



“Barbeque-Nation Hospitality Limited 1QFY2023 Earnings Conference Call”

August 01, 2022



ANALYST:

MS. VIDEESHA SHETH - AMBIT CAPITAL

MANAGEMENT:

MR. KAYUM DHANANI - MANAGING DIRECTOR

**MR. RAHUL AGRAWAL – CHIEF EXECUTIVE OFFICER AND
WHOLE-TIME DIRECTOR**

MR. ANURAG MITTAL - CHIEF FINANCIAL OFFICER



Barbeque-Nation Hospitality Limited
August 01, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Barbeque Nation 1QFY2023 Post Results Analyst Conference 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 this conference is being recorded. I now hand the conference over to Ms. Videesha Sheth from Ambit Capital. Thank you and over to you Madam!

Videesha Sheth: Good evening everyone. Welcome to the 1QFY2023 earnings call of Barbeque Nation Hospitality Limited. From the management, we have with us Mr. Kayum Dhanani - Managing Director, Mr. Rahul Agrawal - CEO and Whole-Time Director and Mr. Anurag Mittal - Chief Financial Officer. I now had the conference over to Mr. Kayum Dhanani. Thank you and over to you Sir!

Kayum Dhanani: Thank you. A very good evening ladies and gentlemen. I take the pleasure in welcoming you to 1QFY2023 conference call of Barbeque Nation. Since the onset of COVID a couple of years back, this quarter was a fully normalized quarter. We are happy to report yet another remarkable performance at our company with our consolidated quarterly revenues crossing Rs. 300 Crores for the first time in the history of Barbeque Nation. We reported highest-ever revenue of Rs. 315 Crores during this quarter, which is around 3x of previous year Q1 and 25.4% higher than the immediate preceding quarter. Despite a challenging inflationary environment, we managed our gross margins well and achieved gross margins of about 66.8% during the quarter. This was driven by targeted efficiency projects, better cost management, calibrated price increase and change in business mix towards dine-in. We also reported healthy EBITDA margin of 23.3%. We have clearly defined pillars of our growth, namely, Barbeque Nation India, delivery segment, Toscano and Barbeque National International. We are extremely focused on growing each of these four verticals to build one of India’s largest food service companies owning its restaurant brands.

In our core segments of Barbeque Nation India dine-in business we added nine new restaurants taking the total India network to 176 number of restaurants. Our India business has grown well over last year and previous quarter led by higher covers and higher realization per cover. We have a strong pipeline of under construction and under evaluation sites and we plan to cross 200 outlets of Barbeque Nation in India in this financial year.

During this quarter, our dine-in to delivery mix has changed in favor of dine-in. We have witnessed a decline of around 6% in our delivery business as against the previous quarter. While our a-la-carte orders have continued to grow, our box orders have declined. Our delivery ratings have continued to improve with our focus on delivery business. We believe the business will stabilize at the current levels.



Barbeque-Nation Hospitality Limited
August 01, 2022

Toscano business has grown by around 54% versus the previous quarter led by both dine-in growth and two new outlets added during the quarter. Toscano now has 13 restaurants across three cities and we plan to add around five more restaurants this year. Toscano delivered healthy store margins of 23% plus in this quarter.

International business is the highest margin business in our portfolio with store margins of over 25% plus. We have demonstrated sustained SSSG and profit growth over the last three years and now are looking to add two to three restaurants this year.

We are extremely focused in building and growing each of these four verticals and build one of the India's largest brand owning food services company. We have always built this business with focus on our guests and employees. I am proud to share that this year we were ranked seventh in the great place to work survey and we were also ranked among the top-10 retail companies to work for in India. With this, now I hand over to Rahul to take you through the quarterly performance of the business. Thank you.

Rahul Agrawal:

Thank you Kayum and good evening everyone. We are happy to deliver the record quarterly sales and profits at Barbeque Nation. Our operating revenues in 1QFY2023 were Rs. 315 Crores compared to Rs. 102 Crores in the COVID impacted quarter of 1QFY2022. On a sequential quarter basis, we grew 25.4% driven by growth in volume and average realization. We reported strong SSSG year-on-year of 182% as compared to the previous quarter of 19.8%.

Our dine-in segment has grown around 6x versus the previous year and 32% versus previous quarter. Our dine-in to delivery mix changed in favour of dine-in. The absolute delivery business had declined by around 6% on sequential quarter basis.

Toscano business has sequentially grown by around 54% during the quarter and delivered 23% plus store margins, similarly our international business has sequentially grown by around 24% and delivered 25% plus store margins.

During the quarter, we reported gross margin of 66.8%. Despite inflationary pressures on input costs, our calibrated price hikes and improved operating efficiencies helped us to manage gross margins better. Our reported EBITDA was Rs. 73.4 Crores in 1QFY2023 delivering a healthy margin of 23.3%. Our adjusted EBITDA without the impact of Ind-AS and excluding non-cash ESOP related expenditures was Rs 46 Crores, delivering 14.6% margin.

Out of the total portfolio of 195 restaurants as on June 30, 2022, around 80% restaurants are matured i.e. more than two years old. This matured portfolio delivered annualized sales of around Rs. 7 Crores per outlet with store margins of 21.5%. Out of our new restaurant portfolio of 38 outlets, 24 restaurants were less than six months old and are growing well. This portfolio delivered store margin of 6.2%. Both the numbers are without Ind-AS. As this portfolio matures, we believe this business will start to improve.



We sustained our momentum in network expansion and added 11 new restaurants during the quarter taking the total network to 195 as on June 2022. We have a robust under-construction pipeline and a strong pipeline of work-in-progress sites and we are progressing well towards our target of 40 restaurants in FY2023.

Strengthening and accelerating our core dine-in business, growth in the delivery vertical, unlocking the growth potential of Toscano and calibrated international expansion continues to be the key four vectors of our growth agenda. With this, we can now open the session for Q&A. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question-and-answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Harit Kapoor from Investec Capital Services. Please go ahead.

Harit Kapoor: Good evening. My first question is on the margin side, around 14.5%, and I think adjusting for other income around 14%. Given that Q1 is not a very peak quarter for you, you peak out in Q3 due to higher operating leverage during that time. Do you expect that full year margins could actually be a bit better than what you achieved in Q1? Is that a right way to look at it?

Rahul Agrawal: Yes, you are right. Q1 is sequentially not the best quarter for us, it is Q3 followed by Q4, Q1 and then Q2. So with the margins that we have in Q1, we should definitely achieve more in Q3. The only caveat there would be on growth side. We are almost at a run rate of around 10 to 12 sites every quarter now, so by Q3 we would have approximately 50 sites, which are less than one year old and barring the drag from these on the overall margin, but our matured portfolio should definitely do better than what we did in Q1 this year.

Harit Kapoor: Can you call out the ESOP impact for the quarter?

Rahul Agrawal: The non-cash ESOP provision was approximately 0.4% of topline, so approximately Rs. 1.5 Crores odd for the quarter.

Harit Kapoor: That sort of a run rate which we expect to continue, right?

Rahul Agrawal: Yes.

Harit Kapoor: Got it, the second question is on the demand side. One would expect that there would have been a pent-up kind of a benefit post the third wave and you would have been the beneficiary of that, I just wanted to know as the quarter ended, and even in the July, have you seen similar kind of strong trends in terms of occupancies, etc.?

Rahul Agrawal : Definitely improving. If you look at sequential quarter growth, obviously Q4 last year was impacted by Omicron wave in January, but, if you look at the 25% growth that we did on a



sequential basis, around 19% of this has come from volume increase between Q4 and Q1 this year. While this is improving, we still have an opportunity to increase our overall covers by 10%. What I mean by this is, the average covers that we used to do or average turn that we used to do pre-COVID versus now there is still a gap of 10%, which is an opportunity that we still see in our business going forward. The only thing is that Q2 is unfortunately the weakest quarter, this has Shraavan, Shradh, even Durga Puja, Navratri, all in this quarter, this is actually not good for non-veg consumption in India and that impacts us definitely.

Harit Kapoor: Right, of course, so we are saying that from a table turn perspective your average of 1.8x, 1.9x, is about 10% lower right now, you have that gap yet to makeup?

Rahul Agrawal : Yes, we still have 10% gap to makeup versus pre-COVID.

Harit Kapoor: Got it, my last question, I will come back post that was on the delivery side. So it is expected that you would have seen some kind of a fall on the delivery side, I just wanted to get your sense, is this a kind of run rate now that you're expecting for the rest of the year, or, are there some efforts in place to kind of increase assortment of the portfolio, or greater extension kitchen are setup, which can drive this number up a little bit as we go through the year?

Rahul Agrawal : Yes, on delivery front as you mentioned, its declined 6% sequentially, but there are two subcomponents for that. One is obviously our box product, which was a key product during COVID years, and, the second portion was our a-la-carte business, which is individual orders or a couple of items going in an order. So the a-la-carte segment has actually grown versus last quarter also in this quarter, but our box-product business has come down a bit. Our box product obviously is a group eating product, but we have also seen that the increase that we saw in our dine-in business on a larger base was significantly higher than the drop that we saw in the box segment of delivery. So overall, the mix has slightly changed in favor of dine-in. My expectation is that this should stabilize at the current levels what we did in Q1. In July, we have done pretty much same numbers as we did in Q1, but there are a couple of interventions that we are making. We are actually working on a dedicated delivery only online biryani brand. We have been working on this for quite some time now and I think we are at a stage wherein this month we should pilot it in a few locations and depending on the success we will take it up pan India. As we always maintained that as Barbeque Nation, given that we own our kitchens, we own our brand, we have capability to add multiple stuff, and biryani being one of the largest category, we are experimenting something on that front. While currently number looks stabilized, but once something like that kicks in our business, this number on delivery can further go higher than this.

Harit Kapoor: Great, that's it from me. Thank you and wish you all the best.

Moderator: Thank you. We have the next question from the line of Sameer Gupta with India Infoline. Please go ahead.



Percy Panthaki: This is Percy Panthaki. My first question is regarding this plan of opening up restaurants internationally. I think earlier when this was discussed, you had mentioned that you would prefer to go through the franchise route here, you would not want to put any capex in international. So does that plan still remain? Can you give some idea as to what is the mode of expansion into international?

Rahul Agrawal : We are exploring both, and we also said that while we look for franchising in the international markets we will also look at a couple of sites maximum from our own balance sheet. So as of now we have pipeline of around three sites. We don't know whether that will completely fructify, but we may add around two to three from our own balance sheet. At the same time, we are also exploring franchising in few of the geographies, but the lead timing one these are really very high. So that's the plan on international. But one thing is for sure, we will not go overboard in terms of opening up, say seven / eight outlets right now; so this year, at maximum we will do two or three outlets from our own balance sheet.

Percy Panthaki: What would be the capex per store here?

Rahul Agrawal : This would be around Rs. 4 Crores, but the payback periods and all are pretty much similar. If you look at the international business, it is already delivering around Rs. 10 Crores of average revenue and 30% plus store margins. So payback period wise, it is around two years which is similar to or slightly better than what we have seen in India. So we know that we do not want to completely add more and more given the payback period is slightly better as of now, but I think couple of sites in that market is justifiable.

Percy Panthaki: These two, three sites you have sort of shortlisted they are all in Middle East?

Rahul Agrawal : Right. Right now, it is Middle East only, so it is not opening up a new market, it is only where we already have the team, the product and the business is set.

Percy Panthaki: Second question is - did I hear you right that you mentioned that the number of bills per restaurant is 10% below the optimum level, some thing is that you mentioned?

Rahul Agrawal : Yes and number of covers.

Percy Panthaki: Number of people, right?

Rahul Agrawal : Yes.

Percy Panthaki: Just wanted to understand because this has been a completely normal sort of quarter and in fact to some extent there has been revenge spending on these categories that is people have sort of possibly gone out more than what they normally would, so why is it that we are still 10% below the optimum level and what would be required to bring it up by another 10%?



Barbeque-Nation Hospitality Limited
August 01, 2022

Rahul Agrawal : Last segment which is still not back 100% is corporates. Most of the IT corporates also are not fully back. So our week day lunch business is still slightly lower than normal what we used to do on a pre-COVID basis, so I think that is a big gap. Apart from that, on the weekend side or on the friends and family segment side, I think we are pretty much sorted there.

Percy Panthaki: Understood. On margins, you are about 13.5% to 14% margin this quarter versus sort of target of 15%. There is obviously input cost inflation and you have taken some price hike. So how fast do you think you can come back to that 15% level? Will Q2 be back to that since the price increases have gone through during the quarter and they have not affected the full quarter of Q1, but they will affect the full quarter of Q2? So would I be right in assuming that, or it would take more time?

Rahul Agrawal : I think we should look at it for the full financial year basis. Q2 may not be there because of a seasonally weak quarter, but based on Q3 and Q4 numbers that will come in, I think blended basis full year we should be at 15% margin.

Percy Panthaki: Okay, so for FY2023 we still have hope of being 15% for the full year. And my last question is on this new biryani brand, which you are planning to launch for delivery only, can you give some thought process there because Barbeque Nation itself is very well known for biryani, so why have a second brand here? If at all we want to do something with a different brand in delivery, we should be doing it in a type of cuisine where we are not already present.

Rahul Agrawal : I tend to slightly disagree here. Barbeque Nation brand is more of a dine-in brand with all you can eat, value offering, service driven, experience driven and if you look at our delivery business also, we largely do it under the UBQ brand while we also have Barbeque Nation listed, but UBQ brand actually stands for a-la-carte offering on Indian cuisine segment. And while we serve biryani across both these platforms, these are not dedicated biryani platforms. We all know that biryani is now the largest category in the country in delivery segment and we have been obviously preparing biryani and serving biryani for many years across all our platforms. So it is pretty much in line natural extension in adjacent category for us, but when you want to compete in a market wherein there are dedicated players, I think that required a separate brand, look and feel and focus and that is why we are evaluating it under a new brand which is very much under a pilot stage right now. And if things go well, hopefully we will plan to launch in a few markets in this month itself. Very early stage, so let us see how it goes and then maybe we will update on how it is performing.

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

Moderator: Thank you. We have the next question from the line of Vijay Patra, an Investor. Please go ahead.

Vijay Patra: Thank you for your management as well as the staff. I am fond of Barbeque Nation since last 10 years when it was opened first in Pune. What I suggest, because you can open more outlets particularly in metros and Tier-1, and increase your revenue, automatically you will get the profit



Barbeque-Nation Hospitality Limited
August 01, 2022

and automatically everything will come. Because the staff are excellent, it shows your HR policy is good. And with good atmosphere, I think it is excellent! That is what as an individual I can say. But, I feel, to increase profit or revenue, increase the outlets. Because very few outlets are there in the cities, it is better you rapidly expand - that is the ideal way to increase the revenue etc. I hope you will do that. Thank you.

Rahul Agrawal : Thank you, Sir. Thanks for your comment about the team, and regarding increasing the number of outlets we are geared to do that. We are planning to add up to 300 outlets in the next couple of years. Thank you for your comments.

Vijay Patra: It is excellent. I appreciate this. I love it.

Moderator: Thank you, Sir. We have the next question from the line of Vicky Punjabi with UTI Mutual Fund. Please go ahead.

Vicky Punjabi: Hi, Rahul, thanks for taking my question. On back to the biryani brand launch, I wanted to understand if these gets served from the same kitchen, how much of spare capacity do we really have in terms of scaling up? And just to understand it seems like there is no incremental cost at least for the launch of this brand and in my understanding it will be largely from the same kitchen, it gives us a better leverage in terms of enhancing throughputs?

Rahul Agrawal : Yes, when you say capacity do you mean space in the kitchen?

Vicky Punjabi: Yes, exactly. I mean, it is about turnover that kitchen can kind of support right, so how much of turnover can get supported by the current kitchen is what I am trying to understand?

Rahul Agrawal: Since last two years, whatever new restaurants we are creating, we are having a dedicated space for all delivery operations inside the Barbeque Nation outlet, so it is pretty much in a very crude manner shop-in-shop kind of model, and we are doing our UBQ operations today from the same setup. And when we designed it earlier, we also designed it with a flexibility that tomorrow we can add some dedicated machines and also put it and serve it. So I think in some cases, obviously we have to create some space, but by and large, we are also launching in those places where we have that, and we do not expect also that place to be congested. Also while doing the research for this particular brand, we also updated the overall biryani experience both in the outlet and UBQ and also for this new brand that we are contemplating, so we do not see that. And overall with this new sort of setup and category, we expect that the incremental revenues and profits should have pretty much the same dynamics as we had when we did our UBQ launch from outlets.

Vicky Punjabi: On this cloud kitchen and we are seeing some kind of problem is coming which is more like now 15 stores count is where we are kind of stabilizing at, what are the kind of success out in Indian biryani segment, would that lead to incremental growth in that segment as well or we are looking at this more from the leveraging of the current kitchen space only?



Rahul Agrawal: Let us look at the four vectors of our growth. And apart from Barbeque India, Toscano, International, delivery is one of the key segment of our growth and we are very focused on this segment. We have done, I think, very well over the last three years, this year some of the immediate COVID-related push that we got in our delivery we have seen sequentially coming down. That does not mean that we do not believe in this space or we do not believe in the growth opportunity of this space. This is something that we have been working on for last six to eight months. This is something that our philosophy is that how can you make delivery as at least 20% of your overall business and then what are the things that you can leverage to do that. We launched extension kitchen from the same perspective; when extension kitchen were launched versus now, obviously the average daily sales from the delivery segment has come down and I have always maintained that extension kitchens will only start making sense once the average revenue per outlet goes up to a particular threshold. That is why you are noticing this quarter we have not added any extension kitchens. The focus first is to increase average daily sales from the existing network which is now close to 195, once this goes up and individually this can sustain in extension kitchen also then adding more extension kitchen is not a problem. So immediate focus is that – don't worry about extension kitchen, try and increase the throughputs of delivery per outlet and once you do that, then your delivery will anyway be taken care of also by adding more capacity from extension kitchen – so that is the broad thinking we have on this entire thing. This quarter for example I think the focus of the team would be to stabilize this new stuff that we are piloting in few places, this may take three to six months, and then once the basic number is achieved and the extension kitchen model is profitable at a double-digit number at least that is when you push the escalator on the extension kitchen side.

Vicky Punjabi: Sure, thanks. Just one thing, I think I missed this, what is the guidance for the capex in store addition?

Rahul Agrawal: We have guided for around 35 to 40 outlets. As of today, we launched down net 10 outlets this quarter, very strong pipeline of 15 under construction sites, which are already where groundwork is done and there are 15 sites wherein we have finalized the commercials and they are in various stages of diligence. So today we have complete visibility of 40 sites that we are planning to open this financial year. I think we still have around eight months to go for the year, depending on how the new pipeline gets built up over the next couple of quarters, we may have to revise the number of sites maybe upwards in the next quarter, but as of now on the 40 sites our overall capex including maintenance capex, capex that we might do for the biryani stuff, we maybe at the capex of around Rs.130 Crores to Rs.140 Crores.

Vicky Punjabi: Thank you so much. That is it from my side.

Moderator: Thank you. We have the next question from the line of Sameer Gupta from India Infoline. Please go ahead.



Barbeque-Nation Hospitality Limited
August 01, 2022

Sameer Gupta: Sir, just a question on the sales per store, which I think this quarter you have done about Rs. 6.6 Crores sales per store, for that dine-in itself should get Rs. 6 Crores and then Rs. 1 Crore on top of that should be a delivery, so we would be doing about Rs. 7 Crores. So is that a fair thought process to go with even today, after seeing some amount of cannibalization between dine-in and delivery? And in this analysis let us keep this new biryani launch aside, whatever comes from that will be over and above that. But given the demand situation right now for the full year FY2023 what kind of sales per store do we feel confident delivering?

Rahul Agrawal: I think Rs. 7 Crores is a decent number to work with. If you look at our matured portfolio, we have done around Rs.7 Crores there by analyzing the performance of Q1 and our historical numbers in Q1 and Q2 put together is not strictly the representation of the full year. In the restaurant business, second half is always better given the festive seasons, New Year and other stuff that comes there, so from a matured portfolio I think based on the current numbers we should cross Rs. 7 Crores, which is what we are currently witnessing in both our dine-in and delivery segment put together without the new initiative. Our new restaurant portfolio is right now actually very young, the real increase in our pipeline or increase in our store started coming from second half of last year. So out of the 38 sites, as I mentioned in my commentary also, around 24 sites are less than six months old. So in those outlets also, the margins are just about break-even; we normally take around three to four months to start breaking even. So that is what impacting the overall 16.6 and the margins where they are. So as these mature, I am pretty confident that our revenue and margin numbers should be Rs. 7 Crores plus and at least 21% to 22% range at store level.

Sameer Gupta: Understood, but given the fact that at any point of time in future we will always have some stores, which are new and in ramp up mode, so if I include them in the average what would be a correct number to go along with for FY2023, FY2024 about Rs. 6.5 Crores would be a fair number to go along with that?

Rahul Agrawal: In the current quarter itself we have done around Rs. 6.65 Crores, and like I am saying, this is not the representation of full year, so I think my internal assessment would be to at least reach Rs 7 Crores and like I had mentioned earlier, our covers on pre-COVID versus now we still see an opportunity of 10%, so we have to go over in the market and capture that. Our delivery business is obviously not the best quarter for the delivery; we have done better than this in the past also, so that is something that we will try and regain; and the third is new initiatives that we are trying from our outlets right. So mix of all at least on topline basis if we are 6.65 on an average in the current quarter, my sense is this should definitely be around Rs 7 Crores.

Sameer Gupta: Understood, so you do not think that there is any element of some revenge spending this quarter in the sense that people going out more often and with more frequency than they would normally go out, just because they are getting the chance for the first time after two years - that phenomenon is not there in this quarter numbers, is it?



Barbeque-Nation Hospitality Limited
August 01, 2022

- Rahul Agrawal:** I do not think so because if you look at our last five quarters numbers, I think our recovery on dine-in segment has always been very good, so I am not seeing any exceptional performance on our dine-in business in this quarter. So from my perspective, the number that we are tracking is why are we still lower by 10% from pre-COVID numbers and how do we get that volume back, so that is the number that at least we are trying internally.
- Sameer Gupta:** Understood, very clear. Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Praful Siddharth with Shravas Capital. Please go ahead.
- Praful Siddharth:** Sir, my question is how are you planning to tackle competition from the likes of Absolute Barbeque because based on my understanding customers lookout for two things, one is low price, the second is the huge spread, so how are you trying to tackle this competition?
- Rahul Agrawal:** The competition has always been there, we would be in India around 175 plus outlets and on the analysis earlier we found that there are almost 100-120 another similar formats who copied the concept. This is not a new phenomena, we have been seeing this for almost 10 years. We continue to focus on our guest experience and our varieties and we are very happy with the performance that we have delivered over the last so many years on a consistent basis, despite being at such a high base. My thinking is that this competition will keep on coming and going and I have seen so many businesses, I do not see any business where there is no competition. So nothing that really worries us in terms of competition.
- Praful Siddharth:** Got it, so my next question is I just wanted to understand this biryani brand better because biryani is something which is it differs a lot from state-to-state, so how are you planning to bring this biryani brand out to the market? Would it be like standardized or would it be customized from state-to-state, so how are you planning to go about this?
- Rahul Agrawal:** So, Mr. Praful, as I said this is in a very pilot stage. So there is nothing more that we can add right now; this is still work-in-progress. This is something that we are launching in very select markets right now, and as we launch it and have the feedback, we will keep updating it to the market appropriately.
- Praful Siddharth:** Got it, last question, is it possible to give us measure on the employee attrition rate if that is readily available with you?
- Rahul Agrawal:** It is higher than the usual numbers that we used to do. I don't have the exact number right now for you, but that is one area where we were seeing increased rate that is visible in the hotel industry. During the COVID times, a lot of international hires, cruise lines etc. were not hiring - those avenues have opened up for a lot of people. Then slowly and steadily a lot of more capacities are coming up, so people are reopening and building up their teams, and hence some people are leaving. Right now it is higher than what used to be usually before COVID, but



nothing alarming, it doesn't worry us. There is some spike, but definitely manageable and this is the reason why we are also being able to hire more people and also open up more outlets that we are doing right now.

Praful Siddharth: Got it. That is it from my end, thank you so much.

Moderator: Thank you. We have the next question from the line of Videesha Sheth with Ambit Capital. Please go ahead.

Videesha Sheth: Sir, I just wanted to know what would be the quantum of investment on the incremental acquisition that you are making in Toscano and the international business?

Rahul Agrawal: In Toscano business we would invest approximately Rs 7 Crores to 8 Crores and international business there is a local partner in international business. International business has to be partly owned by a local partner. There is some rule change wherein the foreign entities are not allowed to own 100% of the business and we are trying to work with our local agencies to see whether we can own it fully. There the outflow is going to be typically low more around book value of the company, but that still needs to be crystallized.

Videesha Sheth: Okay and what would be the current margins that our delivery business is generating?

Rahul Agrawal: Sorry, which business?

Videesha Sheth: Delivery business.

Rahul Agrawal: Like I said, we do not make the delivery business P&L separately because they are all done from the same infrastructure, right, from the same outlets. So delivery business gross margin is slightly lower. Food cost, packaging cost, deliver commissions all put together add up between 65% to 70% and the balance cost is all actually fixed, so for example rental, employees, all of them are charged to the particular unit as such and not appropriated differently. But our math is that the margins are pretty much similar, which is around 20% to 22% on the delivery segment also, so that does not change because the large portion of the delivery costs are actually variable.

Videesha Sheth: Got it. Thank you.

Moderator: Thank you. We have next question from the line of Varun Pratap Singh with IDBI Capital. Please go ahead.

Varun Pratap Singh: Thanks for the opportunity Sir. I just wanted to check if we have taken any price hike during this quarter?



Barbeque-Nation Hospitality Limited
August 01, 2022

- Rahul Agrawal:** We have taken around 4% to 5% price hike in the current quarter, which was actually taken in the month of April and May spread across the two months. Post that, we have not taken any price hikes. Sorry, so when you say this quarter, you meant Q1 right?
- Varun Pratap Singh:** Yes, correct.
- Rahul Agrawal:** As we have mentioned about that in the previous call also, post that, we have not taken any price hikes.
- Varun Pratap Singh:** Sir, if you can give some colour on the store that we have closed during the quarter?
- Rahul Agrawal:** We have closed one outlet in a Tier-2 city and then we also added one outlet in a Tier-2 city that is why we are seeing the number same. So that outlet was doing low average sales in the month and was bleeding. We have some issue in the past also with respect to these kind of outlets and I think historically we have not closed outlets, but today the amount of bandwidth that it takes is just way too much, that is why we decided to just move out of that market and enter into a new adjacent market.
- Varun Pratap Singh:** Sir, this would be Barbeque Nation restaurant only?
- Rahul Agrawal:** Yes, it is Barbeque Nation.
- Varun Pratap Singh:** Right and Sir, roughly how old this store would be, one year, two years?
- Rahul Agrawal:** No, one that is closed would be around 3 to 4 years old. So we opened up before COVID and then there was an obviously COVID impact and then post that now we closed that, it is taking just way too much bandwidth.
- Varun Pratap Singh:** Sure. That is it from my side. Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Shrey Loonker with Motilal Oswal AMC. Please go ahead.
- Shrey Loonker:** So, Rahul, just if you can throw some light on the cash flow conversion for the quarter that would be just helpful?
- Rahul Agrawal:** Yes, during the quarter we had cash profits of approximately Rs 40 Crores, our Ind-AS EBITDA was around Rs 46 crores or so. Out of that Rs 40 Crores, we have done incremental capex of around Rs 37 Crores and Rs 3 Crores is the net increase in our cash balance. Our net cash at the end of last quarter was around Rs 63 Crores. Out of this 63 Crores, around Rs 85 Crores was cash in books and Rs 22 Crores was debt at that point of time. Today, net cash has gone up from Rs 63 Crores to Rs 66 odd Crores - increment of Rs 3 Crores, and on the capex side, Rs 37 Crores capex that we have done, we have spent around Rs 3 Crores on maintenance capex and around



*Barbeque-Nation Hospitality Limited
August 01, 2022*

Rs 34 Crores on new sites. New sites include around 11 new restaurants and one renovation that we have done on the existing outlet, so this capex would be on around 12 outlets. So overall that is the broad cash flow.

Shrey Loonker: Sure and as we speak how was the inflation trends on our COGS?

Rahul Agrawal: We are seeing some decline in some of these prices. Also like I said this is a seasonally weak quarter from the meat perspective, so some of these prices are slightly better for us. We are also working with the contracted vendor, so some of these long term contracts that we have they have also taken this into account right, but I am not seeing any significant risk to our gross margins that we have reported in the same quarter and should continue maybe at this level.

Shrey Loonker: Sure, and just one question that Dubai subsidiary that we are planning to acquire 51% for which you are saying the consideration is not yet frozen, but as we speak is it consolidated line-by-line or is it treated as an associate?

Rahul Agrawal: Yes, consolidated line-by-line.

Shrey Loonker: Great, thank you.

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

Rahul Agrawal: Thank you all. Thanks for joining the call and if there are any further queries we are always available. Thank you Ambit team for organizing this. Thank you.

Moderator: Thank you very much members of the management. Thank you ladies and gentlemen, on behalf of Ambit capital. That concludes this conference. Thank you for joining with us. You may now disconnect your lines.

Note: This transcript has been edited to improve readability and is not a verbatim record of the proceedings.

Cautionary Statement: This release contains statements that contain "forward looking statements" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Barbeque Nation's future business developments and economic performance. While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. Barbeque Nation undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.



Barbeque-Nation Hospitality Limited
August 01, 2022

For further information, please contact

Anurag Mittal
Chief Financial Officer
Barbeque-Nation Hospitality Limited

Investor@barbequenation.com

Registered & Corporate Office: "Saket Callipolis", Unit No. 601 & 602, 6th Floor, Doddakannalli Village,
Varthur Hobli, Sarjapur Road, Bengaluru - 560035, Karnataka, India

CIN: L55101KA2006PLC073031

Website: www.barbequenation.com