Date: February 9, 2024

To,

The Manager, Listing Department **BSE Limited** P.J. Towers, Dalal Street, Mumbai – 400 001 ***Scrip Code: 543283***	The Manager, Listing & Compliance Department **National Stock Exchange of India Limited** Exchange Plaza, Bandra, Kurla Complex, Bandra East, Mumbai – 400051 ***Scrip Symbol: BARBEQUE***

Dear Sirs,

Subject: Transcript of Earnings Conference Call held on February 5, 2024

Pursuant to the provisions of Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby enclose the transcript of Earnings Conference Call held on Monday, February 5, 2024 at 5:00 PM (IST), post announcement of financial results of the Company for quarter and nine months ended December 31, 2023. The audio recording of the said Earnings Conference Call and Transcript of the same are also available on the Company's website at www.barbequenation.com.

This is for your information and records.

Thanking you.

Yours faithfully,
For Barbeque-Nation Hospitality Limited

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Date: 2024.02.09 15:58:45 +05'30'

Nagamani C Y
Company Secretary & Compliance Officer
M. No: A27475

Encl.: *As above*

Barbeque-Nation Hospitality Limited

Earnings Conference Call

Q3 FY2024

Feb 5, 2024

Management:

Kayum Dhanani – Managing Director

Rahul Agrawal – Chief Executive Officer & Whole Time Director

Amit Betala – Chief Financial Officer

Bijay Sharma – Head of Investor Relations

Moderator:

Viraj Sanghavi – Ambit Capital

Moderator: Ladies and gentlemen, good day and welcome to Q3FY24 Earnings Conference Call of Barbeque-Nation Hospitality Limited 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. Viraj Sanghvi from Ambit Capital. Thank you and over to you.

Viraj Sanghvi: Thank you. Good evening everyone. Welcome to the Q3FY24 Earnings Conference 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; Mr. Amit Betala – CFO and Mr. Bijay Sharma – Head of Investor Relations.

Before we begin the Presentation, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to the Earnings Presentation for a detailed disclaimer.

I will now hand over the conference 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 Q3 FY24 Conference Call of Barbeque-Nation.

The demand environment continues to be challenging and we expect a slow and gradual recovery in the near term. However, our strategic focus on portfolio rationalization, strong execution and multiple cost initiatives have helped us in delivering strong operating performance during the quarter.

During Q3 FY24, we recorded a revenue of Rs.331 crores, which is a 1% growth on year-on-year basis and 10% growth in sequential basis. It should be noted that this performance was achieved with relatively similar store count as last year. Our dine-in business with revenue of Rs. 283 crores remained flat compared to the same period last year and grew by 10% sequentially. Delivery business accounted for revenues of Rs. 47 crores with a year-on-year growth of 5% and sequential growth of 8%.

Our focused efforts on margin expansion have delivered good results. During the quarter, our reported EBITDA margins were 20.5% and adjusted EBITDA margins were 11.4%. The margins were at six quarter high.

During the quarter, we opened 2 new Barbeque Nation India restaurants and consolidated 6 Salt restaurants into our network and closed 4 restaurants. As a result, our total network stood at 216 restaurants with 186 Barbeque Nation India, 16 Toscano, 8 Barbeque Nation in international and 6 Salt. We have already started building pipeline to drive network expansion. We target to open 25 to 30 new restaurants in FY25. The network growth would be broad-based across brands.

Our Toscano and international business recorded strong revenue growth and both the businesses continue to report very strong operating margins. During the quarter we also completed the consolidation of 'Salt', which is consolidated in our results from November-23 onwards. This business also performed well and recorded year-on-year revenue growth. The integration of the business is on track and we are focusing on strengthening teams for the business.

We continue to focus on enhancing guest experience through initiatives such as culinary festivals, special menu activities, guest engagement initiatives and restaurant upgrades. These initiatives are anticipated to enhance overall guest experience and drive footfalls.

While the overall demand scenario continues to be weak, the trend of improvement in SSSG and operating margins in our business is very encouraging. We remain committed to further drive growth through SSSG & store expansions and maintain our operating margins. Our medium to long term growth forecast remains intact and any favorable shift in demand trend will further support our journey.

Thank you. Over to you Rahul.

Rahul Agrawal: Thank you Kayum. Good evening everyone.

During the quarter we delivered a revenue of Rs.331 crores, a growth of 0.8% on a Y-o-Y basis and 9.7% sequentially. On Y-o-Y basis, the revenue growth was relatively flattish due to slower new store expansion, network rationalization and the negative same store sales growth.

Our Dine-in revenues for the quarter were flat at Rs.283 crores and grew sequentially by 10%. Due to seasonal shift this year, October month was impacted with higher share of vegetarian days. Our dine-in revenue growth was over 3% year-on-year for November and December 23.

Our Delivery business grew by 5.2% on year-on-year basis and 8.4% sequentially. The growth in delivery segment was predominantly led by increased penetration of our Briyani brand 'Dum Safar'. Our SSSG for the quarter was negative 4.9%, of which the majority of decline was attributable to October month due to higher vegetarian days. Excluding

October month, the SSSG was negative 2.2% in November and December 2023. We have been observing gradual improvement in SSSG on month-on-month basis. We anticipate the trend to continue and SSSG numbers to be relatively further better next quarter.

During the quarter, matured restaurant portfolio delivered annualized revenue per outlet of Rs.6.6 crore with restaurant operating margins of 18.5%. While the matured portfolio has experienced some SSSG decline, we have been able to maintain the restaurant operating margins. The new restaurant portfolio reported annualized revenue per outlet of Rs.5.1 crore, with restaurant operating margins of 10.6%. This improvement is on account of increase in average aging of the portfolio.

Gross margins for the quarter improved by 117 basis points on a year-on-year basis, and 192 basis point sequentially. Around 80 basis point improvement in gross margin during the quarter is due to reclassification adjustment and balance improvement is primarily led by lower food cost per cover and better realization in beverages. Just to clarify, the reclassification adjustment is between gross margin, food cost and employee cost. There's no impact on EBITDA because of this reclassification.

Consolidated reported EBITDA for the quarter was Rs.68 crores and an increase of 7.6% on a year-on-year basis, and over 40% on sequential basis. The reported EBITDA margin for the quarter was 20.5%.

Our pre-IndAS adjusted EBITDA for the quarter was Rs.38 crores with a margin of 11.4%. Pre-IndAS adjusted EBITDA also increased by 7.8% on year-on-year basis and nearly doubled compared to previous quarter. The improvement in margins was largely led by improvement in gross margin, impact of portfolio rationalization, cost initiatives and operating leverage that we registered in this quarter.

During the quarter, we generated operating cash of Rs.37 crores, which is around 11% of operating revenues. We continue to have strong operating profit to cash conversion.

International business also continued its strong performance with year-on-year revenue growth of 24% and strong operating margins. During the year we have added two new restaurants in the portfolio. Our focus will be to enhance capacity utilization of the newly opened restaurant and ensure they reach their optimal levels faster.

The performance of the Toscano remained strong with year-on-year revenue growth of 23% in Q3FY24 and strong operating margins. During the year, we have already added two new store to the portfolio. In our Toscano business, the focus will be expansion led growth coupled with maintaining same store sales growth. Salt was consolidated for two months during the quarter. Integration of Salt with Barbeque-Nation and Toscano is progressing well.

Our restaurant network as of 31st December, 2023 stood at 216 restaurants. During the quarter, we opened two new Barbeque Nation restaurants in India, consolidated six Salt restaurants and closed four restaurants. Our network expansion efforts are also on track. Currently, we have five restaurants under construction and have an advanced pipeline of 10 under discussion sites. These restaurants are expected to commence operations in H1FY25. We plan to add 25-30 new restaurants in FY25 and expect this expansion to be broad based across Barbeque Nation, Toscano and Salt.

Going ahead, we remain cautiously optimistic that various initiatives undertaken by us, coupled with renewed focus on network expansion would further enhance our operating performance.

Thank you. With this we can open the session for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Vishal Gutka from Phillip Capital. Please go ahead.

Vishal Gutka: Congratulations on great set of numbers despite muted SSSG growth. I have two questions. The first thing is on the gross margin side, could you highlight how sustainable these gains are, what led to this kind of gains of around profit of 120 basis points in Y-o-Y, something you told on reclassification apart from that, any other thing that is driving this. Second thing is on the restaurant operating margin related to new store, when I see Q1 FY24 number for new store you had a revenue of around Rs. 52 million, at that point of time you reported a restaurant operating margin of 4.3% for new stores, this time around, you are on similar kind of revenue, but restaurant operating margin has shot up to 10.6%. Can you please explain what is driving this kind of improvement despite sales remaining the same?

Rahul Agrawal: Sure, thanks Vishal. So, first on the gross margin, as you said we have 120 basis point improvement on Y-o-Y basis, out of which 80 basis point has come from reclassification and 40 basis point has been the structural improvement in the business. Let me explain the 80 basis points first, as per our new auditors who have joined us, we spend food cost for our employee meals in the outlets and that amount was earlier parked in food cost for the overall business. And now that amount is classified into employee cost. So, that 80-basis adjustment improvement will continue. On the 40-basis point, the improvement has been driven by lower food cost per cover, which again also is sustainable. And there has been better realization on our beverages. There are some offers that used to run on beverages, which once we removed, we haven’t seen any impact on those beverage sales and has positively contributed to our gross margin. Both of these efforts will continue and the lower levels of gross margin that you saw in quarter one and quarter two, I don’t expect that to be repeated in quarter four and going forward.

Your other question on restaurant operating margin. Yes, in quarter one, there was a Rs.5.2 crores of average revenue from new stores, just similar in quarter three, but the margin profile is different for two reasons, one is a clear improvement in the gross margin if you look at our gross margin these were lowest in quarter one of this financial year, wherein in quarter three these are among the highest. So, barring the reclassification adjustment there is approximately 2%-2.5% improvement in gross margin between quarter one and quarter three. Secondly, in quarter one, whatever restaurants that were closed and some of the losses that were incurred during the time of closure, were all categorized under the new restaurant portfolio. So, matured restaurants are the one which have been operating for more than two years and everything else was classified under new restaurants. As we are done through our portfolio adjustment, most of these cost related to the closed outlets have gone and led to improvement in our overall numbers.

Moderator: Thank you. The next question is from the line of Harshil Shethia from Ladderup Wealth. Please go ahead.

Harshil Shethia: Sir, what kind of cost initiatives are we taking to deliver such kind of gross and EBITDA margins?

Rahul Agrawal: Like I said on the gross margin side the food cost per cover has reduced, there has been many exercises, there has been packaging cost reductions that has happened which has led to improvement in your gross margin. Further on the other cost initiatives, there have been rationalization on employee cost, even in some places rents have been relooked at and other initiatives have been taken to drive the profitability.

Harshil Shethia: And, if you can just give us some examples to understand the same?

Rahul Agrawal: Like I said on the beverage side we were operating at an overall company level gross margins of around 55% that number has itself gone up to around 65% and the beverage contribution in the business is approximately 7%. So, 0.7% margin expansion has also come from that side. And these two numbers are comparing between sequential quarters. This is just an example like that there are many others that have been undertaken.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: I just wanted to understand the math of your SSSG versus margins going ahead. So, see what has happened is that, over the last couple of years the revenue per restaurant has fallen. And at the same time there is normal inflation in all the cost below EBITDA. So, what is the interplay of this, like if you have going forward if you have a 5% SSSG, does that bring you back to a normalized annual margin of let's say 13%, 14% on the full company level and old stores put together or do you think that, that is not possible because the equation of revenue per store decline and cost per store increase over two years compounded will mean that you will need two, three years of SSSG to be strong to come back to that kind of 13%, 14% margin at overall company level, what are your thoughts on this?

Rahul Agrawal: Thanks Percy for your question. So, overall, if you look at the current quarter at a portfolio level including the new and old restaurant, we have an average annualized revenue of Rs.6.2 crores and delivered around 16.7%, restaurant operating margins. With a negative SSSG of 5%. Without this negative SSSG of 5%, the operating leverage story is fully intact. Just to say the revenue numbers were higher by 5%, out of this 5% at least 2.5% would flow down to your bottom line. And we have seen that, if you look at the current quarter, the month of December generally is one of the best month for us. And specifically in the month of December we have seen restaurant operating margins upwards of 22%. And October month was one of the bad months because of high number of vegetarian days and we have seen operating leverage playing and it's been lower. Overall, the entire quarter basis we are at around 11.5%. And it's just about higher sales, a 10% higher sales from this, at least 4% to 5% will further flow down to our margins. Just to also mention on the margin improvements. Like I said there are four attributes of margin improvement. First one is improvement in gross margin. Second is the impact of portfolio rationalization, which means that some of the closed store margins are obviously dragging. And the new store that now added to the matured portfolio they are performing better than what the closed stores were performing. So, overall percentages have improved. Third is obviously cost initiative, the multiple initiatives taken some of the examples that I gave recently, and fourth is operating leverage. The first three are structural changes and in my view the mid-single digit margins that we saw in the previous three quarters is something that will not happen now. And the fourth factor which is operating leverage is clearly a function of market. Once that comes in, we expect our margins to revert back to 13%, 14% that used to be historically.

Percy Panthaki: So, two follow ups on this Rahul. One is that Q3 your seasonally strongest quarter. And therefore, if you have done 11.5% in Q3, all other things being equal just the seasonality would mean that this would translate to an annualized margin of somewhere in the region of 9 to 9.5%. So, if we have to go on a full year basis this journey from 9%, 9.5% to let's say, 13.5%, 14%. Do you think that just the SSSG coming back to 5% is enough or would you need to do something more also in addition to this?

Rahul Agrawal: No, it's enough, because if you look at this quarter three and your annualized number of say, 9.5% 10% this also bakes in around overall for the first nine months, around 8% of SSSG decline. So, just that reversal of that 8% SSSG decline will lead to margin improvement by 3% to 4% points.

Percy Panthaki: Okay. So, basically if I were to just say it in a nutshell supposing if you deliver, let's say 4% to 5% positive SSSG in FY25, then the full year margins would be possible in that 13.5% to 14% region would that be a correct interpretation?

Rahul Agrawal: Yes.

Percy Panthaki: Okay, understood. Secondly, just wanted to understand what are your plans in terms of new store openings for FY25 and if you can break it up by segment, and also do you have any closure plans for FY25 or is it now more or less going to be done by the end of FY24?

Rahul Agrawal: For FY25, we expect to do around 25 to 30 sites. And broadly 50% of this will be for Barbeque Nation brand and the balance 50% would be for both Toscano and Salt. So, this is the broad breakup. In terms of closures, we're largely done in this financial year. In FY25, I don't expect any closures to be there but the focus on overall profitability is very high. So, at max, for the next year full year, I don't expect to go beyond three to four closures which is usual closure rate which the company will maintain going forward.

Percy Panthaki: Okay, understood. And there is no plan for any international store opening next year?

Rahul Agrawal: There are. When I say Barbeque Nation brand, I mean also international. We can do two to three international stores. International business is delivering around 20% EBITDA margin. So, there is cash accumulation there and we may open new stores based on the availability of good sites, we will utilize that same cash to expand.

Moderator: Thank you. The next question is from the line of Rajesh from K Securities. Please go ahead.

Rajesh: I just wanted to understand what goes into the decision making of opening the new restaurants and then what goes to decision of closing the old restaurants. Because we have been seeing like we are adding eight closing four, this has been repeating for the last three, four quarters. So, in the first place, what are the drivers of opening that restaurants and then why are we closing them now. This has been happening for a long time now. So, that's why I just wanted to understand, what are the parameters that are used to open and close?

Rahul Agrawal: Thank you, Rajesh. We have to look at the history of last three years after stepping out of COVID. We have delivered good results in our business. And based on the success of those existing restaurants, we started to map the market and went ahead and open up a few more, both in metro tier one market and tier two markets. And over the period of last four to five quarters, in general, there has been a demand issue in the market, which has been impacting a lot of our restaurants. We took a hard call of halting the store expansion for some time. And we are looking at our entire portfolio to rebalance in the right manner. And that is why for the entire year, we have closed few restaurants and very selectively looking at opening up the new ones. By the end of this year we are done with that and we are at the right stage of resuming our growth. One other change that you will see between our expansions last year versus this year is that last year FY23 is that FY23 was largely led by Barbeque Nation. But today given that we have three to four strong brands in our portfolio, we want this to be more broad-based so that the impact of any possible cannibalization or impact of maturing of these new restaurants, and the impact on our financials is managed well. So, this is broadly our strategy we have to react to the strategy based on market condition and that's what we have done.

Rajesh: So, when do you revisit your decision to open, now that we have opened some new restaurant, so when do you come back and review is this the right decision or not and what goes into it?

Rahul Agrawal: Frankly last quarter also, we had mentioned that we believe that our expansion or the other restaurant rationalization program is pretty much done. Last quarter when we spoke in November, we clearly knew what needs to be done in terms of more closures. And we had already started to build our pipeline from December, January onwards. And obviously the lag in terms of building pipeline and then there is construction and then the restaurant starts trading. So, as an organization we are already two to three months into building our pipelines and then some of these getting into construction. So, as in we are already got into that phase now.

Rajesh: Okay. So, one other question I have is that you have made this statement at least twice already that this quarters margins are like sort of the base so we will not be seeing lower margins like last three quarters going forward. So, if you see this SSSG, it's still in the negative zone and our margins have moved up, can you please explain the difference because those things are clearly not matching here. And then your confidence that going forward it will not go down; the margins will not go down. So, I just wanted to understand how things work out actually.

Rahul Agrawal: So, when we compare this quarters margin with the previous three quarters, obviously like I said, there's delta because of gross margin, there is delta because of portfolio rationalization, which was not built into last three quarters, but it's built into here, because all the closing costs, one-time cost has all been factored into, there is impact of cost initiatives. Some of the initiatives, even if you start something, it doesn't start flowing from day one, we make a decision, we implement that. And there's a lag of anywhere between one to two quarters depending on the initiative we have taken. So, all of these things have come into play in quarter three. So, the only comment that I'm making is, all the efforts taken are more structural and permanent. And the margin improvement this quarter which is a seasonally good quarter for us, driving from the operating leverage is something that is always at play. So, if the revenues dip in quarter four, then to some extent margins will dip only to the factor of operating leverage, but the other three initial factors will continue to play.

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

Vicky Punjabi: Just a quick one. What surprised me in this result was that, if I look at your peer set**,** the dine-in revenue have somewhere been under pressures sequentially, on a per store basis they have declined, it's not something which you have seen. What has driven this, as I understand if I read the comments properly, it's actually led by higher foot fall. And this is on a sequential basis, I want to understand what's actually driving this change in behavior of Barbeque Nation versus the other.

Rahul Agrawal: On a sequential basis, obviously quarter two is one of the weakest but higher numbers of vegetarian days. If you look at quarter two, pretty much 70% of the month was impacted because of various vegetarian days. Whereas it continued in October because of factors like Adhikmas,but that consumption pattern came back in November, December. And frankly, this sequential improvement between quarter two and quarter three, if you look at our historical numbers, six, seven years back, history these are similar, December month like I said, was very good, the month itself was SSSG positive for us. So, it is all led by footfalls.

Vicky Punjabi: Actually dine-in to be fair, mainly for the QSR companies Q3 used to be better than Q2. Just that this year I thought was an exception kind of gave perception that sequentially decline in consumer sentiment somewhere, but your results kind of in fact the opposite side, especially given that you are high on dine-in. But, is consumer demand environment improved, or is that true or has the store closures somewhere help here?

Rahul Agrawal: Both have helped. Look no doubt portfolio rationalization has helped. Portfolio rationalization also has shrinked our overall top line but has expanded our margins. And in some cases, if the demand was moving into, splitting between two restaurants have now moved into one restaurants. And when I talk about portfolio rationalization this is done across only 15 markets out of say 80 markets that we operate in and that has delivered some results. Also on sequential basis quarter three dine-in business has been better, corporate business for example between 10th of December to around 24th, 25th of December was very good. Even during the last week of December the business was very good. And my peer check with a lot dine-in players or casual dine-in players, they have pretty much seen similar improvements in the month of December.

Vicky Punjabi: Okay. And just to understand the commentary, you said that at least on the SSSG basis sequentially the trends are improving, and can I take the fact that the demand environment continues to improve?

Rahul Agrawal: I can't say clearly that demand has improved considerably. But one of the other empirical study that I believe also is, the overall supply in the restaurant industry has gone up a lot.

There has also been distribution of the customers across more number of players. To that extent, the entire industry environment remains challenging. And that is why in this challenging environment, your own in-house or internal execution becomes very important. And you have to have a very tight control on your cost so that the operating performance is delivered. Obviously now in business some of these things take time, which is what we have gone through over the period of last three quarters. But I won't stand up and say that no demand has completely improved. To some extent, the base impact will also kick-in the next financial year, but I still don't see the same level of demand that maybe we have seen for example, pre-COVID days.

Vicky Punjabi: Okay. And just last one on the store expansion front. So, there were certain decisions that led to higher accelerated pace of store expansion early and now we have ended up rationalizing those stores. And we review our expansion now, but how confident are we that same rush if we resume our expansion, we won't be in the same position of possibly rationalizing stores two years, three years down the line, how well have we rectified the reasons because of which this rationalization?

Rahul Agrawal: FY24 the period of new store expansion has been very slow and cautious. FY23 store expansion, it was focused on only one brand, which is Barbeque Nation. And that has put a lot of pressure and the store expansion was also done in an environment of declining industry trends. Next year given the base impact, given that there has been rationalization done, and is also being done across the industry, there would be some improvement and I see, well it will be slow and store expansion done in that environment versus '23 and secondly, store expansion being done across a few focused brands will put less pressure on the operating performance of one brand. To that extent, it's different. Plus, our internal evaluation category has also been strengthened. Some I can speak about, some I can't speak about openly, but overall, I feel confident that the drag that happened from expansion in FY23, should not be there.

Vicky Punjabi: Sure. And just last one, I missed this, what is the guidance for expansion?

Rahul Agrawal: We are looking at 25 to 30 new stores in FY25.

Moderator: Thank you. We have our next question from the line of Resha Mehta from Green Edge Wealth. Please go ahead.

Resha Mehta: Most of my questions have been answered, just two more. So, the first one is on the Salt. Can you share what was the revenue number for the two months, November and December as it was consolidated and also would this similar consumer demand trends reflect in Salt's revenue growth profile as well, if you could just comment on that, that's the first question.

Rahul Agrawal: Salt for two months did approximately Rs.6.2 crores across their six restaurants. And they did an operating margin of around one odd crores from that. So, the impact is not drastic on the overall numbers. Yes, Salt also has reflected similar demand trends. Just one comment on Salt, Salt number of restaurant are very small. And they have one restaurant in Chennai which got impacted a lot in the month of December because of floods. Just one restaurant there, and Barbeque Nation also has restaurants in Chennai, but in the entire scheme of things, it balances out. But for Salt, it mattered.

Resha Mehta: And the second one is on the cloud kitchen. So, if I recall correctly, we also did get into this format post COVID. So, since it does not get mentioned in the presentation, I'm not sure whether we are still continuing or not, but how has been the experience for us and what's the unit economics there if you can just elaborate on that?

Rahul Agrawal: We are not continuing with this. We have consolidated this from our existing operations itself. We experimented with this during a period when average revenue per store from our Delivery business was higher. But as this stabilized at around Rs.24,000, Rs.25,000 per day, which is average earnings of Rs.8, Rs.9 lakh per store, it was not making sense to incrementally spend on rent, manpower, supply chain, and therefore we stick to only doing it from our own outlets.

Moderator: Thank you. We have our next question from the line of Manav Vijay from Deep Financial Consultants. Please go ahead.

Manav Vijay: Sir, first of all if you can tell us regarding the Salt restaurants, so they have been classified as mature ones, or as new restaurants?

Rahul Agrawal: Out of six restaurants that they have, five are more than two years old and classified as mature, and one which is new is classified as new.

Manav Vijay: Okay. My second question is sir, if you look at the sales breakup last year roughly 75% of your sales came from metro and tier one towns, which in nine months has roughly moved to 77 to 78. So, going forward what should we assume that the proportion of sales coming from metro and tier one towns where I believe the focus is well, for the new restaurants opening as well. So, this number will continue to move up?

Rahul Agrawal: No, we don't give numbers on share of business, we give numbers on store counts. And that will remain at 75:25. So, delta is based on the opportunity that you might get in that quarter but, strategically that percentage will remain at 75:25.

Manav Vijay: Okay, fair enough. Sir my last question is, so let's assume for a second that, let's say demand doesn't improve so SSSG doesn't improve. So, from the current cost base that we are sitting on, since we have taken a lot of steps or efforts in last nine months, 15 months to correct the base that we had. So, are there further levers available if let's say demand were not to revive even in next six months, nine months?

Rahul Agrawal: Look there are efforts being taken and there are ongoing efforts also which is there. On the demand scenario, I don't believe that this will not improve and obviously, there is a lot of work being also done at the store level for guest engagement, you must have seen a lot of food activation work that we are doing in the outlet, which is also giving us good results. Eating out will not completely go away. Some of the supply also will correct because at these levels, I don't think people can continue while this business throws out a lot of cash, but if not managed well, this can also lead to losses. It's a matter of time, we have to stay put and keep giving our efforts towards that. In a scenario wherein this continues in the same fashion. We obviously will, obviously margin will not be at the same level that you should one year but we'll continue to drive efforts and see how we can optimize our business.

Manav Vijay: Okay. My last question to you, sir. So, you intend to open roughly 25 to 30 next year, what will be the CAPEX for the same and whether the operations will generate enough cash for you to open them?

Rahul Agrawal: Yes. the overall CAPEX including maintenance CAPEX and other one-time CAPEX should be in the range of Rs.80 crores to Rs.90 crores. And our operations are good enough to generate that, even this financial year for the first nine months we have generated around similar numbers. And despite a weak year for us, because of H1, I think we generate more than this. So, this is how the company has been built, we grow largely from our internal accruals.

Manav Vijay: So, what has been the cash generation in the first nine months of this year, compared to last year of nine months?

Rahul Agrawal: This quarter has been Rs 37 crores. For the full nine months, we would be approximately Rs 80 odd crores. Last year, nine months would be Rs115 odd crores. Sorry, Bijay or Amit if you can help me with those numbers?

Bijay Sharma: Rs. 105 odd crores for last year nine months.

Moderator: Thank you. We have our next question from the line of Resha Mehta from Green Edge Wealth. Please go ahead.

Resha Mehta: So, you spoke about the increase in supply or increase competition in the eating out space. So, do you think this is structurally increased and is worth the stay and when was the last cycle when we saw such an increase in supply and then how things panned out in that cycle?

Rahul Agrawal: Well, very difficult for me to put a number in the past. But, if you look at our trade area, trade markets, we see a lot of casual dining restaurants opening up, new concepts opening up. And normally, when some of these things open up consumers do go and try and in most of these cases, the real trick is whether that excitement is maintained by that restaurant over a period of time. Normally in my experience if it is a fad, if it is something which is new, and doesn't catch the fancy of the consumer for a longer period of time, this normally sort of dies off and auto correct and consumers go back to their usual places. This is where we are, unfortunately we don't have any formula in industry report to quote these numbers. But based on our internal study of also the trade areas, we do see supply has gone up.

Resha Mehta: And would you say that it's also not only because of the subdued demand, but also because of this increased competition that you are seeing a dip in the number of your repeat customers or your loyal customers, have you seen that in your numbers?

Rahul Agrawal: It's both, one obviously that the entire consumer space is has been struggling with this. It is mix of both which is decline in consumer demand, discretionary spends and also increased supply which is for restaurants.

Moderator: Thank you. Ladies and gentlemen, this concludes today's conference call. On behalf of Ambit Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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

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