

# INDIAN QUICK-SERVICE RESTAURANT INDUSTRY

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**Operating leverage remains elusive;  
competitive intensity constrains  
pricing power**

**December 2025**



## 1 Overall food industry



## 2 Challenges and growth drivers for QSR industry



## 3 Trend in quarterly performance



## 4 Outlook



## 5 Peer comparison





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*The domestic QSR industry is undergoing a phase of normalisation following two years of challenging operating environment. Subdued consumer demand, rising share of off-premise revenue (which command lower margins) and intense competition had eluded the operating leverage of QSRs.*

*While factors like lower QSR penetration, demographic dividend and rising urbanisation have kept the sector's long-term potential intact, rising fixed costs and continued store additions will put pressure on the franchise economics in the near term.*

*GST rationalisation, interest rate cuts and favourable tax measures are likely to support a gradual recovery in demand.*



- **The Indian quick-service restaurant (QSR) industry's** revenues grew by 10% in FY2025 and 11% in H1 FY2026 (YoY), driven by store additions, while same-store sales growth (SSSG) remained negative owing to subdued consumer demand and high competition. Rising disposable income on the back of GST rationalisation, rate cuts and personal income tax cuts are expected to support demand and revenue growth, going forward. ICRA expects the industry's revenue to expand by 10-12% in FY2026 and 12-14% in FY2027, backed by store additions even as the SSSG is likely to be low.
- **Operating margin declined to 17.3% in FY2025 and 15.9% in H1 FY2026 (from around 20% in FY2023)** with high fixed overheads amid negative SSSG, elevated marketing spends, discounts offered to attract footfalls, an unfavourable revenue mix (high share of delivery) and the higher operating costs for the new stores. ICRA expects the QSR industry's margins to be range-bound at 15-17% in FY2026 and FY2027. Better value proposition, cost control and recovery in customer footfalls will be critical for a meaningful expansion in the profit margins.
- **Store additions were calibrated at around 630 units in FY2025, which is addition of 12% of operating outlets at the start of the year, compared to 16% store additions in FY2024 (23% in FY2023)**, given the higher base and weak demand. However, the store additions are expected to step up to 770-790 units in FY2026 and 790-810 units in FY2027, with expectation of demand revival and network expansion strategies.
- **Debt profile is dominated by lease liabilities, given the asset-light model** adopted by the QSR players, while the rest of the capex has been largely funded through equity and internal accruals, historically. Going forward, the lease liabilities are expected to rise in line with continued store additions.
- **The credit metrics of the domestic QSR industry are expected to moderate in FY2026, with total debt /OPBITDA likely to increase to 3.6x–3.8x from 3.5x in FY2025** owing to margin contraction. However, the debt metrics are expected to improve over the medium term (FY2027–FY2028) as the operating margins recover and newly added stores achieve optimal performance.



# ICRA Analytical Contact Details

| Name           | Designation                              | Email  | Contact Number  |
|----------------|--|--|-----------------|
| Jitin Makkar   | Senior Vice-President and Group Head     | <a href="mailto:jitinm@icraindia.com">jitinm@icraindia.com</a>                 | 0124- 4545 368  |
| K. Srikumar    | Senior Vice-President and Co-Group Head  | <a href="mailto:ksrikumar@icraindia.com">ksrikumar@icraindia.com</a>           | 044 - 4596 4318 |
| Nithya Debbadi | Assistant Vice-President and Sector Head | <a href="mailto:nithya.debbadi@icraindia.com">nithya.debbadi@icraindia.com</a> | 040 – 6939 6416 |
| Roshan Dugar   | Senior Analyst                           | <a href="mailto:roshan.dugar@icraindia.com">roshan.dugar@icraindia.com</a>     | 020 – 6606 9924 |





ICRA

# Business Development/Media Contact Details

| Name            | Designation  | Email  | Contact Number |
|-----------------|--|--|----------------|
| L Shivakumar    | Chief Business Officer                                       | <a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>           | 022-61693304   |
| Sai Krishna     | Head – Research Sales and Investor connect                   | <a href="mailto:Sai.krishna1@icraindia.com">Sai.krishna1@icraindia.com</a>       | 9840774883     |
| Rohit Gupta     | Head Business Development – Infrastructure Sector            | <a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>                   | 0124-4545340   |
| Vivek Bhalla    | Head Business Development – Financial Sector                 | <a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>       | 022-61693372   |
| Vinita Baid     | Head Business Development – East                             | <a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>         | 033-65216801   |
| Shivam Bhatia   | Head Business Development – Corporate Sector – North & South | <a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>     | 0124-4545803   |
| Sanket Kulkarni | Head Business Development – Corporate Sector – West          | <a href="mailto:sanket.kulkarni@icraindia.com">sanket.kulkarni@icraindia.com</a> | 022-6169 3365  |
| Naznin Prodhani | Head - Group Corporate Communications & Media Relations      | <a href="mailto:communications@icraindia.com">communications@icraindia.com</a>   | 0124-4545860   |





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