FFC®
FRENCH FRIED CHICKEN

Business Plan

Prepared By

Avere Capital

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1. EXECUTIVE SUMMARY

1.1 Introduction

The origins of the French Fried Chicken (FFC) can be traced back to a family owned restaurant in Nice, France back in 1935 serving one of the most unique crispiest, crunchiest and succulent fried chickens. The dish was quite a favorite and rave amongst the local diners and community. But during Second World War, the restaurant closed doors and the recipe of FFC remained a secret for many years, till in 2011 one of the family members discovered the recipe hidden amongst the family heirlooms.

ISO 9001 : 2008

CIG Group is a business conglomerate headquartered in Abu Dhabi, United Arab Emirates with diverse business interest from manpower recruitment, education, hospitality, real estate, construction and trading. The CIG group purchased FFC's secret recipe and has started its first outlet in Alfalah street, Abu Dhabi in the year 2012.

The CIG group began its journey under the prominent leadership of Dr Francis Cleetus, an innovative and creative industrialist from India. CIG Group is established in the field of Education, Real Estate, Recruitments, Super Markets and Restaurants in all over GCC, India, China and Russia for the past 25 years. Today, CIG Group is one of the leading conglomerates in the region and is certified by ISO & HACCP. The group employs over 1500 employees in its various divisions.

Within the short span of two years, the unique flavor of French Fried Chicken has captured the palate and now FFC has aggressive expansion plan to expand its operations across the globe by establishing its own outlets and franchise models.

1.2 Vision

The group has a great vision to become one of the largest Halal based Fried Chicken restaurant in the GCC as well as expand overseas where ever the market demand arises. With UAE positioning itself as Capital of Islamic Economy of the world, promoters would like to model on the lines of the vision of UAE to position their brand as finest Halal based fried chicken restaurant chain in the world.

1.3 Growth Plans & Strategy

The group has proposed to establish 250 restaurant outlets in MENA, South Asia, Europe, Africa and CIS countries in next five years. During the year 2014, the company has formed branch companies in India and Malaysia and has set up the model outlets in India to attract more number of franchises. The company has already entered franchise agreements to setup FFC franchise outlets in Saudi Arabia, India, Sri Lanka and Malaysia. Apart from this FFC has entered franchise agreements to start French Popos (FFC's popcorn chicken brand) for South India and Malaysia.

The group has inducted high quality top management team who has more than decades of experience in setting up franchise business earlier. The company is in the process of recruiting senior level personnel to handle regional operations to achieve the scaling which company has planned.

1.4 Business Model

The group adopts combination of company owned outlets and franchise outlets in order to achieve its ambitious plan in short span. The Group has already established and streamlined all operations ready to scale globally. It has formed 3 Strategic Business Units for the purpose of specialized focus and growth:

1. Restaurants Division
2. Operations & Training Division
3. Franchise Development Division

Each division is spearheaded by industry experts and supported by well experienced persons and thus set in place a strong platform for further expansions.

1.5 Financial Summary

The projected summary of Profit and Loss statement

					[USD In Mn]
PARTICULARS	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Revenue	4.79	13.90	22.37	36.08	47.22
Y-o-Y Growth %	-	190%	61%	61%	31%
Cost of Sales	1.58	4.83	7.57	12.20	15.37
Gross Profit%	33%	35%	34%	34%	33%
Direct Expenses	3.14	9.07	12.80	19.54	24.35
Admin & Selling Expenses	1.66	2.95	4.28	5.78	7.12
Finance Charges	0.01	0.02	0.02	0.04	0.05
Depreciation & Amortization	0.36	0.70	0.60	0.60	0.60
PBT	(0.11)	1.77	5.27	10.73	15.71
Y-o-Y Growth %	-	-	198%	104%	46%
PBT Margin%	-2.3%	12.7%	23.5%	29.7%	33.3%

1.6 Funding Requirement

The funding requirement for the global expansion plan of FFC works out be USD 7 Million and this will cover the investments in the own outlets and marketing the franchise models in the global markets. The promoter group has spent USD 9 Million on acquiring the brand from the French owners and establishing the operations in UAE and India and developing the brand globally.

In order to fund its ongoing expansion plan, the management is looking to raise USD 7 Million to part fund its global expansion plan from strategic investors and committed to provide attractive returns to the investors. The funds raised will be fully utilized to set up own outlets and develop franchise model to maximize its revenue and growth.

2. FFC – THE BRAND

2.1 Introduction

FFC's – French Fried Chicken Restaurants LLC's, flavors originate from a secret traditional recipe from France which was purchased by CIG Group of Companies, Abu Dhabi. The unique flavour of French Fried Chicken will capture the palate. FFC is planned as a restaurant chain similar to KFC but its menu includes pizzas, burgers, rice dishes, salads, ice creams and many more.

FFC's first outlet was inaugurated on 29th November, 2012 by Miss Universe Sushmita Sen at Old Passport Road, Abu Dhabi and we are planning it to make as a restaurant chain across the world with its unique flavor.

FFC maintains high standards of hygiene, a rich ambience and provides a unique party hall with ample parking spaces. The restaurants have enriched to provide all types of cuisines varied from Indian, Chinese and Continental etc based on the customer's choice at party hall. Presently 25 more outlets of FFC are being kept ready for opening at the mid of 2015 globally.

FFC's flavors originate from France using 17 varied ingredients of herbs and spices. The crispiness gives the first crunch as it melts and bursts into a fusion of flavors capturing the first bite, succulent and lip smacking. A luxurious and royal dining ambience welcomes the visitor as the variety of spread offers various choices for the diner from burgers, rice, salads and pizzas.

2.2 Mission

To provide an exceptional dining experience for the entire family with above par fine dining services and cuisines that would satisfy the palatial taste of the customer.

2.3 Vision

To develop and establish a chain of restaurants across the globe, providing the finest fast food in a luxurious and royal dining ambience, dedicated to uncompromised quality for cuisine and fine dining services, being above par. We will continue to strive to surpass our own accomplishment and be recognized as a leader in our industry.

2.3 Current Operations

The restaurant opened its doors on 29th November 2012 for the first time in the city of Abu Dhabi, UAE's capital and cultural hub. The restaurant was inaugurated by Ms. Sushmita Sen, Former Miss. Universe and Bollywood Actress with a huge crowd presence, drawing the attention of the local media and expatriate population.

FFC also boasts of a well equipped party hall in the heart of the city that can host more than 150 persons, ensuring privacy in a vibrant and relaxed ambience. What FFC stands apart out of the crowd from the other fast food dining outlets is the services provided akin to a fine dining restaurant wherein the diners will have the food delivered to their tables and not have to wait or stand in a long queue, ensuring quality services and food is delivered to the maximum satisfaction of the customer.

FFC is proud to be as one of the major invitees of Franchise International Malaysia 2013 – Conference & Exhibition which was held in Kuala Lampur on September 2013 and FFC was a major attraction to the visitors of the exhibition. FFC has entered an agreement with PVR Cinemas, a leading chain in India which has 420 screens in 97 locations throughout India for establishing 100 French POPOS outlets at major malls and multiplexes in India which is a major evidence for its service quality and hygiene. FFC has ambitious growth plan to develop through own restaurants and franchisees all over world.

Since its inception, FFC has become everyone's choice filled with vibrant ambience serving today's generations cuisine for the go getter crowd on the move. Currently FFC owns and operates 3 outlets in UAE and 2 outlets in India. Apart from this the company has entered franchise agreements with investors in India to develop franchise outlets in Bangalore, Hyderabad, Mumbai and Chennai.
In India, French Fried Chicken Restaurants are managed by M/s Mondial Foods Private Limited, headquartered in Trivandrum, Kerala State.

List of operating restaurants in UAE

- HO & Restaurant Passport Road, Abu Dhabi, UAE
- FFC Dine-In restaurant, Mussafah, Abu Dhabi –UAE
- FFC Dine-In restaurant, Fujairah - UAE

List of operating and planned restaurants and French POPOS outlets which are slotted to open soon in India & Malaysia

(i) FRENCH FRIED CHICKEN RESTAURANTS

- Edappally, Cochin, India (will operate under the brand name French Food Castle) – Opened
- Kazhakuttom, Trivandrum, India - (opened)
- Kowdyar, Trivandrum, India
- Karunagappally, Kollam, India
- Calicut, India
- Pune, India

(ii) FRENCH POPOS - Kiosk

- Kochi – Lulu Mall at PVR Cinemas
- Kochi - Oberon Mall at PVR Cinemas
- Hyderabad – Kukatpally at PVR Cinemas
- Ankamaly – at Carnival Cinemas
- Thalayolaparambu, Kerala – at Carnival Cinemas
- Bangalore – 3 Outlets at Carnival Cinemas
- Chennai – 4 Outlets
- Mangalore – 1 Outlet
- Mumbai – 5 Outlets
- Goa – 2 Outlets
- Kuala Lumpur – at Zogo mall & University of Malaysia

Apart from these another 10 outlets are in the pipeline with different franchisee owners in various parts of Kerala, Hyderabad and Pune.

2.4 Restaurant Models

The FFC restaurants are open seven days a week and serve both lunch and dinner. FFC restaurants generally provide Fine dining, take away and delivery and a menu featuring French fried chickens, French Pizzas, Burgers, Sandwiches, Salad, Rice variants, beverages and side dishes.

The Company operates three distinct restaurant formats to cater to the needs of customers in different markets:

1. Fine Dining Restaurants
2. Food Court outlets
3. Kiosk – French POPOS (which serves chicken popcorn based menus)

The FFC franchise model can be a very attractive for people planning to start their own businesses. FFC has three flexible formats for people with different investment requirements. The area required varies from 100 sq.ft to 2500 sq.ft and the franchise model is a low to mid investment business opportunity that focuses on product development and innovation and brand building.

1. Fine Dining 700 sq.ft minimum
2. Food Court 250 sq.ft minimum
3. Kiosk Model /Shop In shop Model -70 sq.ft

2.5 Recipe & Menu

FFC stands apart out of the crowd from the other fast food dining outlets and the services provided are akin to a fine dining restaurant wherein the diners will have the food delivered to their tables and not have to wait or stand in a long queue, ensuring quality services and great tasting food is delivered to the maximum satisfaction of the customer.

FFC has put considerable amount of time, money and efforts to improve its offerings by not just only fried chickens whereas it offers wide variety of pizzas, burgers, sandwiches and rice varieties to provide complete range of fine dining experience in a quick service restaurant. FFC developed a unique menu based on popcorn chicken for its kiosk format of restaurants and this will be first popcorn chicken QSR brand (French Chicken Popos) in the world.

The details of FFC Menus are:

French Fried Chicken: FFC flavors originate from France using 17 varied ingredients of herbs and spices in four distinctive flavors. The crispiness gives the first crunch as it melts and bursts into a fusion of flavors capturing the first bite, succulent and lip smacking.

French Chicken Popos: Chicken popcorn flavored with FFC's secret recipe for quick bites and also serves popcorn chicken based menus like salads, burgers and rice varieties.

French Pizza: Pizza, oven-baked, flat, round bread typically topped with a tomato sauce, cheese and various toppings. FFC serves 12 variants of Pizzas in its dine-in and food court format restaurants.

French Burger: A hamburger is a sandwich consisting of a cooked patty of ground meat usually placed inside a sliced bread roll. French burgers are served with lettuce, bacon, tomato, onion, pickles, and cheese condiments such as mustard, mayonnaise, ketchup and relish.

French Sandwiches: FFC serves club sandwiches, French Zinger club and French turkey club in its fine dining restaurants and food court outlets.

French Grilled Chicken: The French Grilled Chicken is to die for – people won't be able to stop picking at it.

2.6 Franchise Development and Growth Plans

Over the period of two years FFC has become a distinctive brand by its unique offerings and has generated lot of interests for franchise enquiries from UAE and other countries as well. In last few years the company has developed new recipes and optimized its operation process to expand large scale within the gulf region and other parts of the world. The FFC brand name is widely recognized throughout the restaurant industry in UAE and India and is associated with high quality fried chicken and other menu items at reasonable prices.

FFC has consistently demonstrated it can drive positive comparable store sales by providing value to the customer through its established core French fried chicken offering, complemented by successfully launched innovative new products nationwide, and competing with a number of other international brands in the market. Focusing on providing value to the customer and creating new product introductions and promotions are key elements of FFC's overall strategy of increasing traffic and sales within its restaurants.

The company has participated in leading franchise exhibitions and conferences internationally and has built a database of franchise investors to position their restaurant chains. FFC has aggressive plans to expand its outlets in three distinctive formats across Middle East, Africa, Malaysia and India. The management has set a goal to achieve 100 outlets in next 3 years in these markets.

3. PROMOTER GROUP - BACKGROUND

3.1 Introduction

ISO 9001 : 2008

CIG Group, the parent company of French Fried Chicken Restaurants, is an ISO 9001 - 2008 certified multinational establishment and one of the leading group entities in the United Arab Emirates. CIG Group began its journey under the prestigious ownership of Dr Francis Cleetus – an innovative and creative industrialist from India.

Over the years the group has diversified with interests in a multitude of business with great emphasis on being market leaders in their respective areas. CIG Group is established in the field of Education, Hospitality, Real Estate, Recruitments, Super Markets and Chain of Restaurants in all over GCC, India, China and Russia for the past 25 years. The Group offers genuine services to its clients and engaged in different fields and its workforce consists of more than 3000 people of various categories.

Mondial Holdings which is currently under incorporation would be the master holding company for all French Fried Chicken Restaurants and Franchises across the globe. The ownership of French Fried Restaurants' secret recipe and brand license for using French Fried Chicken (FFC) and French POPOS will be transferred to Mondial Holdings, a master holding company which owns all branding rights and secret recipes of FFC. This will eventually give right to use its brand under direct and franchise agreements to all FFC restaurants and franchise outlets across the globe.

3.4 Promoter's Profile

Chairman

Dr Francis Cleetus born on 19th April 1959 and residing at Abu Dhabi, UAE, is a dynamic and vibrant entrepreneur headquartered in Abu Dhabi, U.A.E having extensive Business interests in the UAE, India and other countries. Dr. Cleetus took up assignments with Multinational Companies in the Sales and Marketing fields. He further acquired his MBA from the University of Northern Virginia and was awarded honorary doctorate by Georgia University recognising the entrepreneurial skill and the philanthropical endeavours.

This focused, pragmatic and forthright Corporate Professional subsequently pioneered and established National Technical Services in Abu Dhabi. Later on this innovative entrepreneur expanded his line of activities after having established the CIG group holding the positions of the Chairman and the Managing Director. He hardly left any realm of life without applying his innovations. His creative and innovative mind was ever alert to blend and protect Indian Culture and that's how he entered the fields of Education, Hospitality, Engineering, Service, HR & Man Power Industry in the Middle East.

Dr Francis Cleetus - Chairman

His philanthropic activities and the humanitarian urge is evident by the fact that he established National Charitable Trust in Trivandrum, India, where the care of the needy and deserving is taken up and healthcare is provided to the people in the coastal area.

A keen Industrialist with the right aptitude and technical know-how and a diligent social worker, Dr.Cleetus is ever enthusiastic to support the horde of expatriates from the Indian sub-continent visiting UAE and abroad.

3.5 FFC – Key Management Team

Mr. S. Asokan – Managing Partner and Chief Executive Officer

Mr. Asokan, a culinary expert having 20 years of experience in the hospitality industry in the UAE. He brings a wealth of experience having worked with 5 star hotels, clubs, institutions, hospitals, fast food industry as a senior manager and a hotel consultant for major hotels within the region.

Armed with Diploma in Hotel Management and Catering Technology from Institute of Hotel Management, Catering Technology & Applied Nutrition, Mumbai, he brings the expertise that FFC thrives on with perfection, working closely with Jean Paul on bringing back to the culinary world, the secret French fried chicken recipe and other succulent delicacies.

Adding another feather to his varied expertise, Mr. Asokan is a certified HACCP consultant and ISO trainer, wherein one can be ensured of the high quality training and standards maintained at FFC. With strong PR and communication skills, he overlooks the PR, Marketing and Communications for the brand.

Dr. Cigy Abdeeso – Deputy General Manager/ Head of Franchise Sales

Dr. Cigy Abdeeso is an accomplished Management and HACCP certified professional having over 15 years of experience at various organizations across India and Middle East, serving a variety of regional and international clients. He holds a Doctorate in Business Management from Washington International University and also holds double masters in Computer Application and Business Administration, Dr. Cigy has played a pivotal role for the overall financial, accounting, IT and administration set up for FFC.

He brings an in depth technical financial, accounting, training and management expertise to the structure and running of FFC.

Mr. S. Asokan
Managing Partner and
Chief Executive Officer

Dr. Cigy Abdeeso
Deputy General Manager/
Head of Franchise Sales

3.6 Executive Team

Mr. Gary Stephen O'Neal – Director, Business Development

Gary is a US National and has served in US Army over two decades as Telecommunication Engineer. Post his army career, he has established as an expert consultant in telecommunication and an accomplished entrepreneur. Gary has held many positions as CEO or President and/or Chief Technology Officer with numerous start-ups and a public company. He has had a successful track record in leading numerous companies through the startup cycle to either acquisition or Initial Public Offering.

Gary is a graduate of East Texas State University; a part of the Texas A&M system as Texas A&M-Commerce

Mr. Maher Jorge Kazma - Executive Chef

Chef Maher has an incredible experience of nearly 2 decades as Chef in various well known hotels in UAE. Having worked at various levels in Food & Beverage section he is well aware of both internal and external systems in the restaurant management. He has joined the FFC team in the year 2014 been managing various procedures within the organization.

Mr. Hany Abdel Kader – Training Manager

Backed with a firm expertise of 14 years in the hospitality industry and hailing from the land of Egypt, Hany brings in a wealth of knowledge, expertise and skills into efficiently running a fast food restaurant and understanding the Middle Eastern culture and love for good food. Armed with Industrial Technical Diploma, Egypt, he has consummate understanding of the local language and the restaurant industry, Hany plays a key role in strategic planning, shift pattern organization and day to day management activities of the restaurant. He is also responsible for maintaining high standards of food, service and health and safety within the restaurant and had won Best employee awards for customer service in his previous employments. One can expect the best of services and tastes and timely delivery under the careful management and expertise from Hany.

Mr. Khaled El Nabawy – Legal Advisor

After completing his bachelors degree in Law from University of Cairo in 1992, he worked as Prosecutor in Egyptian Public Prosecution From 1994 until 2001. After that, he moved to work in Judiciary and was appointed as Chief of Court in Cairo until 2005.

He has vast experience as Legal Consultant for governmental and non-governmental organizations like Ministry of Local Development, office of Advocates and Legal Consultants in the Emirate of Abu Dhabi, National Group of companies in the UAE etc.

He has conducted professional developmental courses at the Judicial Studies Center for the members of public prosecution in Cairo and Organized crime and terrorism combating course in the city of Syracuse City in Italy. Also he has conducted courses on Anti Money Laundry at the Social Research Center, Crimes of Public Funds, Crimes of Personal Offence and Training Course in disputes of civil and commercial contracts at the Judicial Studies Center in Cairo.

Dr. Fazil Ul Haque

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Lorem Ipsum is simply dummy text of the printing and typesetting industry. Lorem Ipsum has been the industry's standard dummy text ever since the 1500s, when an unknown printer took a galley of type and scrambled it to make a type specimen book. It has survived not only five centuries, but also the leap into electronic typesetting, remaining essentially unchanged. It was popularised in the 1960s with the release of Letraset sheets containing Lorem Ipsum passages, and more recently with desktop publishing software like Aldus PageMaker including versions of Lorem Ipsum.

Mr. Gary Stephen O'Neal
Director,
Business Development

Maher Jorje Kazma
Executive Chef

Mr. Hany Abdel Kader
Training Manager

Mr. Khaled El Nabawy
Legal Advisor

Dr. Fazil Ul Haque

4. MARKET ANALYSIS

4.1 Quick Service Restaurants

Fast food or Quick Service Restaurants (QSRs) concept has originated and is ubiquitous in the US. The Golden Arches have spread across the globe, and emerging markets are one of the fastest growing areas in the industry. The QSR has been serving up tasty morsels for as long as people have lived in cities. But the industry is not without its challenges, from rising food costs, economic recession and changing perceptions about health, many fast food franchises have been feeling some heat.

But rather than flee from this challenge, the fast food industry has been adopting new practices and offering new products. Modern society is on the go, and there is plenty of demand for a quick bite at all times of the day. Fast food franchising opportunities exist in the "traditional" spaces like burgers and pizza, but are also sprouting up in healthy and unique ways as well.

Fast food franchises focus on high volume, low cost and high speed product. Frequently food is preheated or precooked and served to-go, though many locations also offer seating for on-site consumption. For stands, kiosks or sit-down locations, food is standardized and shipped from central locations. Consumers enjoy being able to get a familiar meal in each location, and menus and marketing are the same in every location.

4.2 Industry Shift

Over the last decade, fast food restaurants or more technically, Quick Service Restaurants have grown at a much faster pace than any other restaurant segment in the industry. Best described by concepts such as McDonald's, KFC and Burger King, they are characterized by fast food cuisines with average quality of food, minimal to no table service, limited menus and price of meals ranging from $3 to $6 per person.

On the other hand, fast casual restaurant is a relatively fresh and rapidly growing concept, positioned somewhere between fast food restaurants and casual dining restaurants. Technically, being the hybrid of the two concepts, they provide counter service and offer more customized, freshly prepared and high quality food than traditional QSRs, all in an upscaled and inviting ambiance. However, they also have minimum table service but the typical cost per meal ranges from $8 to $15. Brands such as Chipotle Mexican Grill, Panera Bread, Qdoba Mexican Grill and Baja Fresh are considered the top restaurants in this category.

Shift in Customer Traffic

Big QSR brands such as McDonald's, Subway and Starbucks have been facing a huge threat by the leading fast casual restaurants, as the traffic growth in the latter segment surpassed that of every other segment for the fifth consecutive year.

According to the NPD group, the fast casual segment saw an 8% rise in the guest count in the 12 month period ended in November last year, whereas traffic count was flat for quick service restaurants. This consumer shift is primarily due to the fact that people with higher disposable income are inclined more towards quality and hygienic food, unlike less nutritional junk food in most of the quick service outlets.

Average customer count per company-operated restaurant annually at McDonald's, the leading brand in QSR segment, has been diminishing by 1.3% for two consecutive years, whereas for a successful fast casual restaurant such as Chipotle, the average guest count has been rising by 5% and 2.3% in the last two years.

However, McDonald's shifted to healthier menu items with its new wraps but the products didn't take off as per the company's expectations. The company has been refocusing on its burgers and other value products, instead of providing wide variety of healthier eating options, causing health conscious customers to shift to fast casual brands with an added luxury of proper dining in an up-scaled decor.

Higher Average Customer Spend Per Visit

In leading fast food restaurants, price of meals ranges from $3 to $6 on an average, whereas in any casual dining restaurant, price of meals is no less than $13. Lying between the two segments is the fast casual segment where typical cost per meal ranges from $8 to $15. According to the NPD group, the fast-casual segment's average ticket was $7.40 for the 12-month period ended last November, higher than the $5.30 for QSRs and well below casual dining's average of $13.66. This range difference is due to the additional costs of high quality organic ingredients and flavors in the dishes and other conveniences such as non-plastic proper dining utensils and plates in a soothing ambiance.

Average spend per customer per visit at a McDonald's company-operated store has been rising for the last three years but at a very slow pace as the growth rate has dropped significantly. In 2013, the figure reached $3.88, up by mere 0.6% over the prior year.

For Chipotle, the average customer spend per visit per restaurant in 2013 stood at $11.56, one of the highest in the fast casual segment, with a growth rate of 1% over the prior year. The average ticket per restaurant has been rising consistently for leading fast casual brands, due to commodity price fluctuations being passed on to the customers. The sector still maintains its traffic count indicating that people prefer quality and hygiene over a rise in item prices.

During the great recession of 2008, fast casual segment saw a rise in sales from the 18-34 age groups demographic. Customers with low discretionary meal spending tend to use it on healthier dining. Some of the leading fast food brands have taken initiatives which aim at adopting the traits of some of the successful fast casual upstarts, to defend their market share. From upgrading menu items to creating on-the-go options, from remodeling the stores to creating innovation hubs, top QSRs are doing everything to maintain their customer count and improving sales.

4.3 Market Outlook

Gulf Cooperative Council (GCC) Countries

GCC countries grew a robust 3.7% in 2013, unlike most developed economies, which were still recovering from the financial crisis. All GCC economies, except Kuwait, recorded healthy growth rates. Kuwait's GDP growth decelerated significantly to 0.8% in 2013 from 6.2% in 2012 as the hydrocarbon sector contracted; non-oil GDP grew moderately as investments remained low due to extended political deadlocks. The non-oil GDP supported overall growth in the GCC region which was underpinned by increased government spending.

GCC is a fertile ground for foodservice companies, particularly due to the region's flourishing economy; urbanization; growth of its multicultural, young population; and steady rise in per capita income. Consequently, international fast food and casual dining restaurants are successfully making inroads into the GCC region through franchise agreements, the preferred method of doing business in the region.

The strategy is also suitable for local partners, who appreciate being able to acquire their foreign partners' technical knowledge and experience in operating foodservice businesses. International foodservice partners offer this expertise as well as assist with management and training, in addition to providing the brand name. Moreover, the GCC population is extremely brand conscious.

GCC foodservice market size (2012)

Foodservice market (by Country)

Foodservice market (by Category)

Source: GCC Foodservice Sector Report by Al Masah Capital published on April 2014.

Reports indicate that the annual revenues of foodservice companies in GCC amounted to USD 16.5 billion in 2013. Saudi Arabia led the region, registering total foodservice sales of USD 7.7 billion, followed by the UAE (USD 4.6 billion), Kuwait (USD 1.7 billion), Qatar (USD 1.1 billion), Oman (USD 1.0 billion) and Bahrain (USD370 million).

The fast food [quick service restaurant (QSR)] segment was found to be the largest, worth USD 9.5 billion as of 2013. It was followed by full service restaurants (USD 5.3 billion) and the cafes, tea bars, and bakery cafes segment (USD 1.8 billion).

Saudi Arabia, with annual billings of USD 4.2 billion in 2012, was the region's largest fast food market. American fast food chains such as McDonald's, KFC, Burger King, Hardee's and Domino's Pizza dominate the Kingdom's fast food market. The UAE and Kuwait are the other two large fast food markets, with annual revenues of USD 2.9 billion and USD 1 billion, respectively.

The full service restaurants (which includes fine and casual dining) market, estimated at USD 5.3 billion, was about 45% smaller than the QSR market. Brands in this segment include Chili's, TGI Friday's, Carluccio's, La Petite Maison, BiCE, Nobu, and ZUMA.

GCC fast food and full service restaurant market (2012)

Source: Al Masah Capital Research

The cafes, tea bars, and bakery cafes segment was worth just USD 1.8 billion; however, the segment is exhibiting rapid growth.

Quick service restaurants (QSRs)

Quick service restaurants (often called fast food joints) offer low-cost food options, focusing on speed of service. The minimal table service and emphasis on 'self service' distinguishes this group from traditional restaurants. Moreover, at QSRs, food and beverages are paid for prior to consumption. Some quick service restaurants in GCC are McDonalds, Domino's Pizza, Subway, Burger King, KFC, Papa John's, and Wendy's.

4.4 GROWTH DRIVERS FOR GCC'S FOODSERVICE SECTOR

Booming economy

GCC's economy is currently worth USD 1.60 trillion vis-à-vis USD 450 billion a decade ago. Due to this robust growth, income levels in certain GCC countries have risen to levels comparable with that in several developed countries. Moreover, the per capita income of Qatar (a GCC member country) exceeded that of the US to become one of the highest in

Per capita income (2013E)

Source: GCC Foodservice Sector Report by Al Masah Capital published on April 2014.

By 2020, GCC's economy is estimated to be USD 2.0 trillion, with Saudi Arabia contributing USD 900 billion, followed by the UAE (USD 477 billion), Qatar (USD 283 billion), Kuwait (USD 189 billion), Oman (USD 90 billion), and Bahrain (USD 35 billion).

Multicultural, young, expanding population

GCC's population is incredibly diverse. Apart from the local residents, the region is home to expatriates from over 200 countries. South Asians form the largest expatriate community in GCC, followed by Europeans.

The population of the GCC region is quite young. Data from the World Bank suggests nearly 41% of the region's population is aged between 15 and 34 years. Qatar, Oman, and the UAE had the highest percentage of population in this age group.

According to estimates from the World Bank, GCC's population is likely to grow from 43.5 million in 2010 to 52.8 million in 2020.

Favorable changing consumption habits

Due to the region's harsh climatic conditions, eating out and shopping are the two major forms of entertainment in GCC. Consequently, foodservice outlets are becoming the preferred destination for casual and business meetings in the region.

Influx of tourists

The rising flow of tourists to GCC has also helped drive demand for the foodservice sector. Tourist inflows account for a large and growing portion of demand, particularly in Saudi Arabia and the UAE. On average, these two countries annually receive more than 25 million tourists to perform Hajj and Umrah at the holy city of Mecca and for leisure/business.

According to the World Travel & Tourism Council, in 2013, 32.8 million international tourists arrived in GCC for various religious and business purposes. Tourist arrivals for the region are expected to reach 34.5 million in 2014, up 5.4%.

International tourist arrivals in GCC (millions)

Source: World Travel & Tourism Council
Going forward, the rise in international tourist arrivals would drive the growth of GCC's restaurant industry.

4.5 EMERGING TRENDS IN THE FOODSERVICE SECTOR

Changing consumer preferences

GCC residents have become richer, trendier, and more brand conscious. This new league of urban dwellers is keen on trying new brands and concepts (including the foodservice industry), reflecting their social status. Consequently, the food consumption pattern of GCC residents is shifting from traditional Arabic cuisine to more international flavors, ranging from Japanese (sushi) to Indonesian, Italian, and Lebanese food.

The conventional trend of eating excessive meat/meat products and very little salad/vegetables is turning healthier, owing to easier availability of food from Asia, North America, and other parts of the world.

European foodservice brands gaining ground

According to a report by Horizons, European foodservice brands have recognized the GCC population's gastronomical appetite. Horizons developed this conclusion citing the changing brand mix at two Dubai malls owned by the same developer.

Mirdif City Centre Mall hosted 12 European foodservice brands in 2010 vis-à-vis just three at Deira City Centre Mall in 1996. In terms of percentage share, European brands constituted 16% of all foodservice outlets at Mirdif City Centre Mall as compared with 12% at Deira City Centre Mall.

Foodservice outlet share by country of origin

Source: Casual Dining in the UAE from Horizons, Foodservice Europe & Middle East

Dilution of fine dining concept

The fine dining concept in GCC is being diluted, according to more than 100 chefs and F&B-related delegates at the Caterer Chefs and Ingredients Forum held at the Mina a' Salam, Madinat Jumeirah in October 2012.

The delegates agreed the concept of fine dining would never be completely phased out; however, they accepted the market is incorporating the new 'polished dining' concept, which entails less investment in design and yet carries the full service offering. The emergence of the new 'polished dining' concept emanates from the demand side as diners currently expect offerings with better quality without the rigidity of formal dining.

International brands with strong presence in GCC

International brands expanding presence

International foodservice brands are rapidly expanding in GCC. Proof of this is growth registered by Burger King and KFC, the first American quick service brands to enter the region.

Burger King, which opened its first GCC outlet in 1992 in Saudi Arabia, has expanded to almost 267 outlets across Saudi Arabia (95), UAE (74), Kuwait (73), Qatar (13), and Bahrain (12). Similarly, KFC, which opened its first store in the region in 1973, has expanded to nearly 400 outlets.

Dunkin' Donuts has also achieved considerable success in the region. According to a recent press release by Dunkin' Brands Group, the parent company, the chain has more than 250 outlets in the Middle East. In February 2014, the SUBWAY restaurant chain announced it reached the milestone of 500 locations in the Middle East & Africa region.

During the last two years, several internationally acclaimed restaurant brands have opened in GCC. These include La Porte des Indes, Fümé, IHOP, PF Chang's, Shake Shack, Tim Hortons, The Cheesecake Factory, Texas Roadhouse, Tortuga, MOOYAH, Cielo Tapas Bar & Sky Lounge, Clinton Street Baking Company, and GQ Bar.

Interest in the foodservice business is so high that major franchise deals are being struck with international brands almost every second week.

UAE residents lead region in dining out

According to a survey conducted by MasterCard in 2011, UAE diners spent an average of USD 229 per month on restaurant meals, followed by residents of Qatar (USD 211), Kuwait (USD 196), and Oman (USD 66).

Transition from phone to online food ordering

The GCC population is transitioning from phone to online ordering. Several portals offer online food delivery in the region, including Foodonclick.com, Otlob.com, talabat.com, hellofood.com, and 24h.ae. Otlob.com, which has a menu database of more than 400 restaurants and food chains, stated the Saudi online food delivery market was worth USD4.8 million in 2012. This market is likely to reach USD218 million by 2020, owing to the well-urbanized regions, changing lifestyles, and emerging online culture of the young, tech-savvy population.

4.6 CHALLENGES FOR GCC'S FOODSERVICE SECTOR

High rentals

Rent/lease expense is a major cost for foodservice companies. This is since prime commercial locations (which are usually in high demand and short supply) command a premium over the general market rate. Owing to the advent of mall culture, several foodservice companies currently engage in lease models that allow revenue sharing to decrease costs. However, the growing need for mutually beneficial lease models persists.

Staffing issues

Labor shortage, leading to high levels of attrition, is a significant problem for foodservice companies. Due to the large number restaurants being opened, junior chefs that would typically remain in a position such as commis one/two tend to leave their existing employment to move up the career ladder.

GCC government's emphasis on nationalization of jobs (Emiratization and Saudization, among others) is also impacting the foodservice sector, which largely employs expatriates as the local population is uninterested in restaurant jobs.

Heavy dependence on imports

GCC heavily relies on food imports to meet its growing consumption requirements due to the shortage of arable land and water. Data from the FAO suggests GCC's agricultural imports totaled USD34.2 billion in 2011. In terms of value, Saudi Arabia was the leading food importer (50.3%), followed by the UAE (32.2%), Oman (6.3%), Kuwait (4.6%), Bahrain (3.3%), and Qatar (3.3%).

Value of agricultural imports in GCC (2011)

Source: Food Outlook: Biannual Report on Global Food Markets by FAO Published on May 2014

4.7 Rising Awareness on Health Issues

Over the past few years, lifestyle-related diseases, such as diabetes, cancer, and blood pressure problems, have increased in GCC. The prevalence of Type 2 diabetes was found to be unusually high in GCC vis-à-vis the rest of the world. According to the World Health Organization (WHO), in the UAE, one in three adults is obese and one in five people have diabetes.

Two years ago, certain GCC governments were contemplating higher taxes on beverages (particularly carbonated ones) to control consumption, owing to the rise of lifestyle diseases. Carbonated beverages were found to be a major contributor to the increasing incidence of diabetes among children. Sugary and oily snacks, particularly those offered by fast food restaurants, were also considered to be a cause of health problems.

MAJOR PLAYERS IN GCC'S FOODSERVICE BUSINESS

1. Kuwait Food Company (Americana Group)
2. Kout Food Group
3. United Foodstuff Industries Group Company
4. Danah Al Safat Foodstuffs Company
5. Herfy Food Services Company
6. Bahrain Family Leisure Company
7. Others (privately held)

4.8 Global Halal Market Outlook

Global Halal food and beverage market has grown to a $1.1 trillion industry in 2013, according to the latest research study by Thomson Reuters in collaboration with Dinar Standard. The International Muslim population is comprised of nearly 1.6 billion people who, as part of their Islamic religion, follow a Halal diet. The sheer size and scope of this market presents a promising mosaic of consumers for food manufacturers.

There are two key drivers that make the Muslim population an increasingly important market.

- The first simply comes down to the numbers. It is estimated that Muslims account for about 25% of the global population, and the Muslim population is younger and growing faster as a whole, increasing at a rate of 1.8% per year.

- The second is the changing nature of the world market. The Muslim population is gaining influence and economic clout, with the gross domestic product (GDP) of most Muslim countries growing faster than in the West.

Compounded by new immigration, there are large amounts of native Muslims around the world. These second and third generation Muslims show the same consumer inclination to opt for convenience rather than cooking from scratch. They are also looking to expand the range of cuisines traditionally favoured by their elders. These changing trends not only promise a growing demand for Halal foods, but also make a market ripe for new product developments.

Food Market

Global Muslim spending on Food and Beverages (F&B) has increased 10.8% to reach $1,292 billion in 2013. This takes the potential core Halal Food market to be 17.7% of the global expenditure in 2013 compared to 16.6% the year before. This expenditure is expected to grow to a $2,537 billion market by 2019 and will account for 21.2% of the global expenditure.

Total Population and Muslim Population by Continent, in millions 2012

Continent	Total Population	Muslim Population	Muslim Population as a % of Total
Africa	967	462.3	47.81%
Asia	4,050.60	1,103.70	27.25%
Europe	735.2	51.4	6.99%
N. America	331.7	7.13	2.15%
S. America	576.8	2.4	0.42%
Oceania	33.54	0.5	1.49%
Total	6,694.80	1,627.60	24.31%

Top countries with Muslim consumer food consumption are Indonesia ($190 billion), Turkey ($168 billion), Pakistan ($108 billion) and Iran ($97 billion) based on 2013 data.

Meanwhile, Malaysia, UAE and Australia lead the Halal Food Indicator that focuses on the health of the Halal Food ecosystem a country has relative to its size. A special focus report on Halal Food Logistics estimates logistic costs for the potential global Halal Food market to be $151 billion in 2013.

4.9 India Market Outlook

Once an introverted, home-driven consumer, the indulgent Indian is today waking up to a nascent yet formidable "Eating Out" culture, making food services one of the most promising business sectors in India.

Even with a contribution of just ~2.3% to India's GDP, the Food Services market is worth INR 247,680 crore (USD 48 billion). It comprises food services in the organized sector (i.e. chain and licensed standalone players across quick service restaurants, full service casual and fine dining restaurants, hotels, bars and lounges, cafés, and frozen dessert formats) as well as the unorganized sector (dhabas, street stalls, halwais (sweet shops), roadside vendors, food carts, etc.). Further, the market is projected to grow to INR 408,040 crore (USD 78 billion) in the next 5 years, i.e. by 2018.

	Total Market Size	Chain Market Size	Licensed Standalone Market Size
2013	INR 247,680 cr (USD 48bn)	INR 12,785 cr (USD 2.5 bn)	INR 55,210 cr (USD 10.5 bn)
2018	INR 408,040 cr (USD 78bn)	INR 33,250 cr (USD 6.5 bn)	INR 112,520 cr (USD 21.5 bn)

Source: QSR Market in India: THE RISE OF THE QUICK BITE Report by Technopak Advisors 2014.

The industry can be divided into six formats, viz. Frozen dessert (including Ice Cream and frozen yogurt), Café (including Bakery), QSR (quick service restaurants), CDR (casual dine restaurants), FDR (fine dine restaurants) and PBCL (pub, bar, club, and lounge). The split of the organized (chain and licensed standalone) market into these six segments is illustrated as under, along with the projections by 2018.

Size of the Licensed Standalone Food Services Market (INR cr)

Size of the Chain Food Services Market (INR cr)

Source: QSR Market in India: THE RISE OF THE QUICK BITE Report by Technopak Advisors 2014.

Across the organized segment, the two sub-segments driving the sector's growth are QSR and CDR, accounting for ~70% growth in licensed standalone outlets and ~75% expansion in chain restaurants. Among the two, QSR has been outpacing the market's projected growth by ~25%, making it one of the segments to watch.

QSR MARKET CONSTRUCT

I. Market Overview

Quick Service Restaurants (QSRs) have been a key segment for the Indian Food Services market and have grown over the years thanks to their focus on affordable and competitive pricing clubbed with catering to such growing consumer need as convenience, increased appetite, and craving for international food. A number of international QSR chains have flocked to India over the past few years, with specific cuisines and product offerings, fuelling the market's growth.

The entry of a number of players into the QSR space has widened the chain market to an estimated size of INR 5,500 crore (USD 1,060 million) in 2013. Further, this is projected to grow at a CAGR of 25% to reach INR 16,785 crore (USD 3,230 million) by 2018. This segment is expected to witness increased activity via market expansion and entry by various players.

At the city level, a large share of the QSR market rests in metros and mini metros due to higher consumption, heightened consumer awareness, and exposure in key cities such as Delhi, Mumbai, and Bangalore. Slowly, QSRs have established their foothold in the major cities and are now expanding into smaller cities with smaller formats.

II. Market Players

The concept of QSRs has gained in prominence in India, with the entry of Indian and international brands into the space encouraging affordable eating and enabling the indulgence of even customers with smaller pockets. The market is quite competitive in nature with players operating via core menu offerings and introducing variations in Indian and international foods.

The established international brands offer such specialties as burgers, pizzas, wraps, sandwiches, etc. The likes of Taco Bell have introduced cuisine options like nachos and falafel to the Indian platter. Interestingly, another cluster consists of several entrants who are mostly confined to specific regions (e.g. Jumbo King, Fast Trax, etc.); these focus on providing customized Indian or international cuisines to suit the Indian consumer.

A noteworthy aspect is the focus of Indian players on multiple cuisines, which contrasts the international players' focusing on a single cuisine or product category. In terms of menu, Indian QSRs like Haldiram's, Bikanervala, etc. have a skew towards vegetarian food in contrast to which international players like McDonalds, Dominos, KFC, Subway, etc. offer a mix of both vegetarian and non-vegetarian offerings.

The chain space is marked by the presence of 90-100 brands with ~2900-3000 outlets spread across various cities in India. To withstand competition, most of the players are tailoring their offerings in terms of flavors, pricing, services, etc. to meet Indian consumers' inclinations.

Some efforts reflecting this include the opening of pure vegetarian restaurants in certain parts of the country, offering no beef-based products, establishing separate cooking areas for vegetarian and non-vegetarian food, introducing local flavors in the menu, offering home delivery services, opening smaller-sized formats in high density areas with higher rentals (like malls, office complexes), etc. Additionally, players are also expanding their presence at various destinations, viz. malls, high streets, office complexes, airports, hospitals, highways, etc. through different formats like inline/mall, drive-through, and express formats.

III. Challenges

- Food price inflation is a key factor affecting the consumer food services market, and is impacted by delayed monsoons, the economic slowdown, and unfavorable demand-supply conditions. It keeps fluctuating and reached a peak of 18% in 2010.

- The QSR market has many small and mid-size unorganized players competing with large chain players. This fragmented market reflects a number of challenges, including unclear format segmentation, varied consumer options for eating out, and the lack of best practices for food services outlets.

- Manpower is a big challenge in the food services market, with an attrition rate of 25-30%.

- High real estate and labor costs tend to impact store profitability.

- The industry's supply chain is fragmented in nature and marked by the presence of multiple intermediaries. The lack of appropriate infrastructure, inadequate technologies, and the non-integration of the food value chain are factors key to the wastage of nearly 30-40% of prepared food across the supply chain.

- In India, obtaining the requisite licenses, e.g. health license, food safety license, police license, No Objection Certificate (or NOC, from the fire department and the state pollution control board), etc. is a major obstacle hindering the smooth operation of a restaurant. The process is not centralized as yet and requires filing applications with individual stakeholders, which involves a lot of paperwork and is a time-consuming activity.

- The Indian restaurant industry is burdened with multiple taxes like VAT, excise, and service tax, besides different state taxes, which add up to 20- 25% of the bill value.

Despite these issues, the organized food services market is slated to witness a double-digit growth (~16%) in the next five years, spurred by the changing consumption habits of the Indian consumer and the emergence of new players in the space. Many Private Equity (PE) firms, Venture Capitalists (VCs), and angel investors have also made investments in the sector.

4.10 Other Target Markets

Although we tend to think of Muslim countries as being centered in the Middle East, the largest Muslim nations are actually located in South and South-East Asia. Countries with a Muslim majority are the most obvious target markets for Halal products. However, Muslims living within Western countries also present strong demand for Halal products that suit a convenience-oriented lifestyle, thus creating many opportunities for Canadian suppliers of Halal products.

South-East Asia

This is the region where Halal awareness is most obvious. Generally, Halal is associated with meat and meat products, but in this region due to an increased awareness about Halal, non-meat products such as flour, butter, sauces and milk have seen Halal certified variations.

Malaysia and South-East Asia are home to almost 1 billion Muslim people. Malaysia is considered to be an established and successful leader in the Halal market among the Muslim countries. It aspires to eventually be an international hub for Halal, but is currently working to become a regional production and distribution hub for Halal products.

Other large Muslim populations are found in Indonesia, Pakistan, India and Bangladesh, which have a combined Muslim population of approximately 640 million. Despite this sizable consumer segment, many Asian nations have modest per capita incomes and lower total food consumption rates than many other areas of the world, posing challenges for food exporters to those regions.

There is also strong demand for Halal products in a number of non-Muslim countries. These markets include India (140 million), China (40 million), and the Philippines (6 million).

The Middle East and North Africa

The Middle East and North Africa have a population of 475 million people, which are predominately Muslims. There is a high concentration of wealth in the area and in recent years, there has also been rapid infrastructure growth facilitating trade and a booming tourism industry.

The Middle East is a strong market for Halal products. The Gulf Cooperation Council (GCC) member countries include the wealthy nations of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman. Their annual food imports were estimated to be worth more than US $43 billion in 2009. Members of the GCC have higher incomes and consequently higher per capita rates of consumption. In addition, the region must import 80% of its food requirements. Saudi Arabia and the United Arab Emirates (UAE) are seen as the most important import markets in the region. However, key Halal markets also include Algeria, Iraq, Morocco, Iran, Egypt, Turkey, Tunisia, Jordan, Yemen, and Syria.

Europe

The European Union is an important Halal market as a whole, with France as the largest Halal market outside of the key Muslim countries. Germany and the United Kingdom have major potential as Halal markets given their significant purchasing power. There are also substantial Muslim communities in Eastern Europe, specifically Albania (70% Muslim), Bosnia/Herzegovina (60% Muslim), Macedonia (30% Muslim), Russia (19% Muslim) and Yugoslavia (19% Muslim). However, non-Muslims in Europe are also purchasing Halal products due to the perception that they are safer.

The U.S. and Canada

In 2008, a report from the Agri-food Trade Service of Agriculture Canada on the Halal Food Market, indicated that the U.S. market for Halal products was estimated at US $12 billion. With this figure as a proxy, annual Halal food sales in Canada were deemed to exceed US $1 billion. This report also cites figures showing that since 1995, domestic sales of Halal food in the U.S. have increased by more than 70%.

4.11 Key Opportunities

The international Muslim population is expanding in terms of size and geography, resulting in increased demand for Halal food and beverage products. Furthermore, increased globalization is leading to changes in the social behaviors and attitudes of the younger Muslim generation, creating unique product needs. While they remain Halal-conscious, they still want to eat Thai food, Chinese food, pizza and burgers. This is coupled with a growing segment of non-Muslim populations that are seeking out Halal products for health or environmental reasons.

Key areas of opportunities include Investment opportunities across the Halal Food value chain; Halal Food SMEs seeking Islamic financing for working capital, trade financing and expansion needs; M&A opportunities; organic and pure/wholesome (Tayyab) new products; Halal ingredients; building global or regional brands that deliver on halal integrity.

4.12 Key Challenges

Certification is key to tapping this consumer market, and while Halal certification is not yet standardized on a global scale, the concept is internationally recognized. Certification also provides reliable, independent authentication to support a food manufacturer's claim that their products meet the necessary religious requirements. In addition to its religious significance, consumers consider this certification as a seal of quality. A large number of consumers perceive Halal foods as being specially selected and supervised at all stages of preparation and processing to achieve the highest standards of wholesomeness and hygiene. Thus Halal certification means more opportunities for manufacturers of diverse food products.

4.13 Major Competitors

KFC

KFC (Kentucky Fried Chicken) is a fast food restaurant chain that specializes in fried chicken and is headquartered in Louisville, Kentucky, in the United States. KFC was founded by Harland Sanders, an entrepreneur who began selling fried chicken from his roadside restaurant in Corbin, Kentucky, during the Great Depression. Sanders identified the potential of the restaurant franchising concept and the first "Kentucky Fried Chicken" franchise opened in Utah in 1952.

Now it is the world's second largest restaurant chain (as measured by sales) after McDonald's, with 18,875 outlets in 118 countries and territories as of December 2013. The company is a subsidiary of Yum! Brands, a restaurant company that also owns the Pizza Hut and Taco Bell chains.

Popeyes

Popeyes Louisiana Kitchen is an American chain of fried chicken fast food restaurants founded in 1972 in New Orleans, Louisiana. Popeyes is the second-largest quick-service chicken restaurant group, measured by number of units. As of January 2014, Popeyes has over 2,000 restaurants worldwide in more than 40 states in US and the District of Columbia, Puerto Rico, and over 22 countries worldwide including Turkey, Northern Cyprus, Bahrain, China, Republic of Georgia, Hong Kong, Iraq, Indonesia, Jordan, Malaysia, Saudi Arabia, South Korea, Singapore, Canada, Jamaica, Guyana, Suriname, Mexico, Peru, Trinidad, Honduras, Vietnam, Panama and Costa Rica. About thirty locations are company-owned, the rest franchised.

Church's Chicken / Texas Chicken

Church's Chicken is a U.S.-based chain of fast food restaurants specializing in fried chicken, also trading outside North America as Texas Chicken. The chain was founded as Church's Fried Chicken To Go by George W. Church, Sr., on April 17, 1952, in San Antonio, across the street from The Alamo. The company, with its headquarters in Sandy Springs, Georgia is the fourth-largest chicken restaurant chain behind KFC, Chick-fil-A, and former sister chain Popeyes Chicken & Biscuits.

To date, Church's Chicken has over 1,660 locations in 26 countries. There are locations in Honduras, Venezuela, Canada, Guyana, Mexico, Indonesia, St. Kitts, Russia, Georgia (Tbilisi), Ukraine, Kazakhstan, Iraq, Egypt, Saudi Arabia, the United Arab Emirates, Singapore, Saint Lucia, Syria, Vietnam, Kuwait, Malaysia, Trinidad and Tobago, Curaçao, and Jordan.

4.14 SWOT Analysis

SWOT

Strength

Delicious & well liked recipes
Widely recognizable brand image
Brand Backed by prestigious group
Strong management
Diverse offerings
Proven & successful strategy

Weakness

Most FFC products have close substitutes in the market

Lack of control in joint venture arrangements

Opportunity

Under developed overseas markets
Growth in median income
Increase in 18-24 age group in GCC, India
Poor reach of international brands in South Asian countries
Increasing trend to take meal out of home

Threats

Competing with established brands
Its becoming increasingly expensive to acquire real estate for standalone restaurants
Health trends changing customer demands

5. BUSINESS MODEL & OPERATIONS

FFC is committed to establish regional operations with 15 fine dining restaurants and 20 Kiosks by the end of the year 2015. In order to facilitate different level of consumerism and purchase power of consumers, FFC proposes different models that targeting different audience segments within the available locations with the unified operating procedures and franchise model. The Franchise development team in FFC will actively look out for the suitable locations for its various formats and position most suitable outlet models for each particular location.

5.1 Rollout plan

FFC will commence its business operation after putting in place the Business Structure and obtaining regulatory approvals from respective countries and local authorities. The role out plan for the restaurants will commence from opening of at least one own restaurant in the region which will not only act as profit center but will also be placed as testing and training centers for its Franchise Model. Further to own outlets, FFC will commence its franchise operation by opening franchise outlets across globe. The proposed rollout plan for its own outlets and franchises across globe with different floor sizes are as given below;

	Company Owned Outlets		Franchise Owned Outlets		
Operating Countries	Year 1	Year 2	Year 1	Year 2	Year 3
UAE	3	6	2	5	7
QATAR	1	2	0	1	2
Kuwait	1	2	0	1	2
Oman	1	2	0	2	4
Saudi Arabia	2	4	0	3	8
Bahrain	1	1	0	1	2
India	2	5	5	10	20
Malaysia	1	3	2	4	6
Indonesia	1	3	2	4	7
Other countries	2	7	0	5	20
TOTAL	15	35	11	36	78

5.2 Importance of Achieving the Number of Outlets

FFC's success in any region depends on exponential growth of number of stores and outlets through franchise model. The local partner in any region plays a pivotal role in achieving the outlet numbers. This business plan depends heavily on the local knowledge and contacts of the Regional Partners. If there are difficulties in achieving the number of stores targeted for each year, the partnership will be strengthened by including such other local players who can achieve the results for FFC.

5.2.1 Own Outlets

The business operation will be focused on commencing 10 dine-in and food court format and 50 Kiosk format outlets of different sizes owned directly by the company by end of 2015. The importance of these outlets will be that they will act as signature outlets of FFC in the target region and will act as showcase for Franchisees to understand FFC's values. These outlets will also help in perfecting the Standard Operating Processes (SOP) by customization for the respective regional operations. The restaurants will be used for introducing and training FFC's concepts to Franchisees and their staffs.

5.2.2 Franchise Operation

The franchise operation also will commence operation within 3 months of opening the own stores in a region by creating 11 dine-in and food court format franchise restaurants in financial year 2015. Franchise operation will be strengthened by adding 35 more restaurant format and 50 more kiosk format outlet in three years. Franchise operation has to adhere to the regulatory requirement of respective regional Government and other regulatory agencies. The Franchise operations require full attention of FFC management as it contributes most of the business and brand extension in every region it operates. The FFC franchise team will focus on rolling out and maintaining each of the franchisee according to the laid out policies of the brand and to ensure that uniform standards and services are followed in every customer touch points.

The franchise operation will get the following support for signing the franchise agreement with FFC;

- License to operate FFC outlets in an exclusive definite area of operation which will be mutually agreed at the time of agreement.
- Right to use FFC's trade mark
- Support to obtain bank finance for local Franchisee to set up the franchise
- Help on selecting the right store for implementing the FFC concepts
- Store design and supply of standard fit outs
- All operating processes to maintain the best of services at the FFC outlet at the optimal cost
- Training for staffs engaged in the restaurant
- Supply of quality inventory assuring specified margin to the Franchisee
- National and regional level marketing support.
- Common promotions done on periodic basis to promote the brand.

5.3 Setup Flow/Process

In order to establish collaboration and start the ball rolling, the following processes are required to be fulfilled and comply with concerned Government Laws and relevant agencies. Below are the summary of the high level view process flow recommended:

SPV Setup

- Appointment of Key Person
- Finalise Share Holding Pattern
- Establishment of SPV under regional law

Documents

- Business Plan with 5 Year Projections
- Joint Venture Agreement with Local Partner
- Franchise SOP and Training Manual (Test SOPs at own restaurant and Training Manual in Regional background and customise)

Approval

- Follow Guidelines from Relavant Agencies on Distribution Trade Services
- Approval from Registrar of Franchise
- Register with International/Regional Franchise Association

Business Own Stores

- Identify outlet locations in 2015
- Commence Operation

Business Franchise Operation

- Commence Marketing and Promo activities
- Identify Franchisees
- Role out franchise Model

5.4 Time Line for Business Set-up

The tables given in below discusses the timeline requirement for Business set up, First Store Set up by Franchisor and Franchise Model Set up. These timelines are planned based on the FFC's experience in their operational set up in Abu Dhabi, UAE and India but may vary according to the regulatory, business and social environment of operating countries. The timeline specified contains important points to be achieved by outlets before commencing operation.

It is assumed for this business plan that the first outlet set up process in India and Malaysia can be commenced after March 2015 once the basic infrastructure and facility of FFC team is physically and legally ready in India and Malaysia.

First Restaurant Development Timeline- Restaurant specific Activities

Day 0 is to be the Soft Opening date for the first Restaurant

-120	Days	1	First Restaurant Leasing
-115	Days	2	First Restaurant Capital Budget*
	Days	3	First Restaurant Design*
-100	Days	4	First Restaurant - Assortment planning*
	Days	5	Lookout for Restaurant Staff
	Days	6	Identifying Vendors*
-90	Days	7	Negotiating terms with Vendors*
	Days	8	Decide on the Fit out Contractors*
	Days	9	PO to all Contractors and Fixtures
-60	Days	10	Lease Hold Improvement
-50	Days	11	Lighting and Fire& Safety
-45	Days	12	Hiring of Restaurant Staff
	Days	13	Place Inventory order for the Restaurant
	Days	14	Place order for Staff Uniform*
-30	Days	15	Regulatory Approvals for Restaurant *
	Days	16	Decide on promo and Marketing Plan*
-20	Days	17	Restaurant Fit out
	Days	18	Restaurant Signage order Placement*
	Days	19	Media Advertisement- Designing*
-15	Days	20	Print-Marketing and Promo Stationery
	Days	21	Design and Print Visual Merchandise Stationery*
	Days	22	Joining of Restaurant Staff
	Days	23	Delivery of Uniform for Staff
	Days	24	Receiving Inventory
	Days	25	External Signage
-5	Days	26	Regulatory clearance for opening the Restaurant *
	Days	27	Store filling
	Days	28	Restaurant IT set up
	Days	29	Commencing Teaser Ads
0	Day	30	Soft Opening
14	Days	31	Media Advertisement*
15	Days	32	Grand Opening*
			* these activities are done bearing in mind future Franchise Openings

5.5 Franchisee Selection Process

Franchise Model-Timeline			
Day 0 is to be the soft opening date for the Restaurant			
	Franchisee Recruitment		
-180	Days:	1	Advertisement for inviting Franchisees
-170	Days:	2	Franchisee short listing from Application
-160	Days:	3	Franchisee Interviews
-150	Days:	4	Franchisee Selection based on Interview and reviews
-135	Days:	5	Signing of Franchise agreement
	Days:	6	Franchise visit to FFC Stores (Franchisor Outlets)
	Days:	7	Franchise Introductory Meeting
-105	Days:	8	Franchise Restaurant Selection and market analysis
-100	Days:	9	Franchise Store signing off
-90	Days:	10	Arranging Finance by Franchisee for the Franchise
	Days:	11	Payment of Franchise fees to Franchisor

5.6 Franchise store set up Timeline

Franchise Model-Timeline			
Day 0 is to be the soft opening date for the store			
	Store Opening Process		
-90	Days:	1	Restaurant Leasing
-80	Days:	2	Restaurant Capital Budget
-80	Days:	3	Restaurant Design for fit-out and floor planning
-80	Days:	4	Commence Recruitment Process
	Days:	5	Place order for Fit-outs & Standard Flooring Materials with Franchisor
	Days:	6	Decide on the FFC Prequalified Contractors
-75	Days:	7	PO to all Contractors
-60	Days:	8	Restaurant - Assortment planning
-45	Days:	9	Lease Hold Improvement-Complete
	Days:	10	Lighting and Fire& Safety-Complete
	Days:	11	Joining of Restaurant Staff
	Days:	12	Place inventory order for the Restaurant with Franchisor
	Days:	13	Place order for Restaurant Uniform with Franchisor
-30	Days:	14	Regulatory Approvals for Restaurant operation
	Days:	15	Decide on promo and Marketing Plan (as per policy)
-20	Days:	16	Restaurant Fit out Completion
	Days:	17	If Media Advertisement- Designing
-15	Days:	18	Print Marketing and Promo Stationery
	Days:	19	Design and Print Visual Merchandise Stationery
	Days:	20	Training for Restaurant Employees by Franchisor
	Days:	21	Delivery of Uniform for Staff
	Days:	22	Receiving Inventory from Franchisor
	Days:	23	Receiving regulatory approvals for opening the Restaurant
	Days:	24	External Signage-Fixing
-5	Days:	25	Restaurant filling
	Days:	26	Restaurant IT set up
	Days:	27	Commencing Teaser Ads
0	Day:	28	Soft Opening
14	Days:	29	Media Advertisement
15	Days:	30	Grand Opening

6. BUSINESS & OPERATIONAL STRATEGY

FFC is focused on building and running great brands in food service segments and employs several strategies to drive growth of its sales, profitability and cash flow, including:

6.1 Brand Differentiation and Advertising Drivers

• Innovative new products and promotions: FFC complements its value proposition by constantly seeking to innovate. Product innovations are vital to the continued success of any retail system, and it has a sound and successful track record introducing new products. New product innovation is a driver of FFC's comparable restaurant sales and margins. In addition to product innovation, FFC has experienced success with innovative bundling promotions that drive growth in both customer traffic and average check while delivering value to the customer. The Company also uses its knowledge of local markets to develop targeted promotions and also works with local partners to develop regional promotions.

• Fast, affordable, unmatched food: As a Franchisor, FFC offers fast, affordable and healthy food, using high quality ingredients. The FFC brand name will be positioned as a high quality fried chicken restaurant chain at reasonable prices. FFC has consistently demonstrated that it can drive positive comparable store sales by providing value to the customer through its established and diverse offerings.

Operational Strategy: Key Initiatives and Measurement Goals

Build people capability

- Reduce overall team turnover to less than 85%
- Reduce restaurant general manager churn to less than 25%
- Build restaurant management bench strength

Increase customer satisfaction

- 30 - minute delivery quote times
- 14 - minute carry-out quote times
- Improved customer survey results

Exceed sales and financial plan

- Beat development targets

Grow EBITDA 5% or more over prior year

6.2 Marketing & Sales Strategy

FFC has experienced success with innovative bundling promotions that drive growth in traffic and average check, while delivering value to the customer. FFC uses its knowledge of local markets to develop targeted promotions and also works with local partner to develop national promotions. The Company will setup a marketing calendar, which will be balanced among new product introductions, bundled deals and core products refreshed with new advertising.

FFC uses test marketing and historical experience to select its local promotions, and often runs different promotions in different regions in order to diversify its exposure to any one promotion. Coupons and pricing will be devised by the local franchisers according to regional environment and local competition.

6.3 Promotion & Advertising

FFC proposed to spend on average of 3 percent of net product sales on regional and international advertising activities. The Company is required under its franchise agreements to be a member of the International Franchise's Association and it requires its members to pay dues, 2.5 percent of gross sales, which are spent primarily for national advertising and promotion. The FFC will form a joint advertisement committee with its local partners in all regions and directs the national and local advertisement campaigns. FFC is committed to make contributions with respect to those stores and restaurants it owns on a per-outlet basis to joint advertisement committee at the same rate as its franchisees.

In addition, each outlet is required pursuant to franchise agreements to contribute dues of agreed percent of gross sales, as defined in the franchise agreement, to advertising cooperatives. The advertising cooperatives control the advertising within designated market areas. The advertising cooperatives are required to use their funds to purchase broadcast media advertising within the designated market areas. All advertisements must be approved by FFC HO. The remainder of FFC's total advertising expenditures will be utilized within its discretion for local print marketing, including coupon distribution as well as telephone directory advertising, point of purchase materials, local store marketing and sponsorships.

6.4 Supplies and Distribution

FFC and its subsidiaries purchases substantially all equipment, supplies and food products from suppliers who have been quality assurance approved and audited by the company. Purchasing is substantially provided by the local stores from the regional markets and FFC will do the necessary quality checks to adhere to its quality standards.

FFC will set up a regional distribution centers for the operators for its franchises. Under the Company's direction, its distributor will purchase all products under terms negotiated by the approved source. The Company's stores and restaurants take delivery of food supplies approximately twice a week on an average.

6.5 Information Technology

FFC's restaurants use a point-of-sale (or "POS") cash register system that provides effective communication between the outlets and the server and includes a back office system that provides support for inventory, payroll, accounts payable, cash management, and management reporting functions. The system also helps dispatch and monitor delivery activities in the store.

The POS system is fully integrated with order entry systems in the Company's call centers, as well as online ordering site.

Product sales and most expenses are captured through the back office system and transferred directly to the Company's general ledger system for accurate and timely reporting. Management and support personnel have access to on-line reporting systems which provide extensive time critical management data. All corporate computer systems, including laptops, store computers, call centers, and administrative support systems are connected using a wide-area network. This network supports an internal web site, or "Portal", for daily administrative functions, allowing the Company to eliminate paperwork from many functions and accelerate response time.

6.6 Intellectual Property

The trade name "French Fried Chicken", "FFC" and "French Chicken Popos" and "French Food Castle" and all other trademarks, service marks, symbols, slogans, emblems, logos and design used in the franchise system are owned by FFC. All of the foregoing are of material importance to FFC's business and are licensed to the franchisee under its franchise agreements for use with respect to the operation and promotion of its restaurants.

The company has already registered its brand name and other trade marks in India, UAE, Saudi, Bahrain, Kuwait, Qatar, Oman, Malaysia, Sri Lanka and Nepal.

7. OPERATIONS & STAFFING PLAN

The food and beverage industry from small business restaurants to large restaurant chains share a common challenge. From burger stands to barbeque steakhouses more and more restaurants are popping up in cities every day. Since restaurants are such a common business venture, people must enjoy running them.

Building a restaurant from scratch is not an easy task. It is a hard and expensive process, and the reality is that many restaurants fail in their first year of business due to improper planning. From its extensive experience in running the business FFC's management is equipped to handle all sorts' risks and implement proper systems and practices to reduce its risk to run a successful fast food establishment.

7.1 Choose a Location & Layout

It is important to find a location that has a continuous stream of traffic, convenient parking, and is in proximity to other businesses. It is necessary to revisit the business plan to make sure that the restaurants are close to our target market. Choosing a location will be done after careful evaluation of following factors:

Anticipated sales volume: How will the location contribute to sales volume?

Accessibility to potential customers: How easy it will be for customers to get into our outlet.

Rental of the Premises: It should be in-line with the expected revenue generated from that particular location and from that it would be decided how much rent could afforded for that particular location.

Traffic density: With careful examination of food traffic, approximate sales potential of each pedestrian passing a given location. Two factors are especially important in this analysis: total pedestrian traffic during business hours and the percentage of it that is likely to patronize food service business.

Visibility: A Good visibility can create opportunities for the impulse eating decision that is one of the critical factor for the success of the an outlet

Customer parking facilities: Location should have convenient, adequate parking as well as easy access for customers.

Proximity to other businesses: Neighboring businesses may influence the store's volume and their presence will be carefully analyzed before deciding the location.

History of the site: Find out the recent history of each site under consideration before make a final selection. Who were the previous tenants, and why are they no longer there?

Terms of the lease: The terms of lease will be scrutinized before making the selection, because it's possible that an excellent site may have unacceptable leasing terms.

7.2 Layout Design

Layout and design are major factors in a restaurant's success. FFC has carefully chosen its layout plan of dining room, kitchen space, storage space and counter for all sizes of its restaurants. Typically an FFC's restaurant would allot 40-60 percent of the space for dining area, 30 percent for kitchen and prep area and the remainder to storage and office space.

7.3 Designing and Décor

All FFC restaurants and franchise outlets will adhere to its corporate design and brand guide lines from the outdoor sign board to interiors and marketing collaterals to packaging consumables.

7.4 Restaurant Size

FFC Restaurants will be in different sizes from 80 sq ft to 2500 sq ft depends on where it positioned. The goal is trying to maximize the number of patrons one can serve, out of the smallest most efficient back-house possible. The company has unified design standards for different sizes of the restaurants and the detailed layout plan for different type and formats has been annexed to this report.

7.5 Restaurant Equipments

FFC has standardized all equipments used in the kitchen in order to maintain unified procedures and highest health and safety standards across all its restaurants and franchise outlets. Most of the equipments are custom built to suit FFC's unique process from the internationally renowned kitchen equipment manufacturers mainly from Italy, France, USA and China.

7.6 Staffing Plan

Choosing employees who will do a good job is not only important to the success of FFC's business, but will also contribute to the image of the establishment. FFC follows a rigorous training program for all its restaurant staffs both for the company owned and franchise outlets. As committed to quality we shall ensure that, our operations depend on a highly developed level of team work, staff orientation and training, and developing immaculate service solutions for our customers

All new hires will undergoes the 2-3 weeks training program to adhere it to the company's quality and customer service etiquettes. FFC will continuously work and implement best HR practices for the industry across its stores.

There are several categories of personnel in the restaurant business: Manager, cooks, waiter/waitress, production team, dishwashers and cleaners.

FFC is an Equal Opportunity Employer, committed to building and developing a high-quality, value-oriented, restaurant company by focusing on our key values, our team and our strategic partnerships. Fired Up's four key values are quality, integrity, profitability and creativity. All qualified individuals seeking job opportunities with FFCR will receive consideration for employment without regard to race, color, religion, gender, marital status, sexual orientation or national origin.

FFC strive to create a team that stays and grows with the restaurant hence multiple opportunities and related benefits are offered to our employees, growing like a family.

8. FINANCIAL PLAN

The financial plan is based on past experience, general knowledge of the industry, growth expectations for the Quick Service Restaurant sector globally and information provided by the management.

8.1 Investment Requirement

A more detailed overview of the capital needed to achieve the target number of outlets

[In '000 USD]		
PARTICULARS	Year 1	Year 2
- Leasehold Improvements & Other Civil Works	955.36	1,269.36
- Plant & Machineries	709.69	943.49
- Furniture & Fixtures	682.40	905.79
- IT & Communication Equipments	327.55	435.57
- Miscellaneous Fixed Assets	54.59	72.53
- Preliminary & Pre-Operative Expenses	100.00	100.00
- Provision For Contingencies Including Exchange Fluctuation	136.48	181.34
- Total Fixed Cost	2,966.07	3,908.08
- Total Working Capital Margin	100.00	200.00
Total Cost Of Project	3,066.07	4,108.08

8.2 Funding Requirement

The total investment required to execute the planned development of 70 outlets across the globe in next two years is at USD 7 Million and promoter group is planned to raise the required growth capital from private investors by offering stakes at group level of the company.

8.3 Projected Profit and Loss

The following table is the projected profit and loss for the company. Due to bulk buying by FFC and their standardized franchise-based supply line, the purchasing costs will be 5-10% below similar costs incurred by non-franchise outlets.

To maintain a conservative approach and complexity of business as it spread over many countries with different legal and tax structure, we had not considered any tax provisions. The management will adhere to the respective legal and taxation structure in the operating countries for its own and franchise outlets. We have not considered any tax deduction on revenue, cost and capital appreciation.

Projected Income Statement

[In '000 USD]

PARTICULARS	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUE					
- FFC Own Outlets	3,942.00	11,497.50	17,615.81	27,101.25	34,164.00
- FFC Franchise Fee	165.00	375.00	630.00	900.00	930.00
- FFC Franchise Revenue	202.36	827.82	2,137.39	4,759.97	7,358.40
- French Popos	301.40	616.35	1,319.25	2,580.60	3,965.00
TOTAL	4,610.76	13,316.67	21,702.45	35,341.82	46,417.40
OTHER INCOME	230.54	665.83	799.00	918.85	1,010.74
TOTAL TURNOVER	4,841.29	13,982.50	22,501.45	36,260.67	47,428.14
COST OF SALES					
- Cost of Purchase					
- Food & Consumables	1,576.80	4,828.95	7,574.80	12,195.56	15,373.80
SUB TOTAL	1,576.80	4,828.95	7,574.80	12,195.56	15,373.80
Direct Expenses					
Rental Expenses	394.00	884.00	1,104.00	1,324.00	1,544.00
Staff Salary & other Benefits	591.30	1,839.60	2,818.53	4,336.20	5,466.24
Other operational Expenses	315.36	919.80	704.63	1,084.05	1,366.56
Depreciation	257.95	600.56	600.56	600.56	600.56
Total Operational Expenses	1,558.61	4,243.96	5,227.72	7,344.81	8,977.36
TOTAL	3,135.41	9,072.91	12,802.52	19,540.37	24,351.16
GROSS PROFIT	1,705.89	4,909.60	9,698.93	16,720.30	23,076.98
ADMINISTRATIVE AND SELLING EXPENSES:					
- Manpower remuneration	988.34	1,482.51	1,976.68	2,470.86	2,717.94
- General & administrative expenses	300.00	600.00	750.00	937.50	1,031.25
- Branding & Marketing Expenses	138.32	399.50	799.00	1,198.50	1,797.75
- Franchise development Expenses	150.00	225.00	281.25	351.56	439.45
- Sales Incentives	85.29	245.48	484.95	836.01	1,153.85
SUB TOTAL	1,661.96	2,952.49	4,291.88	5,794.43	7,140.24
FINANCE EXPENSES	5.00	15.00	20.00	35.00	45.00
AMORTISATION EXPENSES	100.00	100.00	-	-	-
GRAND TOTAL	1,766.96	3,067.49	4,311.88	5,829.43	7,185.24
NET PROFIT (PBT)	(61.07)	1,842.10	5,387.05	10,890.86	15,891.74

8.4 Revenue

The revenue stream for French Fried Chicken Restaurants (FFCR) is revenue generated from the direct stores, franchise fee and royalty.

Details of total number of company owned and franchise outlets of FFC

The revenue from FFC own stores are being estimated at USD 1200/day per restaurant on the current operations of its own outlets in UAE. Capacity utilization factor of 60% for the initial years has been considered since all the planned outlets may not be ready and available for throughout the year. This factor has been gradually increased to 80% for the fifth year onwards.

FFC	Year 1	Year 2	Year 3	Year 4	Year 5
Own Restaurants	15	35	45	55	65
Franchise Restaurants	11	36	78	138	200
TOTAL	26	71	123	193	265

[In USD]

PARTICULARS	Year 1	Year 2	Year 3	Year 4	Year 5
Sales per day	1200	1500	1650	1800	1800
No. of days	365	365	365	365	365
Sales per Restaurant/Year	438,000.00	547,500.00	602,250.00	657,000.00	657,000.00
No. of Restaurants	15	35	45	55	65
Total Revenue	6,570,000.00	19,162,500.00	27,101,250.00	36,135,000.00	42,705,000.00
Capacity Utilization	60%	60%	65%	75%	80%
Achievable Revenue	3,942,000.00	11,497,500.00	17,615,812.50	27,101,250.00	34,164,000.00

The franchise fee for FFC franchise is onetime revenue generated at the time initial setup of the restaurant and royalty of 7% to 10% of net sales achieved by franchises for various outlet models and 10% for the kiosk format is considered at the rate of revenue estimates similar to its own stores. A onetime franchise fee of USD 15,000 has been considered for FFC's fine dining and food court formats and USD 8,500 for French Popos' kiosk format outlets.

Apart from the direct store revenue and franchise revenue, the company makes revenue from selling secret recipes for the franchise units and standardized packaging materials. These revenues are estimated as other revenues in the income statement.

8.5 Operational Assumptions

The restaurants (owned or franchise) will be of different sizes from 70 Sq Ft to 2500 Sq Ft area and above. The option of opening stores with less or higher size will be considered according to actual scenario.

- The sales and margin projections are based on the experience of promoters.
- Sales of FFC outlets are based on the sales of restaurant are based on the average sale of USD 1,200 per day.
- The FFC restaurants are expected to provide gross margin of 60% of the Sales achieved.
- Staff salaries are considered based on prevailing salary conditions in local market
- Other overheads are assumed based on the experience of promoters and the information on cost structure.
- Depreciation is calculated at Straight Line Method (SLM) basis

8.6 Projected Cash Flow Statement

[In '000 USD]

PARTICULARS	Impln. Period	Year 1	Year 2	Year 3	Year 4	Year 5
A. SOURCES OF FUNDS:						
Share Capital	-	-	-	-	-	-
Equity Infusion	7,000.00	-	-	-	-	-
Reserves	-	-	-	-	-	-
Operating Net Profit before interest	-	(56.07)	1,857.10	5,407.05	10,925.86	15,936.74
Term Loan	-	-	-	-	-	-
Lease finance	-	-	-	-	-	-
Working capital loan	-	500.00	-	-	-	-
Amortisation Expenses	-	100.00	100.00	-	-	-
Depreciation	-	257.95	600.56	600.56	600.56	600.56
TOTAL	7,000.00	801.87	2,557.66	6,007.61	11,526.42	16,537.29
B. DISPOSITION OF FUNDS:						
Fixed Assets	-	2,966.07	3,908.08	-	-	-
Preliminary expenses	100.00	-	100.00	-	-	-
Sale of assets to Lessor	-	-	-	-	-	-
Margin Money for working capital	-	100.00	100.00	50.00	150.00	100.00
Deposit to buy back leased assets	-	-	-	-	-	-
Increase in net current assets	-	(31.12)	14.50	129.19	224.78	512.82
Finance Expenses	-	5.00	15.00	20.00	35.00	45.00
Repayment of Term Loan	-	-	-	-	-	-
Repayment of Lease Finance	-	-	-	-	-	-
Net movement in shareholders A/c	-	-	-	-	-	-
Repayment of Promoters loan	-	-	-	-	-	-
Investment in new projects	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
TOTAL:	100.00	3,039.95	4,137.58	199.19	409.78	657.82
C.SURPLUS/DEFICIT DURING THE YEAR	6,900.00	(2,238.07)	(1,579.92)	5,808.41	11,116.64	15,879.47
D.CLOSING BALANCE	6,900.00	4,661.93	3,082.01	8,890.42	20,007.06	35,886.53

8.6 Projected Cash Flow Statement

[In '000 USD]

PARTICULARS	Year 1	Year 2	Year 3	Year 4	Year 5
SOURCES OF FUNDS					
SHARE HOLDERS' FUNDS :					
Share Capital	4,870.70	4,870.70	4,870.70	4,870.70	4,870.70
Equity Infusion	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Reserves & surplus	(61.07)	1,781.03	7,168.08	18,058.94	33,950.68
BORROWED FUNDS					
Working Capital Loan	500.00	500.00	500.00	500.00	500.00
Term Loan	-	-	-	-	-
Promoters' Loan	2,693.93	2,693.93	2,693.93	2,693.93	2,693.93
UTILISATION OF FUNDS:					
FIXED ASSETS:					
GROSS BLOCK	4,408.25	8,316.33	8,316.33	8,316.33	8,316.33
Less: Dep. upto date	257.95	858.50	1,459.06	2,059.62	2,660.17
NET BLOCK	4,150.30	7,457.83	6,857.27	6,256.71	5,656.16
INTANGIBLE ASSETS	6,122.45	6,122.45	6,122.45	6,122.45	6,122.45
INVESTMENT	-	-	-	-	-
CURRENT ASSETS LOAN & ADVANCES					
Inventories	262.80	804.83	1,262.47	2,032.59	2,562.30
Receivables	50.59	206.96	534.35	1,189.99	1,839.60
Advance lease rent	197.00	442.00	552.00	662.00	772.00
Other curent assets	50.00	100.00	150.00	150.00	150.00
Margin Money for working capital	100.00	200.00	250.00	400.00	500.00
Cash & Bank Balances	4,661.93	3,082.01	8,890.42	20,007.06	35,886.53
SUB TOTAL	5,322.32	4,835.79	11,639.23	24,441.64	41,710.43
Less: Current Liability	591.51	1,570.41	2,386.25	3,697.24	4,473.73
NET CURRENT ASSETS	4,730.80	3,265.38	9,252.99	20,744.41	37,236.70
TOTAL	15,003.55	16,845.66	22,232.71	33,123.57	49,015.31

8.8 Indicative Valuation

Exit Multiples, Valuations and IRR based on the global expansion plan for an investor acquiring 35% of the stakes at the group level.

[In '000 USD]

Indicative Exit Valuation					
PARTICULARS	Year 1	Year 2	Year 3	Year 4	Year 5
EBITDA	0.25	2.49	5.89	11.36	16.35
P/E Multiple	10	10	10	10	10
Indicative Valuation for Exit	2.53	24.85	58.89	113.62	163.52
Less: Net outstanding Loans	3.19	3.19	3.19	3.19	3.19
Add: Surplus Cash	4.61	2.96	8.65	19.60	35.30
Less: Working Capital Loan	0.50	0.50	0.50	0.50	0.50
Equity Valuation (USD)	3.45	24.12	63.85	129.53	195.12
Transaction Valuation for Investors Stake	7.00				
Stake held by Investors - %	35%				
Indicative Exit Value of stake held by investor		8.44	22.35	45.34	68.29
Indicative Exit Multiple (Times to Cost)		1.21	3.19	6.48	9.76
Internal Rate of Return (IRR)		10%	47%	60%	58%

Entry valuations are based on for a transactional value of USD 7 Million to acquire 35% stake in the holding company.

The above table reflects:

- Indicative equity valuations at the end of each year commencing from the year 2 (FY 2016), assuming the entry multiple of 10x of adjusted EBITDA, the equity valuation is arrived at after deducting the outstanding loans (including current portion).
- Share of equity value for investors, on this basis of a 35% equity stake. The valuation pro-rata for the investor's holdings is shown in the above table.
- Indicative exit multiple and indicative IRRs at the end of each financial year based on year end equity valuations estimated.