

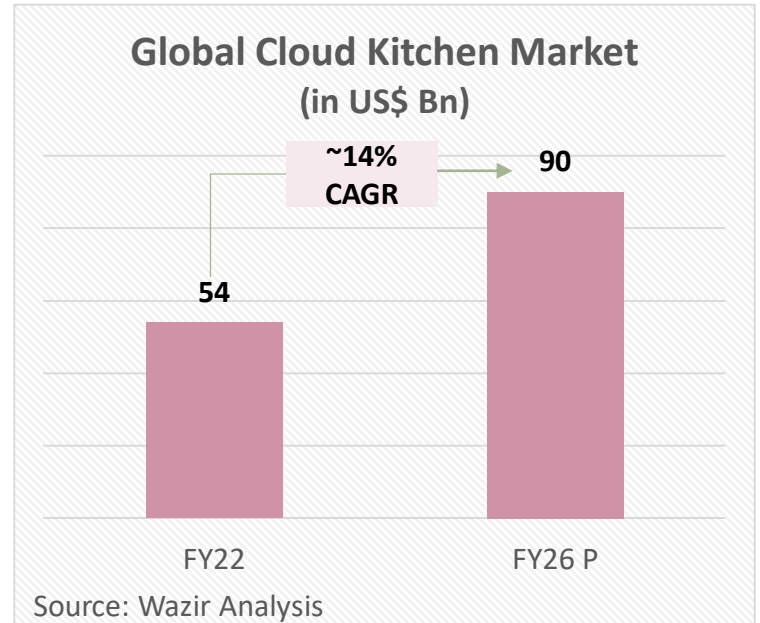


Dynamics of the Cloud Kitchen Segment : India Market

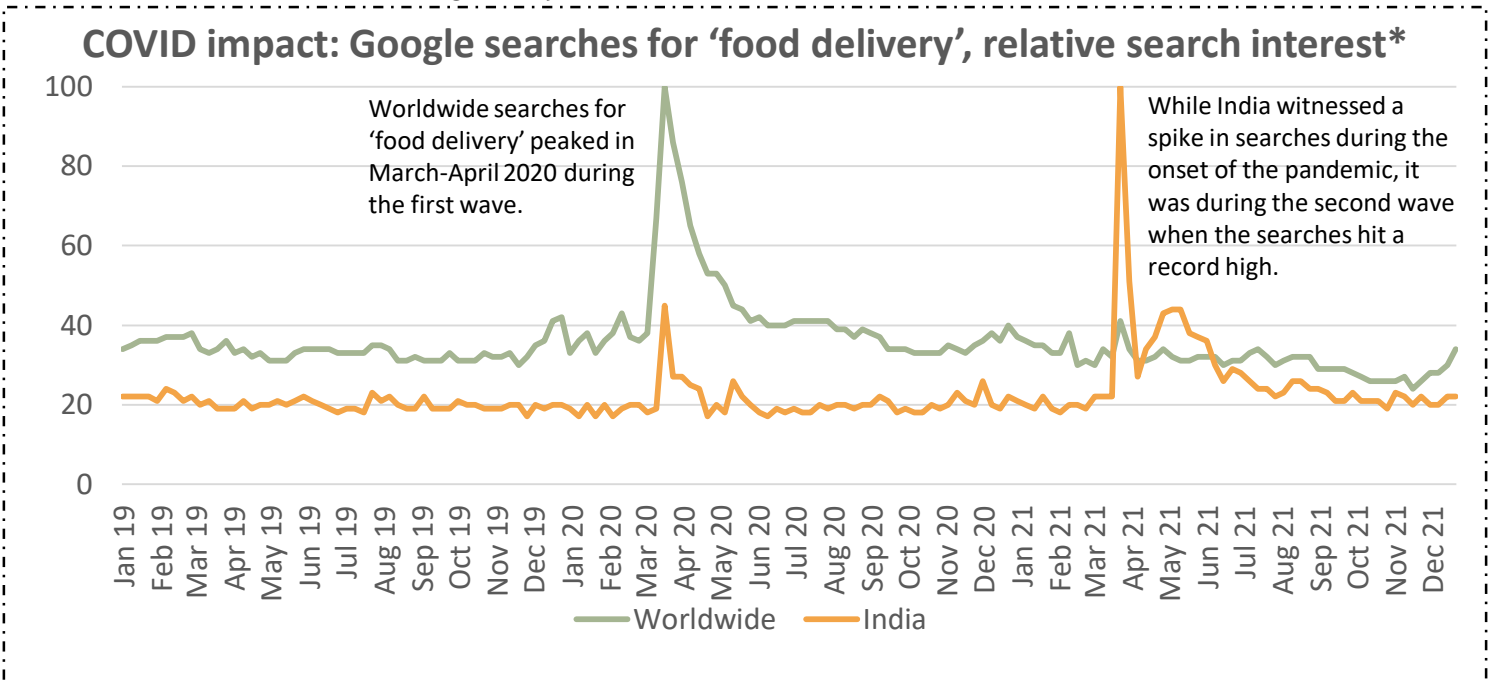
March 2023

A. Cloud Kitchen – Introduction

- Cloud kitchens, also referred to as virtual, shadow, dark, or ghost kitchens, are commercial kitchen spaces that focus on providing off-premise services primarily through food delivery and takeaway, thereby decreasing operational costs associated with running a full scale dine-in outlet.
- Cloud kitchens interact with customers primarily through online aggregators or company-owned channels, such as websites and mobile applications, and facilitate deliveries mainly via aggregators, third-party service providers or company personnel.
- The global food industry was already witnessing a rising demand for deliveries pre-pandemic. This demand increased dramatically following the restrictions and temporary closures of dine-in outlets due to the COVID-19 pandemic.
- Consequently, several restaurants pivoted to focus on cloud kitchen setups and the market has since witnessed a surge in the number of cloud kitchens globally.



- The global cloud kitchen market was estimated at US\$54 billion in FY2022 and is expected to grow at a CAGR of about 14 percent to reach US\$90 billion by FY2026.
- Asia-Pacific and North America account for a majority of the global cloud kitchen market, and Asia-Pacific is expected to grow faster than the overall market.

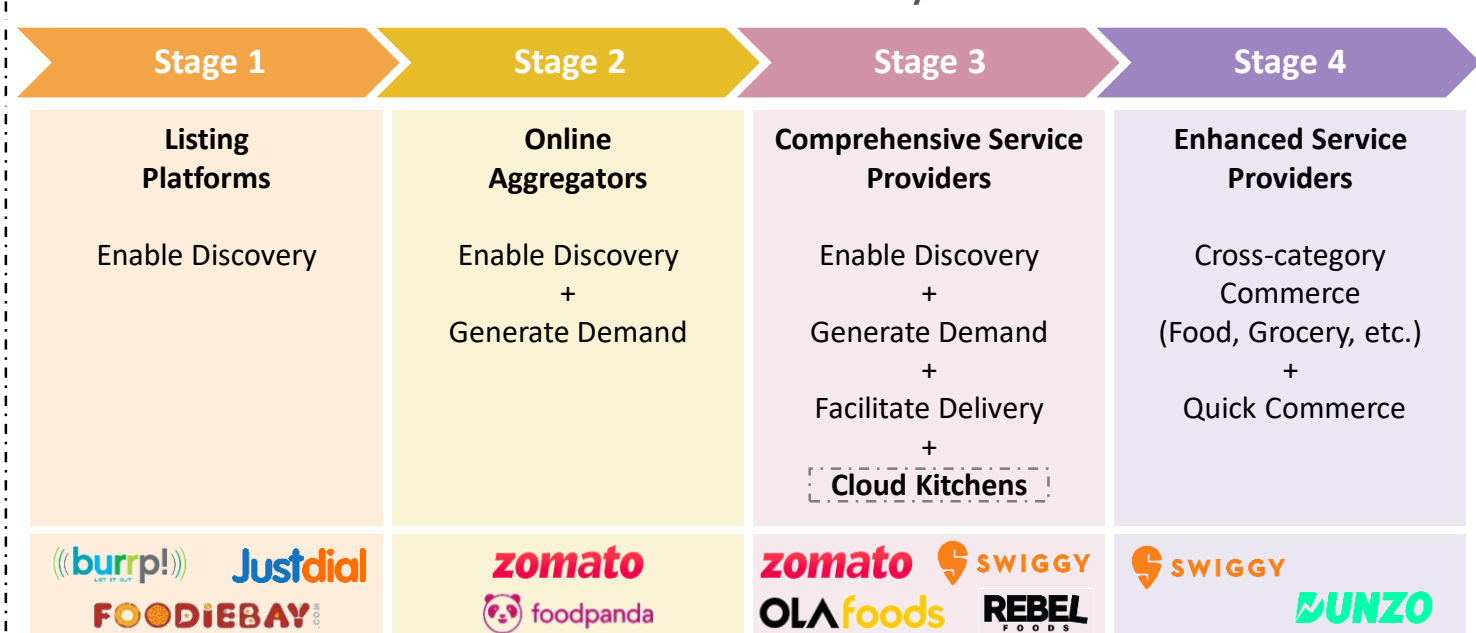


*Source: Google Trends; Note: 100 = peak popularity for the given region and time

B.I Cloud Kitchen Market in India — Evolution

- The evolution of food tech industry in India can be broadly classified into four stages:
 - The first stage included the launch of restaurant listing platforms during 2005-10 such as Burrp, Just Dial and Foodiebay (now called Zomato).
 - As the market matured, in the previous decade the business models evolved into aggregator models which enabled restaurant discovery and generated demand, while the delivery was managed by the restaurants.
 - In the third stage, aggregators also started providing last mile delivery solutions, focusing on improving customer service, streamlining the supply side and improving the unit economics. This stage also saw the emergence of cloud kitchens and end-to-end food service providers.
 - Currently in the fourth stage, the food tech industry is transforming into a highly customer centric business model with companies providing cross-category services from food to groceries to target a wider audience and further enhancing customer service by reducing delivery times through quick commerce.
- As the acceptance of food delivery has increased in India, many established restaurants in the country are witnessing an increasing share of order deliveries.
- The food service delivery market is expected to grow faster than the overall market, including dine-in. This factor coupled with the pandemic-related restrictions and an increasingly hygiene-conscious customer base have created a favorable environment for cloud kitchens to thrive in.

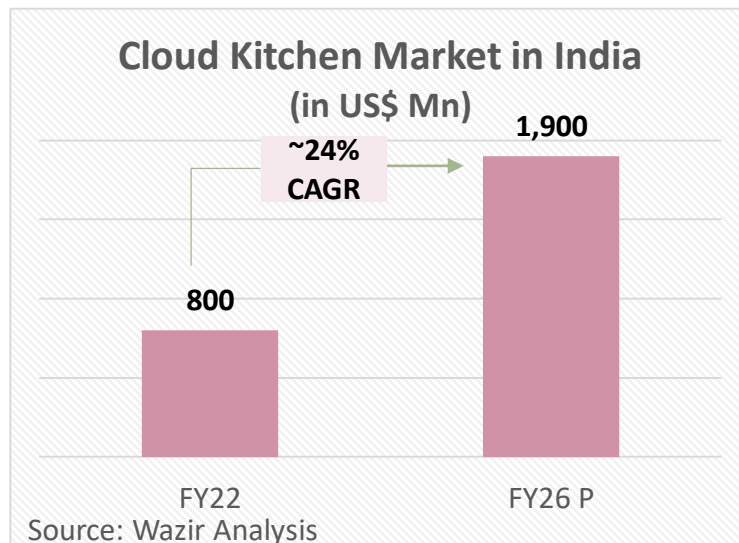
Evolution of Food Tech Industry in India



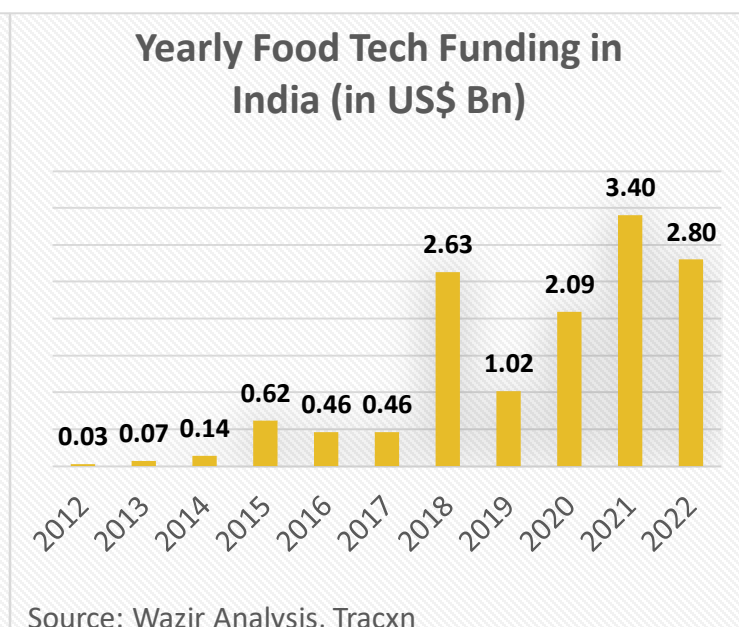
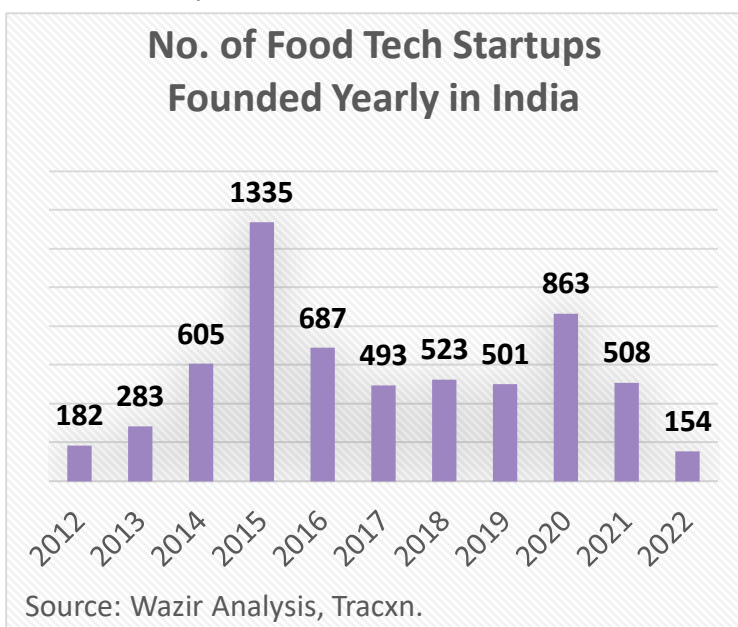
Source: Wazir Analysis; Note: *Representative brands

B.II Cloud Kitchen Market in India — Overview

- The Indian food tech market has grown rapidly over the previous decade, witnessing the emergence of several business models and startups, as well as increased interest from investors.
- The industry witnessed a surge in the number of startups particularly during 2014-16. Within a three year span, more than 2,500 food tech startups were founded.
- In the past few years, the industry has also witnessed considerable funding activity from investors with some sizeable deal values.
- Within food tech, cloud kitchen players have also been attracting significant investment. In 2021, Hygiene BigBite raised US\$15 million from Falcon Edge and Rebel Foods became a unicorn after raising US\$175 million in a funding round led by sovereign wealth fund Qatar Investment Authority.



- In FY22, the cloud kitchen market was estimated at US\$800 million.
- While the cloud kitchen market witnessed a slowdown due to the pandemic, it is expected to grow at a ~24 percent CAGR during FY22-26 to reach US\$1.9 billion in FY26.



B.III Cloud Kitchen Market in India — Growth Drivers



Rising Smartphone and Internet Penetration

- The rising penetration of smartphones and internet in India has brought millions of Indians online, especially from Tier 1 and 2 cities, and this trend is expected to continue.
- Low tariff rates, easy accessibility and increasing knowledge about online applications has increased the total addressable market for online food delivery services, and consequently for cloud kitchens.



Rising Disposable Incomes

- The average disposable incomes in India have been increasing along with rapid urbanization and an increasing middle class population, who are willing to spend a higher share of their income on activities and luxuries such as eating out and ordering in food.



Changing Consumer Habits

- There is a shift in consumer habits, especially among the corporate and working population who are seeking convenient and accessibly priced yet hygienic and healthy options for meals instead of cooking due to scarcity of time and busy schedules.
- Additionally, with increasing globalization and urbanization, consumers are progressively becoming experimental with different cuisines and are looking for varied meal options.



Increased Demand Post-pandemic

- The pre-pandemic trend of increasing preference for ordering in and takeaways was further accelerated due to the COVID-related restrictions placed on non-essential outdoor activities
- This resulted in driving growth of the cloud kitchen market both from a demand side and a supply side, and a significant number of dine-in players were seen pivoting to the cloud kitchen model.

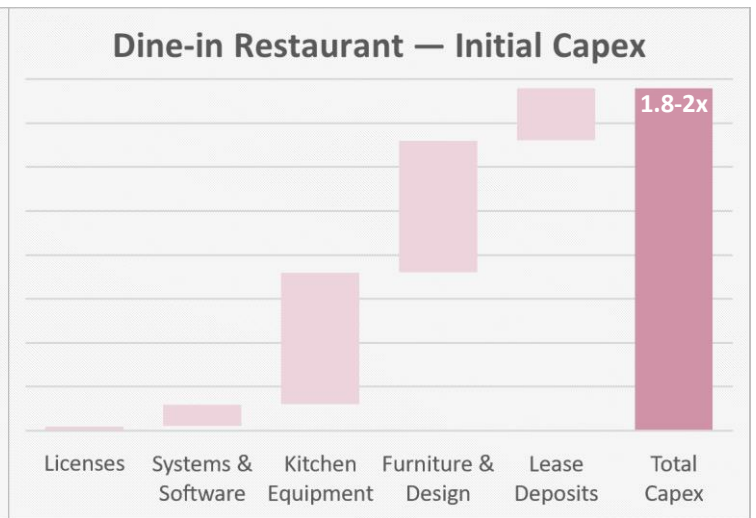
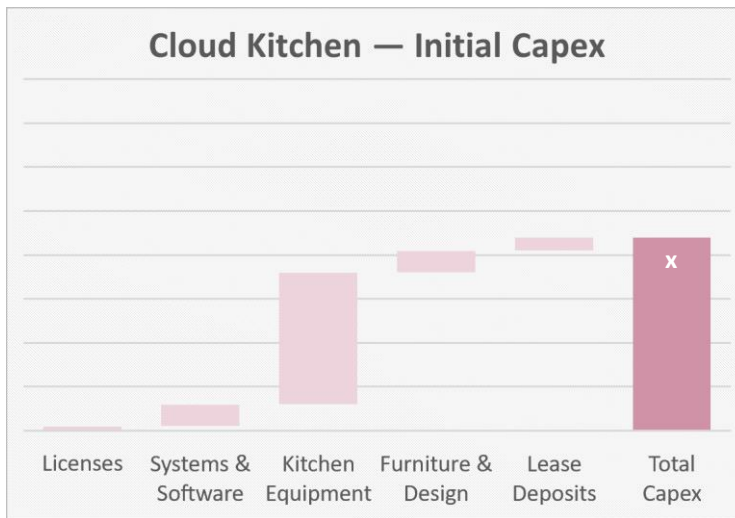
C. Key Pros and Cons of Cloud Kitchen Format

-  **Low initial investment and set-up cost:** Cloud kitchens require only 1/3rd-1/4th the area that conventional dine-in restaurants require, and therefore have much lower property costs. Also, unlike dine-in restaurants cloud kitchens do not require to be located in prime locations for higher footfall, thereby allowing for lower rents. Certain cloud kitchen business models have revenue-sharing option and shared kitchen spaces, which further reduce the initial capex required. Additionally, cloud kitchen models completely avoid the expenditure required on furniture and infrastructure to host customers.
-  **Low operating costs:** Since cloud kitchen models are restricted to delivery-only and take away orders, they also avoid the costs associated with waiting staff such as salaries, training and uniform costs.
-  **Higher profit margins:** Cloud kitchens typically have lower operational costs, lower order values and higher order volumes than comparable dine-in restaurants. Consequently, their profit margins tend to be higher.
-  **Increased expansion opportunities:** It is relatively easier for cloud kitchens to rapidly expand to new localities and cities due to the low initial set-up costs.
-  **Ease in experimentation:** The cloud kitchen model allows brands to experiment with concepts and adapt to failures quickly. With an online only model, cloud kitchens have greater flexibility to introduce new products, gauge their market acceptance and react to the market rapidly.
-  **High expenditure on visibility and customer acquisition:** Being an online-only model, it is relatively more difficult for cloud kitchen brands to get discovered. Moreover, due to the online food delivery market becoming increasingly crowded, it is imperative for cloud kitchen players to invest heavily on marketing, advertising, promotions and customer acquisitions through offers and discounts.
-  **High commission charged by aggregators:** Food aggregator platforms such as Zomato and Swiggy charge a high commission ranging between 18-25 percent. Additionally, it is possible for these commission charges to further increase as aggregators intend to improve their unit economics and reach break-even in the coming years.
-  **Lack of customer interaction:** It is significantly difficult for cloud kitchen brands to build client relationships due to a lack of customer interaction. Additionally, as most of the orders are placed through aggregator platforms, the customers are not exclusive to the respective cloud kitchens and instead it is the aggregators that own these customers. This impacts brand loyalty and returning customers. Also, since there is no direct interaction between the customers and the cloud kitchen brands, receiving feedback and customer inputs can be challenging.
-  **Higher packaging and delivery costs:** Cloud kitchens need to spend more on packaging and delivery costs which increases the COGS and operating costs.

C.I Cloud Kitchen vs. Dine-in — Capex & Opex Comparison

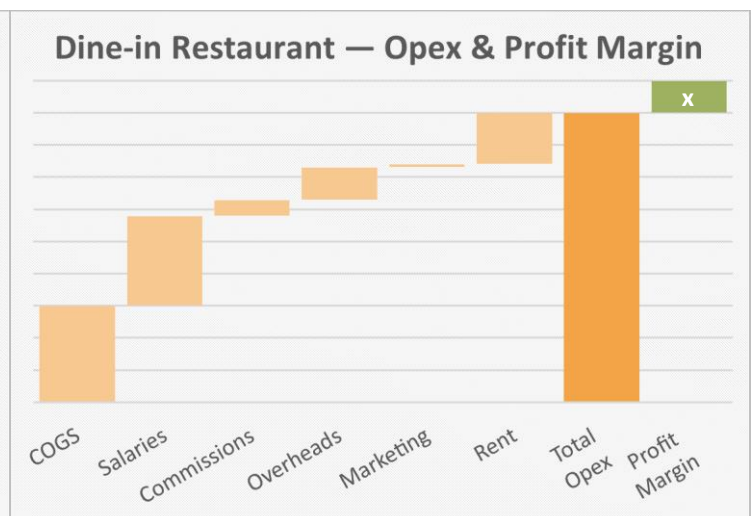
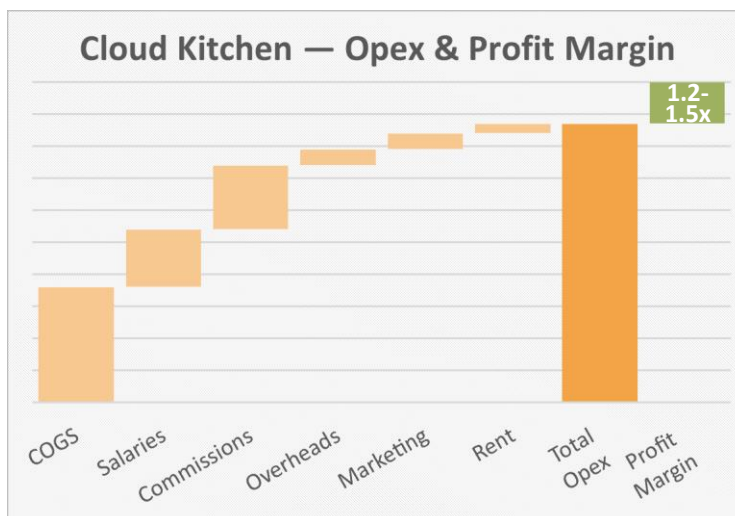
- The initial investment required to set up a cloud kitchen is about half the investment required to set up a dine-in restaurant.
- While the cost of licenses, systems & software and kitchen equipment is similar

for a dine-in restaurant vis-à-vis a comparable cloud kitchen, the investment for furniture, tableware & restaurant design and upfront property costs are significantly higher for dine-in restaurants.



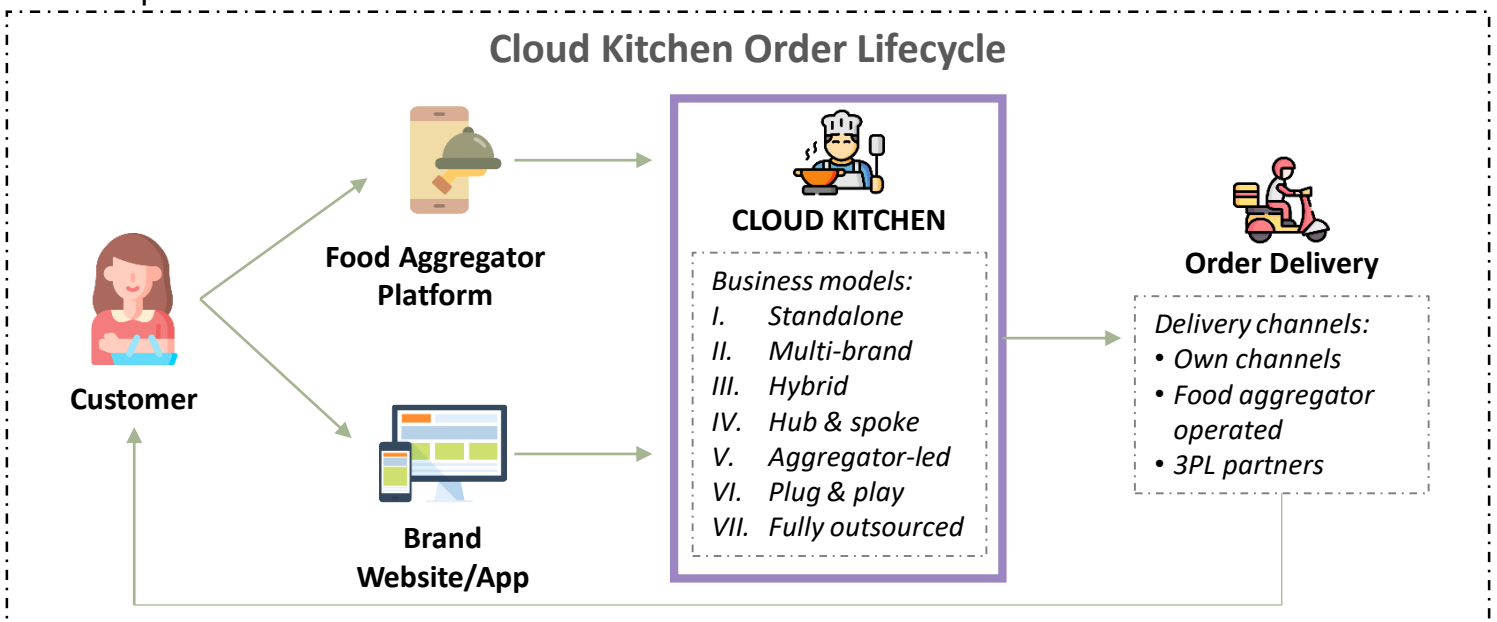
- The operating expenditure on COGS, commissions and marketing costs as a share of the total revenue of a cloud kitchen is typically higher than that of a dine-in restaurant.
- However, as cloud kitchens require notably lesser expenditure on space, manpower and

- overheads, their profit margins are higher.
- While the profit margins of cloud kitchens tend to be higher than that of dine-in restaurants, in terms of scale, the revenues and profits of dine-in restaurants is generally higher, given the higher average order volume and value.



D. Cloud Kitchen Business Models — Overview

- The origin of cloud kitchens in India began with the a basic model of independently setting up kitchens for single or multiple brands under 1 roof. This involved renting a space, hiring staff, purchasing equipment, conducting marketing activities and most importantly choosing a distribution strategy.
- The most common route for distribution has been through food aggregators such as Zomato and Swiggy. Alternately, some players also set-up independent distribution and sales channels by taking orders from brand-owned websites/apps and delivery through own riders or through 3rd party logistics players. Several players also used a combination of food aggregators and own channels.
- Various disruptions in the market over the years led to the emergence of newer models such as Hybrid and Hub & Spoke models, building upon the existing independent and multi-brand models.
- However, since setting up an independent cloud kitchen in many cases became unviable for new entrants, various businesses started providing Plug & Play and outsourcing services, giving rise to newer business models in the cloud kitchen industry.
- These new Plug & Play sharing models were first introduced by aggregator players such as Zomato and Swiggy, with an intention to play a bigger role in the rising cloud kitchen opportunity in India.
- Over the years, specialized providers, such as Kitchen Centre and Kitchens@, were introduced in the market, offering specialized plug & play services and other related services.
- The future outlook of the cloud kitchen industry in India entails continuous evolution of the current business models inspired by Indian and international players and markets.



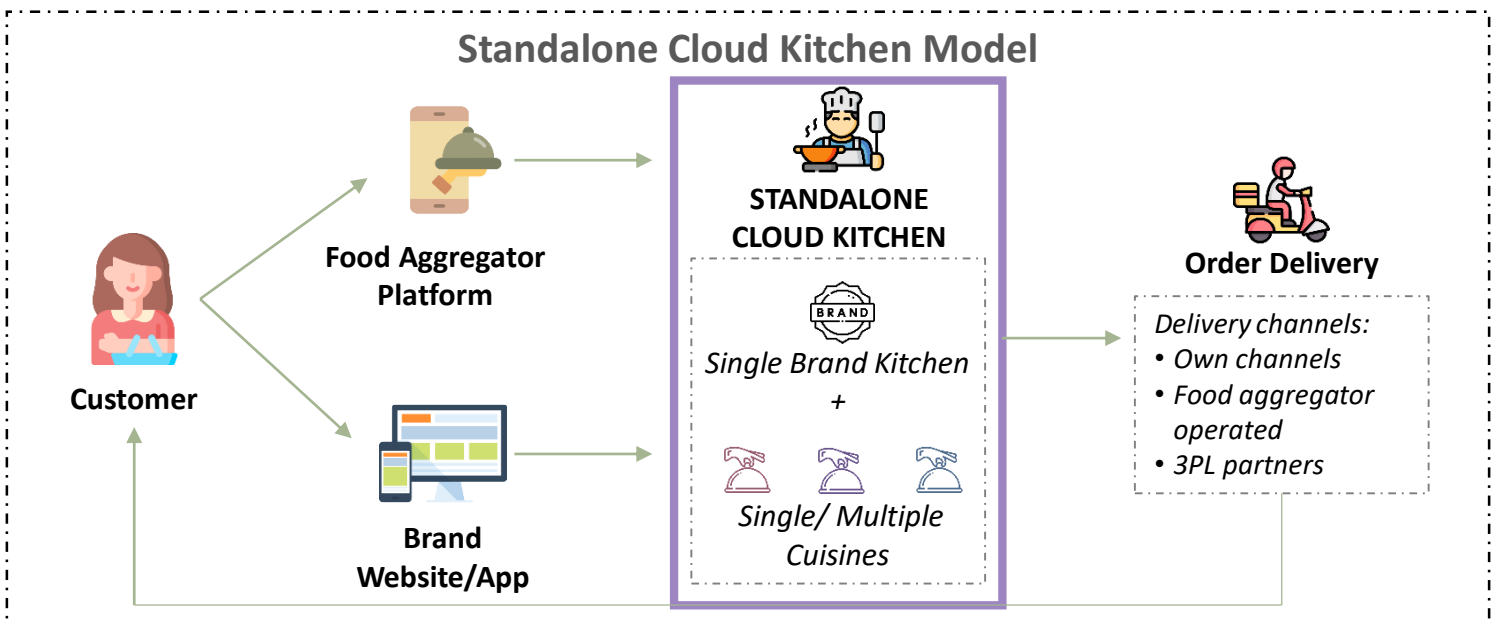
D.I Cloud Kitchen Business Models — Standalone Model

- The standalone model, also called single-kitchen or single brand model, is the most basic cloud kitchen model, wherein a single brand owns or rents independent kitchens in single or multiple locations.
- In this model, the brand usually focuses on limited types of cuisine and takes orders from customers through aggregators or brand-owned website/app.
- These cloud kitchens rely on order delivery through food aggregators, own channels or third-party channels.
- Most cloud kitchen brands in India started their journey in the cloud kitchen industry as single brand cloud kitchens, eventually moving towards other models as they scaled up.

Prominent Standalone Cloud Kitchen Players in India



Standalone Cloud Kitchen Model



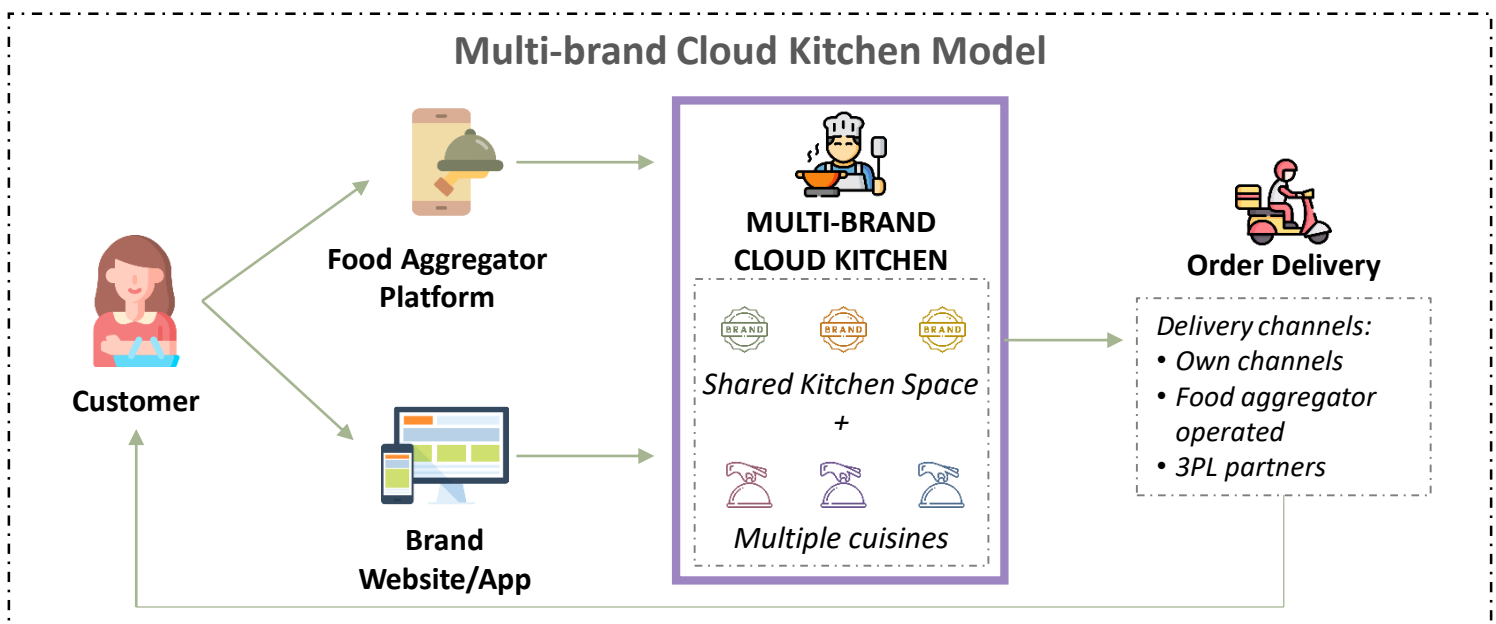
D.II Cloud Kitchen Business Models — Multi-brand Model

- In this business model, a parent company owns and/or operates multiple brands under a single kitchen establishment, wherein each brand is cuisine-specific and has a separate identity in terms of branding, taste, customer taste, USP, etc.
- This model is also known as ‘House of Brands’ model and the parent company can build such a model through either starting its own brand, acquiring or partnering with other brands, or even the franchisee route.
- This model allows companies to cater to the demands of a diverse set of customers by operating multiple brands.
- The biggest advantage of this model is that while it saves operational costs by keeping multiple brands under one roof, it positions all brands as separate entities, thus enjoying independent customer bases and identities.
- Ordering and delivery is usually handled through either food aggregator players, own channels or a mix of both.
- Rebel Foods, a pioneer in this space, is largely credited with introducing this model in India by opening and operating a diverse set of brands such as Faasos, Behrouz Biryani, Ovenstory Pizza under one roof.

Prominent Multi-brand Cloud Kitchen Players in India



Multi-brand Cloud Kitchen Model



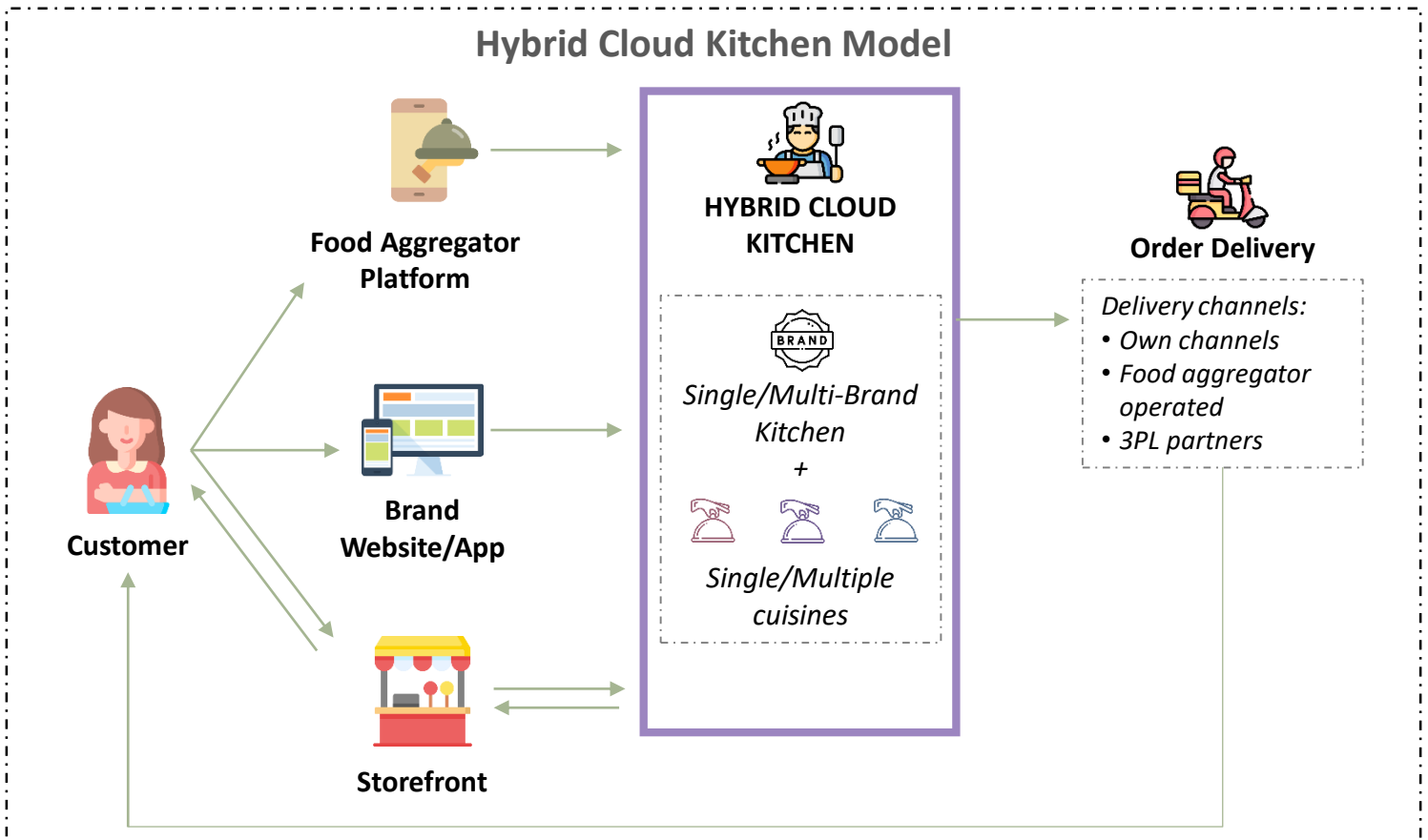
D.III Cloud Kitchen Business Models — Hybrid Model

- The hybrid model acts as a partial cloud kitchen wherein, in addition to food delivery, the brand offers takeaway through a storefront.
- The brand can have multiple physical outlets visible to customers but operates in the way similar to a standalone cloud kitchen.
- This model does not offer dine-in services but allows customers to see how the food is prepared and how services are managed.
- Some cloud-kitchen-first players such as Bombay Sandwich Company are also deploying an omnichannel-led hybrid cloud kitchen model which, in addition to deliveries, offers limited seating capacity at the storefronts.

Prominent Hybrid Cloud Kitchen Brands in India



Hybrid Cloud Kitchen Model



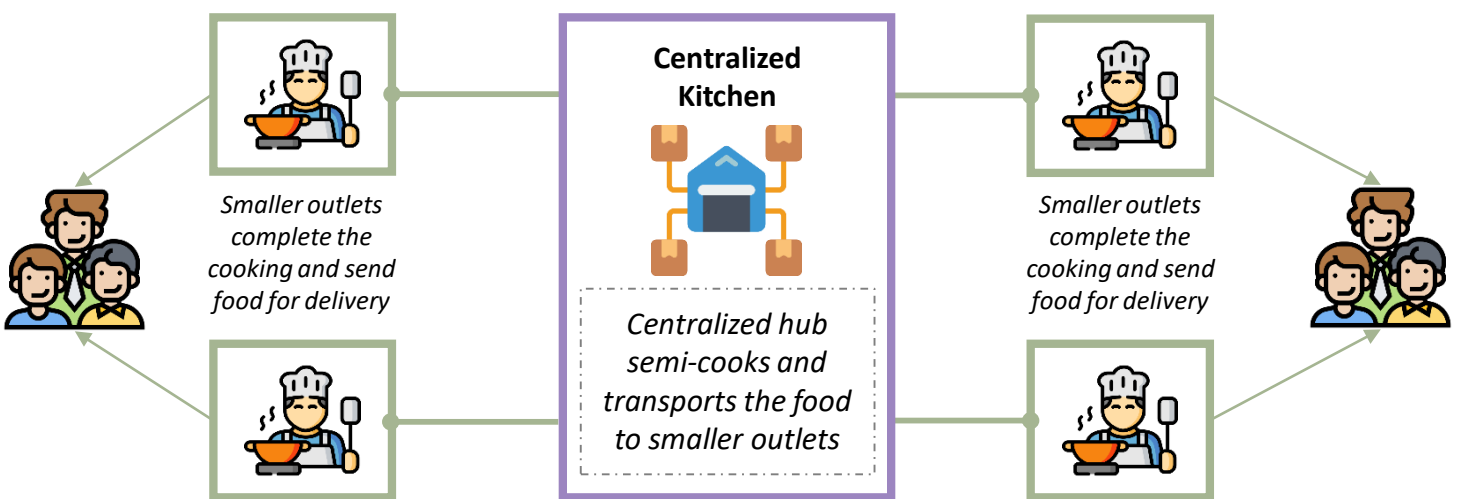
D.IV Cloud Kitchen Business Models — Hub & Spoke Model

- Developed by the freight and logistics industry, the Hub & Spoke model is steadily gaining traction in the cloud kitchen industry.
- Under this model, a centralized kitchen (hub) prepares and semi-cooks the food, and then transports this semi-cooked food to smaller outlets (spoke), where the food is completely cooked and finally sent for delivery.
- This model enables businesses to achieve cost-savings and improved efficiency due to scale and standardization.
- While this business model is popular in the Chinese and Taiwanese cloud kitchen industry, it is yet to be explored by the Indian players, with only a few players such as InnerChef having implemented it.

Prominent Hub & Spoke Cloud Kitchen Players in India

CUREFOODS

Hub & Spoke Cloud Kitchen Model

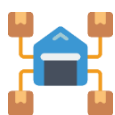


D.V Cloud Kitchen Business Models — Fully Outsourced

- A recent and relatively untested model in the Indian cloud kitchen industry is the Fully Outsourced Cloud Kitchen Model.
- This model is a combination of the Plug & Play model and the Hub & Spoke Model, wherein specialized players partner with cloud kitchen restaurants to outsource a majority of the cloud kitchen’s operations, from food preparation to delivery.
- This model was developed by the Dubai based Cloud Kitchen Platform, Kitopi, and is currently gaining traction across the world.
- The process includes the following steps: (1) the cloud kitchen platform receives the order from the app (2) cloud kitchen prepares most of the food in their own centralized kitchen (3) the prepared food is sent to the partner restaurant’s kitchen for finishing and final touches (4) the centralized platform then picks the order and finally delivers it.
- The platform, thus takes care of all the operations, from sourcing raw materials, cooking the food as per the exact recipes, receiving orders through delivery portals, food packaging and finally delivering the food to the customers.
- The platforms usually charge an onboarding fee from the restaurant, along with a share in the revenue.
- This model enables restaurants to scale up and expand delivery presence at a much faster rate, with minimum capital.

Fully Outsourced Cloud Kitchen Model

Centralized Kitchen



Receive orders from delivery apps



Prepare most of the food, based on recipes given by partner restaurants

Send pre-cooked food to smaller kitchens



Restaurant-owned Smaller Kitchens



Put final touches on the pre-prepared food and send for delivery.

Outsource player picks up the food again for final delivery



D.VI Cloud Kitchen Business Models — Plug & Play Model

- The Plug & Play Model is a relatively recent concept in the cloud kitchen industry, wherein infrastructure players enable restaurants to go delivery-only at a considerably lower cost by providing end-to-end services and solutions.
- Other than setting up a shared kitchen hub for partner restaurants, such players also provide specialized kitchen space, power and LPG, pest control, waste management and various other ancillary services.
- Additionally, these players may even offer services like raw material sourcing, delivery aggregator handling, marketing assistance and labor management, if required by the partner restaurants.
- Such players also make use of market research and deep customer analytics to not only ensure that the right brands are placed at the right location and but also inform the partner brands about the changing customer trends, food preferences, etc.
- Such a model is not only suitable for new and small brands looking to scale faster but also for large, legacy brands who wish to expand their online presence.

Prominent Plug & Play Cloud Kitchen Players in India



Popular Brands Served



Kitchens Centre : Revenue Models²

Fixed Rent Model
INR50,000 per month

Revenue Sharing Model
7% of Monthly Revenue
(With minimum guarantee of INR30,000)



D.VI Aggregators also Attempted the Plug & Play Model

BACKGROUND

- In an attempt to take a bigger share of the growing cloud kitchen market, the key food aggregators of India i.e. Zomato and Swiggy in the past have also attempted to provide infrastructure services to cloud kitchen brands. Both Swiggy and Zomato, have however failed to continue the service over the years, primarily owing to feasibility issues caused by high labor and real estate costs.
- In 2016, Zomato entered the cloud kitchen space as an infrastructure partner by introducing Zomato Infrastructure Services (ZIS). Zomato provided real estate, built a kitchen, supplied the equipment to current restaurant business owners to expand their business to more locations without incurring any fixed cost.
- Zomato charged the restaurants a certain percentage of their revenue and additional fees for services like advertising, order lead generation, etc.
- In 2018, however, Zomato shut down ZIS and instead invested in a cloud kitchen infra company called Loyal Hospitality for an exclusive partnership. However, Zomato exited that as well within 2 years. Currently, Zomato has a cloud kitchen programme which connects restaurants with potential cloud kitchen infra providers and investors.
- In 2017, Swiggy launched 'Swiggy Access', an aggregator-led 'Shell' business model, wherein Swiggy partnered with restaurants to provide them with shared kitchen spaces which included basic infrastructure services like gas pipeline, drainage system, etc. The partner restaurants were required to bring in the equipment, raw material and other such resources.
- In early 2020, Swiggy also launched 'BrandWorks', a cloud kitchen platform that partners with fine dining restaurants to co-create delivery-only brands and menus.
- While both these cloud kitchen programmes by Swiggy were expanding fast and growing well pre-covid, covid induced lockdowns forced Swiggy to shut three-fourth of its Swiggy Access cloud kitchens.
- Finally, in March 2023, Swiggy sold Swiggy Access, its Cloud Kitchen Business, to Kitchen Infra Operator 'Kitchens@', in a share swap deal.

D.VI Aggregators also Attempted the Plug & Play Model




ZOMATO INFRASTRUCTURE SERVICES

- Launched in March 2017
- Provided end-to-end plug and play services including kitchen space and basic infrastructure such as gas pipeline, drainage, etc.
- Zomato also offered kitchen equipment, staff, tech support, etc.
- Delivery and order fulfilment by Zomato
- 4 or more restaurant per kitchen
- Revenue sharing model + extra charges for additional services
- Customers also had the option of walking into physical storefronts
- Closed operations in 2018; Instead invests in Cloud Kitchen Operator, Loyal Hospitality.
- In Feb 2020, Loyal Hospitality gets new overseas investors as Zomato exits

SWIGGY ACCESS

- Launched in November 2017
- Provided 'shell' based plug and play services which included kitchen space and basic infrastructure such as gas pipeline, drainage, etc.
- Equipment, staff, menu, etc. was added by the restaurants
- Delivery and order fulfilment by Swiggy
- 6-7 restaurants per kitchen
- Within 2 years, expanded to 14 cities, brought over 1000 access kitchens on board
- Closed 3/4th of its kitchens across 2020 and 2021 due to covid-19.
- In March 2023, sold Swiggy Access to Loyal Hospitality owned Kitchen's@, another Cloud Kitchen Infrastructure Provider.

E.I Success Factors — Product & Customer Experience

Taste & Consistency

- Develop a product that appeals to the target audience's palate
- Deliver a consistent product and service experience to consumers for building loyalty



- Use sampling and surveying to get customer feedback on taste and quality
- Define SOPs and leverage tech-based solutions to reduce human error and ensure consistency

Identify the Product Occasion

- Define the consumption occasion of the product and associate brand identity with the defined occasion
- Develop an expertise to cater to that occasion



- Plan the product placement, pricing and marketing around the occasion
- For example, Behrouz Biryani targets the occasion of family gatherings and celebrations

Innovative Packaging

- Leverage packaging as a tool for marketing and brand building
- Focus on providing packaging that is convenient



- Design an attractive and memorable packaging that communicates the brand
- Incorporate functional elements in the packaging that allow for ease of use and handling

Quick Delivery

- Aim to provide expedited delivery to enhance customer experience and differentiate the brand



- Use company-employed riders or partner with aggregators and third-party last mile delivery services to ensure consistent and rapid delivery
- Utilize consumer insights to forecast demand

E.II Success Factors — Business Considerations

Scalability

- Plan for a scalable business model that is capable of handling business expansion and is easy to replicate across locations



- Build scalability through equipment, well-defined procedures and SOPs
- Integrate tech and automation across operations like food preparation, stock procurement, order management, etc.

Profitability

- Devise a strategy to keep a balance between business metrics such as average order value, order volume and profit margin



- Define KPIs such as inventory turnover ratio to measure business performance and optimize operating expenditure
- Use data driven insights such as menu item profitability analysis to drive profitability

Planning & Forecasting

- Monitor supply and demand to decrease wastage and thereby reduce COGS, which is among the biggest cost-heads in the P&L



- Use data-based raw material forecasting and storage planning
- Deploy an audit team to track spoilage and wastage patterns

Marketing

- With limited customer interaction, cloud kitchens should focus on targeted marketing to attract and build customer base
- Use ATL marketing to broaden customer base



- Leverage packaging as a means for marketing and branding
- Utilize smart and sustainable discounting for attracting new customers and retaining existing customers

E.III Success Factors — Enablers

Cloud Kitchen Management Platforms

- One-stop order management system offering multiple POS and other managerial and operational solutions



- Solutions and benefits offered:
 - Online order management
 - Hyperlocal delivery management
 - Raw material management
 - CRM and content creation

Petpooja

devourin

**Representative players*

Kitchen Automation & Robotics

- Restaurant-specific automation solutions to reduce dependency on labour and help brands scale faster



- Solutions and benefits offered:
 - Kitchen robotics equipment to reduce dependency on kitchen staff
 - Kitchen automation solutions to ensure consistent taste across locations



MUKUNDA FOODS

**Representative players*

Alternate Ordering & Delivery Apps

- Alternative last-mile food ordering & delivery fulfilment platform, giving 100 percent customer data ownership & lower commissions



- Solutions and benefits offered:
 - Backend logistics support
 - Marketing (analytics, loyalty programs)
 - Lower commissions
 - POS integration

THRIVE

DotPe

**Representative players*

Digital staffing & employment platform

- Specialized hiring platform for the hospitality industry



- Solutions and benefits offered:
 - Full time, part-time and on demand job listings
 - Background check of candidates
 - Online training and skill development

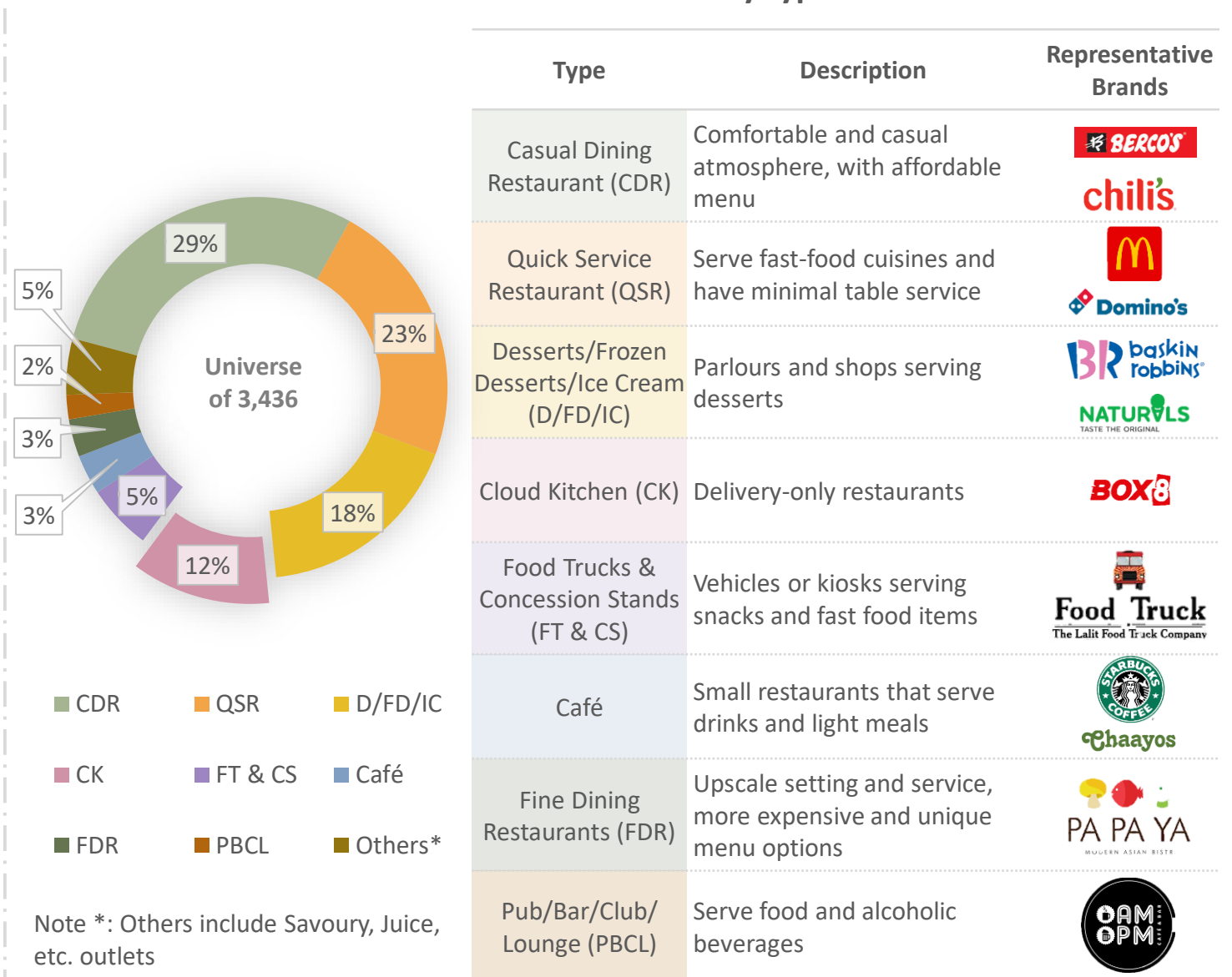


**Representative players*

F. Cloud Kitchens — Presence on Aggregator Platforms

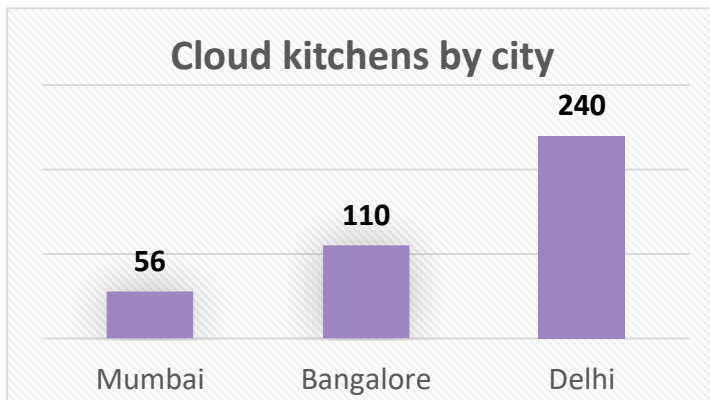
- The following analysis was conducted on the delivery restaurant outlets listed on aggregators Swiggy and Zomato across Bangalore, Delhi NCR and Mumbai.
- Restaurants rated 4 and above on Zomato and Swiggy were considered for the analysis.
- When compared based on the segmentation of the restaurants by type, casual dining restaurants and quick service restaurants together accounted for over 50 percent of the total restaurants, while about 12 percent of the restaurants were cloud kitchens.

Share of restaurants by type

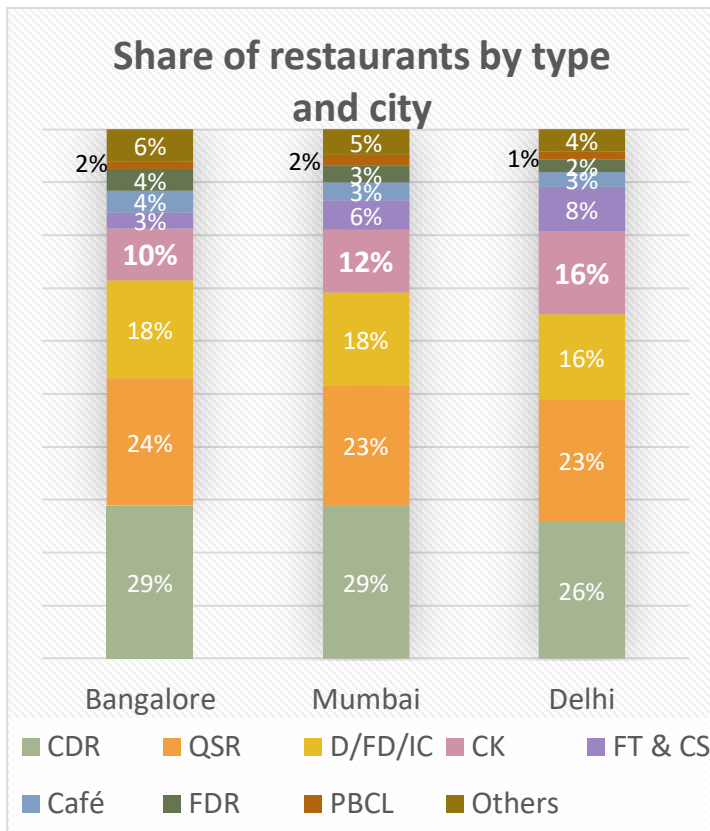


F. Cloud Kitchens — Presence on Aggregator Platforms

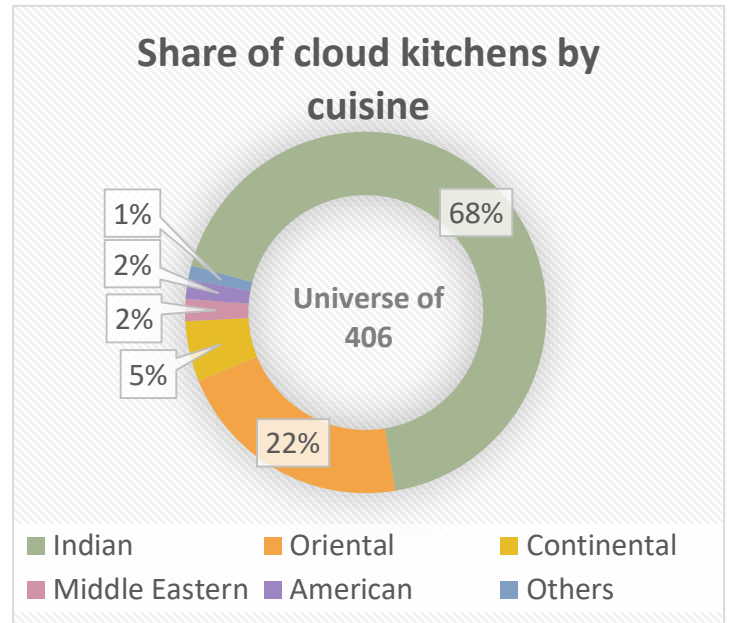
- Of the three cities which were considered for the analysis, Delhi NCR had the highest number of cloud kitchens listed on the aggregator platforms, followed by Bangalore and Mumbai.



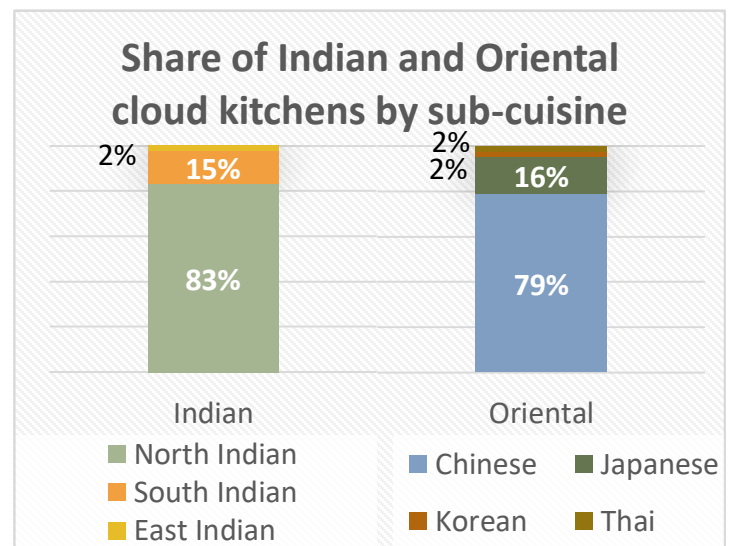
- Delhi NCR also had the highest share of cloud kitchens on the city total as compared to the other two cities.



- Majority of the cloud kitchen restaurants offered Indian cuisine followed by Oriental and Continental.



- About 83 percent of the cloud kitchens that offered Indian cuisine specialized in North Indian food.
- About 79 percent of the cloud kitchens that offered Oriental cuisine specialized in Chinese food.



G.I Case Study — Rebel Foods



Founded:
2011, Mumbai



Revenue (FY22):
INR 789 Cr



Total Kitchen:
450+



Total Funding:
US\$513 Mn



Recent Funding:
US\$190 Mn (Oct 21)



Funding Stage:
Series F



Key Investors: Sequoia Capital; Coatue; Lightbox; Qatar Investment Authority

Overview

- Rebel Foods is among the world’s largest and fastest growing internet restaurant company, and is currently operational in 70 cities across 10 countries including Indonesia, UAE, Singapore, UK, etc.
- In October, 2021, Rebel Foods joined India’s unicorn club after raising US\$175 million in a round led by Qatar Investment Authority, becoming the first company from the cloud kitchen space to do so.
- The company follows a multi-brand multi kitchen model, housing 25+ own and partner brands across its fully-stacked and tech-enabled kitchens.
- In 2018, the company launched ‘Rebel Launchers’, an outsourcing platform providing kitchen space, ready-made operating system, technology, distribution channel and supply-chain support, helping restaurants, both large and small, scale their brand online, domestically and internationally. Restaurants part of this programs included Natural’s ice-cream, Mad Over Donuts and Anand Sweets.

Future Plans

- Currently operating 370 kitchens in India, Rebel Foods aims to add more than 200 internet restaurants by 2024 and also plans to double its pre-covid sales in 2022. Globally, the brand aims to double its country-presence count to 20.
- Rebel Foods also aims to further expand its portfolio of international brands, after recently taking over the India franchise of US fast food chain Wendy’s.
- The company is also expected to launch its IPO in 2023.

Brand Portfolio



G.II Case Study — EatClub Brands (Formerly BOX8)



Founded:
2011, Mumbai



Revenue (FY22):
INR 210 Cr



Total Kitchens :
250+



Total Funding:
US\$75.5 Mn



Recent Funding:
US\$40 Mn (Dec 21)



Funding Stage:
Series D



Key Investors: Tiger Global Management; Mayfield; IIFL Finance

Overview

- EatClub Brands is a technology first, full-stack cloud kitchen company, and it has one of Asia’s largest cloud kitchen networks. With 250+ kitchens, it is present in major cities including Mumbai, Bangalore, Pune, Delhi NCR & Hyderabad.
- The company owns and operates a set of 8+ brands, including MOJO Pizza and BOX8, following a multi-brand cloud kitchen model. From procurement of raw materials to preparation and delivery, the company has end-to-end control over its operations with 150 employees and a delivery fleet of 1,500 riders.
- The company’s online food ordering platform, EatClub App, enables customers to browse and place orders for all partner brands, and also provides various benefits and promotional offers such as zero delivery fees and regular discounts. Additionally, it also makes use of food aggregator apps such as Zomato and Swiggy to improve the brands’ discovery and accessibility.

- Being a new-age brand, targeting a growing Gen-Z and millennial population of India, EatClub often makes use of digital and social-media marketing tools such as promoted ads on Instagram, influencer marketing, social media contests, etc. to increase brand awareness and recall.

Future Plans

- After raising an investment of US\$40 million from New-York based Tiger Global, EatClub plans to expand to 500 kitchen in the next 2 years. The company also plans to use these funds in acquiring other upcoming restaurant start-up, with an intention to build a ‘House of Brands’ model, similar to what rival Curefoods is doing.

Brand Portfolio



G.III Case Study — FreshMenu



Founded:
2014, Bangalore



Revenue (FY22):
INR 65.3 Cr



Total Kitchen:
30+



Total Funding:
US\$32.8 Mn



Recent Funding:
US\$7 Mn (May 22)



Funding Stage:
Series C



Key Investors: Lightspeed Venture Partners; Brand Capital; Zodius Capital

Overview

- Launched in 2014, FreshMenu pioneered the concept of app-based delivery-only kitchens in India. The Bangalore based start-up cooks and delivers freshly-made, chef-curated meals across 8+ cuisines, delivered within 45 minutes.
- Following a single brand cloud kitchen business model, FreshMenu has its independent hyperlocal kitchens set-up across Bangalore, Gurgaon, Mumbai and Delhi.
- Customers can order from fresh menu through its official app, or through food aggregator such as Zomato and Swiggy.
- Each FreshMenu kitchen has a head chef, who oversees all the tasks, and 10-12 people working under him/her. The brand also has its own fleet of riders, who take care of order fulfilment and delivery.
- The USP of the brand is that the food menu changes each day, reducing redundancy and creating excitement among the customers. The food menu is curated by professional

chefs, offering the taste and variety of international cuisines.

- FreshMenu was also the first player to launch meal bowls in India in single serve portions.
- However, even though FreshMenu was an early adopter in the cloud kitchen industry of India, the brand has not been able to expand in the growing industry, primarily owing to lack of funding and the disruptions caused by the pandemic.
- In 2020, the company was forced to close 5 of its kitchens, with revenue falling by 50 percent y-o-y.

Future Plans

- After raising an investment of INR50 crore in May 2022, the company intends to make a strong revival in the cloud kitchen industry by scaling up its kitchen footprints and by creating newer brands within its umbrella.

G.IV Case Study — Curefoods

CUREFOODS



Founded:
2016, Bangalore



Revenue (FY22):
INR 315 Cr



Total Kitchens:
150+



Total Funding:
US\$116 Mn



Recent Funding:
US\$50 Mn (Jun 22)



Funding Stage:
Series C

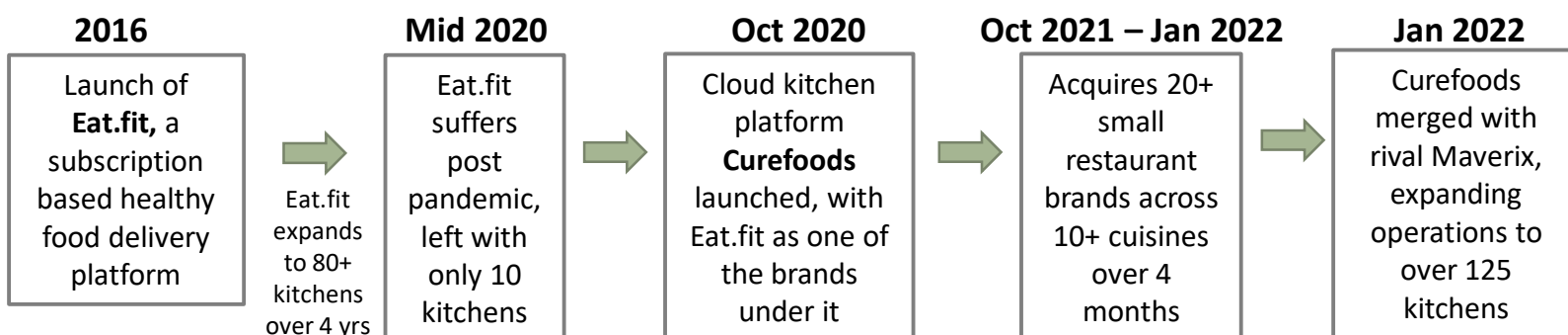


Key Investors: Accel Partners; Iron Pillar; Chiratae Ventures; Sixteenth Street Capital

Overview

- Launched in 2020 by former Flipkart executive and Cultfit founder Ankit Nagori, Curefoods is a new age cloud kitchen start-up, which works towards incubating and operating upcoming food start-ups in the country.
- Curefoods operates multi-brand kitchens across the country, using a combination of a Multi-brand and a Hub & Spoke model, taking care of end-to-end operations from order processing and order preparation to delivery and customer experience. The company logs about 40,000 orders per day.
- Using the strategy of roll-up commerce, Curefoods is being built as a ‘House of Brands’, wherein the company is acquiring cloud kitchen brands across different cities and cuisines and helping them scale using a digital-first and tech-enabled approach. Since Oct 2021, Curefoods has incubated and acquired 20+ restaurants, making it the second-largest cloud kitchen player in the country.
- Offering 10+ brands for home delivery through its website called ‘EatFit’, the company also offers weekly and monthly meal subscription plans to its customers.

Brand Timeline



G.V Case Study — Biryani By Kilo



Founded:
2015, Gurgaon



Revenue (FY22):
INR135.1 Cr



Total Kitchens:
100+



Total Funding:
US\$46.9 Mn



Recent Funding:
US\$35 Mn (Nov 21)



Funding Stage:
Series B



Key Investors: IvyCap Ventures, Falcon Edge Capital, Alpha Wave Global

Overview

- Currently present in 45 cities, across 100+ outlets, Biryani by Kilo is one of the largest biryani brands in India.
- According to a report by Swiggy, biryani has been the most ordered item every year for the past five years. Using a tech-enabled, cloud kitchen-based model, with well-defined systems and processes in place, Biryani by Kilo has been able to become a distinguished player in the market by successfully offering consistent taste and quality.
- Since its inception, the brand's USP has been its packaging and food experience. The brand prepares fresh 'Handi' biryani for each order and delivers it to the customers in the same 'Handi' in which the biryani was cooked.
- Besides biryanis, the company also offers a wide range of kebabs, kormas, breads and phirnis.
- In terms of delivery, while a majority of the orders are delivered by food aggregators i.e. Zomato and Swiggy, the brand also uses its own fleet of riders for delivery, in order to ensure higher control on service, delivery experience and feedback.
- While Biryani by Kilo is present across 40 cities all over India, a majority of its presence is in the Northern region of the country, and with higher focus on Metros and Mini-metros.
- The company also operates around 35-40 dine-in restaurants across various metros, tier 1 and 2 cities in India

Future Plans

- Growing from around 15 in 2019 to 80+ outlets in FY22, Biryani by Kilo further plans to increase its store count in India to 180+ kitchens in the next 2 years.
- In the coming years, the cloud kitchen brand also has plans to enter international market such as UAE.

H.I Trends: Technology and Kitchen Automation

- Cloud kitchens are aiming to gain an extra edge by standardizing the quality and taste of food while minimizing time. How does one ensure consistency of taste and quality, in every meal every day? The answer is automation and reducing human dependency.
- Brands are trying to bring the automation of coffee and tea makers into our delicacies with the help of technology. For example, a tea ordered from Chai Point always tastes the same. That's because it's always brewed by a system that follows instructions stored on the cloud, built by the startup. Another such restaurant is Dunkel Kitchen that is preparing Biryani with the help of a machine.
- It all boils down to the ingredients, heating, sorting, frying for any kind of bowl dish.
- Artificial intelligence and machine learning will be used to accurately predict the amount of each ingredient necessary daily in cooking, minimizing order delays and inventory management. This will result in speedy execution of orders and reduction of wastage. Guest experience can also be improved by providing food at the optimum temperature.
- **Technology also brings transparency and helps in building customer trust.** The dine-in experience gives visibility to the customer in terms of the cooking process, hygiene, restaurant team, etc. This transparency is missing from the cloud kitchen equation. Kitchens are using technology to create transparency and give better insights into kitchen facilities and hygiene factors.
- For example, Instapizza has launched a feature that allows the customer to watch a live stream of the cooking in their kitchen to see how they maintain strict sanitization and hygiene levels.

MACHINE-MADE BIRYANI IS A REALITY

Step 1	Step 2	Step 3
Add rice in the machine	Select which type of biryani you want from the 25 types	Let's select Hyderabadi Dum biryani
Step 4	Step 5	Step 6
Machine soaks and washes rice	Starts cooking	Machine asks you to add the marinated meat
Step 7		
Voilà! 30-40 minutes and it prepares 50 plates of biryani		The machine complete the process of creating the dum



H.II Trends: Emergence of Alternate Ordering and Delivery Platforms

- Competitive pricing and commissions paid to delivery agencies and food aggregators take away from the growth of cloud kitchens.
- Food aggregators typically charge 18-30% commission per order and are seeking a rise of 2-6% in commissions amid widening losses.
- Aggregators such as Swiggy and Zomato withheld the guests' data, which had they shared with the restaurant, would've gone a long way in creating a relationship with the customer.
- Guests who were regulars for restaurants, now use the deep discounts offered by such aggregators and make their reservations on these apps, invoking commissions to be paid, unnecessarily.
- A few deep-pocket brands tried to establish their own delivery infrastructure, but tackling larger volumes becomes a challenge.

Alternative delivery platforms have come into picture and are offering a far more customized, brand-led experience.

DotPe

- DotPe offers offline to online (O2O) based payment features (QR code and WhatsApp-based scan-order-pay features). It eliminates the hassle of downloading the app and allows users to start ordering by simply scanning a QR code.
- While DotPe asks for ~3 percent commission per order, Zomato and Swiggy charge 20 percent plus GST.
- DotPe also stands out by giving businesses their own tools to get direct orders. It ensures that businesses get to connect with their customers directly. By sharing customer data and ordering trends, DotPe gives merchants control over their own business.

Brands on DotPe



OLAfoods



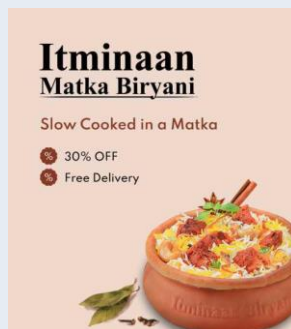
H.III Trends: Multi-Brand Platforms are Creating a 'House of Brands' Offering

Cloud Kitchen platforms are combining their brand portfolios to offer different cuisines to the customer on one website.



- EatClub, which started out as Box8 over a decade ago, was one of the early entrants to the cloud kitchen space
- They expanded upon their original Indian meals in a box with separate brands for pizza, rice bowls, wraps and desserts.
- The company leveraged its existing cloud kitchens (from Box8) and delivery network for the additional brands.
- EatClub employs a subscription-based model wherein it offers a membership program that gives you a curated selection of restaurants on one website/app. Members can avail discounts on each order without any delivery or packaging charges.

Brands on EatClub



H.III Trends: Multi-Brand Platforms are Creating a 'House of Brands' Offering



- EatSure is an omnichannel platform that allows users to order from multiple restaurants in a single order, without any delivery charges.
- While ordering from multiple orders on other aggregators, paying multiple delivery fees is a hassle for the customer. The savings on delivery costs would be attractive for price-conscious customers.
- It also encourages customers to buy directly from their app and not through Zomato/Swiggy (which charge 20-30 per cent commission).

Brands on EatSure



CUREFOODS

- Curefoods has adopted the 'House of Brands' model in which it acquires cloud kitchen brands across different cities and helps them scale their business
- Curefoods receives orders, cooks them, and delivers them to your doorstep
- Curefoods' presence across India
 - 25+ Brands
 - 10 Cuisines
 - 150+ Cloud Kitchens
 - 5 Orders per kitchen per minute

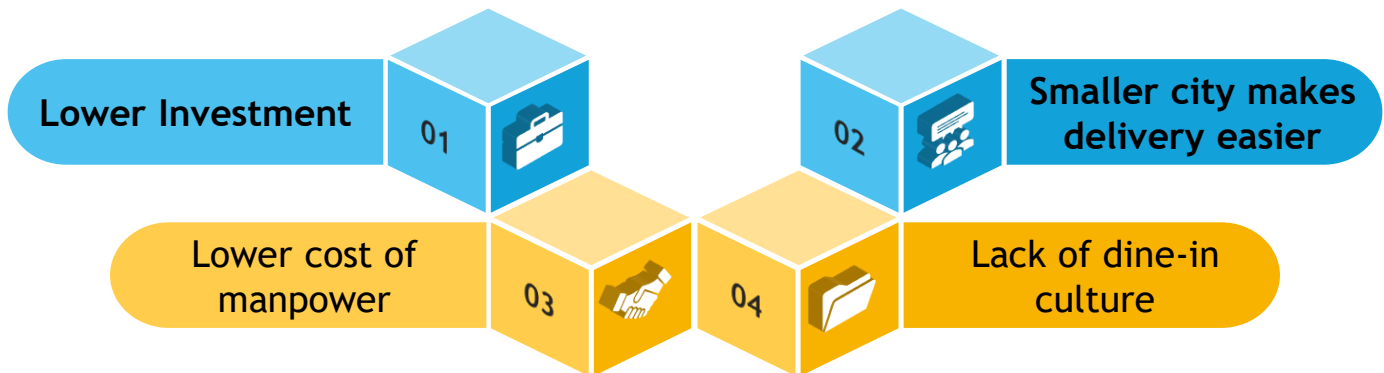
Brands on Curefoods



H.IV Trends: Growth Potential beyond Metros

- With some leading cloud kitchen players already reporting increased demand from Tier 2 cities, the next leg of growth in the cloud kitchen market is expected to come from Tier 2 and beyond as larger players expand into these locations and local entrepreneurs start moving to a cloud kitchen model.
- Local entrepreneurs are setting up cloud kitchens in Tier 3 and 4 cities, while food aggregators fuel the demand side with discounts and larger markets focus on increasing order frequency.




Tier II and III cities offer beneficial incentives to run a successful cloud kitchen venture



H.V Other Trends in Cloud Kitchen Market in India

- **Investment in technology:** Cloud kitchen companies are expected to increase investment in technology to improve supply chain and customer service, and reduce costs. The use of predictive analytics will be essential in forecasting demand and supply. Deployment of intelligent systems driven by machine learning that enable access to real-time insights such as order tracking/planning, inventory management, and consumer analytics will be crucial to enhance customer experience.
- **Enhanced customer experience:** Players will continue to leverage technology to understand consumer buying behavior and choices. Emphasis on providing greater hygiene and safety with improved standards and packaging is expected to grow. Product offerings customized to regional food palate would also differentiate brands. Faster deliveries with quick commerce would also enhance overall customer experience.
- **Increase in competition:** With low barriers to entry and changing consumer behavior, the number of cloud kitchen brands are expected to increase in the future. Additionally, existing players may see increased competition from aggregators and large offline restaurants.
- **QSRs expanding to cloud kitchens through Franchising:** In order to leverage the huge operational advantages facilitated cloud kitchens, various QSR players like Wendy's and Mad Over Donuts have entered the cloud kitchen space by franchising/outsourcing their business to legacy players like Rebel Foods.
- **Evolving business models:** The cloud kitchen models will undergo continuous transformation as companies try to perfect their business models and try to achieve economies of scale.

I. Recent Funding Activity in the Indian Cloud Kitchen Space

Company	Founded	About	Recent Funding Round and Amount (\$)	Recent Funding Date	Key Investor(s)
	2017, Bangalore	Cloud kitchen offering on-demand food products	Seed - 250K	Dec 7, 2022	MTR Foods
	2017, Gurgaon	Cloud kitchen offering multi-cuisine meal combos for offices and homes	Angel - 64K	Jun 28, 2022	Sandeep Kohli
	2016, Bangalore	Cloud Kitchen platform housing multiple brands	Series C - 50M	Jun 1, 2022	Winter Capital
	2017, Ahmedabad	Cloud Kitchen platform housing multiple brands	Seed - 1.07M	May 27, 2022	Faad Network, LetsVenture
	2014, Bangalore	Online platform offering on-demand meals	Series C - 27.5M	Apr 25, 2022	Blackstone
	2018, Delhi	Provider of shared commercial kitchen spaces	Seed - 360K	Apr 23, 2022	Boutique India Overseas

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