Date: May 25, 2022

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 Sir/Madam,

Subject: Transcript of Q4 FY22 Earnings Call held on May 18, 2022

In continuation to our intimation dated May 17, 2022 & May 18, 2022 and pursuant to provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, we hereby enclose herewith the transcript of Earnings Call held on May 18, 2022 at 4:00 PM (IST), post announcement of financial results of the Company for the quarter and financial year ended March 31, 2022. The audio recording of the Earnings 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

BARBEQUE-NATION HOSPITALITY LTD. ★ Bengaluru

Nagamani C Y
Company Secretary and Compliance officer
M. No.: A27475

Encl.: *As above*

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Barbeque-Nation Hospitality Limited

Earnings Conference Call

Q4 FY2022

May 18, 2022

Management:

Kayum Dhanani - Managing Director

Rahul Agrawal - Chief Executive Officer

Amit Betala - Chief Financial Officer

Moderator:

Ashish Kanodia – Ambit Capital

Moderator: Ladies and gentlemen, good day, and welcome to the Barbeque Nation Hospitality Limited 4Q FY2022 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 "*" then "0" on your touchtone phone. Please note this conference is being recorded. I would now like to introduce the management for today. We have with us Mr. Kayum Dhanani, Managing Director, Mr. Rahul Agrawal, CEO and Whole Time Director, Mr. Amit Betala, Chief Financial Officer. I now hand the conference over to Mr. Kayum Dhanani. Thank you and over to you Sir!

Kayum Dhanani: Thank you very much. A very good evening ladies and gentlemen. I take the pleasure in welcoming you to 4Q FY2022 conference call of Barbeque Nation. We are happy to announce yet another remarkable quarterly operating performance at Barbeque Nation. The quarter started with a strong Omicron wave leading to dine-in operation restrictions, however recovery post the third wave was equally steep, leading to a strong revenue growth during the quarter. For the last two-and-a-half years the business has effectively sailed through three COVID waves led by strong resilience of the brand and the team. We have seen diminishing impact of these waves in our business. Despite the third wave the company reported a Q4 Y-o-Y revenue growth of 11% and an SSSG of 5.5%, and EBITDA margin of 20.1%. Even though FY2022 was impacted by two COVID waves, the company has crossed pre-COVID FY2020 revenues, with Y-o-Y revenue growth of 70% and SSSG of 64.7% and an EBITDA margin of 18.6%. The business has structurally become more robust led by a young and professional management team, a strong balance sheet, diversified revenue streams and profitable presence across multiple geographies and brands. The company has a proven track record of diversified growth engines like UBQ, Toscano and Barbeque International. We have continued our growth in store count and added 12 new restaurants during the quarter, taking the overall store count to 185 restaurants. We have also upgraded our restaurant designs with newer look and feel, thereby further enhancing guest experience. With this momentum, we are confident of growing our restaurant strength by 35 to 40 restaurants in FY2023. Over the medium term, we plan to take our network to 300 restaurants by FY2025. While COVID related worry seems to be subsiding as of now, the current operating environment has been challenged by multi-year high inflations. While the input cost inflation has been significantly higher, the impact on our gross margins was limited due to improved operational efficiency. We will continue to take required measures to maintain our gross margins and profitability.

With this I will now hand it over to Rahul to take you through the performance of the company during the quarter. Thank you.

Rahul Agrawal: Thank you Kayum. Good evening, everyone. I hope you and your loved ones are safe and healthy. We took the impact of two COVID waves in FY2022 despite which the recovery has been strong. In FY2022, we recorded 70% growth in revenue and 73% growth in EBITDA. Our delivery business has grown by 157% over FY2021 and dine-in business has grown by 54% over FY2021. Notwithstanding the impact of third COVID wave during the initial period of the quarter, the recovery in the second half of the quarter was quick and steep.

Our operating revenues for Q4 FY2022 were Rs.251 Crores as compared to Rs.226 Crores in Q4 FY2021, thereby registering a growth of 11% over the previous year. The reported SSSG was of 5.5% in the quarter and approximately 65% for the full year FY2022. During Q4 FY2022, our dine-in business has grown by 4% on Y-o-Y basis. Dine-in business was impacted in first half of the quarter by the Omicron wave but recovered well during the second half of the quarter, which led to a Y-o-Y growth of 32% in the month of March 2022 versus March 2021. The share of delivery revenues to total revenues increased to 18% as against 13% in Q4 FY2021. The delivery business has stabilized well and we have not seen any noticeable cannibalization despite ramp up of the dine-in business. Our restaurant network expansion has ramped up during the quarter with 12 new stores opening in Q4, taking the overall store count to 185 as on March 2022. We further added three new stores in April 2022 and have a robust under construction pipeline of 14 restaurants and an equally strong pipeline of work-in-progress stores. Our reported EBITDA was Rs. 50.4 Crores in Q4 FY2022 versus Rs. 56.1 Crores in Q4 FY2021. Without the impact of Ind AS 116, the Q4 FY2022 EBITDA was Rs. 22.8 Crores which is 9.1% EBITDA margin as against Rs. 31.3 Crores which is 13.8% EBITDA margin in Q4 FY2021. The reduction in the EBITDA margins during the quarter were predominantly due to the impact of COVID wave 3 and inflationary pressures on input cost. With strong recovery in the business in the month of March 2022, the EBITDA margins have also recovered to normalized levels.

With this will now open the floor for interactive Q&A session. Thank you.

Moderator: Thank you very much we will now begin the question-and-answer session. We have the first question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Hi Sir, first question on capex. In your cash flow, the capex is about Rs.93 Crores. If I adjust for the capex on the cloud kitchens, which might be about Rs.3 Crores to Rs.4 Crores and increase in the capital work-in-progress which is another Rs.15 Crores, we should see a capex of about Rs. 75 Crores approximately adjusted for this and on the basis of 21-22 restaurants that we have added on a net basis, that works out to close to about Rs. 3.5 Crores per restaurant capex. Our understanding was that this number would be in the region of Rs. 2.7 crores or Rs. 2.8 crores. So can you just explain what is the reason for the higher capex per store?

Rahul Agrawal: Yes, Percy. So the numbers that you mentioned are correct. So Rs. 93 crores from the cash flow statement, Rs. 15 Crores from capital work-in-progress - that makes around Rs. 75 Crores as the capex incurred during the year. On these Rs. 75 Crores, we have around Rs. 3 Crores for extension kitchens which leaves Rs. 72 Crores. We have another Rs. 8 to Rs. 10 Crores on maintenance capex (which is what we normally do around Rs. 5 lakhs per restaurant), so that leaves around Rs. 62 Crores and we have added 21 new restaurants in the year and we have two closures right, so the new additions are 23. So on these 23 stores at Rs. 2.7 Crore per outlet we have around Rs. 62 Crores capex. So broadly Rs. 62 crores on new restaurants, around Rs 8 to 10 crores on maintenance capex and around Rs. 3 crores on extension kitchens - that makes it around Rs. 75 crores.

Percy Panthaki: Okay.

Rahul Agrawal: So, despite the inflation also on the capex side, we have managed to maintain the average capex of Rs. 2.7 crore per outlet.

Percy Panthaki: How would this trend be in FY2023 given the inflation in commodities etc., the capex per store?

Rahul Agrawal: We will try and maintain the same number. I do not think we will breach that. Yes, there has been inflation even on the capex side, but we have also been, very strategically, passing on some of the capex on the landlords and taking up the of the buildings wherein some scope of work is going on - so that helps us to manage this. And some more work done on value engineering side in terms of the project; we have some rationalization on the unit space at times, we are very strategically taken smaller space, not taking the entire space to just manage this number at Rs.2.7 crores and I do not see even with the current inflation, this number should not get hit.

Percy Panthaki: Right, in terms of store openings this year we had a very back ended store opening, so do you think the same kind of phenomenon will repeat next year or it will be evenly based out across the quarters?

Rahul Agrawal: No, it should be evenly based out. The reason for the current year back-ended is that we closed our fund-raise around end of last year, and then immediately after the close of fundraising we entered into COVID second wave - to that extent a lot of other disruptions in terms of how the BD team or the project team operated; should not have happened but yes it happened. And a typical cycle of a restaurant or a site coming inside the system to launch is approximately 150 days. So, even during the second quarter we were very comfortable with the pipeline of new stores and that is why you will see as and when they started coming on board, we saw around 7 sites in Q3 and 12 sites in Q4. This quarter onwards I see a steady opening of around three to four sites every month.

Percy Panthaki: Recently RBL bank has sold off some of the shares which was pledged, so what was the reason that they had to sell this off, was there any kind of default on the loan covenants or servicing and if so what was the reason behind the same?

Kayum Dhanani: Basically RBL was part of the consortium or rather is part of the consortium of bankers, where in my other company, other business operations, where they had the Barbeque Nation shares as security and during this COVID, we have had some issues with the other business and whereby while the restructuring process was going on, they have taken a call, they have decided to offload the shares in the market and recover their part of the loan because their committee wanted to come out of this association. So this is what they have done, it was definitely not in our control and this is what has happened.

Percy Panthaki: Okay Sir, just a lot of investors have been asking what is the sort of end game for this as far as resolution of the promoter debt is concerned. Would it be possible for you to share any kind of insight on this?

Kayum Dhanani: As far as the debt is concerned, post COVID there were issues with the other businesses and just like Barbeque Nation, we have deleveraged ourselves in multiple ways and the restructuring process is also almost through with other banks and businesses improved a lot post COVID. I do not see any such events happening in future and I can assure you and of course these pledges were of course disclosed even before the IPO and there is hardly any pledge of shares of Barbeque Nation pending with any bank now.

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

Moderator: Thank you. We have the next question from the line of Trilok from Dymon Asia. Please go ahead.

Trilok: Thanks for the opportunity. So obviously when I look at the numbers now, we are doing nearly Rs.50 Crores EBITDA quarterly basis. So basis on the initial comment that you had about 300 stores in next three years and is my understanding correct when you said, what is the FY2023 addition number that you are targeting in total stores?

Rahul Agrawal: So we are planning to add around 35 to 40 restaurants; so we will reach anywhere between 220 to 225 restaurants in total.

Trilok: Okay, obviously the first question was, is it fair to assume that from revenue per restaurant perspective and the total addition, that you will end up doing the next two years, that at least till FY2024 we actually have a probability of saying in a normalized year let us say in

FY2023, at least the possibility of EBITDA doubling in two-and-a-half years from hereon because in assuming FY2024 there is no external disruption. Is that thought process correct or do you think there is something else that we are missing, some other points?

Rahul Agrawal: Based on our model like we have always also mentioned, we believe we should do around Rs. 7 Crores of revenue per outlet, with the store margin of approximately 21% and a corporate level EBITDA margin of approximately 15%. The numbers that you will see in FY2022 would have at least two occasions impacted by COVID - wave two and three, to that extent, there is some disruption, but otherwise in our month to month numbers that we see, like we also mentioned in the month of March which was a pretty normalized month for us, the business has pretty much performed at the same level. So our priorities today are to continue to expand the network in a thoughtful manner, try and maintain our rent percentages as a discipline we've maintained over the last 15 years, and keep the guest excitement on, so that this run rate of Rs 7 Crores should maintain right and on a normalized basis, we expect a SSSG of around 5%-7% on the existing portfolio. Obviously for FY2023 given that FY2022 numbers were slightly impacted by second and third waves, FY2023 strictly on the SSSG basis would be far higher.

Trilok: So just to add further when you say 21%, this is pre Ind AS margins.

Rahul Agrawal: Yes, so all the numbers that I mentioned are pre Ind-AS.

Trilok: From a delivery perspective, we had started as an experiment and now we are seeing this kind of numbers, Rs.45 Crores you guys did this quarter as well. So where do you see that settling or do you think this delivery probably will phase out once normalization returns or any thoughts, because this quarter also in some manner you had some benefit of wave three also impacting. If you can give your thoughts or color on how should we think about delivery revenues going forward?

Rahul Agrawal: So first of all delivery was not an experiment, delivery was a very thoughtful exercise that we wanted to do. We actually started it in November 2018, so we ran it almost one and a half years pre-COVID also but the real attraction in this business came in post COVID. It got accelerated and also pre-COVID we did not have Barbeque-in-a-box, during COVID time we launched Barbeque-in-a-box which has got phenomenal response from our guests and that is why you see almost 7 to 8x growth in delivery over FY2020 base. It has always been a priority for us and as the industry delivery volumes are going up, we also benefiting from that, on the smaller base obviously our growth rates are far higher. So our plans on delivery would be to keep growing it at almost 20% CAGR over the next few years and I do not think it is a substitute for dine in like you see over the last four quarters, despite the fact that the dine in ramp up has been extremely strong, our momentum on delivery side has been continuing extremely well. So even if you look at as compared to previous quarter which is a seasonally better quarter, our delivery revenues have been holding up pretty well. I do not see that that there is any risk of cannibalization from this. If at all, we would plan to only grow it higher.

Trilok: Understood and if I may ask, there is a lot of inflation that we have seen across food items and you would also be facing, it is across other items apart from food as well. What sort of gross margins or what kind of price hikes do you plan to take or have already taken. Any initiative addressed to mitigate gross margins and how do you plan to tackle inflation in the near term or at least in the medium term?

Rahul Agrawal: So, it has definitely impacted us also. In Q4 we did not take any price hike, we actually entered Q4 with the Omicron wave and then in the month of March the priority was to get as much volume as you can and I am happy to see the volume numbers that we saw in the month of March. In the month of April and May both the months put together we have taken approximately 5% price hike which should help us to reclaim the gross margins that we used to do earlier. Also during Q4, while the impact of inflation was far higher and a lot of work on the ground done on managing the consumption per pax of various high commodity items - menu engineering, tracking of wastages, trying and having as much decision on forecasting as possible. So those measures were taken and that is why the impact that we see in gross margin is far better than actual inflation. Having said that, this quarter we have taken price hike and we are already seeing that the gross margin should revert back to what it was earlier.

Trilok: So whatever price that you have already initiated will be sufficient to take the gross margin back to maybe your previous level? And intuitively obviously it is very, it is not a price sensitive segment but have you seen any impact or what kind of has the price hikes been well accepted by the customers. If you can give some quantitative sense in how the April has been or trend as good as March or it is like lower than that?

Rahul Agrawal: So yes, it has been well. April month had two seasonal impact - Navarathri and Ramzan. So in both these months there is some impact on non-veg consumption. So barring that impact, I think the volumes have not been impacted by the price hike. Also our value proposition is that we are a value for money brand, so we want to maintain that. But having said that, we are also a celebration driven brand, which means that if somebody is coming in a group of 4 or 5 and spending approximately Rs.4,000 for a meal of four or five - that is Rs. 4,000 going up to Rs. 4,500 also does not pinch that strongly to the customer base that we address to. So I think the business has got flexibility to take price hike in the range of plus / minus 5% to 10% but it has to be done in a calibrated manner so that the value for money perception of the brand should not go off-the-track. So that’s the tactical balance between the two that we keep taking; and like I said, the price hike that we have taken in Q1 is good enough. In case the inflation further goes out of whack, I think the business has head room to make some more price hike to maintain the gross margins.

Trilok: Understood. Thank you.

Moderator: Thank you. I now invite Mr. Harit Kapoor from Investec to address the management.

Harit Kapoor: Good evening, so the first question was again on the gross margin side, you said that this 200 bps contraction is largely due to the cost side you are not able to kind of offset it with the pricing. So assuming that you have passed it on and things are normalized, you should kind of get back to your erstwhile level. My question was more on fiscal year 2024 if you have a normalized commodity cost environment, some of these on ground benefits, on ground initiatives that you have taken, could some of those fructify into gross margin improvement maybe even the last few months these initiatives are not fructified because of the high inflation. I just wanted to get your sense on gross margin cycle longer out, apart from the next six to nine months.

Rahul Agrawal: That will be, and barring inflation, if I just look at the same consumption level that used to have in FY2020 versus now, there is benefit on the gross margin level. So I think in longer term if you look at three to four years, we would endeavor to take this gross margin percentage from anywhere between 65% to 66% that we currently have, to a band of at least 67%-68% ,so those measures will keep impacting the business.

Harit Kapoor: The follow-up on this, so you said about the 5% price hike, have you seen that across dine-in formats this year and seatings, so across dine-in formats price increases would have been kind of taken place and so to that extent you are kind of competitively neutral?

Rahul Agrawal: I tend to believe that. Based on my checks in the industry – yes, this inflation bit is pretty much impacting everyone and I would assume that they would have taken that increase. Our industry is highly unorganized, so what you see in one local trade area and metro markets cannot be very clearly brushed up across the country but as a brand having presence across 82 cities, close to 185 restaurants, the price hike impact on volumes - we have not seen that. Plus one of the other important metrics to track in this case is – cancellations. So the moment you have price hikes and the customer feels that the overall cost is going to be higher you, will see a spike in cancellations which we have not seen between pre-price hike level and the post price hike level.

Harit Kapoor: Got it and last thing was on the March performance, so you mentioned that EBITDA level margins are kind of back to erstwhile level and from Y-o-Y basis also you spoke about 30% odd growth, I think March last year would have partly been impacted due to or the last week maybe would have been impacted due to the second wave, so, of this 30% odd and then also you had incremental restaurant additions and so what would be your estimate of kind of SSSG for March?

Rahul Agrawal: Just for the month of March must be around upwards of 20%, so overall the topline for the month of March basically was around Rs. 95 Crores and I do not off-hand remember the SSSG number for the month of March, but should be around 20% plus.

Harit Kapoor: Got it that is it for me thanks.

Moderator: Thank you. We have the next question from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Thanks a lot. My question was again on inflation, first was essentially which inputs have seen the most inflation and what would be the rough quantum if you could kind of give us a sense of where is it that we are seeing that?

Rahul Agrawal: So largely, our meat basket is approximately 40% to 45% of our total food cost and during the entire quarter and months we have seen varying rates, prawns were slightly higher in the month of January, it actually came down a bit in subsequent months and then subsequent months chicken prices went up in early double digits. So it is pretty much a mix of both the commodities. Fish also is largely imported, so we have some impact due to maybe the supply chain disruption that is actually continuing for a long period of time now, so it is all put together. One advantage that we have is that given that we do not have a fixed menu and we offer all you can eat, we do also have flexibility to juggle between these commodities and add extra dishes of maybe more affordable items and lesser on the high cost items, so that menu engineering is again a very operating call which we will take on the ground by tracking the food cost per cover very closely. And our purchases are extremely strong so that is why in Q4 despite the price hike that we have seen in our input cost despite not taking price hikes, we have actually managed very good gross margins.

Avi Mehta: Got it Rahul, so essentially about half of the input basket which is meat is in a double digit inflation which is what you are now going to pass with that 5% price increase. And last question essentially was to kind of just understand the historical context last time when you would have seen this food inflation, could you give us a sense on how was our brand performance because we do not have that data but maybe you could kind of give us some understanding. How was that then and how are things different versus then, just to kind of have some context around where inflation is, how have we responded earlier and what are the levers that we have traditionally?

Rahul Agrawal: Without talking about any specific period, but if you look at last eight year history of Barbeque Nation's performance, CAGR on inflation is what we know, the food cost per cover CAGR would not have been more than 2 or 3%. In fact, on a per cover basis it would be lower because of various efficiencies that have been coming to the system as the scale has grown, so if I compare a period of 2014-15, the gross margins would be 61%-62% which has moved up to around 66% now, and the price hike, barring the current price hike, if you look at the average per check CAGR over last five years it would come to around a CAGR of 2% to 3% only. So I think overall margin improvement that has happened, has happened both from internal efficiencies and benefits of scale and not requiring to take the price hike. I think in the current operating environment, good thing is that in the past we were going to take these price hikes, and we will utilize that in the current quarter.

Avi Mehta: Okay perfect that is all from my side. Thank you very much and wish you luck.

Moderator: Thank you. We have the next question from the line of Ashish Kanodia. Please go ahead.

Ashish Kanodia: When we look at your operating margins, when we look at your PPT so even for the fully operational stores the margin was 15.5% and I see the disclosure that there was some restricts even for fully operational store there were a few constraints, so is it possible to give some color on where this margins have been say in March or April?

Rahul Agrawal: Recovered in March to normalized levels. Also in Q4, full ops has operating restrictions like sitting restrictions and dine-in restrictions. Unfortunately, operating leverage obviously takes negatively when your base topline is not achieved and as a team we have taken a conscious call of not cutting down costs so significantly and I will tell you what I mean by that. In our industry and like any other industry, we are seeing attrition a lot. We are in a phase of the company wherein we are looking to expand more restaurants, so at that point of time, managing your employee cost by reducing your manpower does not make any sense, so we have actually carried the entire manpower and that is helping us now when we are expanding very well and those sort of things have impacted the month of March. Rental waivers which we used to get during previous Covid periods have been very minimum in the third wave largely because most of these landlords have supported us very well during the first two waves and that percentage has actually come down in the third wave. So the dual impact of both these high fixed cost which is manpower and rentals, the margins in the third wave were actually low. As compared to the previous Covid periods they were far better, but as compared to a non-COVID normalized month it was low. But in the month of March, now we have seen store level margins coming back to close to 20% that we used to have and this I am talking about the portfolio level.

Ashish Kanodia: Sure that is very helpful and secondly on the extension kitchen side now you have around 15 extension kitchens, so what is the thought process on that maybe more from a two year-three year perspective do you see this 15 extension kitchens becoming say around 50-55 or even higher than that in the next two to three years and once you ramp up those extension kitchen where do you see your delivery revenue kind of stacking up?

Rahul Agrawal: On the extension kitchen side, their contribution to overall business is very low, we have tried those as an extension to reach to our guest more closer to where they are and with 15 on board we do not expect to add more than maybe two to three in the short term. I think we will wait for the revenues to also start cracking up in a manner that these extension kitchens reach to at least a 15% store level margins. Right now they are not, they are at early single digit in EBITDA margins, they do give us kitchen infrastructure which can be actually utilized to further leverage our delivery portfolio and that is the thought process there. I would say it is still a work in progress strategy, it is very difficult to give a firm number on number of extension kitchens, it is a small capital outlay, we are very nimble in terms of deciding that, if we find that some of our nearby Barbeque Nation outlets are doing very good on delivery they are actually also leading to some metrics not being at par with what it should be because of huge volumes required to open an extension kitchen. So I would wait for maybe two more quarters to see how this unfolds, we also not in a hurry to prove that, we will just take it very cautiously.

Ashish Kanodia: Sure Rahul that is very helpful and thank you so much.

Moderator: Thank you. We have the next question from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Just one question, I heard you talked about 30% Y-o-Y growth in the month of March, just a bit puzzled when you said that margins would have normalized in the month of March, with 30% growth Y-on-Y basis and last year Market was fairly normalized if I am not wrong, your ROM should have gone up right?

Rahul Agrawal: If you look at the Rs. 95 Crores, Q3 also we did approximately similar numbers, we did around Rs. 285 Crores which is the average of Rs. 95 Crores. We did similar numbers in the month of March and in Q3 also our restaurant operating margins were around 21%, so it is pretty much the same level.

Prateek Poddar: Okay and second question was, if you could talk a bit about your delivery business because since you are not taking any price hikes, I am assuming that the sequential decline is all volume decline. Anything to read into this because we had the wave, so I would have thought this should have gone up or was it that this time the wave had a negative impact on delivery business?

Rahul Agrawal: I think I did not notice any significant increase in the delivery volumes because of the third wave, not for our business also. And in the third wave what has actually happened is that the overall transaction volumes have gone up, the average per check has come down, and this in our case is actually more because of the shift from more items per order, or earlier, the consumption per order was done by groups of between two to four and now that has gone to single consumption orders. So even though the order volumes have gone up, because of the decline in the average per volume, overall sales volume has come down. Also Q3 was a seasonally better quarter. So on a like-to-like basis sales are same.

Prateek Poddar: Given that you have had experience around delivery now, what is the repeat percentage?

Rahul Agrawal: We do not have all the data because large portion of our business comes through aggregators.

Prateek Poddar: In your PPT, you have talked about 25% of the business but I am assuming that would also be on dine-in side, where people will be reserving online on the app, but this app anecdotally if you were to see, is there a recent repeat customer base who are coming in and having frequent usage.

Rahul Agrawal: Yes, a large potion. Also, a large portion of our delivery orders on apps have the Barbeque loyalty points applied, which is Smile points, and we are slowly and steadily seeing very good adoption of the Barbeque loyalty points also. So the repeat business on our app is very high which is driven by the mix of both loyalty points and repeat customers on the platform.

Prateek Poddar: And lastly just wanted to check, at least when I was doing this anecdotally I see a pricing difference between aggregators and your own app for UBQ or Barbeque in a box like those formats, any specific reason or how should I think about that?

Rahul Agrawal: No, there should not be on the MRP side, but maybe because of some promotions being running on different platforms or some from our side, some from other side, you might see a price difference, but otherwise on MRP level both are same.

Prateek Poddar: Got it, really helpful and all the best for the future.

Moderator: Thank you. We have the next question from the line of Manish Poddar from Motilal Oswal Asset Management. Please go ahead.

Manish Poddar: Just two questions, first one is would you be able to help me understand the new store which you are signing, what is the rent to the percentage of sales?

Rahul Agrawal: The sales ramp up has to happen, so if you look at the new stores they are not in last quarter would not have run for more than three months. So as the sales normalize based on our projections, these would not go beyond 10% in the year to sales.

Manish Poddar: Because when I look at other expenses, let us say divide by the store just a crude way and not taking average, when I compared to the base quarter versus this quarter there has not been any inflation as such and this would number of roughly about Rs 4 million other expenses per store. So what are the savings which are getting here or is it largely to do with the January month being not there?

Rahul Agrawal: It was largely January month, but otherwise on the rental side - are the new leases better than the averages? No, but one difference on the new lease also is that it is more skewed towards metro markets, so technically they may have higher rentals, but despite that, our rentals on new ones would be at same level of around 10% to 10.5%.

Manish Poddar: Okay one thing, so we have not seen normal quarter for quite some time and we do not have the trading history, so is there any seasonality in the business as such, let us say should one look at numbers sequentially or do you look at numbers Y-o-Y generally?

Rahul Agrawal: Yes, there is. So typically in the entire year, Q3 is pretty much the best because of the festive season, followed by Q4 because of a good January that you normally see, the initial days of January also help you a lot. Then Q1, some school holidays that you see, Q2 is typically the worst because of rains, Shraad and Shravan (some of these impact non-veg consumption), so that is the way it is. But broadly H1 should give you approximately 45% to 47% topline and H2 gives us around 53% odd topline.

Manish Poddar: Okay fair enough thanks.

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

Varun Singh: Thanks for the opportunity. Sir my question is on Toscano, La Terrace and Collage - so how is the business over here? Because now it has been close to two odd years since we acquired Red Apple and so now I just wanted to understand how the business is tracking, how the health of the business is and how we are thinking about expansion in these three franchisees in future?

Rahul Agrawal: So just one clarification - Toscano, Collage and La Terrace. Both La Terrace and Collage are sub-brands of Toscano only, so all three are part of the same Toscano brands - those two are not different franchisees. We have taken a call to move to a multicusine in one restaurant only by the name of Collage. So as a strategy in the long-term, only brand that we want to grow is Toscano and not spend bandwidth on multiple brands - so that's Toscano. It has grown extremely well between last year and this year, the revenues have actually doubled and despite in FY2022 there were impact of obviously two waves which also impacted Toscano and it is stepping up pretty well. The margins are very strong there. We have closed one restaurant this year in Toscano and we have opened one more restaurant this year, so the net number did not change from 11, but subsequently we are open one in the month of April one more is opening up in the month of May and the plan is to take this store count from 11 to approximately 16 to 17 by end of this financial year, so almost 50% addition on the existing base. Run rate revenue-wise it is doing extremely well and in fact both the Toscano and International business, both of these businesses have moved to a current monthly run rate of upwards of Rs.6 Crores per month, each individually. So, I think both of these are very strong profitable franchisees and in a good path to grow. Our long term on Toscano is that, we want to take it to 100 outlets and if I look at Barbeque Nation in 2013 also was around 18 outlets and now we are close to 168 outlets in Barbeque Nation. That is the growth story which I believe Toscano should also take, the brands have all the attributes to the same story.

Varun Singh: My second question is on the delivery business, what are the metrics that we are tracking to understand the robustness, like I understand one of the participants has asked about the repeat customers data, in case if we are tracking into that category but if not repeat customers are how we are kind of making measurement of how strongly we are able to drive growth, not just growth in numeric terms but the quality of the delivery business and so if you can share some view over there, that will be very helpful?

Rahul Agrawal: So we do not have a customer data, there is a lot of operating data that flows on each side. We obviously track a daily ADS and delivery by store, we track KPT which is kitchen prep time by store, there is something called MFR which is marked-food-ready for our guests, timing between marked-food-ready and the actual ordered being picked up. So there are a lot of operating metrics, the overall delivery time to the guest. There are also data on how many customers were satisfied with your food, so there is something called IGCC. So these data flow to almost all the brand and we have organized this in our own internal MIS platform and we track it across all our restaurants. So these are on the operating side. And obviously ratings, which has, like I said earlier, have improved significantly, so those are all working extremely fine. A lot of data on menu - which product is working, which is not working, what needs to be done, what can you add to the basket, how many customers order the box and then also order additional items say breads. So these data are all available and there is a lot of data crunching that is happening at the back-end on all of these metrics and that is why we see delivery business reaching where it is today. So there is a focus team who look after the delivery business in our company and is growing that.

Varun Singh: Understood Sir that is very helpful. Thank you very much and all the best.

Moderator: Thank you. We have the next question from the line of Riken Gopani from Capri Global. Please go ahead.

Riken Gopani: Hi Sir thank you for the opportunity. I had two questions, firstly on the expansion of stores, you now target about 35 stores to be opened if you could share some color in terms of, have you accelerated this expansion plan and if so, what are the kind of geographies that you intend to expand this, in terms of tier 1 or tier 2, how do you intend to accelerate this?

Rahul Agrawal: So we would like to maintain the current mix, we have around 70% in metro and tier 1 and around 30% in tier 2 and tier 3. If you look at this year, we are more skewed towards metro and tier 1 markets, I think the rentals in some of these markets are also thinkable and we actually do not just look at geography. We are very conscious about what kind of sites we sign, so at any point of time we would have a pipeline of almost 2x of the number of stores that you want to do, and one thing that we have learned over the last so many years in this business is that you cannot overpay in your rental commitments, otherwise your economics will just get distorted and having put in the capex to grow that store, it is very difficult to actually come back to the profit margin. So, my broader sense is that we will maintain pretty much the same ratio that we have today.

Riken Gopani: Right just one follow-up there, so if I have seen through some of your communications in the last two to three quarters, it was about 20 stores what you were sort of guiding and this sort of is now getting accelerated to about 35 stores. So any color in terms of what is driving the acceleration of store count here?

Rahul Agrawal: About 20 store guidance that was given to FY2022 was keeping in mind extremely well that Q1, Q2 will not see more stores because of the fact that the funding was complete, I also mentioned it just before in this call. So your question that the timeline for pipeline to mature is slightly larger and we knew that our pipeline in Q3 and Q4 as in the stores hitting the ground in Q3 and Q4 will be higher. Today, we have built capability inside the system to open anywhere between three to five outlets every month, we have that capability, if we find good sites - can we cross more than 40 in the year? Yes, we can.

Riken Gopani: All right understood and the second question that I have is on the delivery again, one of the metrics I want to understand is incrementally the stores that you are opening, what are the ADS levels for delivery that you are seeing in the newer stores. Are they sort of matching what you are seeing in the stores which were there for more than one year incrementally, are the new stores also seeing traction on delivery is what I want to understand?

Rahul Agrawal: Yes they are, barring the fact that some of these stores which are new on the platform also, take more time for discoverability. This is not a Barbeque specific phenomenon, this is a general industry phenomenon, so as and when more customers hit that store, it gets discovered more and more. So barring that, I think we are launching at a pretty decent ADS and then the growth in the initial months was also very good, so we have not noticed any special or any different dynamics of new stores on delivery side.

Riken Gopani: All right Sir. Thank you so much for your answers.

Moderator: Thank you. The next question from the line of Trilok from Dymon Asia. Please go ahead.

Trilok: I just wanted to check on again going back to delivery questions with couple of participants already asking that, I am sure you must have thought about sustaining the momentum, is there a meaningful innovation or thought process going on how to build that business going forward because that is A, obviously higher margin business and B, obviously gives you higher support and extension kitchen can also give a medium term opportunity, could you just help us understand on that part?

Rahul Agrawal: So yes, thought process yes, no doubt about it. I am not sure about higher margin business, because the food costs, packaging costs that you put together make it a slightly lower contribution margin business and if you keep on adding more and more distinct kitchens, you have other operating costs like rents and manpower operating cost. So beyond a particular ADS level, yes it will do that. For example, in our case what we do from our own Barbeque set up are higher margins, what we do for extension kitchens even at same ADS level are lower margins. But having said that, and that is why they are very conscious about the extension kitchen, we track margin by unit, by month. So that is there, but having said that, yes, new product innovations have been thought of, there are some in pipeline also. I will not talk about it right now, we do not know when this will hit the ground, but by and large delivery is a focus area. Delivery is also a growing market, we want to capitalize on the kitchen infrastructure we've already built in this country and use that for delivery, so that is what I can say Trilok.

Trilok: Okay and when you initially commented about Rs. 7 Crores restaurant business, so that is excluding delivery or is it including delivery?

Rahul Agrawal: No, that is including delivery**.**

Trilok: Okay understood thank you very much.

Moderator: Thank you. We have the next question from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead.

Faisal Hawa: How much is the contribution of top 20 restaurants to our revenue, this for Barbeque Nation alone and secondly how are we leveraging the various social media platforms that are available to us as an advertising and particularly when most of our customers do come there for birthdays and anniversaries?

Rahul Agrawal: Contribution of top 20 restaurants which is approximately 12% of our total restaurant network would be anywhere between 18% and 20% of the entire revenue. So not that there is concentration towards top 20. In terms of social media and digital media, we have a very strong in-house marketing team. There's this gentleman who joined us almost six months back as Chief Marketing Officer, a lot of performance marketing initiatives have been taken. We do some spend on digital media on Facebook and Instagram. We have a lot of blogger activities that keep happening on YouTube and Instagram, so the data that we get, our data collection of dine-in guests is approximately 98% which means that we get 98% of customers' mobile numbers for the table obviously, for the group numbers we also call back them for feedback. We also send them promotional vouchers in case the repeat customers are not coming in. We also work with few of the external agencies to help us in these programs. So it is pretty, I would say, well-oiled department, we have been doing it now for a few years.

Faisal Hawa: So just like delivery came in as a huge revenue contributor to us, is there any thought process within the team to develop more such revenue contributors, some different formats which could emerge as big revenue contributors in the future?

Rahul Agrawal: Yes, Faisal we can. So two to three points. One, capability is there in the system, it is about bandwidth and focus. So last two years, we obviously had a tough period because of COVID, it is very erratic and over two years, what we have done is stabilized the dine-in business, in a very I would say commendable manner. There is also a pretty much playbook for any subsequent waves that come in, we have built a very strong delivery business which is approximately 18%-20% topline. We have stabilized our international business in a manner that today it is one of the best margin business for us, three years back you would remember that our international business was dragging, and today it is contributing very handsomely. Toscano we acquired two years back, the journey with Toscano has been along with COVID, so the integration and the growth that was going to happen with Toscano has been slightly delayed, but that is also now doing very well. So in terms of diversified revenue streams, the company has already created just before COVID versus now, we have got the four revenue streams – one is core India Barbeque Nation, we have Barbeque International, we have delivery business and Toscano business. I think all of these are in a very strong footing today and this year if it was a normalized year I would see the benefit of all of these that is my expectation. Adding something more, would be in a very methodical and thoughtful manner, we are not in hurry to do it, but if a good opportunity comes in we also have both bandwidth and resources to take it up.

Faisal Hawa: How is our equity participation with Jubilant helped us in terms of best practices exchange with them, that is one, and secondly would it be a right statement to make if I say that we would definitely grow around 15% in same store as well as new store terms for the next four years?

Rahul Agrawal: So Jubilant obviously is a great partner, one of the very well-run food services company and there has been no operating level interferences or discussions between both the companies but at a strategic level we obviously talk and we sound them off. Apart from that, I think they are one of the great partners and lot to learn from them. In terms of your second question on 15% growth, we should do that. So if you look at our current base we are at around 185 restaurants today and we are expecting to add another 35 to 40 restaurants, so while the number is around 20% growth on the existing base, at least even though we assume five to six months of operation for the full month for all these stores at least 10% should come from these and another 5% to 7% should come from SSSG. The other impact that you will see at least in FY2023 is the impact of normalized month so Q1 in this financial year and Q4 financial year is slightly impacted by COVID as we move into normalized month the net SSSG obviously will be far higher. So over a period of next four to five years, CAGR upwards of 15% I think we should be able to do and if we do not do then I think we have not done a good job. I think the country provides that opportunity there is no doubt about that.

Faisal Hawa: Correct and this would be mainly tier 2 towns, tier 3 or you are agnostic to that?

Rahul Agrawal: No, it is not tier 2 and 3, it is also metro and tier 1 markets. In Bombay itself, including the greater Mumbai region, Thane region all put together we only have I think 18-20 outlets, I think the city has much more potential; same goes for Delhi. Delhi also NCR put together we have around 23 outlets just for Delhi without NCR we only have I guess 11 odd outlets, Delhi itself has potential to take higher than that. So the growth will be driven both by metro / tier-1 and tier-2 / tier-3.

Faisal Hawa: Thanks a lot.

Moderator: Thank you. Due to time constraint that was the last question. I now hand it over to the management for closing comments.

Rahul Agrawal: Thank you all for joining this call. We will connect in the next quarter with further updates. Thank you.

Moderator: Thank you. 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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