



Barbeque-Nation Hospitality Limited

Earnings Conference Call **Q3 FY2022**

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Management:

Kayum Dhanani - Managing Director

Rahul Agrawal - Chief Executive Officer

Amit Betala - Chief Financial Officer

Moderator:

Ashish Kanodia – Ambit Capital

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Barbeque Nation, 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Kanodia from Ambit Capital. Thank you and over to you, Sir!

Ashish Kanodia: Thank you. Good evening, everyone. Thank you for joining us for the Q3 FY22 Earnings Conference Call of Barbeque Nation. From the company, we have Mr. Kayum Dhanani, Managing Director, Mr. Rahul Agrawal, CEO and Whole Time Director and Mr. Amit Betala, Chief Financial Officer. We will start the conference with the opening remarks from the management, post which we will open the floor for question and answers. Thank you and over to you, sir.

Kayum Dhanani: A very good evening, ladies and gentlemen. I take the pleasure in welcoming you to Q3 FY22 Conference Call of Barbeque Nation. Post the onset of COVID-19, Q3 was particularly the first quarter with minimum dine-in operating restrictions. I am happy and proud to announce that in this quarter, our company has delivered highest ever quarterly sales of Rs.287 Crores and highest quarterly EBITDA of Rs.70 Crores. Our dine-in segment sales have crossed the sales during the pre COVID period of Q3 FY20. Our delivery segment has also continued to deliver strong Y-o-Y growth. Our network expansion plan is on track. We have added seven restaurants in Q3 and another three restaurants in January 2022. We also have a strong under-construction pipeline of 13 restaurants. We are confident of achieving our target of opening 20 new stores in FY22. We will also strive to close FY22 with 188 restaurants against our previous target of 184 restaurants. We also added four new extension kitchens taking overall extension kitchens count to 12 at the end of the quarter. While we started Q3 with significantly relaxed operating restrictions towards the fag end of the quarter most of the markets saw restrictions of operating capacity, weekend curfews and night curfews. The impact has continued in the month of January, which ranged from restrictions like complete dine-in shutdown in Delhi, weekend curfews in Bengaluru and night curfews with seating capacity restrictions in most places. While this will impact our performance in Q4 FY22, we have already witnessed relaxation of some of the restrictions and are hopeful of a stronger recovery during the rest of the quarter. With this, I will now hand it over to Rahul to take you through the performance of the business and the company during the quarter. Thank you.

Rahul Agrawal: Thank you Kayum. Good evening, everyone. I hope you and your loved ones are safe and healthy. While COVID-19 related risks are not behind us, we are experiencing

diminishing economic impact during subsequent waves. As mentioned by Kayum, since the onset of COVID-19, Q3 FY22 saw minimum dine-in operating restrictions. We are happy and proud to deliver the record quarterly sales and profits at Barbeque Nation. Our operating revenues were Rs.287 Crores in Q3 FY22 compared to Rs.195 Crores in Q3 FY21 thereby registering a strong growth of 47% over the previous years. The operating revenues in Q3 FY22 were 23% higher than the revenues in pre COVID comparable period of Q3 FY20. We saw strong recovery in our dine-in business surpassing the levels of Q3 FY20. Our dine-in business grew at 44% versus the previous years. In Q3 FY22, the dine-in revenues were 108% of the dine-in revenues in pre COVID comparable period of Q3 FY20. With dine-in operating revenues at ~Rs.240 Crores, Q3 FY22 has recorded highest quarterly dine-in sales for us since inception. In addition to a strong performance in our dine-in business, our delivery business has grown at 64% versus the previous year. Despite the strong recovery in the dine-in segment, our delivery business maintained the momentum and is generating incremental revenues of 15% to 20% over the pre COVID revenues. We have strengthened our effort towards store expansion and opened seven new restaurants in Q3 and another three restaurants in January 2022. Our current restaurant network stands at 177 with another 13 restaurants under construction and an equally strong pipeline of work in progress stores. 90% of our store networks had both dine-in and delivery operational for the full quarter. In these restaurants, we have achieved average quarterly sales of around ~Rs.1.75 Crores per restaurant and delivered a strong restaurant operating-margins of 21.5%. Our reported EBITDA was Rs.70.2 Crores in Q3 FY22 versus ~Rs.50 Crores in Q3 FY21. Without the impact of Ind-As116 in Q3 FY22, the EBITDA was approximately Rs.44 Crores and PAT was Rs.18.3 Crores with an EBITDA margin of 15.4% and PAT margin of 6.4%. With this, we will now open the floor for interactive Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: Thanks for the opportunity. There are a couple of questions from my end. What trends are we seeing on raw material cost, freight cost and how are we managing it in the current scenario? Have there been price hikes? If you could give some sense on pricing changes done on a year to date basis? Secondly on delivery sales, we have plans to double it next year, so what kind of SKUs and price points are going to drive this and directionally from this 15% to 16% of sales, will we expect like a 25% contribution in two to three years? And also delivery sales, if you could comment on average billing size, changes if any over the last three to four quarters. That will be helpful. Thanks.

Rahul Agrawal: Thank you. So on the raw material side yes, we are seeing unprecedented inflation. Especially on the meat prices things like prawn and mutton, we are seeing inflation that

we have not seen in the past and like many other businesses we have also taken some price hike. In this quarter versus the previous year same quarter, we have taken approximately 5% to 6% price hike on a portfolio level. We have also corrected the price based on what the market feedback, but on a portfolio level we will see 5% to 6% price hike. So that is on the raw material side. On the delivery side, we have said in the last year FY21 that FY22, we will strive to grow our business by 2x and we have already achieved that target in the first nine months of this financial year. What we expect is that we close this year at almost Rs.200 Crores of delivery sales, which if you look at the pre COVID period it was around Rs.28 Crores to Rs.29 Crores. So we are very happy to see the incremental business from delivery during the post COVID scenario. Going forward, I think every year doubling from this, is not possible and we do not plan to do that but my expectation is we should deliver 20% -25% growth on the delivery portfolio now and way to look at this is that, we are very happy about our delivery business despite the way our dine-in business has recovered, our delivery business has pretty much maintained that momentum and now my expectation is this business would range between 15% to 20% of the overall top line. Also, the business is very young. We practically started during COVID time and we are in the second year of this business and the way we are seeing the response from customers, the changes that we are making on the products, menu, and pricing, we are very happy that it is going in the right direction. In terms of other parameters, our delivery business is largely driven by box sales, which is BBQ in a box, a high APC product which is 1.8x to 2x of the industry and that helps us to give that superior edge on the delivery side. It is a business which work is in progress and we want to build it for long term with a view that with the acceptance of consumers for the product should be very high. The focus is more on product and sales and even though the short term profitability may be lower, the sales uptake will be focus right now.

Prakash Kapadia: On the BBQ in a box, has there been increase in prices as compared to last quarter?

Rahul Agrawal: No, we have not increased the prices of 'BBQ-in-a-Box'.

Prakash Kapadia: So, on individual items or single menu items on the delivery?

Rahul Agrawal: It is very practical and we do not have standard pricing Pan India. It all depends on order demands in some cases, the percentage of discounting, so various factors, menu mix, what sells more in which outlet, so we are very, very dynamic about that.

Prakash Kapadia: That is very helpful. Thanks a lot.

Moderator: Thank you. The next question is from the line of Ashish Kanodia from Ambit Capital. Please go ahead.

Ashish Kanodia: Sir, on the delivery business while we understand that due to dine-in recovery there will be some decline in delivery but within the quarter have you seen the delivery revenue momentum kind of decline on a month-on-month basis or do you believe the current run-rate to be more sustainable?

Rahul Agrawal: No. We have not seen that so if you look at our monthly delivery business, the first four months which was also the period of strict dine in lock down and in general continuous lockdown, our delivery business has spiked significantly and post the first four months the business has been pretty stable. In-fact towards the end of last quarter, we also started to see some spike in that business. So, I think what we have achieved in our delivery business is very stable number now in addition to the recovery in the dine-in segment.

Ashish Kanodia: Sure. Secondly in terms of gross margin, you talked about price hike, so when we look at gross margin improvement both Y-o-Y and sequentially, was it also partially driven through in? And secondly as we enter into Q4 your raw material inflation seems to be driven at a higher level, so do you see any risk to gross margin or do you believe the price hikes, which have been taken is adequate enough to mitigate the risk of raw material inflation?

Rahul Agrawal: I do not think we need to take any more price hike in our business now. I think whatever inflation or pricing we need to take, we have taken and this obviously comes with a caveat that there should not be any more significant hikes in raw material. In fact, in some cases, we are also seeing some marginal dip. Some of the global supply chain things that we import from outside have started to marginally ease up and we are also building up our inventories for that, so I do not expect price hike. Regarding your question on delivery versus dine-in mix and because of that gross margining is improving. I think the mix between last year versus this year, has been pretty much stable. So that has not impacted our gross margin, but what has happened is that as the delivery business is maturing we are also becoming more efficient in our food cost in delivery business so to that extent the delivery business in Q3 last year versus Q3 now, there is a reduction in the food cost, so that has impacted positively for us.

Ashish Kanodia: Sure and just last a book keeping question before I go in the queue? What was the operating cash flows which we have generated during the quarter and I assume that there is no debt on the balance sheet, so is that understanding correct? And also if you can share, what is the net cash balance at the end of Q3?

Rahul Agrawal: So operating cash is around Rs.45 Crores for the quarter. Our cash balance is approximately Rs.115 Crores and we have some debt. We did not retire the entire debt. We have around Rs.20 Crores to Rs.23 Crores of working capital debt, so net cash would be approximately Rs.90 Crores to Rs.95 Crores.

- Ashish Kanodia:** Sure, that is very helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Pratik Poddar from Nippon India Mutual Fund. Please go ahead.
- Pratik Poddar:** I was just curious. You have added extension kitchens this quarter and then you made a comment that you are not seeing month on month decline in sales of delivery but on a per extension counter you would have it? Is that a fair understanding?
- Rahul Agrawal:** Yes, if you add extension kitchen to the overall count then you will see marginal, but overall extension kitchen that we had on average in the entire quarter was 10 out of total restaurant count of say 170. To that extent, it is 4% to 5% decline on a per average basis.
- Pratik Poddar:** Quickly just wanted to check this delivery business in the last six to nine months, would want to gain some insight? Can you just talk about what is the occasion, why does a person order BBQ in a box?
- Rahul Agrawal:** It is again a group eating product, so if there is a family of four, one barbeque box product is good for them and that drives the weekday demand. In case of some office get together, we are seeing boxes orders in the range of between two to five. On weekends if there is any get together then again people are ordering between two to three boxes and it is working very well for house parties. In fact, towards the end of the quarter, during the New Year season and even last week was extremely good in terms of box orders. That is what is driving the box demand.
- Pratik Poddar:** The demand is still celebration, right?
- Rahul Agrawal:** Yes. The box is still celebration. À la carte is typically individual consumption.
- Pratik Poddar:** Got it and just also wanted to check if you can give a split between box and a la carte. Is it possible or you would not like to mention?
- Rahul Agrawal:** We would not like to give that.
- Pratik Poddar:** Got it. Thanks. I will come back in the question queue.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.
- Manish Poddar:** Just wanted to get your thoughts now? Let us say for store opening, how are you seeing the environment, anything on the rentals? Do you want to press the pedal and probably increase the store count addition for the next year, given how the core was in for this?

Rahul Agrawal: Yes, actually we have already done that. If you look at our store counts we have added two in Q1 and two in Q2 and then now in seven Q3 and in this quarter January we have already added three. February we are expecting to add around four. March again around four to five, so on a quarterly basis this quarter I think we should do around 10 to 12 and some may slip to 1st April but pipeline is very strong and so we are seeing that. Our timeline from a site coming inside the system to commercial launch is pretty long, around four to five months. After Q2, when the COVID related things went out, we have been building up very strongly and in the commercial space, the kind of sites that we look at is not prime real estate, prime high street, high rental sides, we are seeing good attraction and I think the market rentals that we are getting is justified and to that extent we are also speeding up our store opening.

Manish Poddar: Just one more. The terms which we now get for delivery, how that stack up with larger QSR players? How it will be similar?

Rahul Agrawal: It is difficult to say. I am not privy to the exact terms of that but I would tend to believe that they are similar.

Manish Poddar: But in terms of both variables, the data and let us say the take rate?

Rahul Agrawal: No. I will not be able to comment on that.

Manish Poddar: Fair enough. Thank you so much.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Good evening, Rahul and congrats on excellent number. I just have two or three questions. On the margin side this quarter you have done a 15.4 and this is in spite of the fact that in the early part of the quarter was still a bit half in terms of the way the opening happened. I just wanted to get your sense, in a quarter where you are not full throttle and you still achieve such margins, does that provide you greater visibility into fiscal year FY23, which will probably be, given the current situation, a normal quarter? Is that something that we build, like a 15% plus kind of a number for FY23 or do you think there are headwinds to that given the mix on delivery or inflation?

Rahul Agrawal: I think we should be able to do that and I am more positive now than I was earlier. If you look at a broad component, I think on gross margin I am not so worried. There are measures being taken to work on your food cost and that will tend to give results. On the employee cost we are pretty sorted and we have also seen good results. Whatever work have done over the last one and a half years during the COVID times, it has shown results in this quarter and other costs are pretty much also in check. In fact, what I am

slightly optimistic about and mostly time will tell that, is the further improvement in our dine-in business. If you look at this quarter also, towards the fag end of December, we stated to see some restriction coming and that also matched with the celebrations. So most of the restaurant industry do a good amount of business during the last week of the year and that helps and that we started to see slightly declining, both on the customer sentiment perspective which is they didn't go out and also from some restrictions started coming in, in places like Mumbai, Delhi and our key markets. To that extent I think there is some upside, hopefully should come in our dine in results and also during the quarter, while there was some thoughts of corporate coming back, when the Omicron wave starting hitting the world, most of the large corporates again retracted back from opening up. So, once corporate comes back, there should also be an upside on the top line and a mix of those two should help us to meet that 15% plus EBITDA margin bench mark.

Harit Kapoor:

That is great to hear. The second question is on Toscano, so I missed the first five minutes so I am not sure if you have answered this already but the investment of Rs. 17 odd crores, is that a signal that you are going to go a bit quicker in terms of expansions there? Secondly the implied valuation of that investment is higher than probably what is in your book currently for the company, so does that mean that you need to kind of up or revise that number? Is there an accounting impact of that that we expect going forward?

Rahul Agrawal:

So, one the investment is done at a post money value of around Rs. 88 Crores, so I think what is confusing is the fact that our shareholding moved up from around 61 to 68 by putting in Rs.17 Crores but there is also dilution. We are only doing primary investment here, so the 61 also resulted to a lower number so that is why the valuation is not higher than what we did in the first round. It's in fact is slightly lower than what we did in the first round. We have a firm hand in this business and we are also wanting to consolidate our position in this and invest for the growth. Before this quarter we had around 10 restaurants in Toscano. We added one in this quarter and we have two more under construction and over the next two years we are expecting to take this from say 13 outlets to between 20 to 25. Again it is opening up markets, we have opened up apart from Bengaluru, Chennai, and Pune, we want to also do inroads into Mumbai hopefully in the next financial year, so to that extent yes we want to accelerate our position in Toscano.

Harit Kapoor:

Sir just a last follow-up on that? Would it be to fair to say that you are probably more confident that you are about Toscano even when this business was brought into Barbeque Nation a few years back. So the confidence level has only gone up given the way the outlets have performed in the existing cities.

Rahul Agrawal:

We are confident Harit and it is just about timing because Toscano was a very concentrated business in Bengaluru and because of restrictions and it is smaller P&L as compared to Barbeque Nation. So, COVID would impact a smaller P&L larger more than

what it could hit say Barbeque Nation which had raised capital and protected itself. To that extent I think we were very cautious and once business has performed pretty well over the last three to four quarters and it is also about opportunities. Toscano is a business which opens in more prime real estate than Barbeque Nation centers. You will find Toscano in Bengaluru in a mall, so there unless the rental makes sense we will not do that and in some of the cases we believe that now rentals are making sense so we are going ahead with those sites.

Harit Kapoor:

Great. That is it from me and wish you all the best. Thanks.

Moderator:

Thank you. The next question is from the line of Pratik Poddar from Nippon India Mutual Fund. Please go ahead.

Pratik Poddar:

Rahul just one question? Where do you see the gap between restaurant operating margin and company margins coming down a bit? Can you throw some light on over here?

Rahul Agrawal:

We are already down to around 5.3% in this quarter. I think somewhere 5% is pretty achievable and we will try to achieve that in any of the quarters in the next financial year but below 5% we will have to see because at the same time we also keep investing in our backend. So I will not give guidance lower than 5% currently unless our topline goes up significantly more than that.

Pratik Poddar:

Perfect. Thanks.

Rahul Agrawal:

But we have always done. If I remember last year we were at 6% and now we are already 5.3% so some advantage we are already seeing in our business.

Pratik Poddar:

I was just saying your restaurant operating margins will also go up because for this quarter is not a normalized one because some of your stores were not fully operational like which you have highlighted in your presentation? They were partly operational so to that extent I understand that you are trying to say. Thank you.

Rahul Agrawal:

Also the maturity profile of new stores. That is also something that should kick in.

Harit Kapoor:

Thanks.

Moderator:

Thank you. The next question is from the line of Dhruv Dhairya from Motilal Oswal AMC. Please go ahead.

Dhruv Dhairya:

Thank you for the opportunity. Sir first question is regarding employee expenses, if you can just elaborate what are the initiatives you have taken to variabilize this cost?

- Rahul Agrawal:** So a few things here. One, if you remember we have already spoken that during COVID times we have tried to reduce the number of manpower in outlet by approximately 10%, more with respect to work, role, responsibility and study. So that has attributed to lower mandate growth versus the top line growth. So that has reduced the percentage number on manpower. Also, the mix of manpower. In our outlets we have the entry level staff and goes up to the business manager, which is the head, so there are five levels in that and we have tried to work on the appropriate mix and also fixed up outlets where the mix was not in the correct picture, so more of tactical efforts going. We have not tried to keep them off roll. We are a very experienced driven brand so just moving them off roll and keeping them as variable pay does not work for us. As of now, while we are still evaluating some of these studies but what has lead to effort is more of the tightly controlled and operating matrix measurement rather than moving them off rolls and making them totally variable.
- Dhruv Dhairya:** Thank you and just one book keeping question? Sir do these lease concessions which are included in the other income, do we expect them to go down going ahead, considering that now the COVID situation has somewhat normalized or do you still have these negotiations going on with your land lords?
- Rahul Agrawal:** No it has significantly went down, so if you look at this quarter we only have around 45 million as operating income out of which some part is also interest income that has come from our FDs. Waivers have really come down in Q3 given stabilization and the results that you are seeing now is pretty much normalized results, so obviously Q4 is impacted again. In the month of January, we had shut downs as Kayum mentioned some complete shut downs in Delhi to weekends in Bengaluru and night curfews in other markets. To that extent we are in discussions with our partners to see if we can make it bearable to the extent of the time that we lost the business but going forward I am not expecting this to significantly add to our other income.
- Dhruv Dhairya:** Last one question. If you can share what is your rental agreement like? Is it fully fixed or to what extent is it variablized?
- Rahul Agrawal:** This is very flexible. We have fully fixed contracts as well as we have very few contracts which are also fully variable cost and some contracts have both minimum guarantee and some revenue share but large part of our portfolio will be fixed rental models.
- Dhruv Dhairya:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Ashish Kanodia from Ambit Capital. Please go ahead.

Ashish Kanodia: Just two questions. One is you talked about your store aspirations for Toscano, in terms of Barbeque, what is the number of stores which you are looking to open next year and second in terms of extension kitchen, I understand it might still be at a very nascent but is there a pipeline or a thought process that the number of extension kitchen which we want to open in the next two years?

Rahul Agrawal: Overall in terms of total restaurant count, we want to add between 35 to 40 stores every year over the period of next three years and try and take the count to around 300 by FY25. So that is on an overall count and the mix between Toscano and Barbeque Nation would be very opportunistic driven decision if we get good size in Toscano we will not shy away from doing say two to three sites in a quarter also. If we do not get good site then we will not do any, not even single site in the quarter. On the extension kitchen we already have around 12 now. Another four sites we plan to add in this quarter and then want to see, this very young, not even more than seven to eight months. I need to comment on that but after looking at a portfolio of say 15 to 16 and analyzing it looking at a few cuts then we will try and see how we want to take it ahead.

Ashish Kanodia: Sure and this 35 to 40 stores, the road map which you gave does it also include any store expansion in international market or do you believe that there is no plan to open the stores in the international market?

Rahul Agrawal: I think it will include. We are very happy with our performance in the international market. In fact Q3 we have done more than 20% EBITDA margin at corporate level in the international market and on a top line basis also. On the same stores basis they have delivered an upwards of 35% so now it is generating adequate cash and we are accumulating that in that market and we would try to invest that there, but in terms of proportion, out of say 35 to 40 we will not do more than may be 1 or 2 in international market. It will not be that. It will be less than I would say 5% of expansion in that market.

Ashish Kanodia: Just on the international market, we did not have a great history when we were expanding. So want to get a bit deeper into that, first what is the thought process in terms of incremental cash deployment? So when you think about opening one or two stores will it be only restricted from the point with your existing store in the international market or if there is an opportunity may be in terms of good sites and if there is a need you would invest in those international markets from India as well?

Rahul Agrawal: Yes we had a bad experience with international market, almost two and a half years back and like we have always said we have worked towards improving our performance and we have now consistently delivered more than double digit EBITDA margins over the last five to six quarters. I think our business in international market is very positive and

we have been very disciplined despite the performance to not pick up any site there. There is definitely a very selective opportunity that will come and the payback period are pretty similar to what we see in India. So the decision making lens is only from the fact that the payback period is justified and is it similar to what you see in India and if the answer is yes you want to go back so that is one part of the international study. The second part is also over a period of time and if your bandwidth permits you will see how do you expand your international markets into a low cost model or franchise model or any other model. Today, I think our hands are full with expansion in India but selectively we would also add one or two in that market. Will it become more than double digit percentage of our total business, I do not see that happening in the near future.

Ashish Kanodia:

Sure and the last bit on both the employee cost and other expenses, you talked about that the reduction I think 10% in terms of head count but now when I look at the monthly run rate of both employee cost as well as your other expenses. So employee cost this quarter was close to Rs.56 Crores? A quarter before that it was around Rs.46 Crores and when we look at FY20 full year numbers the total employee cost was around Rs.200 Crores? When you look at the overall store expansion, I think the overall store has gone up by may be around 5% to 6% so was there any one off both in employee cost and other expenses because other expenses this quarter is Rs.67 Crores? The previous quarter it was around Rs.57 Crores and when you look at the full year number for FY20 it was around Rs.190 odd Crores. So is there any one off which we are missing out?

Rahul Agrawal:

You have thrown a lot of numbers at me, but there is no one off numbers. On the employee cost the head count is pretty much in line with our expansion. What has happened is, as the business has also grown we might have added may be few more employees in some of these stores. Also, we had opened 14 restaurants this year and 13 under construction right, so typically manpower comes anywhere between 30 to 45 days before the store launch so we also get the adequate amount of training, so some of the other section manpower is also added so it is not just fair to just add the number of stores which are operational. Also, in our employee cost we pay approximately 4% service charge to our employees so that they feel part of the good story of the company and as the sales grows some number grows over there. So despite that you will see that as a percentage number, it is lower. Just to answer there is no one off employee cost or a occupancy cost numbers that we are seeing here.

Ashish Kanodia:

Sure and just last bit again on the store economic side? Now you have a base of couple of stores who have been delivering for the one and a half years now, so when you look some of the stores who have been delivering for the last one and a half years and then we have increased those stores in terms of dine in level which are already back to 100% of pre COVID levels. When you look at some of those stores, how is the EBITDA margin moving versus pre COVID level? I am just trying to understand because when I look at

the stores which are fully operational, you talked about I think doing 0.5% EBITDA margin right, so just from a stores perspective for the stores which are already matured enough and have a good track record of delivery, are the margins back to pre COVID levels? Are they better than pre COVID levels or what it is?

Rahul Agrawal: Back to pre COVID levels. If you look at a blended margins on a standalone India basis, we are pretty much similar. It is around 21% to 22% and that is what we have done on currently fully operational stores, so the margins are pretty much back to the quarter when we had full operations right. There might be some pressure in margins in Q4 because of the impact of omicron - third wave in January right but yes the margins are pretty much back in this quarter. In fact, if you look at the vintage analysis, pretty much all the vintage numbers are also on track. The only caveat there is, few of the older stores which are based in IT park hub areas, they are not back to the same level.

Ashish Kanodia: Got it. That is very helpful Rahul. Thank you so much.

Moderator: Thank you. The next question is from the line of Kapil Agrawal from Itus Capital. Please go ahead.

Kapil Agrawal: I have only question so when I look at the advertising as a percentage of sales, Barbeque Nation spends relatively less despite having smaller topline than established players, so what is the thought process behind this move and if you are looking to scale to new locations and penetrate more into the population, does it not serve as a competitive disadvantage? Could you give some clarity on this please?

Rahul Agrawal: Thank you Kapil. The Barbeque Nation brand has always relied on word of mouth advertising rather than ATL or BTL marketing. Over the last 15 years if you look at our data, we have not spent more than say 1% or 1.5% point of top line on this. We believe in investing back in our consumers and our guests, we believe in giving them a great experience at the outlet and invest your money in that and we believe that once our guests are happy they will go back and talk about it and the business will actually happen and we have a very good matrix called guest satisfaction index which we were able to call back guests everyday and take their feedback and I am happy to say that Q3 our guests satisfaction index numbers were the best in the post COVID environment, so consciously we do not want to and we do not need to also invest in adverting. Having said that as the P&L is now growing larger obviously some of the benefits of now advertising can help us and that would help us more on low demand days which is weekdays say Monday or Tuesdays or Thursdays and very tactically we are spending money on that and we do not need to I think do more than that as of now.

Kapil Agrawal: Understood. Thank you.

- Moderator:** Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal AMC. Please go ahead.
- Susmit Patodia:** Congratulations on a great set of numbers. Rahul the full data that you have given on average quarterly revenue for outlet at Rs.1.7 Crores, is this what you would expect to be the full quarter or you think there is some seasonality, so should we think about a full off restaurant of barbeque generating Rs.7 Crores of sales per year?
- Rahul Agrawal:** Yes, it should and typically in Q3, we have seasonality, but in this quarter we have lost a few prime days
- Susmit Patodia:** We have lost a few days also, right?
- Rahul Agrawal:** Yes, that is why I am saying in this quarter we had lost few prime days towards the fag end of December and also this quarter we have not seen the corporates coming back the way it used to happen pre COVID. So with both the impact, I think I will tend to believe that the seasonal impact is not there in Q3 which we typically see in a pre COVID environment.
- Susmit Patodia:** Got it, so when I think about FY25 while you said 300 restaurants so the potential of those 300 restaurants could be Rs.2000 Crores to Rs.2100 Crores of sales because this includes delivery right?
- Rahul Agrawal:** This includes delivery, yes.
- Susmit Patodia:** Somebody had asked this question earlier, the gap between restaurant margin and corporate margin, will that fall at a similar pace of 50 to 60 basis points of every additional let us say Rs.100 Crores of revenue?
- Rahul Agrawal:** No, I think Rs.50 Crores to Rs.60 Crores will be a bit more optimistic. I think as we grow larger, there may be some other management calls that might come in so I would model not less than I would say 5% and that is a very comfortable number and while we obviously strive to bring it down to around 4.5% but as of now, I think 5% is a decent number.
- Susmit Patodia:** Last question what is the net cash position now versus at the end of nine months?
- Rahul Agrawal:** So, we have cash of around Rs.115 odd Crores and we have some debt of around Rs.20 Crores to Rs.23 odd Crores, so net cash would be around Rs.91 Crores to Rs.92 Crores.
- Susmit Patodia:** This is after the Red Apple, the Toscano stake increase?

- Rahul Agrawal:** No, Toscano stake increase will happen this quarter.
- Susmit Patodia:** This quarter so I need to deduct about Rs.12 Crores from there?
- Rahul Agrawal:** Yes, but that money also is going for expansion and it will be part of subsidiary.
- Susmit Patodia:** Fair enough. Great. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Sameer Gupta from IIFL. Please go ahead.
- Sameer Gupta:** Thanks for taking my question. I just joined a little late so apologies if this is asked before, so dine-in recovery at 108% level, can I also know what it would be at a per store level, so basically just dividing the number of stores in the base?
- Rahul Agrawal:** At per store level, we are at par with what we did in the same quarter of FY2020.
- Sameer Gupta:** There is no growth?
- Rahul Agrawal:** Yes, when I say par, yes.
- Sameer Gupta:** Thanks. That is it from me.
- Moderator:** Thank you. The next question is from the line of Sher Singh Yadav from Money Life. Please go ahead.
- Sher Singh Yadav:** Good evening, Sir. I just wanted to ask about the status of the corporate clients, are they coming back and to what extent?
- Rahul Agrawal:** No, the initial part of the quarter we were getting news of some large corporates coming back, but towards the end of November and early December with the news of omicron spreading around the world, we again saw that the plans of these large corporate have been postponed and we still do not see large corporates around in our restaurants as much as we used to see pre COVID.
- Sher Singh Yadav:** Sir what is the margin right now for the extended kitchens? You had given a target of around 15% to 16%, so what do you think where is the margin right now?
- Rahul Agrawal:** It is a very young business and it is evolving but it is pretty much at the same status as last quarter. We also said that as we have to work on our top line growth in extension kitchens and then these margins will come in and this is very new around less than six

months old, so we should wait and see how this evolves and also a very small portion of our overall business.

Sher Singh Yadav: What about the status of Toscano extended the kitchen that were about to be opened?

Rahul Agrawal: We added 1 Toscano extended kitchen this quarter.

Sher Singh Yadav: Thank you Sir.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing comments. Over to you Sir.

Rahul Agrawal: Thank you all for joining. We had a record sales and perfect quarter this time and we will strive to achieve better numbers as we move ahead and as the impact of subsequent waves also subsides. We are hopeful of the larger opportunity that we see and we will look forward to interacting with you more in subsequent quarters. Thank you very much. Thank you, Ashish and Ambit team for organizing this.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. We thank you all for joining us and you may now disconnect your lines.

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