Date: August 14, 2023

To

The Manager Listing Department **BSE Limited** P.J. Towers, Dalal Street, Mumbai – 400001 ***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 Q1 FY24 Earnings Conference Call held on August 7, 2023

Ref: *Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015*

We hereby enclose the transcript of Earnings Conference Call held on Monday, August 7, 2023 at 5:00 PM (IST), post announcement of financial results of the Company for the first quarter ended June 30, 2023. The audio recording of the Earnings Conference Call along with the Transcript have been uploaded 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 CHIKKONDIHALLI YEKAMBARESWARA

Digitally signed by NAGAMANI CHIKKONDIHALLI YEKAMBARESWARA
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Company Secretary and Compliance Officer
M. No.: A27475

Encl.: *As above*

Barbeque-Nation Hospitality Limited

Earnings Conference Call
Q1 FY2024

Aug 7, 2023

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:

Amar Kedia – Ambit Capital

Moderator: Ladies and gentlemen, good day and welcome to the Barbeque Nation Q1FY24 Earnings Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is now being recorded.

I now hand the conference over to Mr. Amar Kedia. Thank you and over to you sir.

Amar Kedia: Thanks, Aman. Good evening everyone. Welcome to the Q1FY24 earnings concall 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 into this conference call by the company may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to the earnings presentation for a detailed disclaimer. I now hand the conference over to Mr. Kayum Dhanani, Thank you, and over to you, sir.

Kayum Dhanani: Thank you. Very good evening, ladies and gentlemen. I take the pleasure in welcoming you to Q1FY24 conference call of Barbeque Nation. During the quarter, we recorded a revenue of Rs. 324 crores, which is an increase of 15.6% on a quarter-on-quarter basis and 2.9% on a year-on-year basis. This is an encouraging performance considering the prevailing subdued demand scenario and higher base impact in the first quarter last year.

Both our dine-in and delivery businesses recorded very strong sequential growth, primarily driven by volume growth of 20% across both segments. This growth was offset to some extent due to lower average realization in the dine-in business because of various offers and promotions across select markets.

Our key focus during the quarter was to drive volume growth, which we have been able to achieve successfully. We undertook various initiatives during the quarter to enhance guest experience through upgraded restaurant designs, elevating culinary experience and further strengthening service culture. We remain committed to drive cover growth and we will continue to invest with the objective to enhance our guest satisfaction.

During the quarter, we opened 4 new restaurants, which included 2 restaurants in Barbeque Nation India, 1 in Toscano and 1 in international markets. We closed 8 restaurants during this period, resulting in net worth of 212 restaurants.

Our medium to long-term growth story remains intact and we are pursuing a clearly defined strategy. Our focus will be on driving SSSG and profitability for the India dine-in business, scaling emerging verticals such as Toscano and International businesses, and drive penetration for UBQ and Dum Safar. In addition, we will also look at expanding our brand portfolio, including inorganic growth. With this, now I hand over to Rahul to take you through the performance during the quarter. Thank you very much. Over to you, Rahul.

Rahul Agrawal: Thank you, Kayum. Good evening, everyone.

Our revenues for the quarter were Rs. 324 crores, an increase of 15.6% sequentially and 2.9% on a year-on-year basis. Our dine-in revenues for the quarter increased 14.5% sequentially and 1.3% on a year-on-year basis to Rs. 276 crores. Our delivery revenues recorded a strong sequential and year-on-year growth of 21% and 12.6%, respectively, to reach Rs. 47.3 crores. Both dine-in delivery growth were primarily led by 20% volume growth on sequential basis. Delivery sales accounted for 14.6% of the total revenues during the quarter, which is the highest level over last 7 quarters.

Same-store sales growth for the quarter was negative 7.7% compared to last year. Compared to quarter Q4 FY23, we recorded a same-store sales growth of over 13%, which was primarily led by around 20% volume growth and offset to the tune of around 5% on account of lower dine-in price realization during the current quarter.

Consolidated gross margin for the quarter declined by around 180 basis points sequentially and 280 basis points on a year-on-year basis. While the cost inflation remained under control, this decline was primarily attributable to lower dine-in price realization of around 5% compared to Q4 on account of various offers and promotions under taken during this period. The gross margin trend is improving on a month-to-month basis and has recovered to historical levels in July 2023.

Consolidated reported EBITDA for the period was Rs. 47.6 crores, which is an increase of 13% compared to Q4FY23 and a decline of 35% compared to same period last year. Our pre-IndAS adjusted EBITDA for the period was Rs.18.8 crores with a margin of 5.8%. Pre-IndAS EBITDA margin marginally improved on a sequential basis as the benefits of operating leverage from sequential sales growth were offset by lower gross margins.

Our restaurant network stood at around 212 restaurants. This included 190 Barbeque Nation India restaurants, 7 International Barbeque Nation restaurants and 15 restaurants of Toscano. During the period, we added 4 new restaurants, which included 1 Toscano and 1 Barbeque Nation International. We also closed 8 restaurants in the period, which we believe had poor future economics.

We also delivered strong quarter-on-quarter performance on revenue per outlet. Matured restaurant portfolio delivered an annualized revenue per outlet of Rs. 6.5 crores during the quarter thereby growing 14% sequentially and declined by around 7% on a year-on-year basis. The matured portfolio delivered a restaurant operating margin of 14.3%, which was relatively flat on a sequential basis despite the decline in gross margin.

New restaurant portfolio is growing well. New restaurant portfolio reported an annualized revenue per outlet of Rs.5.2 crores, which is an increase of 33% sequentially and 27% on a year-on-year basis. The restaurant operating margin was 4.3% on this compared to a loss of 1.2% in Q4FY23 and profit of 6.2% in Q1FY23.

Our primary focus during the quarter was to drive volume growth and all our efforts have yielded very encouraging results. We are positive about continuing this trend and gradual improvement in our margins going forward.

We are focused on maintaining our market leadership position in CDR segment in India. Our focus area for medium term would be four-pronged strategy across Barbeque Nation India dine-in business, scaling emerging verticals, growing delivery and portfolio diversification.

In our Barbeque Nation India dine-in business, our focus will be to drive same-store sales growth and profitability coupled with cost optimization. We will continue to invest in enhancing guest experience through culinary innovations as well as upgrading our restaurants.

In our emerging business portfolio, our focus will be expansion led growth for Toscano coupled with maintaining our current SSSG and profitability. Similarly, for Barbeque Nation International business, we will focus on calibrated expansion and maintain SSSG and profitability for the existing assets.

Growth for delivery vertical will be focused on driving volume growth of UBQ coupled with increased penetration for our Biryani Brand ‘Dum Safar'.

We also continue to evaluate opportunities of brand portfolio expansion, both under organic and inorganic space, such that we further capitalize on our existing organizational strengths and understanding of our guests.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kapil Jagasia from Nuvama Wealth Research.

Kapil Jagasia: My first question is all food operators including you are very optimistic on demand revival around Q3. Now since the festival season is just 2 months away, have you seen demand reviving in smaller towns or inflation moderating to a larger extent for your business? Just wanted to get a sense on how confident you are about business performance in the second half of the year.

Rahul Agrawal: It looks very encouraging. If you look at our past 5 months data also, I think we reached our lowest point in the month of February, this calendar year. And post that February till around June, we have seen a sequential month-on-month improvement, both in terms of top line and also in margins. In our business, quarter 2 generally is a lower quarter given a lot of vegetarian days. Sawan months have already started. And this time this period is longer, around 1.5 months. To that extent, we saw some dip in July. But otherwise, on a like-to-like basis, even for sawan days last year vs this year, the growth continues. With this momentum, I think I'm also on the same bucket, which we believe that second half of the year should be really strong. Also given the fact that the base impact will also kick in because last year second half has not performed that well.

Kapil Jagasia: Okay. That helps. My second question is Dine-in volumes grew 20% sequentially. What has been a trend of volume growth earlier between Q1 and Q4 in your limited history, are pre-COVID times were really healthier?

Rahul Agrawal: Sorry, you mean growth between Q4 and Q1 in the historical period?

Kapil Jagasia: Yes.

Rahul Agrawal: So pre-COVID, the business growth is around 8%. Out of that 5% is typically volume growth and 3% is price hike. Historically, we took price hikes in 2 periods. One is the beginning of the year, and one is around the beginning of the second half. The total revenue growth was around 8%, which this time around is around 16% on a sequential basis.

Kapil Jagasia: Okay. And one final question would be on Dum Safar. There was no mention about this in your presentation. Just looking at the sharp recovery in delivery volumes, how much revenue has Dum Safar reached? And what would have been the ADS?

Rahul Agrawal: Dum Safar is now, present at over 80% of our restaurants. We have–done Rs. 6.5 crores in the previous quarter on a month-on-month there is increase in ADS in Dum Safar. On the average, it could be around Rs. 5,000 ADS per day.

Kapil Jagasia: So, I guess, earlier, we were at 7,000, right? So, has that gone down?

Rahul Agrawal: No. Rs. 7,000 was only for stores that we started in the first phase. The first phase outlets for which the ADS was Rs. 7,000 has now reached approximately 11,000. The network for Dum Safar has expanded and reached to 80% of our outlets over a period of 4 quarters. The first phase includes restaurants that were opened up in August and September last year.

Moderator: Next question is from the line of Harit Kapoor from Investec.

Harit Kapoor: My first question is on the margins in the matured stores. So, you've gone from 19% to about 14-odd percent. If you look at Q2 to Q1, Q2FY23 to Q1FY24, while revenue per outlet is broadly the similar trajectory, Rs. 6.7 crores and Rs. 6.5 crores. So, would you attribute this 500 bps only to increased promotions which you've done quarter-on-quarter?

Rahul Agrawal: Largely around 2.5% of that would also come from gross margin, which is largely the impact of the lower price realization and the balance, 2% would be the revenues are lower by around 3%, maybe 1.5% will come from that. Overall, this portfolio is also recovering well. If you look at versus quarter 4 versus now, ideally with the increase in revenues, some bit of this should flow to their margins, but we lost because of only lower price utilization.

Harit Kapoor: And by when do you think you'll be comfortable with the footfall number, and you can kind of phase out the promotions?

Rahul Agrawal: This is already phased out. We did this aggressively in April, we also spoke about this in our last call. And then from July onwards, this has been phased out. And in fact, if you look at our gross margin numbers in July, it has reverted back to around 66.5%, that we used to do historically.

Harit Kapoor: Got it. Second question was on the closures. So, you've done 8 closures. Can you give us sense of what that number could look like in the near term given what visibility you have? And also, the benefit of closures on the margin, do you start to see it from Q2, especially on the late closures, as I'm assuming it's been done through the quarter, sir?

Rahul Agrawal: Yes. It's been done through the quarters, but typically, there's some notice period also additional expenditures if you close. I think Q3 onwards it will definitely start flowing. Did you ask in terms of other closures going forward?

Harit Kapoor: Yes, also that. That's the other question.

Rahul Agrawal: As of now, I think maybe 5-odd restaurants would be under very close watch. I think out of this 2 or 3 will finish close in this quarter. And on the other 2, we'll take a call in quarter 3, if required. Other than this portfolio, I think largely, I don't see that this needs to be revaluated. And I think we will be done with our portfolio reconfiguration.

Moderator: The next question is from the line of Manish Poddar from Motilal Oswal.

Manish Poddar: So just a continuation to the other one. Can you call up, let's say, these eight restaurants, which you have closed. Now what was generally the vintage of that? And how much is the actual EBITDA loss there? And why did you close it actually? Why take the decision now? Because I thought during COVID you've done a lot of downscaling already. So, what has really changed? 3 parts. One is the absolute EBITDA loss, why close now and vintage. That's the third part.

Rahul Agrawal: Let me first share few data point. Absolute EBITDA loss for the quarter on this would be approximately Rs. 1.2 crores. These are at store level. And vintage-wise, these are all part of mature buckets, this is not new bucket barring one, which is a new bucket. And in terms of tiers, 4 of them are in Tier 2&3 markets and 4 of them are in metro & tier1 markets. Some have lived through the entire life of 12 years and rents have gone up to a particular level, which was not being supported, and our discussions on rental renegotiation did not work well.

And in this, two of them will revisit and go back to the same trade area because we are talking to a site which is close by, but didn't want to take losses in the current scenario. Why now, just to clarify, during COVID times on the entire portfolio of close to 160 odd restaurants, we have only closed 3 restaurants. And out of those 3, 2 were in Bombay and one in Delhi and those were profit-making restaurant, but we closed them because our rental discussions on them did not sort of go well.

In the current one, I think with the expansion that we have done, some of the demands would have also shifted to the other places. And when we re-evaluated all of these portfolios, we thought at least in the metro & tier 1 markets, these 4 were not making any sense.

Manish Poddar: So, if I had to just look at this mature restaurants' basket, excluding this, let's say 8, what is the margin there?

Rahul Agrawal: Maybe 0.5% improvement in the overall basis.

Manish Poddar: Okay. And if I look at the scheme of the promotions page in the deck, do you think effectively, I'm not sure if this is pan-India, there are schemes on for every day from Monday to Thursday in terms of lunch. There is a scheme or there is discounted price. Is this in the regular course of business, this was the case earlier also or the scheme intensities, because once you roll it out to roll it back with corporate customers, let's say, if they're on for this lunch means, it is a difficult task right? So, I'm just trying to think to it, is this a regular course of business? Or when was the similar thing witnessed by you all per year?

Rahul Agrawal: I wanted to clarify, this is not just lunch, and this is both lunch and dinner. Typically, this is not corporate customer because corporate customers largely come on second half of the week, which is Wednesday and Friday. This is more of Monday, Tuesday, which are the leaner days in our business, and we tried to drive some value-seeking customer who cannot afford a product on a weekend pricing.

We always had a differential pricing. But on these days, and its selective, it's 599 in some days, it's 699 also in key markets, metro markets. So, it's by outlet based on what is the turns the outlet does. And this was a limited time offer, which has given us very positive results. If you look at our current pricing basket, this price has gone up by approximately Rs. 150 across all markets now.

Manish Poddar: And this is Monday to Thursday right? More on Monday Tuesday and I see two offers. Monday to Tuesday, and Tuesday to Thursday.

Rahul Agrawal: Look, this is not pan-India. There are different offers in different markets. In some markets, it's only happy Monday Tuesdays, some markets only terrific Thursdays, and some markets, it may be mid-week offer, which could be Tuesday to Thursday. It is not one offer for pan-India. It's based on what is the table turn, what is the capacity utilization which day part is not working for us, and that's the way we've done it. And the promotions are largely digital targeted promotions.

Manish Poddar: When was this last done by you all? And this sort of promotion intensity, when was it last done? And does your customers retrace back to the full pricing? Is there a difficult task - just to touch on that?

Rahul Agrawal: Last quarter, obviously, we were looking at low demand scenario, and if you look at other businesses also, people are down trading lower average realizations. Unfortunately, in our business, we only have one segment which is all you can eat, right? If the price point is x, I don't have an option for customers to go and say that now you only take these 4 items and pay less than that, the purpose of these campaigns was to ensure that how do you capture some of the value-conscious market customers and somebody who's been hit by the demand scenario.

We only did it with that perspective. This was not on a weekend, weekends are pretty good. And if I look at the growth numbers versus Q4, the 20%

volume sequential growth that I am talking about, our weekday sales, which is Monday to Thursday, the growth number is around 28% and our weekend volume growth is around 12% to 15%. What also happens is that this gets a talking point and also, it's something that helps in recall. And we'll also get a rub off effect on other day-parts as well.

Moderator: The next question is from the line of Shubh from Emerge Capital.

Shubh: Can you please give the split of number of matured stores versus new stores and the operating margins with Ind AS?

Rahul Agrawal: Quarter 1 would have around 152 or so matured stores and the balance would be new stores. And operating margin with IndAS I don't have I'll get it sent to you. But typically, I think there is additional 8% which sort of comes through from that.

Moderator: The next question is from the line of Sakshee Chhabra from Svan Investment.

Sakshee Chhabra: I had two questions. My first question was what is the driving pattern behind this increase in the delivery volumes and sales?

Rahul Agrawal: No doubt we have been talking about it a lot of things about our product, our menu engineering, our packaging engineering. And those things have started to play out sequentially since February. We have also kept our mix of sales, which is A-la-carte and boxes. And whatever deterioration that we have seen in the previous quarters in our delivery revenue numbers was on account of decline in average order value. And our average order value has been pretty stable for now for 5 - 6 quarters. And whatever of the increase that we're seeing is on the volume front.

Sakshee Chhabra: Okay. So, what was the average order value on the delivery front?

Rahul Agrawal: Approximately Rs. 500. This is Net to us. This is after GST after discount.

Sakshee Chhabra: Okay. And how do you see this panning out going forward as you see this sort of growth sustainable on a delivery-side?

Rahul Agrawal: Yes. We hope so, at least over the last 7 quarters, this is one of the best. I think this growth number is also continuing in the existing in the current quarter also. It should do well.

Sakshee Chhabra: Okay. And sir, I wanted to understand on your matured stores. If we even see the ADS, which is in Q1 versus Q2 of last year, which was like to Q2 is usually the weakest quarter for you. When compared to that, the ADS has been lower in this quarter. What is our strategy going forward to improve this?

Rahul Agrawal: Look, over the last 5 quarters, what has happened is we have added more capacity. And generally, there's some demand pressures on discretionary spends. With the mix of that, if you look at the trend quarter-on-quarter was in terms of last year, we have come down from almost Rs. 7 crores to Rs. 5.7 crores in Q4, right?

The task was, how do you get more people inside. I think we called this out last quarter also that our focus is volume growth and we have achieved that as compared to what we probably did in quarter 4. We have done better than what normally it can between quarter 4 and quarter 1.

Our focus first was to see what changes you can make on your existing operations, be it in terms of culinary innovation, be it in terms of asset upgradations while that is continuous work. But by and large, a lot of work has gone into back in quarter 3 and quarter 4 last year. The second step was how do you get your volumes and revenues back.

I think we have got our volumes on an upward trend and revenues also are reflecting accordingly. And the third step is our margins, which is what we are working on both as a factor of improvement in terms of our gross margin and also some cost optimization.

This will obviously take maybe 1 or 2 more quarters we've taken a hard look at our portfolio. But what I can say now is that have we reached the bottom in the previous quarter; I believe so. Based on what other industries are talking about some improvement and sequential growth, I think that should also start reflecting in our numbers.

Sakshee Chhabra: Okay. And what is the kind of SSSG growth that you would be targeting in the coming few years?

Rahul Agrawal: Long term, we target 5% to 7%. And if I look at last 10-year history, we have delivered that. Quarter 1 obviously started with a negative number, a lot of catching up has to be done. Today it's really difficult to give you a number, but I think it should be better than what we have done in quarter 1 based on what we are seeing in our business. Maybe one more quarter and then it is easier for me to give you an estimation.

Sakshee Chhabra: Okay. But with the current sentiment and Q2 you will have to keep giving further promotions and offers your volume growth is gaining, but on the pricing side for another sometime you'll keep doing these sort of promotional offers so that you can drive the footfalls?

Rahul Agrawal: No. Look, it's very tactical. Like I said, the pricing is back, the gross margins are back in the month of July itself. You keep running some of these tactical offers, promotional offers to get the customer back and when they convert into repeat customer, and then they see the amount of work that has happened be it in terms of assets, be it in terms of food. I mean the repeat numbers will come in.

And the better reflection also is our internal guest satisfaction scores, we track it very closely While last year also was very good, in the current year, we have been higher than last year. And if you look at the sub part of our feedback score, our food feedback score is even higher. Our service feedback score is flattish, and our asset ambience scores are also higher. Those things give me comfort that and we've also seen the improvement in quarter 1 versus the last quarter. Hopefully, it should continue based on the daily feedback that we are getting from our guests.

Moderator: The next question is from the line of Faisal Zuber Hawa from H.G. Hawa Company. It seems there is no response from the current participant. And we'll move to our next question. That is from the line of Sanjeev Goswami from Fractal Capital Investment.

Sanjeev Goswami: I have a couple of questions around the store expansion. From what I added gross new stores and net of minus of the closed 4 stores. If I look at the last 3 years, most of the additions that you had done, they have been happening in metro and tier I cities, 59 restaurants in metro tier 1 cities with only 4 in Tier 2 Tier 3 cities. Now I have two questions. One, can you talk about your addition of 20 new stores this year in this financial year. Is it on a gross level or net level? And second, what kind of cities it will happen?

Rahul Agrawal: This number is on gross level, not a net level right now. And in terms of city expansion, I think let's look at 3 parts. One is Barbeque Nation brand, both India, international separately and Toscano. Our international business and Toscano business are on a different trajectory, both in terms of profitability and SSSG, there we will continue to expand. Toscano, we have already opened one more in this quarter. And we have under discussion pipeline of around 4 - 5 restaurants. Maybe 2 or 3 more will come from that. Overall 5 will come from that. International, again, we have one more which will come up in this quarter and then maybe one more in quarter 4. We'll have 3 coming on that. And 12 will come from Barbeque Nation in India on a gross basis.

Sanjeev Goswami: Okay. Now, if you look at the prospective of 90 stores, which opened before the COVID basically and what the new format that you have. What is the capex per store and what is the change in terms of capex per store and also staffing per restaurant.

Rahul Agrawal: In terms of capex, it has slightly gone up. We are currently around Rs 3.0 to Rs 3.1 crores per outlet and staffing depends on size of the restaurant. Typically, around 4,000 square feet area would have around 40-odd staff in the restaurants. And this includes both front of the house, back of the house and house keeping.

Sanjeev Goswami: Okay. And how did this compare with pre-Covid scenario?

Rahul Agrawal: So, it's pretty similar. I think between pre-COVID and now we have kept the same, but the only efficiency has come from the fact that we have also not added incremental staff despite the fact that we have added delivery business, which is around 15% of our revenues.

Sanjeev Goswami: If I can have just one more question, actually, on the commissaries part, I understand that we have 2 commissaries, right? One is in Delhi, and one is in Mumbai? How many minimum outlets do you need to start the commissaries in the region? And what are the capex for one commissary?

Rahul Agrawal: The commissary is not the model that we are pursuing anymore. These were historical commissaries as some of the older restaurants were designed with smaller kitchen areas, which required commissary to support the kitchen, we're continuing with those commissaries only.

But as you know, we currently operate in over 80 cities and most of our operations have moved towards various standardized products wherein we rely on ready to cook products and a lot of vendor-driven standardized items that we procure from them. Commissaries is no longer an integral part of our strategy. For example, Bangalore, we have around 18 outlets of Barbeque Nation and we do not operate a commissary for these outlets.

Sanjeev Goswami: Okay. Probably in the future you can look at closing on the commissary's outlet?

Rahul Agrawal: We can look at optimizing. I think closures would be difficult. As I said, some of the outlets this support do not have that large kitchen right now. It is the design that matters.

Moderator: The next question is from the line of Vaibhav from BMB Investments.

Vaibhav: Yes. As you mentioned in the last quarter that this quarter how are you improving SSSG. So, in that still this quarter SSSG is negative. And so, the reason for this is the Indian consumption market or anything else? Is the demand the problem or anything else?

Rahul Agrawal: Demand was the problem. And like I said last quarter, we focused on SSSG. If you compare it versus quarter 1, on a high base, it is low. But if you compare it against a trend versus last quarter, it has started to trend up. And we believe that as demand recovery also happens, which at least we're optimistic that it should happen in second half of the year, it should move towards positive trajectory also.

Vaibhav: And you feel that you said that the capex will be Rs. 3.1 crores. So, considering that what will be the depreciation per year from now onwards per outlet?

Rahul Agrawal: Typically, on an overall number, we have around Rs 37 crores, which also includes entries related to IndAS 116. Without that, the number is around Rs. 18-odd crores, which would be around Rs. 3 lakh to Rs. 4 lakh per outlet per month. Yes. So, around Rs 40 lakhs per outlet per year.

Moderator: The next question is from the line of Khush Gosrani from InCred Asset Management.

Khush Gosrani: Sir, could you help us to understand the store mix between North, South, East and West?

Rahul Agrawal: It is pretty similar across all. If you look at 190 Barbeque Nation restaurants, it is only divided across all territories. When you look at East, we also look at integrated band in that, but without that, if you look at core, which is which is Bihar, Jharkhand and Northeast and West Bengal, this would have around 25 outlets.

Khush Gosrani: Sure. And sir, if I just look at the per store revenue outlets that are matured and new stores, I think, the revenue part is improving very constantly. It is where the EBITDA margins were the profitability that we are into focus. So, what are the steps that you are taking as of now to recover to the profitability that we have done?

Rahul Agrawal: A couple of percentage points will straight away come from gross margin expansion, which we are seeing already. And the balance will come from of some increase in revenues in these and operating leverage. While some cost optimization work has also been undertaken that should give us another 50-basis points expansion there.

Khush Gosrani: Sure. And lastly, since you're curtailing on these promotion expenses, you are still seeing the volume remaining at the levels or it is declining as well as the August month is rolling?

Rahul Agrawal: No. Volumes are better, but if you look at quarter 2 last year versus quarter of this year, there are differences in dates with respect to sawan impact. This year sawan started earlier than last year. Barring those impacts, the volumes are holding up. And sawan does impact us strongly in markets like North UP and also West.

Khush Gosrani: Sure. And for the overall, when are you internally planning to reach the EBITDA margins that we were doing pre-COVID or at least at the peak that we have done?

Rahul Agrawal: It's improving on a quarter-on-quarter basis. It's difficult for me to call out, it also depends on a lot of factors. But I think my estimate is from quarter 3 onwards, you should start seeing a very good positive impact on the numbers. Yes it is also subject to a general improvement in demand scenario that we're all expecting in quarter 2 and second half of the year.

Khush Gosrani: And my last question, sir, you have written in the deck that target is to add 20 new restaurants. This is on the net basis, right?

Rahul Agrawal: No, gross basis. I should have clarified that.

Khush Gosrani: On gross basis. And okay. Then what on a net basis, you would be only adding 12 - 13 stores.

Rahul Agrawal: No, around 10-odd on net basis, because in this quarter also, we might have a couple of closures. On the store front, let me clarify, we are long-term believers in obviously our model, both Barbeque Nation Toscano and international opportunities. I think today, the time is not to expand, and opening stores are relatively easier. We have history of opening up 10 restaurants every quarter or 3 to 4 restaurants every month.

All we are saying is that today, given the capacity that we have created, it's time to utilize that capacity and increase the revenues from the existing capacity we created either opening up in capacity. Rest assured, the moment we see that happening and the signs are very encouraging based on our month-on-month performance over the last 6 months, we will speed up on expansion also very quickly.

Moderator: The next question is from the line of Mythili Balakrishnan from Alchemy Capital Management.

Mythili Balakrishnan: A good set of numbers given the demand environment. Just a couple of questions. First on the, if you could help us with the cash from operations, capex and FCF in the pre-IndAS world for the quarter?

Rahul Agrawal: Yes. Cash was around Rs. 16-odd crores. This is cash profit I'm talking about. Out of Rs. 18.5 crores of pre-IndAS EBITDA, we have 16 crores of cash coming. capex was around Rs. 30-odd crores. This includes 4 new restaurants. One of the international is slightly higher capex and also two renovations that we have done during the quarter and money that we spent on maintenance and general upgrade of few of our assets.

Mythili Balakrishnan: In terms of the demand trends, I also wanted to get a sense, is there any difference which you are seeing in terms of Tier 1, Tier 2 in terms of metros in terms of malls, high streets, etcetera, if you could sort of just help with that.

Rahul Agrawal: If I look at last quarter versus this quarter, given that we are around 20% growth, we have seen growth pretty much across all verticals. But that weekdays have done better than weekends. Weekends have also grown in double digits. In terms of geographical spread barring one or two cities in South, we have seen very broad-based growth. In fact, Tier 1 and Tier 2 also has reacted extremely well to some of the promotions that we have done. And the numbers I'm talking about is more on volume base rather than just overall revenue base, but the net is also a bit very similar. Tier 1 tier 2 also has responded very well to the price-based offers.

Mythili Balakrishnan: Got it. Rahul given and just to get a sense like how much of your revenues would be from repeat customers given that you do track them with some form of the cell phone numbers, etcetera?

Rahul Agrawal: It's around 50-50. If I look at on a daily basis, whatever customers who dine with us, 50% customers or existing customers, which means that we have their mobile numbers on the system before and 50% are our new customers. But as we always said, you should look at this data with the fact that our average group size is around 4.5. So, every time, say, 4 or 5 people come to us, you only get one by number. At least 50% repeat is also very good. And if I apply a factor of, say, 2 or 1.5%, 75% business typically comes from them.

Mythili Balakrishnan: Got it. And in terms of a loyalty program or something like that, what would be your sense of, have you tried experimenting on that front as well to drive volumes?

Rahul Agrawal: Our loyalty program is app based. And we get almost 30% of our revenue is coming from our own app, and that's doing very well growing month-on-month. You will see that number lower this quarter is because we had a property called Happiness Card, which became unattractive in few days because the pricing in the outlet itself was lower in this case. That's why the number is low now.

Otherwise, structurally our total happiness card conversion was still very good. Coming back to loyalty, 30% business comes from app and almost 12% to 14% of our customers who dined with us have the loyalty points added to that in the transactions.

Mythili Balakrishnan: Sorry, just wanted to get a sense of the seasonality as you head into Q2 from Q1, while Q2 tends to be weak. Just wanted to get a sense of how much has it normally been down by as compared to the previous quarter? And any indications of how it has been so far?

Rahul Agrawal: Around low single digits, 4% to 5% between Q2 and Q1. And currently, as I said, it's stable.

Mythili Balakrishnan: You are not including the fact that on a normal Q2, we would have had more stores than what you have had in the Q1, right?

Rahul Agrawal: No, it is including that. Last time also when I said 8% growth normally versus now 15% growth in this quarter. This includes overall business.

Mythili Balakrishnan: Okay. So, it is normally a 4% to 5% decline between Q2 and Q1?

Rahul Agrawal: Yes.

Mythili Balakrishnan: Got it. And this time, are we trending similar or worse because of a longer sawan?

Rahul Agrawal: Till now pretty similar, but also realize that the longer sawan days have covered the business about 37, 38 days. I think going forward, if I look at like-to-like sawan days, we are actually better than last year.

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

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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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