



Date: August 17, 2021

To

Listing Compliance & Legal Regulatory BSE Limited, P.J. Tower, Dalal Street Mumbai – 400 001 Scrip Code: 543283	Listing & Compliance National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex Bandra (East), Mumbai 400 051 Scrip Symbol: BARBEQUE
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Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call held on Tuesday, August 3, 2021

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (*the "Listing Regulations"*), including any statutory modification(s) or re-enactment(s) thereof, please find enclosed the transcript of the Earnings Conference Call held on Tuesday, August 3, 2021 post announcement of financial results of the Company for the first quarter ended June 30, 2021. The transcript of aforesaid Earnings Conference Call will also be uploaded on the Company's website at <https://www.barbequenation.com>.

This is for your information and records.

Thanking you

Yours faithfully

For Barbeque-Nation Hospitality Limited



Nagamani C Y
Company Secretary and Compliance officer
M. No: A27475

Encl: As above.

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Barbeque-Nation Hospitality Limited

Earnings Conference Call

Q1 FY2022

August 03, 2021

Management:

Kayum Dhanani - Managing Director

Rahul Agrawal - Chief Executive Officer

Amit Betala - Chief Financial Officer

Kushal Budhia - Head of Strategy, IR, Business Development

Moderator:

Ashish Kanodia – Ambit Capital

Moderator: Ladies and gentlemen, good day and welcome to the Barbeque Nation 1QFY2022 Post Results Analyst Conference Call, hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' the '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Kanodia of Ambit Capital. Thank you and over to you, Sir!

Ashish Kanodia: Thank you Aman. Welcome to Barbeque Nation Hospitality 1QFY2022 Earnings conference call. From the management today, we have with us Mr. Kayum Dhanani, Managing Director, Mr. Rahul Agrawal, CEO and Whole-Time Director, Mr. Amit Betala, CFO and Mr. Kushal Budhia, Head of Strategy, Investor Relations & Business Development. We will start the call with opening remarks from the management post which we will open the floor for Q&A. Thank you and over to you, Sir!

Kayum Dhanani: A very good evening ladies and gentlemen. I hope you all are keeping well and staying safe. I take the pleasure in welcoming you to 1QFY2022 conference call of Barbecue Nation. With the gradual opening of the economy and relaxation in restrictions in the latter part of FY2020-2021 we ended 4QFY2021 on a strong note, registering a robust topline growth for the quarter. However, the second wave during the first quarter of the year brought the nation to a complete standstill.

This was an extremely challenging time for all of us and our top priority was safety of our employees and our guests. We conducted large scale vaccination drives and ensured that each of our team members are able to receive the vaccination sponsored by Barbeque Nation. I am proud to announce that 100% of our team across the nation has been vaccinated with at least one dose. We have also ensured safety of our teams and their families through initiatives, such as wellness, doctor tie ups and counseling, thereby safeguarding our team's health.

With a large-scale lockdown during 1Q, dine-in restaurants faced the brunt of the impact. 1QFY2021 was a similar situation where we witnessed the first wave of the pandemic, and the country was under a strict lockdown. Although 1QFY2022 was a relatively similar situation, Barbeque Nation registered a significant growth owing to better preparedness and the diversification into new avenues.

Our resilience in these trying times and focus on adapting to this changing time has held us in good stead. We have transformed from a casual dine-in restaurant

chain during pre-pandemic era to a diversified foods services company, building our digital assets and foraying into delivery space across two cuisines. The pandemic has aided deceleration of the delivery business with more customers ordering in and switching to digital needs. The pandemic has aided the acceleration of the delivery business, with more customers ordering in and switching to digital means. This shift in consumer behaviour will help drive the delivery segment, while the gradual reopening of the restaurants will bring our dine-in business back on track. This diversification has led to significant growth in our delivery business and helped mitigate the loss in revenue of our dine-in business.

Last year, we were focused on diversification and appropriately handling the impact of Covid which led to no net new addition to our network. This year we have restarted our focus on expansion and have added 2 restaurants in Q1FY22. Our delivery business continues to expand, with customers being able to order food on our app and website along with various food aggregators. Our already expansive network of kitchens has allowed our delivery business to scale up rapidly and we look to introduce multiple extension kitchens to further broaden our reach. Our loyalty program, Smiles helps in fortifying our brand recall and customer stickiness.

With this, I will now hand it over to Rahul to take you through the performance of the Company during the quarter. Thank you.

Rahul Agarwal:

Thank you Kayum. Good evening everyone. I hope you and your loved ones are safe and healthy. While the business had recovered well during the second half of the previous year, all of us faced even harsher health crisis during Q1. This led to lockdowns across the country and our dine-in business was closed during much of the quarter. Despite these challenges and on ground situation being similar to last year lockdowns, we were much more prepared to handle the pandemic situation during the second wave and I am glad to share that our teams have delivered a commendable operating performance.

Our operating revenues were Rs.1.02 billion in Q1 FY2022 compared to Rs.98 million in Q1 of the previous year thereby registering almost 9x growth over the previous year. Our dine-in segment grew around 7x versus the previous year and our delivery segment has grown by almost 13x over the previous year. The growth momentum in delivery has accelerated during the second wave. The delivery segment continues to do better and has almost doubled in Q1 FY2022 versus Q4 FY2021 reporting a revenue of Rs. 557 million.

In terms of recovery against the pre-COVID base of FY2020 consolidated revenue from operations in Q1 was 48% of Q1 FY2020 revenues primarily led by the growth

in our delivery business. Our dine-in segment also reported stronger recovery at 22% against merely 3% recovery in Q1 FY2021 during the first wave. We continue to operate under strict supply side restrictions like 50% capacity utilization, restrictions on operational hours, primarily dinner timing and weekend lockdowns etc. As these restrictions are slowly easing and the pace of recovery post the second wave has been much faster in the previous lockdowns.

In the month of July, our consolidated revenues were 86% of corresponding pre-COVID month of FY2020. With increase in revenues from our dine-in segment in July, the momentum from delivery has been maintained and this reinforces our belief that our delivery offering is allowing us to significantly leverage our assets by opening an incremental business opportunity.

Our reported EBITDA loss was Rs.104 million versus a loss of Rs.208 million in Q1 FY2021. With focus on cost optimizations, we have reduced our operating expenses by 33% this quarter compared to the previous quarter. We also continue to remain focused on investment in our digital platforms, covering reservations, delivery, and loyalty. The share of business coming from our own digital platforms was 21.2% as on Q1 FY2022, specifically the share of delivery business from our own app has increased from 3% in Q1 FY2021 to 17% in Q1 FY2022 led by our focus on building and growing all digital assets.

We have also restarted our network expansion and added two new Barbeque Nations restaurant in Q1 and additional 8 Barbeque Nations restaurant under construction and we have a strong pipeline of future projects. With our focus on delivery, we also intend to increase our points of sales to extension kitchens so that we can reach closer to our customers and provide them with enhanced product experience. With this backdrop, we launched four extension kitchens across three cities in July.

As Kayum mentioned, last year we saw Barbeque Nation transform and evolve to the needs of the customers. We are now gradually shifting to being a food services company with diversified offerings. We are constantly evaluating new growth areas and are very optimistic about the structural changes in the business which are playing out as things normalize. We remain committed to all employees and extremely happy and proud that we have successfully vaccinated all our restaurants employees across all locations with at least one dose and will continue to drive this with the second wave as per the prescribed timelines. With this I will now open the floor for the interactive Q&A session. Thank you.

- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Susmit Patodia from Motilal Oswal. Please go ahead.
- Susmit Patodia:** Good evening Rahul and congratulations to you and team. Rahul, my first question is you mentioned in your presentation that operating costs will be 33% lower than Q4 FY2021, so just to clarify that, Q4 FY2021 operating cost that you are referring is 100 Crores, is that the number?
- Rahul Agarwal:** Susmit, the way we have calculated is that we have looked at our reported EBITDA and the reported gross margin and the difference between the two is what was compared between Q4 and Q1 and one other thing that was adjusted is the variable cost of the delivery business which is primarily commissions and packaging cost. If you look at the balance cost, which are largely fixed costs (which again are mostly employees, some of the operating cost and rental cost), and those on absolute basis has come down by 33%.
- Susmit Patodia:** And you think that it will remain lower by 33% for the full year, correct?
- Rahul Agarwal:** No, some of these will increase as we ramp up our dine-in business. We will have to ramp up some of our employee base and also few rental waivers that you could get from Q1 which might just come back, this is I think purely cost optimization during the tough quarter that we had in Q1.
- Susmit Patodia:** Okay, got it and my next question Rahul is on you also mentioned diversified menu option to provide multiple cuisines, so is this something new which is beyond the Barbeque-in-a-Box and Toscano?
- Rahul Agarwal:** Right now, it is only these two, but specifically on both Barbeque-in-a-Box and Toscano, in Barbeque-in-a-Box we have also added couple of more variants to our box offerings specifically, we launched something called overload non-veg box and my Biryani and Kebab box which has done well and on Toscano side specifically on delivery the business has been doing very good, Almost 34% of the business came from delivery in Toscano.
- Susmit Patodia:** Sir, it is not like you are going to add any new cuisine, correct?
- Rahul Agarwal:** No, not currently.
- Susmit Patodia:** Yes, and last question from me, I will get back in the queue. Rahul, how was the economics now settling for delivery because in this quarter it looks like gross

margins are lower, but EBITDA margin may not be very different from the usual run business?

Rahul Agarwal: On the delivery side, contribution margin as compared to dine in is lower because you have two other variable cost variants which is packaging and commissions that you pay to our aggregators. The food cost between delivery and dine in is not significantly different, delivery may be especially higher and that is by design because we currently want to ensure that the product which is being sold is of great value to our guests. I think the gross margin decline that we saw in Q1 versus Q4 of last year, is predominantly because of our reduction in margin from our dine-in business and that is because the dine-in business is not yet operating at an optimal capacity. Utilization of buffets, for example, is not that great. Secondly dine-in is right now happening mostly during weekdays and not during dinners or weekends which are higher realization price points and because of this our gross margins is slightly lower. Coming back to your original question of delivery economics I think with the increase in sales we are now pretty confident that whatever average day revenue we are doing (and that is the reason why we also ventured out on extension kitchens) that at these sales number and these contribution margins and after paying off some additional cost of rentals and electricity and extending these to extension kitchens we should be doing early double digits EBITDA margins which obviously will improve as the sales go up. So that is the way the economics is working out on delivery.

Susmit Patodia: Got it. Just to clarify you are saying, double-digit EBITDA margin on even the standalone extension counters are available, correct?

Rahul Agarwal: Yes.

Susmit Patodia: Thanks Rahul. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Pritesh Cheda from Lucky Investment. Please go ahead.

Pritesh Cheda: Sir, in the new scheme of things with the delivery, what is the throughput per store which we should look at when it is fairly normal business environment and how does that throughput per store change vis-à-vis earlier?

Rahul Agarwal: Lots of noise in the numbers because at times they have only delivery and does not have dine-ins but if I look at only Q1 performance, we had delivered around 56 crores of delivery revenues on a base of approximately 160 outlets, which translates to broadly 12 lakh to 12.5 lakh of monthly numbers which is approximately 1.5 Crores of annual delivery business per store. Now, our dine-in

business pre-pandemic on average used to do approximately 6 Crores of revenue per outlet and now as our deliveries are scaling up which have done well during Q4 last year and has done even better in Q1 this year. But our dine-in business was not fully operational, so I think, we will have to wait for the normalized period, but my belief is that once situation normalizes, I do not see any reason why dine-in will not come back to its original base and delivery as we have maintain is an incremental business for us and was also reimposed in the month of July when despite the fact that our dine-in started to pick up, our deliveries immediately kept going up, so I think overall in a normalized scenario, my belief is that both dine-in and delivery should play well.

Pritesh Cheda: So, we had to something like 7.5 Crores per store at that level what should be the EBITDA margin at the company level P/L?

Rahul Agarwal: Look this is futuristic right now, but if you look at our pre-pandemic EBITDA margins on dine-in business at store level we used to do around 21%-22% and on incremental delivery business, we will do around similar margins. So, overall, store level margins on a percentage number should be same 21%-22% and then our back-end cost which is around 5% to 6%. On a larger base this tends towards 5% then 6%, so eventually these margins should come to around 15%.

Pritesh Cheda: Okay and Sir, I could not understand your kitchens which you are talking about in three cities, so is that we are now incrementally also setting up cloud kitchens in cities, which is what you are hinting at?

Rahul Agarwal: Yes, so the reason for doing this is that if you look at our larger metro markets, cities like Delhi, Mumbai, Bengaluru and these larger metro cities, we are only doing delivery from our Barbeque Nation Kitchen which is less in number in these cities. Mumbai for example has around 15 outlets only and this restricts our ability to serve a larger market in these metro markets where demand is higher. What we are doing is setting up small extension kitchen, which is going closer to the customers so that their customer experience also will be better, and our delivery outreach will go higher. This will always be linked to one mother kitchen. As of now we have four extension kitchens which are launched, we will watch their performance, will see what the challenges on the ground are and then based on that decide it on taking up forward in future.

Pritesh Cheda: These four kitchens have been launched in the four metro cities including Mumbai, is what you have started with?

Rahul Agarwal: Yes. These are in three cities, and one is Mumbai.

- Pritesh Cheda:** What is the capex you will put in these kitchens?
- Rahul Agarwal:** These are broadly one-tenth of what we put in Barbeque Nation outlet overall, around Rs.25 lakhs to Rs.30 lakh per kitchen.
- Pritesh Cheda:** Does this also mean that some of the delivery business from a store gets serviced from these kitchens, so if I am not double counting?
- Rahul Agarwal:** No, I guess this is planned in a manner that it will not cannibalize our existing business from the existing dine-in restaurants, and the idea is to reach a wider set of our target customer.
- Pritesh Cheda:** My last question is you mentioned that we have started with store addition, and you added to in Q1, so incrementally what is our store addition plan, and do we need to revisit any of the existing stores?
- Rahul Agarwal:** We targeted to open 20 outlets this year out of which, we could only open two because Q1 was mostly pandemic period, post that we have a strong pipeline of under construction projects. I guess based on how we convert the balance pipeline of stores, we might revise our target. But as we have always maintained what we look for in site is the market potential and the rental that are coming through and as long as it looks attractive, we will take that.
- Pritesh Cheda:** Just a clarification, you mentioned that earlier format of your business operations was at about 16% EBITDA margin when delivery was not so prevalent and now when you are adding about 1.5 Crores or three-fourth on the existing store, it means that the incremental 1.5 Crores gross profits should flow down to your EBITDA. Is that the assessment correct and what is the differential contribution margin between dine-in and delivery, so when I say contribution, so obviously in delivery we need to then consider the RM cost, commissions under delivery cost whereas in case of dine-in, it takes the store opex cost which is variable and the RM cost, so what is the differential there?
- Rahul Agarwal:** So, our blended gross margin last quarter when we had full dine in operational practically was around 67%, pre-pandemic also we used to do gross margin of around 66%, so on the food cost side, I do not see much difference. The other two, commissions and packaging cost is incrementally added to that but overall, at a blended level we should still maintain 21% store level margins in those restaurants.
- Pritesh Cheda:** Despite 6 Crores throughput going to 7.5?

- Rahul Agarwal:** Yes, because as you have rightly said the contribution margin plus when you are doing delivery and with scaled up delivery business, you will also need to add few more employees so that we get the delivery focus and deliver a product which is up to the for the customer experience.
- Pritesh Cheda:** Thank you very much Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.
- Percy Panthaki:** Just wanted to understand adjusted for Ind-AS accounting, what would be the margins of the international business this quarter?
- Rahul Agarwal:** We have maintained double-digit EBITDA margins in international business this quarter also.
- Percy Panthaki:** Same thing if you can give an idea for Toscano, how much would be rather than margins absolute rupees million loss or something?
- Rahul Agarwal:** The business is small right now. I think we had broadly 1.5 Crores or 1.75 Crores loss at EBITDA level that is also because like our India business large part of their dine-in business was closed and on delivery business, they also grew pretty much in line with what we have done Barbeque Nation.
- Percy Panthaki:** Another question I had was you are opening these extension kitchens which will be for delivery but any thoughts on having a delivery cum dine-in business which is not a proper full 90 minute lunch or dinner kind of occasion but if someone just wants to have a snack may be a plate of Kebabs something like that to open a very small square feet let us say 1,000 square feet kind of place which will have may be 15-20-25 seaters who can just come and have a snacks or QSR kind of take on the Indian cuisine, have you given any thought on some format like that?
- Rahul Agarwal:** We keep looking at various formats and in that manner we evaluated Barbeque-in-a-Box. We keep evaluating few of them but some of them are really early stage to talk to this group. Like last time we mentioned we might look at extension kitchen and we were constantly evaluating the economics and this quarter since we have launched four, which just came up. Yes, we are evaluating something like that but it is still work-in-progress and we do not know when this will come out because it is still not in a format that we can go ahead and launch something.
- Percy Panthaki:** Next question I have is pre-pandemic you had a 6 Crores kind of dine-in sale, now as you open more stores obviously for any retail format, any restaurant format, the

earlier stores will be the cream of the opportunity, which will have a very high sales per store etc., and as you then open newer stores may be you are going a little bit down the ladder in terms of opportunity that is what I think, I do not know you can correct me if my thought process is wrong? So what I am trying to ask is after the COVID situation is fully normal and let us say you add another 50 stores 60 stores over the next two years, so you think that your dine-in component on a sales for store will come back to the 6 Crores level or do you think it will be lower than that but your overall sales per store will still be higher because of the addition of delivery?

Rahul Agarwal: Let us look at dine-in separately first. We have always maintained that the opportunity of more dine-in stores in metro markets are still very large. Places like Delhi, Mumbai or Bengaluru, all these are less than 15 or 20 outlets in these cities, and this can grow further and in a current pipeline between the two that we opened in Q1 and it is under construction, I would say 7 of these are in metro and Tier-I markets, and three are Tier-II, Tier-III markets. Advantage of these larger markets is that your brand is known, and the maturity profile of these outlets are faster, that is one. Secondly, if you look at our growth in number of outlets, just before the pandemic over last three years, you will see that almost 40% of the outlets were less than three years old and those themselves are not matured to a larger extent and then pandemic happened, so that story has not played out. Overall my belief is that if 6 Crores is the average number, I think it should not come down post pandemic and to some extent, I think there is also a push from the industry about growth in dine-in post pandemic that also should help us, so at least post this current situation, I do not see any reason why for at least couple of years we should worry about average coming down on pure dine-in business and then obviously delivery will be incremental for us.

Percy Panthaki: Sure, so what you are saying is that once the disruptions are completely 100% gone then your dine-in will revert to 6 Crores per store kind of a number?

Rahul Agarwal: Yes, it should. I do not see a reason why it should not.

Percy Panthaki: Okay. That is all from me. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Parikshit Shah from Duro Capital. Please go ahead.

Parikshit Shah: Just continuing on the previous question on the dine-in outlets, you mentioned that there is enough potential in metro Tier-I's where in the bulk of a stores are still being constructed and earlier you also spoke about you are going to wait and watch on these extension kitchen before that we built so far, I am just wondering longer term

would that success of the extension kitchen sort of tone down your store addition ambition I am just wondering if in the past you have decided to go down one path rather than of the other or are they always going to be like coexisting like there is always need to be x number of dine-in outlets needed to support for the extension kitchens?

Rahul Agarwal:

So, my belief is that it should coexist because the dine outlets are primarily serving the dine-in and the celebration needs of our guests which is our core brand and very strong brand which attracts good footfalls. So, we will continue to do dine-in and in the particular area if dine-in has a potential we will do that even though we have say an extension kitchen which is within one kilometre radius. So, both are different target markets, if delivery was not there then our dine-in business still had very strong return profiles pre-pandemic. So, we will evaluate a new site based on the potential of the dine-in business and if that can also become an additional point of sales for delivery business that is anyway incremental. And the delivery business is then evaluated on the merit of what is the demand that I am projecting in those particular areas and do we have enough point of sales to service that. So, we are not thinking in terms of, if there is an extension kitchen whether I am going to open dine-in or is it dine-in or open extension kitchen. No. It all depends upon what is the current capacity, are you able to service the guests better and can you extend your radius in that particular trade area and service from one or two extension kitchen rather than just realizing it from your main dine-in business.

Parikshit Shah:

Okay, fair enough and the other question I had, I think in your opening comments you mentioned that delivery from your own app has gone up to 17% versus 3% I think a year ago, if I am not wrong, if I got the numbers right. Just wondering how are you driving this? Is there a pricing differential if one were to order from your own app versus the aggregators, is that more discounting this wondering what you are going to track this but is obviously this will be very critical to the margin profile of the delivery business?

Rahul Agarwal:

Yes, we have gone up from 3% to 17% you got that right though the pricing is not different between the two platforms. The only thing that we do not do, is in our platform is we do not charge delivery fees which some of the aggregators charge but that is small. What we are seeing is that our strategy of dine-in customer earning loyalty points, (Smile points), and redeeming in deliveries is playing pretty well and we are seeing in large number of redemptions on our own platform which will also have Smile redemption. And that is something which is our own core customers and the repeat numbers in our own app is also very strong. Yes, it is mentioned that this is normal for 3% or 17% but we have to still see how this stabilizes because the delivery business is still growing at a really fast pace and the

number that is coming is also driven by industry numbers growing while our numbers, I am assuming is better than industry. But I would wait for some more time to see how this stabilizes and not jump into saying that our own app business has a far superior margin profile. I think the focus right now is to ensure that your guests, your customers like the product and you tap that Indian cuisine market that you already wanted to tap on the delivery side and in that situation even if your margins are couple of percentage points here or there it is okay for the time being. So, that is the broad thought that we have. To give you a thought, I think we are actually happy with the way our guests and our customers have adopted our own app and now we are also thinking about how do we further invest in scaling up our digital capabilities.

- Parikshit Shah:** Okay, fair enough. Thanks a lot, and good luck.
- Moderator:** Thank you. The next question is from the line of Sushmit Patodia from Motilal Oswal. Please go ahead.
- Sushmit Patodia:** Thanks for letting me ask questions again. First question Rahul, any premium properties that you have been able to bag in last few months?
- Rahul Agarwal:** By premium you mean high rental properties that have now emerged?
- Sushmit Patodia:** Yes, let us say BKC or those kinds of premium property?
- Rahul Agarwal:** Yes, we have couple of sites in Bombay which otherwise were not making sense in terms of rentals.
- Sushmit Patodia:** So, you are able to get that?
- Rahul Agarwal:** Yes, they are under construction right now.
- Sushmit Patodia:** The second is could you just tell us how much was cash burn in Q1?
- Rahul Agarwal:** Adjusted for Ind-As we had consolidated cash burn of around Rs.35 Crores.
- Sushmit Patodia:** Just my last question Rahul is one of the things that I embraced earlier as well there is a significant difference in the Zomato ratings of Barbeque Nation delivery and dine-in whenever you have seen in a few restaurants. Any thoughts on that like for example in some restaurants the difference is as much as 3.5 and 4.5. So, can that dilute the brand, have you thought about this?

- Rahul Agarwal:** Certainly yes, we have thought about it. Our dine-in is, I would say, 15-year-old brand and we have maintained that excitement and stabilized at 4.5. On delivery side, I would say, large part of business comes from Barbeque-in-a-Box which is just one year old product, and we are constantly improving on that, and we are also seeing that reflected in our ratings. So, at blended level, our ratings which were approximately, 3.4 six- eight months back is now trending towards 3.8. So, there is gradual improvement happening on that and at the backend also we are constantly working on menu rationalization, some products which do not do well on delivery, some which will be impacting our packaging at times. So, those are constantly happening and the way despite the business increasing by almost 7x – 8x over these eight-nine months, our ratings have only improved that gives me a lot of comfort.
- Sushmit Patodia:** Okay, got it. Thank you. Thanks again.
- Moderator:** Thank you. The next question is from the line of Deepak as an Individual Investor. Please go ahead.
- Deepak:** Good evening Sir, and thanks for the opportunity. My question is around the delivery business. What is the average ticket size of delivery?
- Rahul Agarwal:** You mean average transaction size?
- Deepak:** Yes, right.
- Rahul Agarwal:** Yes, so it is approximately Rs.650.
- Deepak:** My second question is around on partnering with some other apps such as PhonePe or Zomato, if you see in Zomato Burger King is promoting their stores or delivery services, so is there strategic tie up or anything in pipeline?
- Rahul Agarwal:** It is a continuous dialogue and discussions that we keep having with our executive partners and based on their considerations of marketing budgets, their own availability of space in their app, our marketing team keep promoting those offers.
- Deepak:** Okay Sir and my last question is around the cloud kitchen, for cloud kitchen what is the average revenue you are expecting from cloud kitchens?
- Rahul Agarwal:** Deepak, this is very pre-mature. We have just started in the month of July, and I would say if you look at the average sales of each restaurant it is approximately Rs.12 lakh based on the existing kitchen that we are serving from. So, let us see

how it evolves but right now it is early to commit on what numbers we are looking at on extension kitchens.

Deepak: Thank you so much Sir and best wishes.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Thank you. I have a follow up question. After putting up the capex for let us say Rs. 2.5 Crores – Rs.2.7 Crores per store, what is the replacement needs or maintenance needs of the store and if you could give us how is that maintenance needs is being spent out or accounted in the P&L or a balance sheet?

Rahul Agarwal: So, there are regular maintenance like AMC costs and all which gets charged to the P&L and if there are any capex items like replacement of any kitchen equipment or replacement of any A/C equipment which is capital in nature then that gets capitalized in our business and typically we have seen that on an average we have spent almost Rs.5 lakh per outlet per year blended in the company related to capex work.

Pritesh Chheda: And that is accounted in the P&L?

Rahul Agarwal: This is capex related which is balance sheet.

Pritesh Chheda: You might spend Rs.5 Crores?

Rahul Agarwal: In an outlet, we will spend approximately Rs.5 lakhs a year.

Pritesh Chheda: So, on per outlet basis Rs.5 lakh you spend every year and that is capitalized?

Rahul Agarwal: Yes.

Pritesh Chheda: Do we have from this kitchen equipment any major overhauling of the store which comes let us say once in seven– eight years or it is a regular Rs.5 lakh which is sufficient for the life of the store?

Rahul Agarwal: Rs. 5 lakh is sufficient and that is what we have looked at our data based on last five–six years. Also, what happens is it all depends on how much is the utilization of that store. So, our high-performance stores might need some higher maintenance but for the low throughput stores would need lower maintenance. But blended numbers that I am giving is on overall portfolio number based on experience in the past.

- Pritesh Chheda:** This includes the kitchen equipment changes also?
- Rahul Agarwal:** Yes, this is the entire, whether it is furniture or anything which is, so smaller furniture ones are mostly charged off to P&L because they are smaller ticket items, but larger ticket items are capitalized which is capex in nature which is in line with our accounting policy.
- Pritesh Chheda:** At what run rate do you depreciate the Rs.2.7 Crores that you would have invested in a store, and this could include the rental deposit, or it will not include the rental deposit?
- Rahul Agarwal:** This does not include the rental deposit and the depreciation is during the useful life of assets or the defined straight-line method prescribed in the company's act.
- Pritesh Chheda:** Is it fair to assume that this whole investment is depreciated in next five years once you invested in?
- Rahul Agarwal:** No, our useful life is approximately nine years to twelve years. Lease terms are in fact twelve years average.
- Pritesh Chheda:** Okay, and what is the deposit amount roughly for the store?
- Rahul Agarwal:** In terms of between three months to six months, there are different deals, there are different sizes, the maximum is six months and minimum can go as low as one month or two months.
- Pritesh Chheda:** On one store what it will work out to?
- Rahul Agarwal:** Difficult to say because our rentals in metro markets and tier II markets are very different. I think it is better to look at average of the number of months of around three to four months. So, per store basis, just trying to give a number to you is maximum around Rs.20 lakhs.
- Pritesh Chheda:** Basically, your capex is about let us say Rs.3 Crore per store?
- Rahul Agarwal:** We do not look it that way but if you add other things and assume that deposit is not coming back, yes, it is Rs.3 Crores.
- Pritesh Chheda:** Yes, but that is any case invested into, so Rs.3 Crores per store will give a revenue generation of about Rs.7 Crores as of now it looks like Rs.7 Crores – Rs.7.5 Crores. Okay, thank you very much.

Moderator: Thank you. The next question is from the line of Niket Shah from Motilal Oswal. Please go ahead.

Niket Shah: Thanks for the opportunity. Rahul, just two questions first on growth, and may be this is not the right quarter or within delivery if you can just give us some sense of how much is the growth is coming from the existing customers versus new customers?

Rahul Agarwal: Look we also get a large part of business form aggregators where we do not get data, so it is very difficult for me to give a number there. But on our own app business we are seeing repeats almost every three months from our customers.

Niket Shah: So, would be 60% of your revenues in delivery from existing customers or 70%?

Rahul Agarwal: Yes, but which is also growing that repeat rates are very difficult to calculate right now. But what we can do is look at these numbers and maybe come back to you separately.

Niket Shah: The second question was on the delivery part of the business, wherever there is an aggregator, the aggregator does the delivery, or you have the delivery guys on your pay role to do it?

Rahul Agarwal: For their business aggregators do the delivery, we do not fulfill that.

Niket Shah: And for the one which really comes through your app you do it?

Rahul Agarwal: Partially we do partially we also tied up with third party logistic providers.

Niket Shah: Any thoughts on changing the model to something more what Jubilant does, or you would like to keep away?

Rahul Agarwal: So, it will evolve like it has been evolving for the last five six quarters we will see what is the proposed. What is the throughput, whether the delivery boy economics makes sense for Jubilant (it makes sense given their higher volumes). I do not have an answer right now. There is constant working done on various models. We already have few delivery boys so that is ongoing, but that all dependent on how the business scales up and what is the economics of the delivery boy in their own set up.

Niket Shah: Got it, and one more question if I may squeeze in on the rating products which my colleague just asked. So, just wanted to know on the app you rightly said 3.8 but each year staff is different so there are people at 5 and you have people at 1 what

is the major grievance the people who are rating at one have essentially? Is it with the product; is it of the packaging and what is the complaint that they have essentially?

Rahul Agarwal: No, most of the time it is about cold food, we have not seen much comments on packaging, as we have not seen much comment on food but most of the time it is on cold food. And that is when the view is on how you do repackage it in a manner, or how do come closer to the customer so that the overall delivery time reduces, those things we are working on. Also, rating on our own app is upwards of four, as we have different channels on which the demand is serviced. So, I am not worried about ratings, I am only seeing it improving over last two three quarters despite the growth in our overall sales from there.

Niket Shah: Perfect Sir. Thank you so much and I will come back in queue.

Moderator: Thank you. The next question is from the line of Prafulla an individual Investor. Please go ahead.

Prafulla: If you look from a customer perspective, you will end up having so many apps for every time, he wants to order a separate food so eventually lot of people are talking super app and all those things. So, the standalone apps how scalable they are that is my larger question?

Rahul Agarwal: Yes, you can argue that, but our belief is bit different. I think India is a very large market and both dine-in and delivery are very, very underpenetrated, the share of organized market is very small, and we are living this on daily basis and that is why some of these numbers that you see is for real. Our own app downloads are going up. We are currently approximately 3 million downloads on the app. We are adding almost a lakh downloads every month despite the fact the dine-in business is not there. I think it might feel that there wont still be multiple apps but some of the lovers of brand have been doing that constantly and given the repeat that we have between both dine-in delivery and the loyalty program I think it makes sense and provide a good value preposition for the customers. Are we at a level some of the other larger companies or food tech companies are, no, but can we grow at a larger pace than industry I think yes that can happen. So, I am looking at it from that perspective, Sir.

Prafulla: My second question is regarding the fund-raising plans you have, what is the idea behind that?

Rahul Agarwal: Historically, we have not raised a lot of capital to grow this business. If I look at cumulatively 15 years, we have raised approximately Rs.450 Crores out of which

on a net basis paying all the debt that we have, we have cash of around Rs.40 Crores – Rs.50 Crores. So, overall, it is only Rs.400 Crores that we have raised out of which Rs.200 Crores, (if you have known our business in the past) we would have spent on acquisitions and investments like international business and Toscano. So, frankly Barbeque Nations' business is built only on Rs.200 Crores and whatever expansions that we have done in our network is all flowing from the operating cash that we generate on an annual basis or a quarterly basis. During pandemic obviously that has been impacted because of the restrictions of dine-in and that has led to some operating losses in this quarter. We have also done operating losses in the first half of last year, though we recouped a large part of that. So, our idea is, there is no point in stopping the growth and we should have some capital for growth and even though you have couple of quarters of lull in optimal operating performance, our balance sheet should be strong enough to have adequate cash to take care of that and that is the prime idea of raising capital. When we did our IPO, we did it for specific purpose of the repayment of debt and a small portion is also for capex. At that point, we could not have planned for second wave and then second wave came. So, it is better that you have a stronger balance sheet and then we do not compromise on growth opportunities be it in your core dine-in business or be it on a delivery business.

Prafulla: Okay, thanks Rahul.

Moderator: Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.

Manish Poddar: Rahul, thanks for taking my call. So, few questions, first is if you could probably help me understand what percent of the network is now open?

Rahul Agarwal: We have approximately 70% of our outlets operational, but when I say 70% some of these are not operating beyond 4:00 PM, some not operating beyond 9:00 PM, some are closed on Sundays. There is no consistent rule across the country, and we are present over 80 cities and the rules change by districts also.

Manish Poddar: So, how have you taken this revenue when you say recovery is 61% in July how do you tabulate that?

Rahul Agarwal: When we say 61%, we have taken the consolidated revenue of the company, sorry 61% now it is 86% in July, right

Manish Poddar: But I am looking here only dine-in let us say dine-in?

- Rahul Agarwal:** Dine-in, so we have taken dine-in revenues of July 2019 which is FY2020 and compared this with Rs.42 Crores that we did in dine-in in July 2021. So that is how we have done.
- Manish Poddar:** So, that means full day versus 4:00 PM with the same 70% outlet open?
- Rahul Agarwal:** Yes, so dine-in number in the July 2019 was 421 divided by 0.61 which is Rs.69 Crores which is at full operations.
- Manish Poddar:** So, let us say the store will open full day your revenue run rate would have reached where you were before, that is a fair understanding?
- Rahul Agarwal:** Yes, we should be doing that.
- Manish Poddar:** Okay, two three more questions if I can, first is on the rental negotiation have you all done anything on the rental negotiation part that is for the full year?
- Rahul Agarwal:** So, we are in constant touch. We have got some waivers for quarter one and we are also discussing them for subsequent quarters. It is again very specific, based on what are the lockdown rules, what sort of capacity we are operating at. So, those discussions are going, and we are getting some rental waivers from our partners.
- Manish Poddar:** So, any broad number let us say at company level, is there a number let us say 5% - 10%?
- Rahul Agarwal:** I guess early to say that. We are still in the midst of some negotiations with partners so it would not be appropriate to give a number right now.
- Manish Poddar:** Two more questions, first is on pricing action have you all taken any menu prices increase?
- Rahul Agarwal:** Very marginal, couple of percentage points in both dine-in and delivery.
- Manish Poddar:** One last question, internally do you look at let us say this matrix on square feet or you look it at everything on store level only?
- Rahul Agarwal:** We look at it on store level. We do not look at it at square feet level. Our philosophy on rentals is just when you are going inside you do not overpay and try and come up with the numbers which works both for the landlord and for the business. That has been our philosophy right from the beginning.

- Manish Poddar:** Got it. Great. Thank you.
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Thanks for the opportunity. I had just one question, how large is the A La Carte BBQ brand and how easy or how difficult is it to scale given that you can do much more in products launches can be far quicker and better in that brand?
- Rahul Agarwal:** So, of our total business from delivery around 70% comes from Barbeque-in-a-Box and the balance comes from UBQ A La Carte.
- Prakash Kapadia:** That is around 30%?
- Rahul Agarwal:** 30% yes. So, almost Rs.6 Crores per month on the current numbers, right.
- Prakash Kapadia:** Okay, and from a scale perspective, is the focus to grow that in position toward mid markets, what is the positioning and how easy or difficult to scale for them, after a BBQ box, people will not maybe try and repeat it in a certain point of time that cross selling happening on the approximately, is there a focus to scale that or lot of focus in the area it would come?
- Rahul Agarwal:** So, there are two things here, one along with your Barbeque-in-a-Box you also get some A La Carte orders, that is one. Secondly, A La Carte orders also come in at a single meal price point perspective. So, a Barbeque-in-a-Box is pretty much good enough for two people and that is the feedback that we are getting from the customers and when there is single A La Carte consumer that is when he prefers UBQ offering and for our signature dish, like your kaju spiced potatoes or American corns, so they do very well on A La Carte business. So, I think the positioning is more about one specific item that I want to have in the Indian cuisine segment be it a Kebab or be it a starter I would order from that but otherwise if I am ordering for a group of people then I largely go for this Barbeque-in-a-Box with an additional A La Carte offering from UBQ.
- Prakash Kapadia:** Okay, and is the A La Carte towards metro or not necessarily?
- Rahul Agarwal:** No, not necessarily it is pretty much similar profile.
- Prakash Kapadia:** Okay fine. Thanks.
- Moderator:** Thank you. The next question is from the line of Vishal Punmiya from Nirmal Bang. Please go ahead.

- Vishal Punmiya:** Thank you for the opportunity. I have a very small question in terms of understanding the product little better. The question is related to the kind of menu items we have. Are those menu items made entirely from scratch or do we also have arrangements with companies in terms of getting ready to cook or readymade gravies, sauces etc., and if not can we basically in the future try to have such arrangements which basically help in management of inventory in a much better way. Are we open to that as a company going forward?
- Rahul Agarwal:** We have been driving standardization of our inputs, raw materials over last two years and the large part of portfolio has already moved towards that standardized portfolio wherein even you get the base gravies and base mayonnaise all done and they are finished at the outlets and very small percentage of those are still under R&D stage. So, to answer your question we are moving to that direction anyway.
- Vishal Punmiya:** For example even Jubilant has a product which is basically Chinese sauces or even North Indian gravies, are those also a part of your portfolio? Are there some other players who you would be venturing with?
- Rahul Agarwal:** We evaluate all options available in the market and based on the pricing, quality, our need, if you must supply you can supply and we can take the best one which is possible.
- Vishal Punmiya:** Got it. Thank you. That is all from my side.
- Moderator:** Thank you. Ladies and gentlemen that would be the last question for today. On behalf of Ambit Capital that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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