



Date: May 29, 2025

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
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Dear Sirs,

Subject: Transcript of Earnings Conference Call held on May 22, 2025

Pursuant to the provisions of Regulation 30 read with Schedule III 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 Thursday, May 22, 2025 at 5:00 PM (IST), post announcement of financial results of the Company for the quarter and financial year ended March 31, 2025. The audio recording of the said 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 C Y
Company Secretary & Compliance Officer
M. No.: A27475

Encl.: As above

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Barbeque-Nation Hospitality Limited

Earnings Conference Call

Q4 and Full Year FY2025

May 22, 2025

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 day, and welcome to Q4 and FY25 Conference Call of Barbeque-Nation Hospitality Limited.

As a reminder, all participants' 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 touch tone phone.

I now hand the conference over to Mr. Bijay Sharma, Head of Investor Relations. Thank you and over to you, Sir.

Bijay Sharma: Thank you, Steve. Welcome everyone to Barbeque-Nation Hospitality Limited's Q4 & Full Year FY25 Earnings Conference Call.

For today's call, I 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 Dhanani sharing his perspective on overall demand scenario and key highlights for the year. This will be followed by a detailed discussion on business performance and outlook by Mr. Rahul Agrawal. Post that, we will open the forum for a Q&A session.

Before we begin the presentation, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to the earnings presentation for our 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 and Full Year FY25 conference call of Barbeque-Nation Hospitality Limited.

Leveraging the resilience of our business model and a strong focus on operational efficiency, we concluded the year with stable performance. During the year, we reported a total revenue of Rs.1,233 crores. Our top line was marginally lower by around 1.7% compared to last year, primarily led by negative SSSG.

In line with our strategy to focus on profitability, we were able to maintain our profitability despite the challenging business conditions. Our reported EBITDA for the year was relatively flat at Rs.211 crores, with a margin of 17.1%. Our adjusted pre-IND AS EBITDA for the year stood at Rs.91 crores with the margin of 7.4%.

Our three business segments continued to perform in line with our expectation. For our Barbeque Nation India business, we remain committed to establish it as preferred celebration destination. During the year, we introduced various value based promotions to target families as well as corporate segments, broadly focused on large group celebrations. We also continued our culinary festivals to enhance guest experiences. In addition, we also upgraded some of our older restaurants to delight our guests with more vibrant ambience. Our India business recorded revenue of around Rs.981 crores in FY25, a decline of 6% compared to last year. However, the pre-IND AS restaurant operating margin was Rs.118 crores, with margin of 12%, an increase of 70 basis points compared to last year.

Our international business continued its robust performance with 8% year-on-year growth in revenues to Rs.97 crores in FY25. The growth is primarily led by positive SSSG and faster ramp up of newly launched restaurants. This business segment continued to report pre-IND AS margin of over 25% during the year. We expanded our footprint in Sri Lanka with launch of our restaurant in Colombo.

Our premium CDR reported revenue of Rs.160 crores in FY25, a growth of over 30% compared to the same period last year. This was primarily led by network expansion. Pre-IND AS restaurant operating margin for the business was around 18%.

Thank you. And I would now hand over to Rahul to walk you through the performance in detail.

Rahul Agrawal:

Thank you, Kayum. Good evening, everyone.

During the quarter, we added 5 new restaurants and closed 1 restaurant, resulting in a net count of 230 restaurants. Our year end network of 230 restaurants, included 191 restaurants in Barbeque Nation India business, 9 restaurants in Barbeque Nation International business, and 30 restaurants in premium CDR business, i.e., Toscano and Salt. During the year, we added 18 new restaurants and closed 5 restaurants, resulting in a net addition of 13 restaurants in Financial Year 2025.

During the quarter, we reported revenue of Rs. 293 crores. The revenues were down by 1.8% compared to same period last year. Our SSSG for the quarter was negative 2% which was flat compared to last quarter, and continued to be on an improvement trend compared to previous year. Our reported EBITDA for the quarter was Rs. 53.3 crores with margin of 18.2%, and now pre-IND AS EBITDA for the quarter was Rs. 19 crores with margin of 6.5%.

We reported a revenue of Rs. 1,233 crores in FY25, a decline of 1.7% compared to last year. Of the total revenues, dine-in revenue accounted for 85% and delivery business contributed to balance 15%. Our dine-in revenue for the year was Rs. 1,040 crores, a

decline of 2% compared to last year. The delivery revenue for the year stood at Rs. 190 crores, an increase of 2.5% versus last year.

Gross margin for the year improved by 160 basis points to 68.2%. Around 40 basis points of this improvement was due to reclassification, the balance 120 basis points was primarily driven by better realization and efficient management of input costs.

Pre-IND AS restaurant operating margin for the year was 13.9%. Despite the operating deleverage, the restaurant operating margins marginally improved compared to last year by 30 basis points, led by efficient cost management. Our adjusted operating EBITDA for the year was Rs. 90.6 crores and adjusted operating margins stood at 7.4%, which was flat compared to last year. Consolidated reported EBITDA margin for the year was Rs. 211 crores and reported operating margin for the period was 17.1%. We also maintained a robust EBITDA to cash conversion and delivered Rs. 80 crores of cash profit.

Barbeque Nation India business SSSG was negative but is on an improvement trend. The business recorded a revenue of Rs. 981 crores and maintained gross margin levels of around 67%. The pre-IND AS restaurant operating margin for the business improved by 70 basis points to 12% during the year. Efficient cost management helped in improving restaurant operating margin compared to last year despite operating deleverage. This is broadly in line with our commitment to retaining our margins, despite the prevailing demand conditions. We are hopeful that this will enable us to further enhance profitability as the demand scenario improves going forward.

Barbeque Nation international business recorded revenue of Rs. 97.3 crores during the year, an increase of 8% compared to same period last year. The growth was supported by positive SSSG, and faster ramp up of new store. The business segment maintained its gross margin at 74%. Pre-IND AS restaurant operating margin for the business was strong at 25% plus. In March 2025, we expanded our footprint into Sri Lanka with launch of our inaugural outlet in Colombo. We plan to open four to six restaurants in the year and will continue to evaluate newer trade areas.

Our premium CDR business recorded a growth of 30% year-on-year, close to Rs. 160 crores. The gross margin for the segment remained flat at around 75%. Pre-IND AS restaurant operating margins were 17.6% compared to 22.8% last year. The impact on margins was due to new and yet to mature stores opened during the year and matured network continued to deliver restaurant operating margin of +21%. We expanded the footprint for this business by entering into new cities such as Hyderabad, Delhi, and Mumbai this year. The guest response from these three new cities has been very exciting and we plan to further increase our presence in these cities during the coming year.

Our strategic emphasis on maintaining leadership in casual dine-in and scaling all three business segments has positioned us to effectively navigate industry challenges and achieve sustainable network growth. We anticipate that our India business network will grow at a rate of 10% to 12% over the medium term, while other segments are expected to grow at 25%-30%. This trajectory will enable us to reach our target of operating 300 to 325 restaurants by FY27.

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

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Viraj Mehta from Enigma. Please go ahead.

Viraj Mehta: Hi. My first question is regarding your store openings. You have reiterated that we will grow to 300 - 325 stores by FY27, and we are at 230 today, so which will mean we will need to open at least 30 restaurants this year. Can you please tell us like May how many stores have we opened?

Rahul Agrawal: We have three stores already operational now in this quarter and we have around 12 restaurants under fit-out. Out of this 12, I am expecting another four to open up in this quarter. So this quarter I am expecting to open seven new stores in Q1.

Viraj Mehta: And all of these would be domestic Barbeque or they would be premium CDR or international?

Rahul Agrawal: Out of seven, we are expecting between two to three in international, some of these international pipeline was supposed to open in Q4, but got slipped to Q1. We have two in premium CDR and balance in Barbeque India.

Viraj Mehta: Okay. You also mentioned that we are seeing improvement in domestic Barbeque as far as SSSG is concerned. So, are you seeing any signs of reversal of negative SSSG growth that we have been consistently seeing for the past several quarters?

Rahul Agrawal: When I look at FY24, we were at close to 8% decline, which currently on full year basis the decline is around 3.5%. This quarter we are pretty much similar to what we were in Q4 as of now. But only half quarter has gone by, let us wait for another month. So the recovery is very slow and gradual there.

Viraj Mehta: Right. And as far as Barbeque India is concerned, we are doing around Rs. 5.3 crores which is on the lower end? And once we see a slightly positive improvement and when we go to let's say Rs. 5.7 crores to Rs. 5.8 crores, Rs. 5.9 crores sales per outlet per year, what's the kind of ROM that you think we will see from currently 11%, 12%?

- Rahul Agrawal:** If I look at last three-year matured restaurants of Barbeque India business, which is close to around 155 to 160 restaurants, last three year average ROM is around 16%, , and average sale in this portfolio on average is around Rs. 5.8 crores, Rs. 5.9 crores. At that number we will reach to around 16% restaurant operating margin. But in the current scenario which is actually FY23, FY24, FY25 average numbers are looking like this.
- Viraj Mehta:** Okay. And would it be fair to assume that for 30 stores that you mentioned, our new CAPEX for this year would be closer to Rs. 90 crores?
- Rahul Agrawal:** I think we will do more than 30, at least that's the plan. And if you look at our current portfolio, we have around 230 operating, we have around 12 under fit-out, and we have an active pipeline of another 18 where commercials are almost finalized with those sites. And the process of diligence, project viability and all this stuff is going on. I think there's clear visibility of the 30 restaurants as of now. And apart from that, we have another 15 sites which are in very early stage. At least our plan would be to target to achieve around 35 to 40 this year, so that we cross 300 by FY27. And also if you look at our pace, last year H1 we were doing almost 4 per quarter, we moved to 5 per quarter, frankly, a couple of sites slipped to Q1, they should not have been. And I think we will quickly move to an average quarter opening of 7 to 10, and that's how we plan to meet our target of 300 to 325.
- Viraj Mehta:** By the way, fantastic performance on international piece, on our nine restaurants now we are doing almost Rs. 13 crores plus kind of revenue and our ROM this quarter is almost 29.6% on pre-IND AS, I mean, are these like 29%, 30% are these kind of sustainable numbers or you see them reverting back to 25%, 26%?
- Rahul Agrawal:** No, I think these are not. This quarter we also delivered 10% SSSG and positive SSSG to margin expansion is a clear story in our business, which we saw that this quarter. But I think for the full year normalized basis, 30 will not remain. I think if we can maintain anywhere between 25%, 26%, it's a good number to have. And as we also expand the newer stores this year, there may be marginal dip also. But on a long term basis, I think this business should deliver us anywhere between 23% to 25% restaurant operating margin, which on a store level payback period should look like close to 2 to 2.5 years.
- Viraj Mehta:** Sure. And my last question is regarding your premium CDR. When we talk about our premium CDR, we are at almost Rs. 5.5 crores sales in a premium CDR with 30 restaurants. Why is it that these are premium CDRs, like when we go from 30 to 60 restaurants over next couple of years, in your mind, what are your aspirational revenues per outlet?
- Rahul Agrawal:** It will remain at around Rs. 5.5 crores to Rs. 6 crores, and I am giving you a range because in some of the newer ones we may open up slightly smaller restaurants. Our previous ones were at an average size of around 3,000 square feet, we are now doing some at 2,200 square feet also. Adjusted for that I think Rs. 5.5 crores, Rs. 6 crores is a decent number to assume

for this. Also, I am not so worried about 30 going to 60 and sort of impacting our revenue per restaurants because if you look at the current profile of this portfolio, out of 30 restaurants 15 are based out of only Bangalore, right, and balance 15 are based out of Hyderabad, Chennai, Pune, now recently opened up one in Mumbai and one in Delhi. A lot of metro markets are really open to us. And some of these metro markets have potential of high throughput. I would not worry about this average number going down. I think the focus would be to ensure that in some of these newer trade areas that we are entering and going with a brand for the first time, we sort of make a mark like we have done in South with these brands and continue to deliver that. I think once we do that and we open up the first three, four successfully, ramping up from three, four to maybe 10 or 12 in every city is not a challenge and we know that. And by that time the teams should be set, the entire operating process will be set in these markets. And that's the hard work that has been going on. And when I say that we opened up three new markets, I think we are extremely happy with our performance in Hyderabad, Mumbai and Delhi that we launched.

Viraj Mehta: Sure. And last question on premium CDR. Obviously you mentioned that our margins have fallen to less than 15% because of newer store openings. But should, we as investors, this is more like one-off and longer term margins in your view are still around 20% plus or minus percent here and there.

Rahul Agrawal: We have also given you mature portfolio margin.

Viraj Mehta: Matured is 19.2%, right. But it's very difficult to understand what is matured what is not. So which is why I am asking for a slightly longer term understanding, when you open a store do you think 20% is what you look at when you open a store?

Rahul Agrawal: It is anything more than two years is mature portfolio for us and we do not do any other classification. We take everything which is more than two years at mature portfolio. And every restaurant which are more than two years old in our premium CDR concept has done an operating margin of 21.3%, despite the fact that SSSG has been slightly subdued in this business also. I think on long term basis they should deliver around 21% margins. The business has very strong gross margins at around 75%, and I think we know how to manage our operating costs, be it rental cost or manpower cost. I think I am reasonably confident of delivering 21% restaurant operating margin on this portfolio.

Viraj Mehta: Thank you. Best of luck.

Rahul Agrawal: Thank you, Viraj.

Moderator: The next question is from the line of Harit Kapoor from Investec. Please go ahead.

- Harit Kapoor:** Hey. Hi, Rahul. Good evening. So, I just wanted to check this 30 stores you mentioned, 30 to 35 stores, how much of that would be Barbeque India this year, I mean, what's your estimate?
- Rahul Agrawal:** Overall, we want to do around 20 of Barbeque India, we will do around 4 to 5 of international, and between 12 to 15 of premium CDR.
- Harit Kapoor:** And there was a point of time where the SSSGs were okay and your pace of expansion increased in India and then you kind of had a year of consolidation because the market was not conducive. What drives the fact that you can open up another 20, which is like a 10%, 11% increase in Barbeque India, especially because the format has probably not come out of the woods yet completely. So, just wanted to know what are you seeing or what changes are you making to ensure that you are still okay in spite of this fairly quick pace of expansion expected this year?
- Rahul Agrawal:** Harit, I am glad that you raised this. You are right, FY23 was the year that we added almost 37 restaurants of Barbeque India. But also consider that the period when we came out of second half of FY22 and FY23 performance, which was pretty much post COVID and one of the best periods that we have seen. And on back of that, we have taken some calls which eventually did not sort of work out and we had to go ahead and do some corrections in our overall portfolio. And that part is done now. And separately what we have done also is we have also strengthened the two of our other verticals, which is both international and premium CDR, and sort of built an organization where we feel very comfortable that we can sort of do 30% sort of network addition on this portfolio on this basis.
- And similarly, Barbeque India now, I think we have done corrections in our store formats, our store sizes. I think we do not need 4,200 square feet areas anymore. We can do this at around 3,200 square feet areas. The whole economics have been reworked on. And some of the latest five, seven restaurants we have opened up has all been in this sort of range. This also gives us flexibility to go to prime places, space slightly higher rentals but the throughput is good. So the whole change is being done accordingly. And to that extent, I feel very comfortable that we can comfortably add 20 restaurant in this business in a year.
- Harit Kapoor:** Thanks, Rahul. And is there a risk in your mind of this 12% pre-IND AS restaurant operating margin for FY26 for India because of this expansion? Or is that not the right way to look at it, we should just still look at like what mature is doing versus new is doing? Just wanted to understand how should we think about it.
- Rahul Agrawal:** No. Frankly, I do not think 12% restaurant operating margin is what we would target to do in our India portfolio. I think at a smaller 50-60 restaurant portfolio used to do around 21% margin, last three year average it has come down to around 16%-17%, and the current year it is looking like 12% on the overall basis, including from the new ones. Also, as market

changes, we obviously need to do some corrections. But over a longer term period, for matured portfolio, I think if we look at the business model and unit economics, this will be Rs. 5 crores to Rs. 6 crores per outlet depending on the size, depending on location. And on that portfolio at a unit level we will try and achieve sort of 18% restaurant level margin as we scale this portfolio up. On a blended basis, I think we will definitely target 16% restaurant level margins. Right now these numbers are not at the best, and these numbers are also after two years of negative SSSG. And despite that negative SSSG, we are at a 12% restaurant operating margin for the full year. Obviously we are doing changes on the ground in terms of guest experience, culinary festivals, how to also further improve our service, new store designs. We are working on these guest experience level. And as this further improves, not that the entire portfolio is negative, you still have 50% plus portfolio which are positive SSSG territory. As we continue doing these works, and once SSSG improves this will flow down to margins, at least that's what my experience says in this company over last few years.

Harit Kapoor:

Yes, I do not deny the operating leverage benefit, no doubt about it. I also wanted to check about your prognosis of why last year also was, I mean, we understand that dine-in has been weak across even QSR businesses. What, in your opinion, would take for this, apart from your bottom-up initiatives, what would it take in your opinion to kind of get back to a positive SSSG trajectory, specifically in the Barbeque Nation India business? And what are you seeing in the market right now to say that FY26 could possibly be a year where when you get back in the plus trajectory on the SSSG for Barbeque India?

Rahul Agrawal:

A very difficult question, and we keep sort of hammering at it every time, the answers are maybe different for different markets. In some markets there is new competition, in some markets we need to upgrade our assets, our service, our product, in some markets consumers feel that the price point is slightly expensive. The answer is not sort of one for the entire thing. But in general, I think, consumers are also looking for, at least in the CDR space newer experiences. Whenever in any particular trade area we see a new sort of format coming in, the fad remains for some time and it just does impact us, there's no doubt about it. And what happens in our business also is, we are a very long term comfort sort of level dine-in place, we see that both in the Barbeque India business also in Toscano and Salt. That demand keeps repeating. But I think, in my view, if we continue to do what we are doing and we obviously keep improving at that, the guest demand will come back. It's not that some of the other players in barbeque all you can eat categories are doing good. We also got some studies done. Our NPS scores are also better than the other industry players. I think it's just about holding on to it, trying to ensure the guest experience is good and protecting your margins at the same time. And when this tide turns, I think this flows down very well to your bottom line.

Harit Kapoor:

Got it. Wish you all the best. Thank you.

Rahul Agrawal: Thank you, Harit.

Moderator: Thank you. The next question is on the line of Vinod Krishna from Avendus Wealth. Please go ahead.

Vinod Krishna: Sir, one question on the Barbeque value proposition. Because you want to position Barbeque as a celebration destination, are we seeing customers finding some other alternatives going for some other alternatives as celebration destination? Is there any way that you are keeping track, because we cannot do it from outside, but you know who are? Is it competition or is it people are moving to different formats for celebrations?

Rahul Agrawal: Our brand stands for celebration, we stand for group dining out. If you go to any Barbeque Nation, any slot, any session, you will always find three, four tables celebrating either their birthdays or anniversaries or any group dine-in from corporate. This is what we stand for. And there is one or the other celebration story in every table. And we also engage with guests in terms of giving them a complementary cake from our side just to enhance their experience. This is the positioning of Barbeque Nation. We are not impulse purchase. Our price points are close to Rs. 800 per pax. And this suits large group, because when they come in they do not bother about who is eating how much, what the bill is going to be. That level of comfort sort of is driven by the brand. And that is what we target. If you look at our business, our average group size is around 4.5 and we get almost 50% of our business from group sizes of more than six. That is what we want to focus on. And our point is that for any individual or guest, even if they celebrate one or two occasions at Barbeque Nation out of maybe six occasions that he has every year, I think that repeat rate is very handsome for us.

Vinod Krishna: No, exactly sir, that's what I am saying, are you seeing any competitive intensity in terms of people moving away to other formats for celebration? That's exactly what I am asking. Is there any way that you are keeping track, like asking your customers or any survey that you have done? Because you have seen like there's a continuous SSSG negative growth, it may be in some part of India, not in the whole of India may be, I am not saying it's everywhere.

Rahul Agrawal: No. Obviously the value proposition that other barbeque all you can eat player gives is similar. And in some cases, the price points may be different. But eventually if you look at on the reported overall number basis, are some of the other players taking away market share, absolutely no. I do not think, there's only one large player and their numbers also whatever we can track does not seems to be better than what we have done. I do not think based on our internal research that some of the other larger players are taking away market share in this celebration destination concept of ours.

- Vinod Krishna:** So then what would be our prognosis like, why there is a slower growth in last two years, especially? And where there is no growth where there still SSSG growth, like is there any difference between those locations and the other locations where there is negative growth? Is there anything that you have identified and working on?
- Rahul Agrawal:** Working on across the entire portfolio because the answers in every specific trade area may be different. In some cases maybe there's a competition, in some cases maybe we need to upgrade our asset, in some cases the price points may not be favorable. In some cases there's a mall which has sort of gone down for whatever reason. The answer is different in different cases. And we are working across the entire portfolio. In general, I think eating out has been slower for last two years, that's the impact that we have seen across multiple players. Unfortunately, we only have QSR numbers in public domain. But apart from that, I do not think there is any other reason. But like I said earlier also, specifically south market for us has been more challenging, east has been positive territory, west is marginally lower, and north again has been also flattish. Apart from these, there's no other separate trend. It's not that Metro, Tier-1, Tier-2 is pretty much similar.
- Vinod Krishna:** Sir, as the restaurants mature we can go to Rs. 6 crores to Rs. 7 crores per restaurant or it is different because the sizes are different?
- Rahul Agrawal:** At a portfolio level we can, our matured portfolio obviously is higher. So as mature portfolio matures we can.
- Vinod Krishna:** Okay. So, I can understand that you are not at least finding any alternatives where customers are moving to celebrate, huge alternatives. I am not saying in terms of numbers.
- Rahul Agrawal:** No.
- Vinod Krishna:** Thank you, Sir. All the best, Sir.
- Moderator:** The next question is from the line of Sanjeev Raj from Anand Rathi. Please go ahead.
- Sanjeev Raj:** Hi, team, good evening. And thank you for giving the opportunity. From my side two questions. So just I want to understand that, this quarter our SSSG is minus 2%. I understand 70% of our Barbeque core stores are in Tier-1 cities. So does this mean that the lower SSSG is mainly due to underperformance in Tier-2 and Tier-3 cities? If yes, then please clarify.
- Rahul Agrawal:** No, That's not the case. I think between the tiers, I do not see any change in SSSG. Metro, Tier-1, Tier-2 has pretty much behaved, by and large, in similar fashion.
- Sanjeev Raj:** So you are saying that the performance is more or less it's common for all the cities, right?

Rahul Agrawal: Yes.

Sanjeev Raj: Thank you. And my second question is sir, just if you look at the mature restaurants in the core business, it's around roughly 55 million to 60 million. So we want to understand there based on the revenue, so what would be the average dine-in table turnover per day or you can say average table utilization percentage in weekend and weekdays?

Rahul Agrawal: We do not share those numbers. But what I can share is our weekday business, which is Monday to Thursday is approximately 50%, and the balance 50% is from Friday, Saturday, Sunday. But I would not be able to give the table turns and other stuff.

Sanjeev Raj: Okay, Sir. Are you able to share some data on repeat customer for our core business for Tier-1 and Tier-2 cities?

Rahul Agrawal: It's similar for both. I think between Tier-1 and Tier-2 the average throughput may be different, but other than that, operating parameters are pretty similar in terms of repeat rates, turns, SSSG numbers, they are all pretty similar at a portfolio level.

Sanjeev Raj: Okay, Thank you, sir.

Rahul Agrawal: Thank you, Sanjeev.

Moderator: Thank you. The next question is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: Hi sir, thanks for taking my question. Sir my first question is, we have seen sort of muted SSSG in both our premium CDR and international business on a full year basis. So I just sort of wanted to understand what's the market condition? Or what exactly has panned out? Because the SSSG growth rate has been sort of declining in both these markets?

Rahul Agrawal: In premium CDR, specifically this year it has been lower, also specially because large part of the portfolio, like I said, is in South India, and south generally has struggled for the entire dine-in play, at least in our portfolio. In international business, it's positive. And on a full year basis it's around 1%. I think, yes, lower than FY24. But as you also expand more, there's no specific reason why I can tell you it is only 1% positive and not higher.

Naitik: Right. No, sir, I wanted to understand, I mean, is this expected to continue or we see sort of SSSG growth coming back in these two markets?

Rahul Agrawal: No. I think we are consciously also adding couple of percentage points on pricing, which has also helped to maintain SSSG in these markets. Also, SSSG has been calculated on maybe six restaurants, large part of these are in UAE only right now. So they are on the ninth year of their existence. As you can see, no new restaurants have been for last four or

five years, at least on the SSSG front. We were six in FY21, 'FY22, FY23, and then we started from FY24 onwards with two, and then one this year. I think in the fifth year SSSG is a very good sort of trend. As we add more stores, I think at a portfolio level we should deliver between 3% to 5% SSSG.

I think more than SSSG also, Naitik, I would be very sort of conscious of protecting our margins at 25% restaurant operating margin. At a portfolio level, even if as you open up new store different sizes, different markets, even if you delivered Rs. 10 crores of average revenue per store and deliver 25% restaurant operating margin, I think we have an extremely good business that we have. The real thing is that how can we replicate this from existing nine restaurants to, say, size of 25, 30 restaurants. So my focus is largely in on that. I would not worry about couple of percentage points on SSSG here or there. I would try and sort of maintain a sound business with 25% restaurant operating margin and also build scale in that business further.

Naitik: Right, Got it. And sir my second question is on India business, are we largely done with the store closures? Or we expect some two, three stores to be closed in this year also?

Rahul Agrawal: No. I think we do not have any major store closures coming, but we will continue to relook at our portfolio. And on a base of say 200, we may have three or four coming up every year, and that's because if the store is not turning out or not performing, then instead of wasting our time on that we would go ahead and sort of launch a new one somewhere else. Now whatever store closures that you are seeing is largely of just having a hard look on one or two which are not giving you desired results. But there's no marked sort of big one that is coming out.

Naitik: Right, got it. Sir, just my last question is in terms of depreciation for this quarter, you have seen a step-up jump in depreciation while the finance cost has not seen as much step-up. So is there any one-off or this is pertaining only to rental deals?

Rahul Agrawal: Amit, can you take that question, there's a ramp-up on depreciation.

Naitik: I was just mentioning that the depreciation is significantly higher for this quarter when I look at it compared to last quarter or last year same quarter. So just wanted to know any specific reason or any one-offs in it?

Amit Betala: There's no one-off in that case. Whenever there is a store closure, there is a depreciation which happens at the store closure level as well. And because of that, there is an increase in the depreciations. Otherwise, there's no major depreciation.

Naitik: So this is expected to remain, the quarterly run rate that we have for this quarter?

Amit Betala: Yes.

Naitik: Okay. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Madhur Rathee from Countercyclical Investments. Please go ahead.

Madhur Rathee: Sir, thank you for the opportunity. Sir I wanted to understand regarding the store closure initiative that we took a year back, so how many of the 200 stores currently we have reduced their sizes? And what would be the average store size currently? And where do we expect this to go over the next two to three years as we add on more stores? And the sub-question would be sir, we have seen a decline in our other expenses, so is this because of right sizing the stores and some fixed cost benefit moving to our margin going forward? So if you could help me understand on that.

Rahul Agrawal: Yes. On the stores sizes, on the existing portfolio, obviously, we cannot change much because of the long term leases. In those we have done some internal corrections to see whether we can use those spaces for storages for which we are paying onsite rentals. Just trying to improve the economics on that. Because if you have already contracted for 4,200 square feet, you cannot just give away 1,000 square feet because the real estate will not work accordingly. The size in the past portfolio remains the same. In the new portfolio, the average has come down. As you may be add 100 stores of the new portfolio then the average size will reduce. But the operating process of store operations have changed now with the different sizes that we have launched.

In terms of other expense, it is largely lower because of some of the other line items. This includes, in some cases, external storage spaces, in some cases electricity initiatives, and manpower also we have taken some initiatives. And on average basis, whatever new stores that we opened up has also lower operating cost.

Madhur Rathee: Sir, so the new stores, if I consider the 200 stores that we currently have, how many would be the older legacy stores? And what would be their average sizes? And what would be the new stores and what would be their sizes currently?

Rahul Agrawal: One, these legacy stores do not have a problem. These legacy stores that we have are also delivering us good 16% restaurant operating margins, the mature portfolio. Please do not get that notion that we have problem in our existing portfolio and we have to change it. Obviously, we have a problem of SSSG but not because of any inherent problem in this, and we are no way looking at changing this portfolio. I think we are very happy with this and we are continuing to grow this.

Just that what we are saying is, the new ones that we are now designing, we are designing with smaller areas which we believe are slightly more efficient in terms of operations. And can also deliver better margins at smaller throughputs. That's the whole concept. And the recent seven, eight restaurants are also in this new format design. In the past we also shared new look and feel designs of the restaurants, that is what we are talking about here. And this also relates back to the previous question which was asked in this call regarding how can we do may be 20, 25 restaurant of Barbeque India. I think we feel very comfortable with this new concept size, operating cost that the economics will work on these new store openings.

Madhur Rathee: Got it. So sir, is it fair to assume on a broader level that the new stores would be 20% to 25% lower square feet than our earlier stores, because of better economic going forward?

Rahul Agrawal: Yes,. Also, what has happened is, as we have increased our presence, I think it's better for us to also go in prime locations, where the rentals are higher. I cannot contract higher per square feet rentals for larger area. We have to be a little more efficient in terms of designing some of these restaurants so that we try and get throughput, but also at an average rental cost on an absolute basis does not change, even though per square feet may be slightly higher.

Madhur Rathee: Got it. So another question on, so if I consider the restaurant operating margin that we have mentioned 16% for our Barbeque India, 25% would be for the international and 20% for premium CDR. So how much would be additional cost that should flow and give us, so what would be the fixed cost associated with other than these restaurant operating margins?

Rahul Agrawal: No, there's a back end cost only, and the back end cost is the entire regional office cost. Every cost which is apart from the store cost, which is the regional office and the corporate office. Even the marketing costs are part of the restaurant operating cost.

Madhur Rathee: So would that be 4% to 5% of revenue?

Rahul Agrawal: No, currently given that our revenue has been flattish, this number has been slightly higher at 6.5%. But on long term basis, this will be between 5% and 5.5%.

Madhur Rathee: Sir, another question is, how is your delivery business doing? And sir the acquisitions that we made last quarter of Willow ice cream, so how are the margins in that expected going forward?

Rahul Agrawal: The numbers of Willow Gourmet, one, they are very small and they are not part of this financial, we have not consolidated, we will start from next financial year. On delivery business, the SSSG or same store delivery growth has been positive for us for the entire quarter. And specifically on delivery, as you know we have three brands, one is Barbeque

Nation which is positioned as mostly barbeque in a box sale. UBQ, which is positioned as meals, thalis, and single meals. And third is Dum Safar, which is a biryani.

Out of this there's one major change that we did in our UBQ business which is, we changed its position from UBQ at Barbeque Nation to UBQ for meals and curries. We lost out on some of the ordering demand due to this change. And that's why that particular business was negative, it was almost 30%. But the other two brands, which is Barbeque Nation and Dum Safar are at positive SSSG of approximately late single digit. We obviously needed to do that course correction in UBQ because there was a lot of common menu between UBQ and Barbeque. If you have to grow UBQ as a brand we will have to also reposition it separately. Now they are distinct positioning between Barbeque Nation, UBQ and Dum Safar. And we want to grow back. We obviously lost out some bit on UBQ, but I am sure as we again rebuild it, we will get this back. And I am very happy to see positive SSSG on the two other delivery brand which is Barbeque and Dum Safar.

Moderator: Thank you so much. The next question is from the line of Akhilesh P, an individual investor. Please go ahead.

Akhilesh P: Hi, thanks for the opportunity. Sir, I wanted to understand the CAPEX outlay a little better. So if we have to open 35, 40 restaurants in each of FY '26 and '27, what would be the estimated CAPEX for this? And how do we plan to fund it? And connected to that, every year out of our base of 230 restaurants that we have, how many come up for, say, major refurbishment or some kind of major maintenance CAPEX? And what would be that amount? And how do we plan to fund that?

Rahul Agrawal: Overall for these 35 to 40 restaurants, we would have Rs. 100 crores to Rs. 110 crores of CAPEX. We would have another Rs. 20 crores for maintenance, which will also include some part of refurbishment. And depending on whether we need to really relocate or redo the entire restaurant, maybe another Rs. 5 crores for a couple of new restaurant sites. And then there is another Rs. 5 crores to Rs. 10 crores of corporate CAPEX which comes up towards tech capabilities, IT work and stuff. Overall, for the next two years I am expecting a CAPEX outlay of anywhere between Rs. 130 crores to Rs. 140 crores. In the past, we have funded largely from our internal accruals, but this year if the internals fall short, I think we may have to raise external debt of another Rs. 30 crores to Rs. 35 crores.

Akhilesh P: And currently what is the net debt or net cash position

Rahul Agrawal: Our net debt is around Rs. 50 crores right now, on a net worth of around Rs. 400 crores.

Akhilesh P: Okay. And the second question is, for Barbeque India to hit 15% or 16% restaurant operating margins for the full year, what kind of SSSG do you think this portfolio will require, if we have to hit that, say, this year or even FY '27?

Rahul Agrawal: On average we are at currently 12%, so I think 5% to 6% SSSG will also take us to 15% restaurant level operating margins. Also, one is SSSG, and like we have done over last two years, we are also very quick to manage our cost in an efficient manner. Last two years we have seen SSSG impacting us negatively, but we have taken pretty much every step to ensure that in a disciplined manner we manage our costs, and try and variablize as much as possible. My focus at least for the next couple of years is store expansion, try and build good restaurants for our consumers, and on a larger base sort of work on your margins. I am not saying that I will take my eye off the margins, but my focus is to increase the pace of store expansion. And that's why when I said about the pipelines and all, I think I feel happy that these could be delivered.

Akhilesh P: Sir, can you comment a little on what levers are left on this cost facilities, and also on this Willow Gourmet acquisition which you had done, so what is your expectation from that in FY26? And is it a drag on the profitability for the company?

Rahul Agrawal: There is no drag on the profitability due to Willow Gourmet, it is accretive on the profitability. This is not consolidated right now. We have acquired 42%, we will finish our last tranche of 8% so that we become 51%, and then we will start consolidating the results. When we acquired it around the April, they had three cloud kitchens, we have already opened three more, we have six cloud kitchens now, and on that base it's growing pretty well. And the profitability is maintained. I think the focus there is two-fold, on one side we want to expand and increase our production facility, we have to ramp up our production capability so that we can service more and more kitchens. And on the second side, we will go and open more cloud kitchens. Like we mentioned also earlier, this is a small business and we will take some time to build it, but we will build it in a profitable manner. These cloud kitchens will not lose money. In fact, they were very profitable when we acquired it.

On cost efficiency, we keep looking at everything, we are a large organization, we have multiple sort of areas in which we can make improvements. But I cannot tell you specific points right now. But what I will tell you is, we are constantly looking at newer ways of doing things so that we can save something, even a Rs. 10,000 sort of saved in one outlet is approximately Rs. 20 lakh per month and close to Rs. 2 crores per year. We keep a very strong eye on every expense that is incurred at a store level, and then try and multiply it pan-India. Some are in pipeline, some have not worked also, in some cases we realize that cost was important and we should not cut it and we get back. So it's a constant work.

Akhilesh P: Okay. Thank you, sir. All the best.

Rahul Agrawal: Thank you, Akhilesh.

Moderator: Thank you. The next question is from the line of Manjeet from Solidarity Investment Managers. Please go ahead.

Manjeet: Rahul, my question was just answered. Thank you.

Rahul Agrawal: Okay. Thanks, Manjeet.

Moderator: As there are no further questions from the participants, we will conclude this conference call. On behalf of Barbeque-Nation Hospitality Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.



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

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