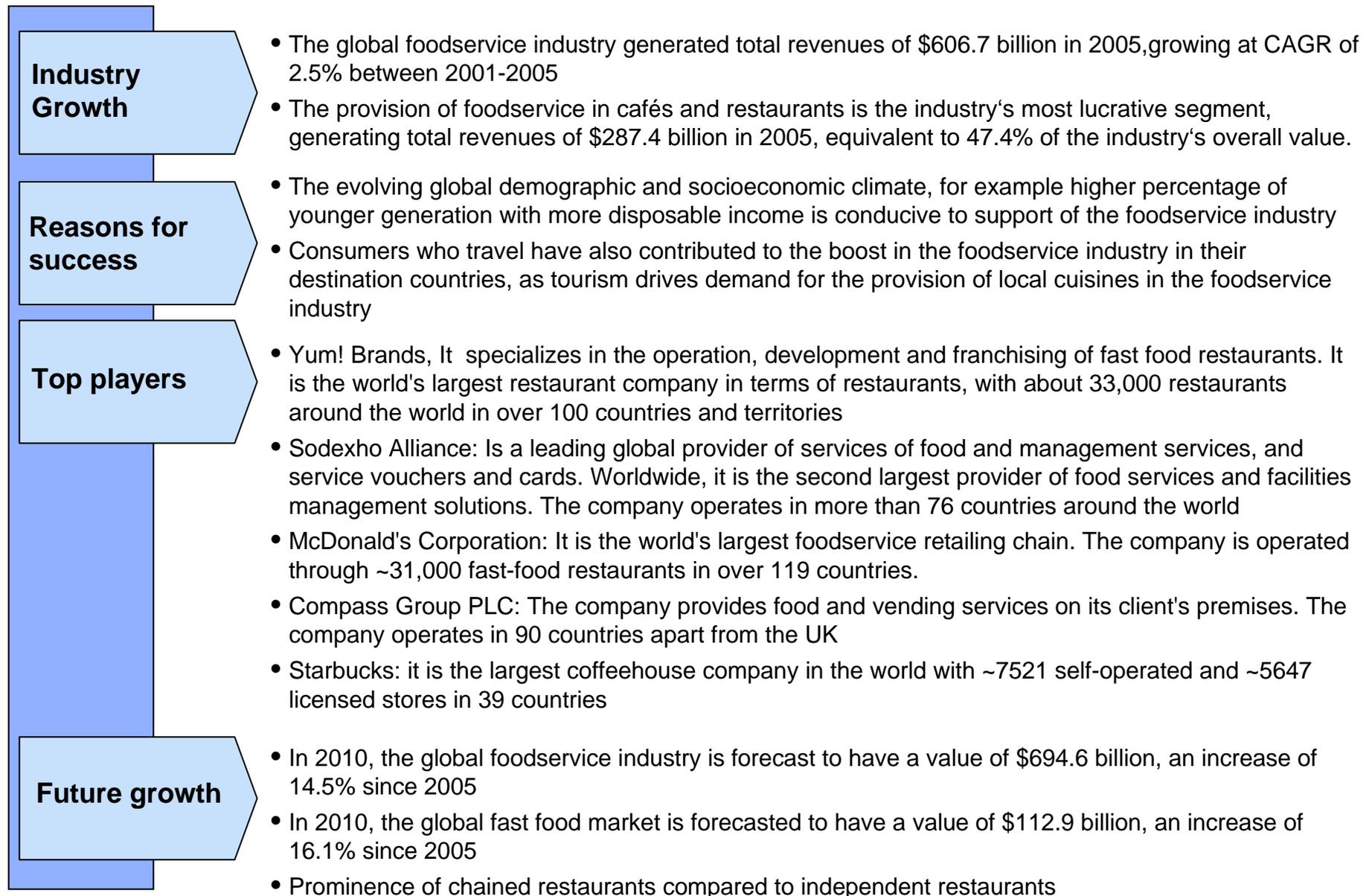
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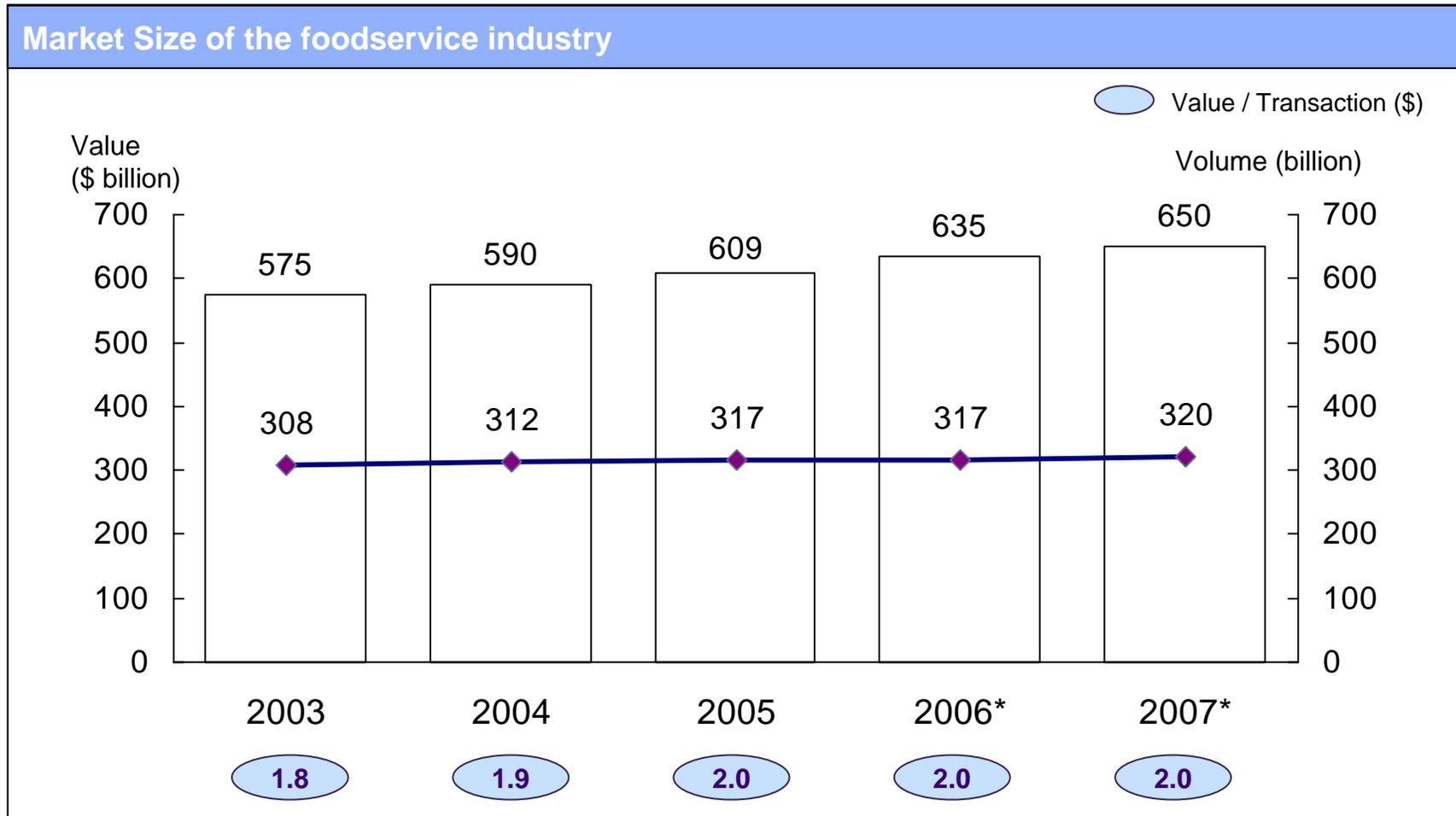
- Detailed country profiles (e.g. India)

GLOBAL ECONOMICS OF THE FOODSERVICES INDUSTRY



GLOBAL FOODSERVICE INDUSTRY SIZE

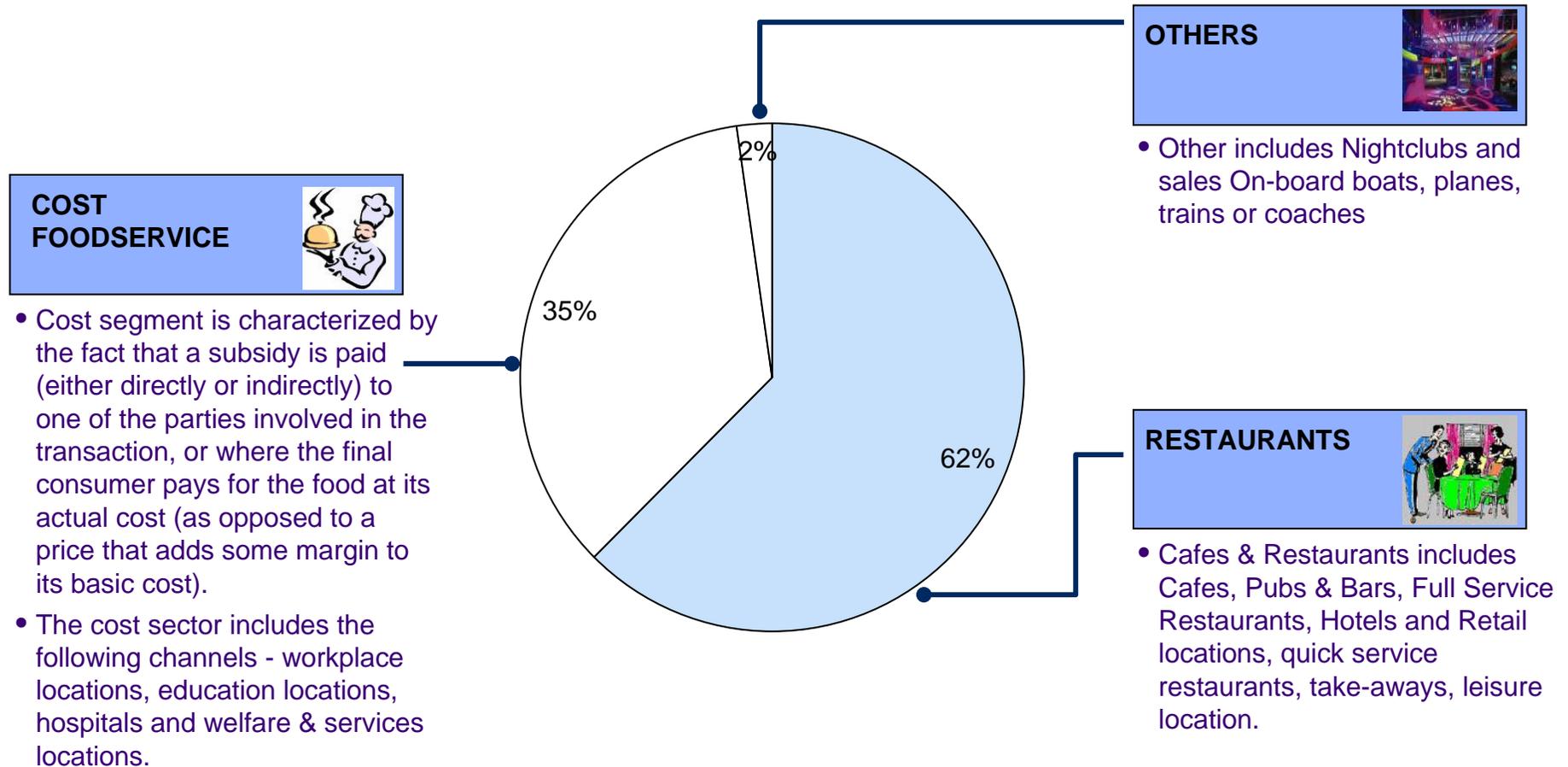
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*Estimated

Source: Global foodservice, Industry profile, Data monitor

SEGMENTS IN THE FOODSERVICE INDUSTRY



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THERE ARE FOUR TARGET F&B MARKET SEGMENTS WHERE INVESTMENT IS ATTRACTIVE

Different restaurants concepts :

Fine dining

- Fine dining is synonymous with restaurants which create an elaborate and serious dining experience
- It is associated with nuanced service, exquisite and expensive food and elegant and designer decor



Casual dining

- A casual dining restaurant is a restaurant that serves moderately-priced food in a casual atmosphere
- Casual dining comprises a market segment between fast food establishments and fine dining restaurants



Fast food/ Take away

- Fast food and take away are popular eating out concepts associated with quick service and short waiting time



Café

- A café is becoming an increasingly popular concept where people go to meet up with friends or family or simply to treat themselves



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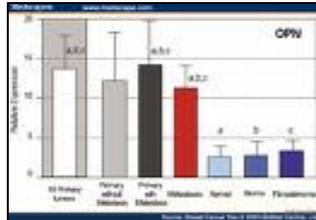
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IN ORDER TO UNDERSTAND A MARKET, WE RELIED ON MULTIPLE SOURCES OF INFORMATION

Quantitative

Qualitative



Quantitative analysis of demographics and macro trends to rank potential countries

- Analysing the macro data for a country to understand its health and future prospects
- Parameters for different countries were given relative weights and ranked to arrive at an overall rank for a country



Quantitative and qualitative assessment of key players

- Identify key players and provide an overview of their activity
- Size, valuation of key players listed in the stock exchange
- Recent M&A activity in the industry and synopsis for the same

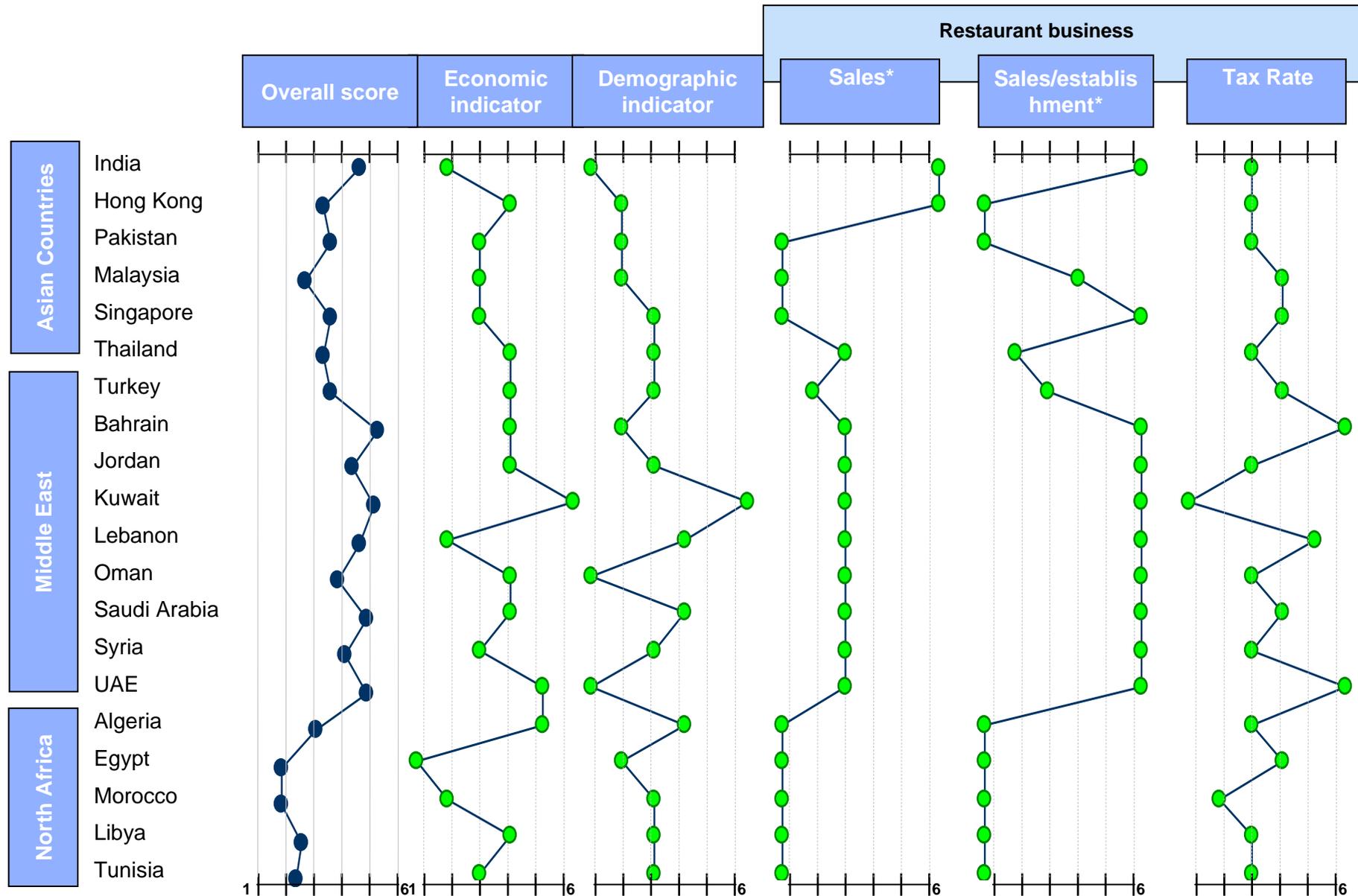


Qualitative research to understand government regulations

- Qualitative research was conducted to see how flexible the government policies are for investment in restaurant business
- The model of ownership of a company, which differs from country to country was also studied

ATTRACTIVENESS OF MARKETS ON DIFFERENT PARAMETERS

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*Sales and sales per establishment of following concept restaurants are taken in account, fast food restaurants, coffee shop, sandwich shops
 Note: For Sales and Sales/estb where data n/a for some countries closer countries are taken as proxy. Nominal GDP growth(2000-06 and UK 2000-05 rate is taken as the economic indicator and % of population between 20-40yrs is taken as Demographic indicator

WHAT MAKES THE MARKETS ATTRACTIVE: SELECTED ASIAN COUNTRIES

ILLUSTRATIVE



India

- The positive economic climate in India coupled with change in lifestyle of the high proportion of youth and a booming tourism industry makes India lucrative for investment in the F&B industry
- The fast food restaurant chains in the country has enjoyed the highest sales as well as sales per establishment in 2006. Most big international players such as Pizza Hut, McDonalds, Subway exist in the market and Starbucks is waiting to enter the market
- 100% FDI is permissible in the country and a tax is levied at a rate of 33.66% on the companies



Pakistan

- People belonging to the high income groups in Pakistan is expected to treble by 2010. This coupled with a 10% growth in disposable income and a 9% growth in GDP makes the economic condition in Pakistan stable
- Though not as high in as other countries, the fast food chains account for the highest sales in Pakistan
- The government regulation...



Malaysia

- High concentration of youth, and an increasing percentage of population in the higher income bracket makes the potential market for people eating out high in Malaysia
- The sales per establishment from the fast food chains in the country is considerably higher than other format of restaurants
- The pro-liberalization policy in the country encourages both Malaysians to invest outside as well as foreigners to invest in the country



Turkey

- The economy has been experiencing a growth rate of GDP at 12% and growth in per capita GDP at 10%. This high growth rate is however predicted to go down in the coming few years
- There is presence of all big foreign fast food chains and coffee shops in the country
- There are no limitations to participation by foreign players in the country

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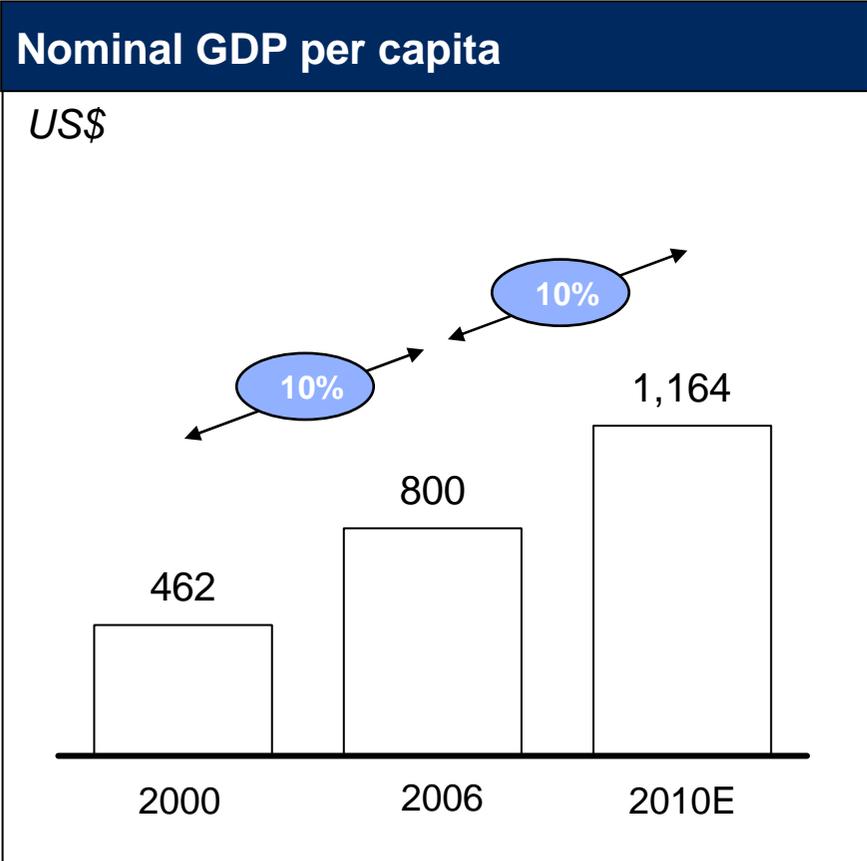
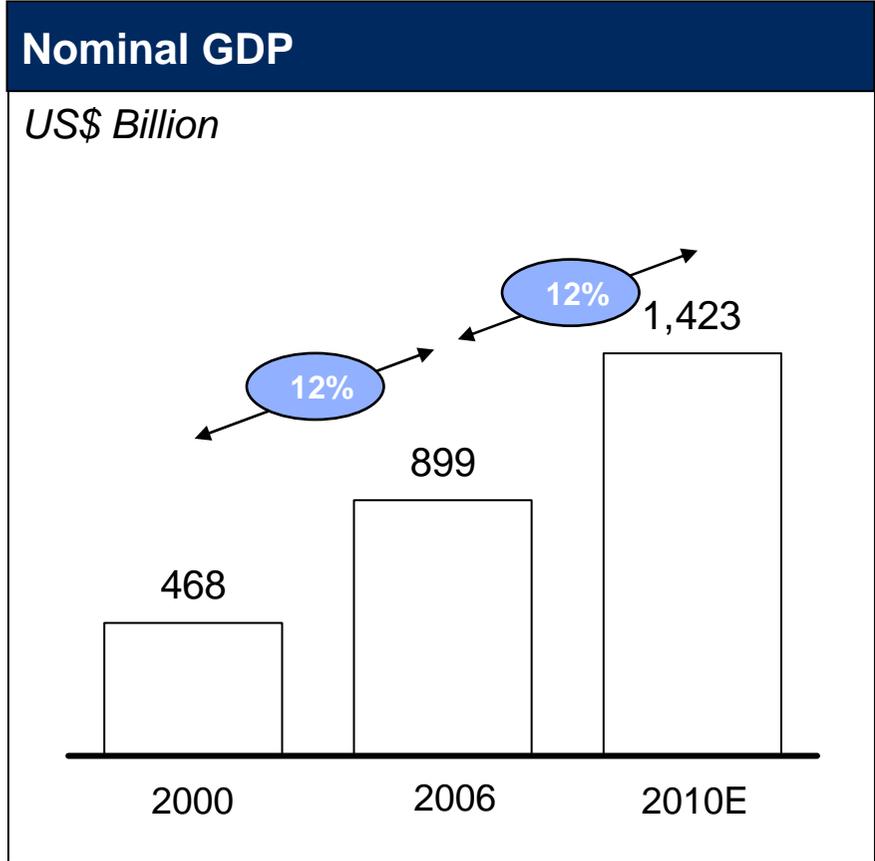
- Detailed country profiles (e.g. India, Egypt, Kingdom of Saudi Arabia)

CONTENTS

INDIA

- Economic profile of the country
- Demographic profile of people
- Restaurant business landscape

INDIA IS EXPECTED TO WITNESS A GDP GROWTH OF 12% AND GDP PER CAPITA GROWTH OF 10% IN A PERIOD OF TEN YEARS

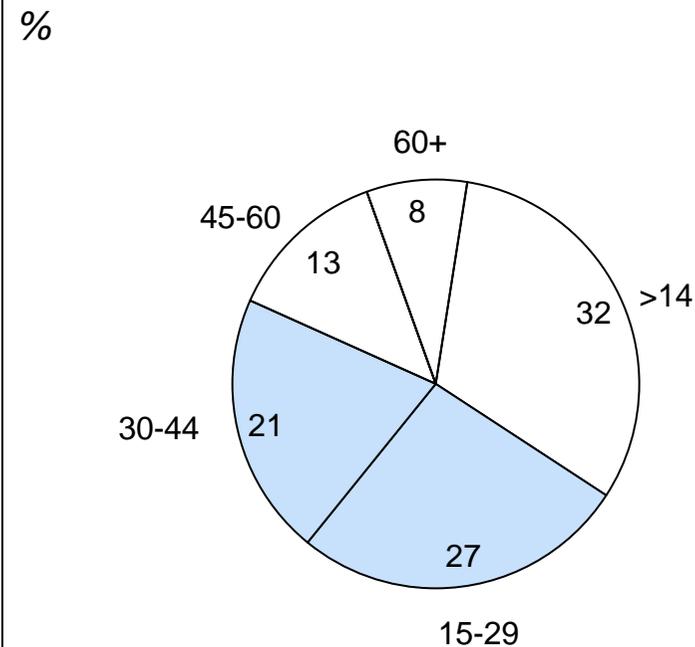


- India has shown steady economic development over the past decade, and the success story is predicted to continue in the coming years
- Of the evaluated countries India is ranked first in the projected GDP growth for the period 2006-10

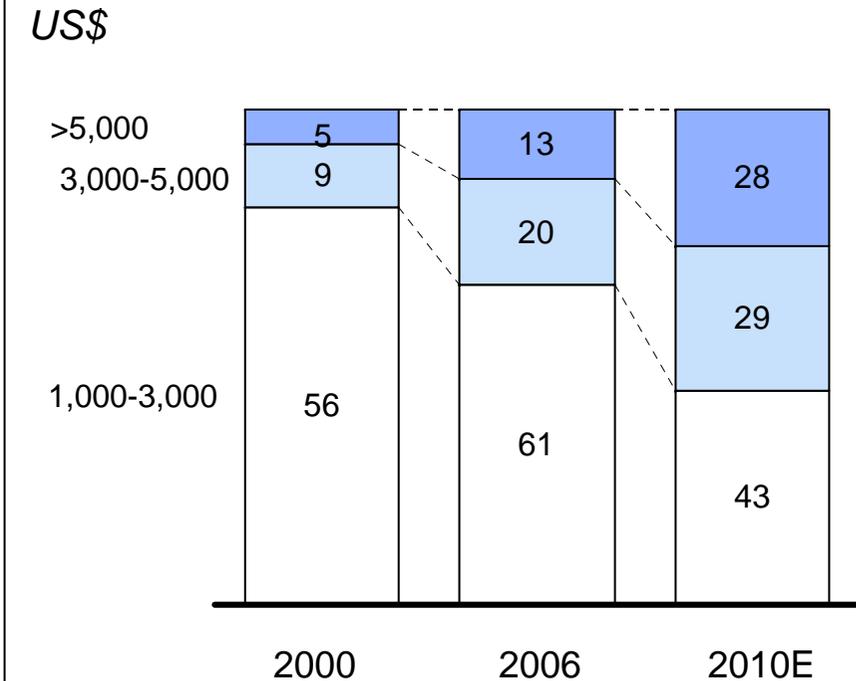
HIGH PERCENTAGE OF YOUTH ACCOMPANIED BY INCREASING PROPORTION IN HIGHER INCOME GROUP MAKES THE MARKET ATTRACTIVE



Distribution by age for 2007 (in years)

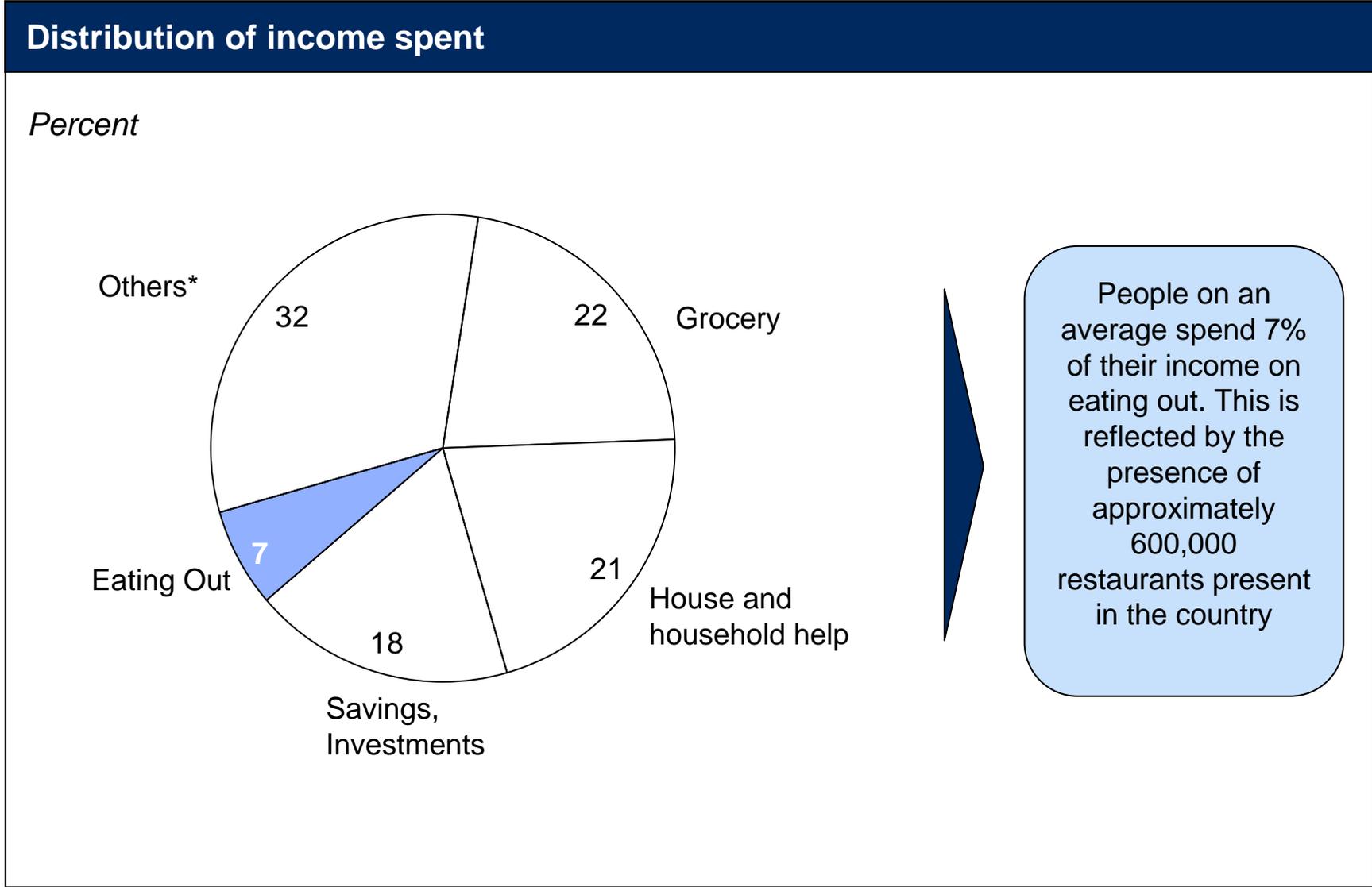


Distribution by annual household income



- 48% of the population belong to the age group 15-45 years who are more likely to eat out
- The share of population with annual household income between 3,000-5,000 US\$ is expected to treble between 2000 and 2010 while those with annual household income greater than 5,000 US\$ has increased more than five times
- This is accompanied by the country's disposable income increasing at a rate of 8% between 2000-2006 and is projected to grow at the same rate over the next 3-4 years

EATING OUT CONSTITUTES A CONSIDERABLE SHARE OF PIE FOR URBAN HOUSEHOLDS



*Others include all items which has a share of spend <5%, e.g. movies, vacation, phone etc

Source: KSA Technopak, Sutra Analytics

FAST FOOD CHAINS IN INDIA HAS THE HIGHEST SALES AND ALSO THE SECOND HIGHEST PRESENCE IN THE COUNTRY



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Concept of interest

	Total Sales 2006 (US\$ M)	Total establishments 2006 ('000)	Sales/establishment (US\$ '000)
Fast food restaurant, chain	4,816	160	30
Eating places	2,267	359	6
Coffee shops	428	53	8
Ice cream, soft drink & soda fountain	334	58	6
Sandwich & submarine shop	293	75	4
Drive-in restaurant	144	17	8
Grills (eating places)	139	31	4
Delicatessen (eating places)	113	23	5
Fast food restaurants & stands	77	9	8
Fast-food restaurant, independent	61	11	6
Carry-out only (except pizza) restaurant	51	17	3
Others	80	18	5

*All sub industries with annual sales <\$50million has be classified as others

Source: 2007 Worldwide Fast Food Restaurants Industry

COMPETITOR ANALYSIS: INDIA (1/2)



ILLUSTRATIVE

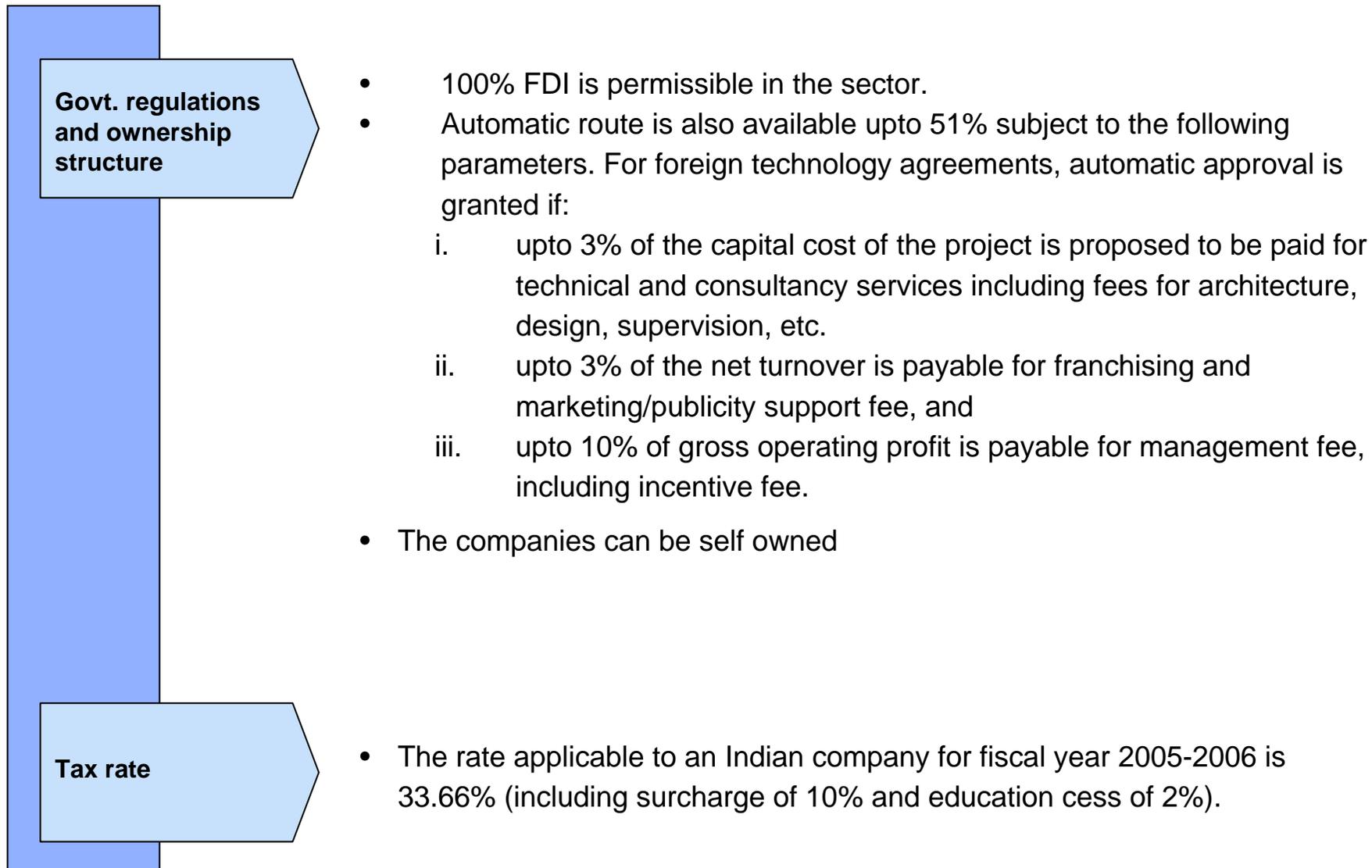
	<u>Started in</u>	<u>Size (No. of outlets)</u>	<u>Ownership type</u>	<u>Future Plans</u>
McDonalds	1996	90 (in 2006)	Two regional franchisees	Amit Jatia (MD, McDonalds India) in 2006 announced to open 25 stores in eastern side of country with the investment of 400 crore
KFC	1995	11 **	Master franchisee operating through sub franchisees	Planning to open 15 new restaurants
Pizza hut*	1996	127	Master franchisee operating through sub franchisees	Planning to open 35 new restaurants and enter 5 new cities
Café Coffee Day	1996	400+	Indian company	Sequoia Capital invested \$20Mn in July 2006. Plans to open 500 stores by 2007. Planning to open cafés in Middle East, Europe, Eurasia, South East Asia, Egypt
TGI Friday's	1996	6	Franchisees	Planning to open 5 restaurants in 2007 & 4 in 2008. in the long term, the company is looking to open nearly 60 restaurants in the country and is targeting an annual turnover of around Rs 100 crore from the current Rs 25 crore in the next five years.

* Cash flow margin (pre-royalty) = 23%; ** KFC was a failure in the beginning because of religious issues (use of animal fat)

Yum restaurants (owns KFC and Pizza hut) plans to have over 1000 restaurants by 2014

Source: Press searches, Sutra Analytics

GOVERNMENT REGULATIONS IN INDIA





RECENT DEALS IN THE RESTAURANT BUSINESS IN INDIA (1/3)

ILLUSTRATIVE

Date	Acquired	Size	Acquirer	%Stake, Value	Details
March ,2005	Galaxy Entertainment Corp Ltd	n/a	Pantaloons	16%, \$2.023mn	<ul style="list-style-type: none"> India-based Galaxy Entertainment Corp Ltd is to issue 2m shares to Pantaloon Retail (India) Ltd, at a price of Rs44 per share, to give a consideration of Rs88m (\$2.02m).
March ,2005	Favorite Restaurants Ltd (Pizza Hut business)	139 outlets	Dodsal Corporate Pte Ltd	n/a, n/a	<ul style="list-style-type: none"> Favorite Restaurants Ltd, Hong Kong-based restaurant group, has sold its Pizza Hut business in India to Dodsal Corporate Pte Ltd. The deal is part of the overall sale by Favorite Restaurants of its entire Asian franchise restaurant business
Nov ,2005	Trak Services	n/a	GEM India Advisors	26%, n/a	<ul style="list-style-type: none"> Indian private equity firm GEM India Advisors acquired a 26% stake in Trak Services, a local franchiser of Mark Pi Chinese restaurants. Terms were not disclosed.
May ,2006	Bistro Hospitality (P) Ltd	n/a	TGIF (subsidiary of Carlson Restaurants Worldwide)	25.1%, n/a	<ul style="list-style-type: none"> The purpose of investment in the country is to create a catalyst for growth and triple their investment I a period of 5 years