



Date: May 29, 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
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Dear Sirs,

Subject: Transcript of Earnings Conference Call held on May 23, 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 Thursday, May 23, 2024 at 05:00 PM (IST), post announcement of financial results of the Company for the quarter and year ended March 31, 2024. 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

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

Encl.: As above

BARBEQUE-NATION HOSPITALITY LIMITED

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Barbeque-Nation Hospitality Limited

Earnings Conference Call Q4 and Full Year FY2024

May 23, 2024

Management:

Kayum Dhanani : Managing Director
Rahul Agrawal : Chief Executive Officer & Whole Time Director
Amit V Betala : Chief Financial Officer
Bijay Sharma : Head, Investor Relations

Moderator: Ladies and gentlemen, good evening, and welcome to Barbeque Nation's Q4 and Full Year FY'24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bijay Sharma. Thank you, and over to you, sir.

Bijay Sharma: Thank you Dorwin. Good evening and welcome, everyone to Barbeque Nation's Q4 and Full Year FY'24 Earnings Conference Call. For today's call, I'll have with me Mr. Kayum Dhanani, Managing Director; Mr. Rahul Agrawal, CEO and Whole Time Director; and Mr. Amit Betala, CFO.

We will begin the call with Mr. Kayum sharing his perspective on overall demand scenario and key highlights of the year. This will be followed by a detailed discussion on business performance and outlook by Mr. Rahul, post that, we will open the forum for an interactive Q&A session.

Before we begin, 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 our 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 Q4 FY'24 conference call of Barbeque Nation. In the context of the current operating environment, Barbeque Nation has demonstrated industry-leading performance during the quarter. Our strategic focus on portfolio rationalization, strong execution and a multiple cost initiatives have helped us in delivering another strong operating performance.

Our revenues have grown Y-o-Y by 6% during the quarter and were up by 1.7% on a full year basis. This was on the backdrop of moderate network growth and negative SSSG for the full year. We have consciously moderated the network growth in FY'24 and were focusing on getting our operating margins to on-track, which has been successfully delivered in H2 of this financial year. Our adjusted EBITDA has grown by over 75% in H2 of this year over H1 on relatively same base of revenue. Similarly, adjusted EBITDA has almost doubled in Q4 this year versus the same period last year. This is testament that various initiatives undertaken during the year, such as portfolio rationalization and cost control initiatives has started yielding results.

We have now restarted to build our pipeline of network expansion in FY'25 and beyond and plan to open 100 new stores over the next 3 years. We plan to add 25 to 30 new restaurants in FY'25. During the quarter, we opened 2 new restaurants in Barbeque Nation India and one in Salt. We also closed 2 restaurants during the quarter, resulting in a net network of 217 restaurants. This includes 186 restaurants in India; 8 restaurants in international operation; 16 restaurants for Toscano; and 7 restaurants for Salt.

Our Toscano business continued its strong growth trajectory. The business reported a revenue of INR108 crores in FY'24, a growth of around 19% compared to the same period last year. The reported EBITDA margin for the year was 26%.

Our International business also continued its robust performance with revenue of INR90 crores in FY'24, a growth of over 27% compared to last year. The growth was delivered by SSSG and addition of two new restaurants during the year. Reported EBITDA margin for the business is over 30%. Salt integration is also progressing well.

We continue to focus on enhancing guest experience through initiatives such as culinary festivals, special menu activations, guest engagement, initiatives and restaurants upgrades. These initiatives are anticipated to enhance overall guest experience and drive footfalls. While we also increased the pace of our network expansion, we will continue to watch out how the demand scenario pans out and will also recalibrate our network expansion accordingly.

The trend of improvement in SSSG and operating margins in our business is very encouraging, and we remain committed to further drive growth through SSSG and store expansion and maintained our operating margins. Our medium to long-term growth forecast remains intact and any favorable shift in the demand trend will further support our journey.

Thank you, and I will hand over to Rahul to walk you through the performance in details.

Rahul Agrawal:

Thank you, Kayum. Good evening, everyone. During the quarter, we reported a revenue of INR298 crores, a growth of 6.4% compared to the same period last year. The growth was supported by growth in both dining and delivery business. Dining business recorded year-on-year growth of 3.3% and delivery business grew by 19.3% year-on-year in quarter 4 FY'24.

Our same-store sales growth for the quarter was 1.4% driven by growth in our delivery business, while the dine-in SSSG was relatively flat.

During the quarter, our matured portfolio delivered an annualized revenue per store of INR5.9 crores with restaurant operating margins of 16.1% compared to Q4 last year, the revenue run rate improved by 2.7% and margins improved by over 150 basis points. The

new restaurant portfolio reported an annualized revenue per store of INR4.5 crores with restaurant operating margins of 7.8%. The new portfolio experienced average revenue growth of 16% and margin increased significantly from minus 1.2% in the previous year. On a consolidated basis, annualized revenue per store run rate increased by 5.8% to INR5.5 crores and store operating margins of 14.4%, which is higher by 328 basis points over the previous year.

Gross margins for the quarter improved by about 300 basis points on a year-on-year basis, part of it was around 80 basis points improvement in gross margin during the quarter was due to reclassification adjustments and balance improvement is primarily driven by softening of input cost and better realization, mainly in beverages.

Consolidated reported EBITDA for the quarter was INR62.4 crores with margins of 20.9%. The reported EBITDA included a benefit of one-off income of INR4.8 crores arising on account of closure of leases because of IndAS 116 impact. Reported EBITDA increased by 48% on a year-on-year basis. Our pre-IndAS EBITDA for the quarter was INR26.8 crores with margins of 9%. Our pre-IndAS margin excludes the one-off income, which is part of other income in the reported financial. The adjusted EBITDA margin increased by almost 107% on a year-on-year basis.

On a full year basis, we reported revenues of INR1,255 crores, a growth of 1.7% compared to last year. Our reported EBITDA for the year was INR230 crores with margins of 18.3%. And pre-IndAS adjusted EBITDA was INR101 crores with a margin of 8.1%. Our pre-IndAS EBITDA margin excludes the one-off income of INR11.1 crores, which is part of other income in the reported financials.

Despite the challenging operating environment, we have been able to deliver strong operating performance in H2 of the year. On the relatively same revenue base, our adjusted EBITDA in H2 was higher by 75% over H1. Adjusted EBITDA margin is also increased from 5.8% in H1 to 10.3% in H2.

Our International business continued its strong performance and recorded a revenue of INR90 crores in FY'24 with reported EBITDA margins of 32%. Toscano's performance was also very encouraging, it reported a revenue of INR108 crores, with reported EBITDA margins of 26%. Salt integration is progressing well. We're also proposing a merger between Toscano and Salt, both of which are our subsidiary companies to drive better operational efficiencies.

At the close of fiscal year, we had 217 restaurants, which included 186 restaurants in Barbeque Nation in India; 8 restaurants in International business, 16 restaurants for Toscano and 7 for Salt. During this quarter, we added 2 restaurants of Barbeque Nation and 1 of Salt.

We plan to add 25 to 30 restaurants in FY'25, and this will be broad-based growth across brands. We plan to add around 15 restaurants in Barbeque Nation, India around 3 restaurants in international market, around 6 for Toscano, and 3 in Salt.

Going ahead, we remain optimistic about various initiatives undertaken by us coupled with renewed focus on network expansion would further enhance our operating performance. Also, any improvement in the demand trend will further support our performance enhancements. Thank you. With this, we can now open the session for Q&A.

Moderator: We have the first question from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: Congratulations on good set of results. So my first question is on SSSG. So do we foresee SSSG returning to 5% to 7% in FY'25 and FY'26?

Amit Betala: Thank you, Palash, for this question. I think returning to 5% to 7% in FY'25 will be a challenge, but we remain very hopeful for this number to reach there in FY'26. In the current environment, it's getting very difficult to predict the overall performance. For example, in the 2 months that have gone by in this quarter, April has been marginally impacted because of the Navratra season. And that has led to some SSSG decline again. But May has been doing very well in the current scheme of things. So I will shy away from giving a guidance of 5% to 7%, but we'll endeavour to at least be on a positive territory. And my sense is that we should be able to deliver between 2% to 3%. But obviously, as the year unfolds, we will have more information on that.

Palash Kawale: Okay, sir. Thank you, for that. And sir, any store closures that you're planning this year?

Rahul Agrawal: I think store closure is part of our journey now. While this year, we are planning to open around 25 - 30 restaurants. My sense is that we might end up closing another four to five in the entire financial year. As we grow and reach a network of 300 stores, we'll have some stores which always needs to be recalibrated or even need to be relocated or some markets you might have to exit.

Palash Kawale: And sir, my next question is around margins. So if you attain an SSSG of 2% to 3% for this year again 5% to 7% next year, so how do you see margins shaping up by FY '26?

Rahul Agrawal: If I can break it into periods, obviously, the H1 was a difficult period for us. There were a lot of initiatives that we had taken and when you take some initiatives there is a time lag in which the benefits will start showing up. So if I look at in buckets, H1 was around 5.8% for us. We consciously worked on some of the stores, looked at some of the cost items, and also model the P&L for some of the outlets which you're not doing well. And we could bring it back to around 10% now. I think this number should sustain and we should not be going back to the 5% to 6% level. That's my strong belief as of now. Giving a guidance for

FY '26 today at SSSG of around 5% to 6%, I think we should be able to deliver anywhere between 12% to 13% in FY '26 sort of period.

Moderator:

The next question is from the line of Harit Kapoor from Investec.

Harit Kapoor:

Congrats on the recovery as well as the disclosures for some of the newer restaurant businesses. I just had a question on the SSSG. So if you can kind of dissect a little bit, Rahul, on where this improvement is coming from? Is it more metro led? Is it more Tier 2, Tier 3 led? Because you have closed down a few stores in Tier 2, Tier 3, which are non-performing. So is that cohort with recovery?

Is there some recovery from some of the IT-led markets where the home impact is there? Is it coming from there recovery some maybe some qualitative sense on where this improvement has been seen for your business? Or is there region-wise part that's more impressive than another. I just wanted to get your sense on that?

Rahul Agrawal:

It's a bit broad-based, but if I had to dissect it first to look at it between delivery and dine-in, I think large part of this posted SSSG at the company level is driven by the overall delivery and optimized business for us. On the core dine-in business, as you have seen with other industry players, their delivery growth has been slightly better than the dine-in growth. In our business since almost 85% of the business comes from dine-in. The growth has been slightly different. But on SSSG front, our dine-in SSSG has been flattish. And if I have to dig deeper into regional markets, I think there's no emerging trend that I can give you. At least some of the markets where we have consolidated or closed 1 or 2 restaurants in some markets. Those markets have done very well because we have not seen a loss of business and those have in some manner moved out to some of our other existing outlets. So that has helped. But by and large, it's very difficult to predict or to give you a sense of whether it's metro or Tier 2, Tier 3-led.

Harit Kapoor:

Got it. And the second question was on the non-Barbeque India led businesses. If I look at profitability in the international business, it's slightly come down, but it's still pretty strong. For Toscano also, similar range. Salt has actually improved. I assume that some initiatives you would have taken in the last 3, 4 months of getting into your fold would have helped as well. I was just wondering if some of these margin performances were a little bit more back-ended or in the year. I just wanted to understand if the exit rates also for some of these businesses are quite heavy from a margin standpoint.

Rahul Agrawal:

I think a large amount of consolidation also that we've done in Barbeque India business. Other businesses have been giving strong performances. If you look at last year's number also for International, the margin drop in International is only led by the fact that we added 2 new stores there. On a base of 6 stores and you add 2 more stores, then there's some margin decline that happens because it takes some time to ramp up. But despite that, on a pre-Ind AS basis, it's still delivering almost 18% EBITDA margin

on a top line of close to INR90 crores. So there is no particular front-loading or back-loading happening on International business. Generally, International business does pretty well in Q1 actually because of Ramadan period and all. Q2 is weak in International markets, Middle East, because of holiday season in that market, and it really picks up again in Q3 and Q4.

Similarly Toscano continues to do very well. It has maintained its EBITDA margin of around 16% on a pre-Ind-AS basis. The growth rate has been very strong. I know we acquired it just before COVID, but the CAGR in the business is around 20% there. And of the 16 assets, they all are in prime locations and they continue to deliver strong margins for the full year basis in positive SSSG trajectory.

Salt is very new right now. I think we integrated Salt November onwards. And the focus is more on trying to ensure that the back end is integrated here. So that once we start expansion in Salt, we are ready for that. And the margin improvement is only marginal in this, but the focus there would be to first say merge with Toscano and then start expanding. And that's why when you look at the current year projections, we are ready to add 6 stores of Toscano this year, out of which 2 are already in construction and 2 are on the verge of being signed. And in Salt, we are saying we'll just do three there. I think non-Barbeque business has been performing extremely well for us. And the Barbeque India business also with all the efforts that we have taken over the last 3, 4 quarters have been giving results for us.

Harit Kapoor:

Got it. And the other thing is on the inflation side. You mentioned that it's been fairly benign and that's driving the gross margin also. I just also wanted to check in terms of what the near-term outlook looks like for you right now on the inflation side? I mean anything to worry about? And then also from that perspective, how do you think about pricing this year?

Rahul Agrawal:

I think it's going to be stable for us. The meat prices are the key. While on chicken side, we might see some inflation, but on the prawns and fish side, we are seeing sort of flattish or downward trend on the prices. In terms of our pricing, it's very dynamic. We keep looking at our table turns, our capacity utilization and then take a call on pricing. But my sense is that we will shy away from taking any pan-India price hike this year, but try and focus more on providing value to our guests so that we can build on the volume in the core dine-in business for Barbeque India.

Harit Kapoor:

Got it. And last question was on the restaurant Barbeque Nation India. I mean, I think after a break of about a few quarters, you have started to kind of talk about double-digit additions in terms of restaurants. I was just wondering, does that also kind of signal you know, the basis what you're seeing on ground? And while it's hard to still say, but at least SSSG trend directionally look positive, and that's why this kind of renewed expansion kind of thought process in the Barbeque India business?

Rahul Agrawal: Obviously, when we expanded aggressively in FY'23 and we had to go through some rough patch for a couple of quarters because of that. But if you look at the difference in our approach now, and that's the learning which we've also seen over the period of last two years. In FY'23, we added almost 39 restaurants. And by and large, all of them were from Barbeque Nation India business. And that was also on back of great performance in India business after COVID. This time around when we are again, relooking at overall growth of, say, 25 to 30 stores this year, this is very broad-based. In Barbeque Nation India business, I'm targeting to do around 12 to 15 restaurants, which is practically one restaurant a month. Which for a network like ours is completely doable and there are market opportunities so that we don't impact our margins also. And consciously, over the period of last two years, as we are building and also working on some of our non-Barbeque India businesses, they are now sort of ready to, fire more. International business, as you would have seen us talking about this, we're always very cautious about International because the cost of this is very high. But today, with pretty much a long four year of history in that business. We feel very comfortable to open two or three restaurants in that market very easily. Same with Toscano, I think we spent slightly longer than what we should have done in terms of building our dedicated teams for that and now they are all in place. And today, we feel very comfortable to add six there and three in Salt. I mean difference between growth in FY'23 versus FY'25 is going to be the fact that last year, it was led by one brand versus this year around it will be led by multiple brands.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Can you give a bridge of the capex that we have spent about INR80 plus crores?

Rahul Agrawal: There are three parts to it. We have added around 13 new restaurants this year, out of which two are International. And we have also relocated 8 of our restaurants, which is pretty much like a new store. Overall 21 outlets have been added. International generally are at higher capex, around INR64 crores have been spent on new store expansion.

Pritesh Chheda: 13 new restaurants in which two are international, right?

Rahul Agrawal: Yes.

Pritesh Chheda: 11 are Indian that are spent and how much capex, 11 restaurants?

Rahul Agrawal: That would have done around INR33 crores.

Pritesh Chheda: About INR3 crores.

Rahul Agrawal: Yes, INR3 crores each.

Pritesh Chheda: And then two restaurants of International at?

- Rahul Agrawal:** Around INR10 crores.
- Pritesh Chheda:** Two into INR5 crores. That is basically INR5 crores per restaurant international?
- Rahul Agrawal:** And then other eight relocations, which is around INR21-odd crores. We had spent around INR15 crores on regular maintenance plus some of the restaurants upgradation, which is not relocation, but generally better look and feel of the existing sites.
- Pritesh Chheda:** Okay. 18 restaurants, you closed down, 21 you relocated, which is about 39, and you added for the year 13, so 52 divided by 216, let's say, about one-fourth of your network has been added, reshuffled, or closed. So then that whole cannibalization related, which you were calling out for the last year, basically. When does that gets start reflecting in SSSG? Because it's one-fourth of your restaurants which have been addressed or looked at.
- Rahul Agrawal:** Relocated are part of our SSSG because this is pretty much in the same trade area. And on the balance portfolio, our SSSG obviously, for the last two quarters have been in the improving trend.
- Pritesh Chheda:** Basically, it's about SSSG number, which is let's say higher than the inflation, number although 5% or 6% numbers where it starts benefiting your margins. From that angle, when should play out in your opinion?
- Rahul Agrawal:** You have to also look at it in the context of the current operating environment. The SSSG numbers that are generally in the industry being reported also is negative. And if you look at those numbers versus our number for the quarter, we are, I think, in the better sort of quartile. It's just a function of market. And I think this year's full year basis, we should be in the positive territory and expect to be in a 5% plus range from FY'26 onwards.
- Pritesh Chheda:** And on the GP number, where it is about 400 to 500 basis points in four quarters. So here, it's a mix, which is playing out? Or it is cost?
- Rahul Agrawal:** If you remember, in quarter one, we have also done some value offers, Happy Monday Tuesday offers very aggressively because of which our gross margins have been lower. But if you look at quarter four versus quarter two, which is a more reasonable sort of number for that period, this was approximately 66%, which has gone up to around 69% now. On the 300 basis points, like I said, there is a reclassification of impact of around 80 basis points. And this reclassification is on account of the restaurant employees food cost, which was earlier part of food cost, which as per new auditor has now moved to the employee cost. So there is 80 basis points from there.
- And the balance 200 odd basis points, there is some benefit of the input cost and benefit coming from price realization. The beverage gross margins, which used to be earlier around 55% - 60% has now moved around 75%. So that's the cumulative impact of that.

- Moderator:** The next question is from the line of Himani Shah from Alchemy Capital.
- Himani Shah:** All my questions have been answered.
- Moderator:** The next question is from the line of Nirav Seksaria, an Individual Investor.
- Nirav Seksaria:** What level of contribution are we expecting from the delivery going forward?
- Rahul Agrawal:** It's around 15% to 16%. We are expecting to maintain that and continuously work towards growing it more than how they're growing. But as I said earlier, we're not targeting to change the proportion of delivery versus dine-in. Dine-in is a very profitable business for us, and we would love to see whether that business grows faster than what it is growing right now given the current industry scenario. It just so happened that last year's delivery did better than dine-in. But otherwise, we are not consciously trying to change the shift. We're obviously targeting to grow that businesses around 15%, 16% every year and pretty much try and maintain the similar numbers for dine-in.
- Nirav Seksaria:** On the longer term, what I can have, we are planned to maintain at around 15% to 16%, but delivery being a higher profit margin business for us, why didn't we scale it up?
- Rahul Agrawal:** No, delivery is not a high profit margin business for us. Dine-in is a better profit margin business for us.
- Nirav Seksaria:** Okay. And sir, you have said that you're opening 25 new stores this year, in FY '25. So what is the amount of capex are we planning? And could you give me a split between Barbeque and non-Barbeque restaurant?
- Rahul Agrawal:** Around INR 75 crores on new outlets. Overall, we will end up doing capex of around INR100 crores for the full year. This also includes maintenance capex and some other capex as the corporate level that we keep investing. In terms of breakup between various brands, we plan to do around 15 restaurants for Barbeque India; around 3 for international; 6 for Toscano and 3 for Salt.
- Moderator:** The next question is from the line of Giriraj Daga from Visaria Family Trust.
- Giriraj Daga:** My question is related to gross margin. So last quarter, like we grow somewhere about 68.5% slightly higher than that. What should be the level of gross margin assuming for, let's say, FY '25. Should we be able to sustain this number of quarter 4?
- Rahul Agrawal:** Yes. I think it should be in the range of 68% to 69%. We should be able to sustain this.
- Giriraj Daga:** Okay. And like just to clarify, you mentioned that adjusted margin should be about 10% for the full year?
- Rahul Agrawal:** Yes.

- Giriraj Daga:** And that number can go to about 12%, 13% you mentioned for the FY'25 -- FY'26 when the 5% to 6% SSSG?
- Rahul Agrawal:** Yes.
- Moderator:** The next question comes from the line of Govinda Alagi from Natwarlal & Son Stockbrokers Private Limited.
- Govinda Alagi:** Most of the questions have been answered, but I just want few clarifications or you say sort of an understanding regarding the delivery business, particularly UBQ. So I can see the brand has been launched in 2018 and it has contributed good like overall 19.3% growth. And as sir said that it has a good profit margin. Going forward, I just want to understand, like how do you see these brands build, grow. Like what are the challenges being facing or expecting in future? What could be the delivery charges? And what is the revenue split between the UBQ and Dum Safar. Like please throw some colours like the insight full length that we don't know about this two delivery business, particularly like UBQ?
- Rahul Agrawal:** Thank you, Govinda for this. Our delivery business is mix of delivery sales that we do from across all our brands. And UBQ, yes, we started in 2018, but the real kick to the brand only came post-COVID and Dum Safar also we started almost a year back and was scaling up pretty well. On UBQ, both UBQ and Dum Safar are pretty much acting like a cloud brand right now because they all operate from the existing Barbeque Nation kitchens and they don't have a store front for the guests to look at. I think we will experiment with some of these. We have experimented with Dum Safar counter. It's very early days there and what our learnings are coming from that business, we are incorporating. But we're seeing how we can put the brand in front of our guests so that the brand recall is higher, they can try our product end and eventually also go in order from the delivery platform. Something similar we are also wanting to do with UBQ wherein we can open up either a small kiosk or a small sit down sort of area with 800-900 square feet and deliver a-la-carte experience to our guests, because we understand Indian cuisine and there's something that can be delivered and also there is a market. But both of these are really early stage and that's something which we keep working on various projects. And at appropriate time, we'll also bring on to the forefront and discuss with the market in general. I think since COVID till now, the growth rate has been extremely good. What we delivered in FY'22, there was some sort of break in FY'23, but now they are both in growth trajectory. And more importantly, they have been better guest ratings now. And our NPS scores for these have been also marginally increasing over the quarters.
- Govinda Alagi:** Okay. So second one is, I just want a clarification on the official name of the brand, the Red Apple Kitchen is known to be Toscano and the Blue Planet Food is known to be SALT. So what is the official one? Like what is official name like in terms of the company or the brand?

- Rahul Agrawal:** The company's name is Red Apple Kitchen Consultancy Private Limited that houses the brand Toscano. And the other company's name is Blue Planet Foods Private Limited, which has the brand SALT in that.
- Moderator:** We have the next question from the line of Mahesh Atal from Atal and Associates.
- Mahesh Atal:** I'm fairly new to the company. So my questions will be a little bit foundational. So just looking at your depreciation numbers, so what this all the restaurants that we have, are they owned restaurants or it's like an asset-light model for us? Out of 217, how much would be the asset light old one, if you could answer that?
- Rahul Agrawal:** We lease these premises in the country and then we set up our own restaurants. We don't franchise our restaurants. All of these restaurants are owned and operated by us.
- Mahesh Atal:** So entirely, it's owned premises itself are owned?
- Rahul Agrawal:** No, premises are not owned by us. They are on lease, but the entire restaurant is constructed by us.
- Mahesh Atal:** Okay. So when you say that, so I could see the depreciation and amortization expense. So what kind of expenditure goes into this. This is all lease expenditure?
- Rahul Agrawal:** Lease part and this also includes the impact of Ind AS 116.
- Mahesh Atal:** Okay. Fair enough. And one more thing. In this 217 restaurants, what kind of seats you might be having, like how many seats across outlets?
- Rahul Agrawal:** Average, we have between 120 to 130 seats each restaurants for us.
- Mahesh Atal:** And, yes. So what is the average revenue that you generate? Or you can give me like what would be the breakeven point at which you will have a breakeven in that particular restaurant?
- Rahul Agrawal:** Breakeven points differ from site to site. It depends on what's the area of the location, what is the rent that we are paying. Obviously, rent in a mall in Bombay would be higher than rent in a Tier 2 city. So to that extent, the breakeven points are different.
- Mahesh Atal:** Also, one more thing. When you say that you have just relocated 54 restaurants. I mean you have already relocated or done something sort of change in that, What was the analysis that went behind that, like no performance or like you were of view that the walk-ins were not there? Or what exactly went into that? And more on that, those areas like what are the food habits like?
- Rahul Agrawal:** When you talk about relocation, what we mean by that is, we have not vacated the trade area. We are still in that trade area. It's just that we moved from one particular site to another

particular site. And there could be multiple reasons for that. Predominantly, there are two: One is that restaurant has been used extensively for last 12 to 15 years. The designs that were there earlier is now outdated. And we need to give a fresh experience to our guests. We'll set up a new one and then shift our business there. And typically, this will be within 100 meters to 200 meters of the existing site, also depending on whether you find the site or not. It's primarily driven by the fact that we have to give enhanced experience to our guests. The second one, being in that location for a period of 10, 12 years, you have gone through multiple cycles of rental escalations. And now the rental has reached to a point wherein you can get much better rental, say, 30%, 40% reduction in rentals if you moved to another sites and 30%, 40% rental reduction is also on account of one general market. And also they've gone to the fact that if the earlier site was, say, larger, say, 6,000 square feet, now with the new design that we have come up with, we can set up the same amount of seating capacity on a smaller area, say, 4,500 square feet. We can manage and reduce our area requirement by 25%. Put together, if you are saving on rentals per month, you are also giving enhanced experience to the guests. And in your payback analysis, it makes sense, we go ahead and relocate that.

Maresh Atal: Fair enough. And one more thing, does Barbeque Nation have any exclusive vegetarian restaurants?

Rahul Agrawal: No, we don't have any right now.

Maresh Atal: Okay. because I could see that there has been a lot of things said by you in the last year which I don't see in the numbers. What went in 2024 and what it could not happen and what are we doing to I mean come up with that in FY'25. If you could please give me a sense on that?

Rahul Agrawal: Sorry, Maresh, this is a very broad-based question in terms of what was said in the previous year and what went differently. I think it's better that we can go through earlier transcripts, and if there is any specific point that you're looking on, I can explain that and discuss.

Maresh Atal: Restaurants, how much would be like having -- how much are loss-making and how much are profit making currently?

Rahul Agrawal: No, we don't give that number. That changes with seasonality. How they behave during quarter 3 versus quarter 4 is very different.

Moderator: The next question comes from the line of Nirav Seksaria, an Individual Investor, please go ahead.

Nirav Seksaria: Could you also specify the amount of alcohol contribution to the revenue in Barbeque Nation?

- Rahul Agrawal:** It's around 4% to 5%. That's just alcohol. It doesn't include other beverages. Other beverages and alcohol put together would be around 9%.
- Nirav Seksaria:** And, are we planning to increase other beverages and alcohol specific contribution since it has a higher profit margin attached to it?
- Rahul Agrawal:** We always endeavour to. Yes, it has higher contribution margin to us and everything incrementally sold is obviously revenues and margins. But by and large, our experience has been that this range between this level predominantly because we are known for our food. We are known for all you can eat. And when a consumer comes to our restaurants, he comes with a particular budget and he comes to enjoy the unlimited starters, deserts, and main courses that we offer, and generally not moved towards beverages. Just one clarification is also, it looks lower because in large part of our restaurants, we offer one free beverage during lunch sessions, from Monday to Friday and come to the Saturday also. If you look at the incidents of beverages by that I mean, how many bills have got beverages be attached to that, that number will be approximately 15%.
- Nirav Seksaria:** Okay. when you say one free beverage, is it alcoholic or is it non-alcoholic?
- Rahul Agrawal:** Non-alcoholic.
- Nirav Seksaria:** Okay. But are we planning to get in any initiative to increase on alcoholic beverage segment or an overall beverage segment? We can add on a specific amount for an unlimited beverage, which also increases the fullness of a consumer.
- Rahul Agrawal:** That's true. You're right about that. And we have done some offers. We keep likely running them in various markets. That's also a function of other promotional deals that you're also getting from beverages companies. But in our experience, whenever we have tried to do that and with the objective of trying to attract people who want to drink unlimited, typically, we have seen that those businesses with unlimited drinks don't move to us because, at Barbeque Nation, when you come to, say, drink unlimited beverages, then you also have to pay for, say, around INR800 for the unlimited food that you consume. So by and large, our guest segment is the one who want to enjoy food rather than beverages.
- Nirav Seksaria:** What I was trying to say is that we can fetch non-alcoholic beverage along with food, which is attractive towards the consumer.
- Rahul Agrawal:** I understand, and we have tried that in various markets, and obviously, endeavour is to keep increasing it as much as possible.
- Nirav Seksaria:** Okay. And sir, do we have any number on the amount of stores that we want to revamp or reallocate or close during FY'25?

- Rahul Agrawal:** I think we might end up closing around 5 restaurants in FY'25, might, because some are still not decided upon. And I think going forward also, you can expect a closure rate of around 3 to 5 every year now.
- Nirav Seksaria:** And what about revamp and relocate?
- Rahul Agrawal:** That's very site specific. That's also depends on whether we get a different rental deal at that point in time. But by and large, I don't think you do more than a 3 to 4 relocation in the present year. But in case of revamping, upgrading the front end look and feel, that's something that is taken up as a strategy. And you might have ended up doing it for pretty much every restaurants, which are more than 6, 7 years old for us, and which needs upgradations.
- Nirav Seksaria:** Okay. And how much time does it take for such restaurants which are relocating and revamping to be breakeven?
- Rahul Agrawal:** No, it's not that we do it for stores which are not breaking even. So we also do it for the stores which are generating handsome margins. We just have to keep ourselves fresh and relevant for guests, so that exercise is actually almost continuous.
- Nirav Seksaria:** No, I get it. But for example, if you are reallocating any restaurants, so there's some additional costs attached to it. So it will take some additional time to breakeven, if I'm not wrong, right?
- Rahul Agrawal:** No, once you move or relocate, then you're relocating something which is older and the rentals would have been slightly higher. If the rentals would go up, then you actually go to a high footfall mall wherein you also get advantage of the footfalls. It's not that when you relocate, our costs go up. In fact, during our relocation strategy, we've only seen that the operating cost comes down.
- Nirav Seksaria:** Okay. And are you seeing any increased footfall in such restaurants?
- Rahul Agrawal:** Yes, because the restaurants are new, it's designed differently. We have more counters there which enhances the experience of the guests.
- Nirav Seksaria:** On an approximate basis, could you tell us the percentage increase in footfall in such restaurants?
- Rahul Agrawal:** No, I don't have a handy number because it all differs between these restaurants, and also time period. Some of these are not even done in one year, so I can't do a like-to-like comparison.
- Moderator:** Thank you. We have the next question from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor:

Yes. I just wanted to know the capex for this year. What's the expectation?

Rahul Agrawal:

That would be around INR100 crores, assuming 25 new stores that come up, around INR75 crores will go towards new stores, around INR15 crores to INR18 crores will go towards maintenance, capex and some refurbishments, and another INR8 crores to INR10 crores will go towards some of the corporate level expenditures that we have to do.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. On behalf of Barbeque Nation, that concludes this conference. Thank you all for joining us. 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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