



Date: August 7, 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 July 31, 2025

Pursuant to 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, July 31, 2025 at 5:30 PM (IST), post announcement of financial results of the Company for the quarter ended June 30, 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

Q1 FY2026

July 31, 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 the Barbeque Nation's Q1 FY26 Earnings Conference Call.

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 this conference call, please signal an operator by pressing "*", then "0" on your touch-tone phone. Please note that this conference is being recorded.

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

Bijay Sharma: Thank you, Anushka. Welcome everyone to Barbeque-Nation Hospitality Limited's Q1 FY26 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.

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

We will start the call with Mr. Kayum Dhanani sharing his perspective on overall demand scenario and key highlights for the quarter. This will be followed by detailed discussion on business and performance by Mr. Rahul Agrawal. Post that we will open the forum for a Q&A session.

I will now hand over the conference to Mr. Kayum Dhanani. Thank you, and over to you, Sir.

Kayum Dhanani: Good evening and thank you for joining us.

This past quarter, we operated through a softer dine-out cycle, yet our resilient business model allowed us to maintain satisfactory performance. We added seven new restaurants during the quarter, and remained firmly on track to achieve our network target of 300 - 325 restaurants by FY27. We expect the pace of new ongoing opening to accelerate in the second half, moving from 4 - 5 per quarter last year to 7 - 10 per quarter. Our portfolio is strategically diversified across three business segments; Barbeque Nation India, International, and Premium CDR.

In India, while negative SSSG continues to weigh on revenues, we have safeguarded profitability through tighter cost controls and continued investments in guest experience. We are right sizing our new restaurant's prototype to be 20% to 25% smaller, which will reduce capital expenditure and protect unit economics.

International remains a strong profit engine, with +23% restaurant operating margin. We plan to open four to six restaurants this year across the Middle East and Southeast Asia. Premium CDR is growing rapidly with 19% year-on-year revenue growth, mature restaurant margins of 20%, and an expanding presence in Delhi, Mumbai and Hyderabad.

Dine-in remains the core of our business, accounting for 85% of revenues, and we continue to refresh the experience through culinary innovation, design upgrades and value-driven promotions.

Delivery, which contributes 15% of our revenues, is seeing positive SSSG in Barbeque Nation delivery and Dum Safar Biryani, while UBQ is in the process of recovering from an impact due to brand repositioning across platforms. Across all three segments, we are prioritizing operational rigor and consistent guest engagement to improve same store sales growth as the cycle normalizes.

In short, our focus is clear: Deliver best-in-class guest experiences, grow network scale where unit economics are proven, build scalable brands and maintain industry-leading margins with strong cash flow generation.

With a disciplined cost control, a sharper new restaurant playbook, and a robust pipeline, we are confident in our ability to deliver sustainable growth and margin resilience on the path to 300 to 325 restaurants in FY27.

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

Rahul Agrawal:

Thank you, Kayum. Good evening, everyone.

As highlighted earlier, we have resumed our focus on network expansion, opening seven new restaurants in the quarter, and remain committed to our target of 300 to 325 restaurants by FY27. Our current portfolio comprises of 236 restaurants, which includes 193 Barbeque Nation India restaurants, 11 international restaurants, and 32 premium CDR restaurants.

During the quarter, we reported consolidated revenues of Rs. 297 crores, lower by 2.8% year-on-year, primarily due to negative SSSG of 3.4%. Gross margin for the quarter was 67.7%, which was lower by 40 basis points versus Q1 FY25. We expect the gross margin to remain at around 68% on an annual basis.

Pre-Ind AS restaurant operating margins were 11.5%, temporarily impacted by higher marketing spend, operating deleverage, and ramp-up of new restaurants. Matured restaurants reported pre-Ind AS restaurant operating margins of 13.3%. Consolidated reported operating EBITDA margins for the quarter was Rs. 46 crores, with reported

margins of 15.5%. Our adjusted operating EBITDA was Rs. 13.6 crores, with a margin of 4.6%.

Barbeque Nation India reported revenues of Rs. 229 crores, year-on-year decline of 7%, primarily due to negative SSSG of 5.2%. This business segment is currently facing short-term SSSG challenges due to a softer dine-out cycle. While revenues were impacted, we maintained our focus on profitability through tighter cost controls in existing units, while we continue to invest in for future growth.

We have redefined our new restaurant prototypes, enabling us to reduce capital expenditure and improve unit economics. We remain focused on opening 20 to 25 Barbeque Nation restaurants annually to meet overall network targets.

In our existing network of 193 restaurants, we continue to drive operational rigor to enhance guest experience through culinary offerings and guest engagement activities. During the quarter, we launched the 'Kukkad Carnival' Festival featuring 16 new chicken dishes and also expanded our menu variety by introducing 10 vegetarian and 10 non-vegetarian starters across all restaurants. We also continued group-focused value promotions like 'Sizzling 7@777', which was very well received. These initiatives help deliver value to our guests through engaging offerings and adding pocket-friendly prices.

We also increased marketing spend by almost 1% of sales during the quarter, with a focus on driving volume growth. While this has a short-term impact on margins, we are confident that these investments will deliver results in the coming quarters, with operating leverage helping to restore margins.

Barbeque Nation International recorded revenues of Rs. 26.3 crores, an increase of 10% year-on-year, supported by strong SSSG of 8.5%. Gross margin for the segment was 73%, and pre Ind AS restaurant operating margin was strong at 23%, while the matured restaurants delivered restaurant operating margins of over 27%. Built on strong foundations, this business has been consistently profitable over the last four years.

During the quarter, we launched our second restaurant in Kuala Lumpur and entered Sharjah. With this experience, we are well positioned to further penetrate Middle East and Southeast Asia. We plan to open around five to six new restaurants this year, maintaining a network expansion growth rate of 30% plus, while focusing on same-store sales growth and operating discipline.

Premium CDR recorded revenues of Rs. 43.1 crores, up by 19% year-on-year. Gross margin for the segment was 74%, while pre-Ind AS restaurant operating margin was 14.5%. Margins were impacted due to yet-to-mature restaurants, while the matured network continued to deliver 20% restaurant operating margins. This business continues to

expand rapidly, with two new restaurants added in Mumbai and Bangalore during the quarter.

We plan to drive 30% network expansion growth by scaling Toscano in Delhi, Mumbai, and Hyderabad, while also expanding Salt into additional metro markets. As we grow, we will sustain guest experience through continuous culinary and service innovations and preserve operating margins.

We also completed the acquisition of 51% stake in Omm Nom Nomm, which now has presence across six locations in Bangalore, and one more under fit-out.

Our operating thesis remains unchanged:

We will defend and refresh the core experience through culinary innovations, design upgrades, and service discipline to recover SSSG.

We will grow the high-margin international business with a reputable playbook and attractive paybacks, ensuring expansion remains margin-attractive.

We will thoughtfully scale up the Premium CDR business, leveraging mature restaurant performance of 20% plus and our success in new metros to build deeper penetrations.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Viraj from Enigma. Please proceed.

Viraj Mehta:

Hi Rahul. My first question is, we basically recorded a 5.2% negative SSSG on Barbeque India after recording an 8.8% negative SSSG in the same quarter last year. If I have to basically combine these two numbers, we are looking at almost a 13% - 14% negative SSSG over a 24-month period. That is alarming. No real outlet can survive that kind of negative SSSG, and this is our major business. We can focus on other businesses, but this is doing very badly. What are we doing to arrest this degrowth?

Rahul Agrawal:

Hi Viraj. You are right about this, last year it was 8.8% and this time it is 5.2%. Like I mentioned in my opening remarks, we are continuing to focus on our guest experience. We are coming up with new food festivals and giving the guest offering variety in the stores and also coming up with value offers like I mentioned Sizzling 7@777. These initiatives are being undertaken across all the stores in our portfolio.

Viraj Mehta:

Okay. Because Rahul, my understanding was, whatever were the restaurants which were not doing well, which were recording negative SSSG, majority of them were closed last year. So, even after closing them over last 16-17 months, we are still recording negative

SSSG presumably in the restaurants which are doing well. So, I am not able to understand it.

Rahul Agrawal: No, the portfolio that we closed were largely loss-making restaurants. We do not close restaurants if they have negative SSSG. We close restaurants if they are bleeding, and we believe that the bleed will not come to a profitable number. I think at portfolio level, even though the restaurants that we have in Barbeque India are at 5.2% negative SSSG, the overall restaurant operating margin is close to around 10%. The closed restaurants were the ones which were not doing well, and which were bleeding money.

Viraj Mehta: Okay. And my last question is when we look at the numbers of other, I would not say dine-in restaurants or basically a QSR, they basically suffered negative SSSGs far later than us, and they are reviving far before us. So this quarter also, almost everybody reported positive SSSG, and it is out there in the public domain. But we are recording negative SSSG, even though we started diving in negative SSSG before them, and we are not recovering even after they are recovering. So, is this a business model problem?

Rahul Agrawal: I think both businesses are different. We only have listed restaurant QSRs. The business model in terms of mix of dine-in, delivery is different. Therefore, it is very difficult to comment on how they have fared and how we have fared. In our business, if you look at this scale, the dine-in business definitely had some stress, which we have reported, and which we are trying to recover through our guest experience and through our offers. Other than that, Viraj, very difficult to make a like-to-like comparison between QSRs and us. The mix of two segments are different, the price points are different. One is largely planned purchase, the other is impulse purchase. So very difficult to just make a like-to-like comparison between the two.

Viraj Mehta: Right, Sir. The last thing, if the negative SSSG continues at this rate, you are seeing tremendous impact on your restaurant operating margins also, where they are dropped for Barbeque India. If this continues, then it may be like really problematic. That is my only concern as a shareholder. Thank you so much.

Rahul Agrawal: Yes, you are right about that, but if you look at the discipline that the team has shown on the cost side, even though we have a long period of SSSG negative period, we have been able to at least sustain a good amount of restaurant operating margins and try to minimize the impact of operating deleverage. But I agree with you that in future the margin expansion will largely be driven by positive SSSG.

Viraj Mehta: Is there any improvement in July you have seen or nothing?

Rahul Agrawal: No, it is similar to Quarter 1 right now.

Viraj Mehta: Okay, thank you.

Rahul Agrawal: Viraj, July is slightly not also comparable because last year in July, the impact of Shravan started towards the end of July, but this year it started much earlier. So Q2 always is a lot of vegetarian days, which impacts the performance across months.

Viraj Mehta: Sure. Thank you, Rahul.

Rahul Agrawal: Thank you, Viraj.

Moderator: Thank you. The next question is from the line of Dhaval Dama from Enigma Small Opportunities Fund. Please proceed.

Dhaval Dama: Hi, Rahul. Just continuing the same the question specifically on Barbeque India. Now, if you look at it, our average restaurant revenue has dropped down to roughly Rs. 5 crores per annum, what we have reported in our quarterly presentation also. And obviously, we have seen a tremendous decline in last three to four years in terms of the average revenue per restaurant. So basically, I first wanted to understand what is your take on this?

And second, like Sir, you mentioned that you are taking initiatives in terms of giving value offers to consumers, trying to enhance guest experience and everything. I guess that we have been trying that since the last 10 to 15 months. But do you feel that, we have seen any traction over there, or are we getting any benefits out of it?

Rahul Agrawal: The numbers were minus 9% earlier, which is now around minus 5%. On the ground, the effort that you can put is only on increasing your operational rigor. And that is what we are driving. I think, like we also said in the previous call, out of these 193 restaurants, there are approximately 60-70 restaurants which are in positive territory. There are another 50 restaurants which will be in a territory of minus 1% to minus 2%. And there are some which are driving in double-digits.

And largely, South market is dragging overall. We are also seeing some stress in outlets which have high dependency on IT businesses. We are also seeing some stress on outlets where the competition is very high. There has been a response, we are seeing some drop in prices by competition as a number which does not sustain at a margin level. We are seeing some of these, and we are navigating through these challenges by just maintaining our operational rigor, our value offering, and just increasing the overall guest experience elements.

To some extent, we are also impacted by the service charge rule. Earlier, we used to charge 5% service charge, which is now banned, and we do not charge that anymore. We have taken price hike. Normally, we used to take almost 1.5% to 2% price hike on annual basis. This quarter versus previous year first quarter, there is a negative impact of 0.5% because of service charge. That has marginally impacted our gross margin and is also reflected in our overall sales number. These are some of the factors we are grappling with right now.

But as I said, we have also taken some efforts in order to increase the offerings and offers and also increase our efforts on marketing.

In terms of team, we have further strengthened the operations team. We have recently hired a Chief Operating Officer just for Barbeque Nation India business. So, the focus across all the points that I am mentioning is just only doubling down on this business. Obviously, we realize that the other two businesses are doing good, and we will continue to grow those businesses. But a lot of effort needs to go further on ensuring that the Barbeque India business comes back on track, and today, I think the big challenge is same store growth, which will also further drive our margins.

Dhaval Dama: Rahul, again, continuing on what you mentioned, that there would be quite a few stores, at least in South India, which would be seeing a double-digit drag currently on our SSSG. Basically, would it be fair to assume that those restaurants would be basically at somewhere close to breakeven today at an EBITDA level?

Rahul Agrawal: No, in our entire South territory, we would be around mid single-digit EBITDA margin, at restaurant level. We are not losing money there. I think in that entire portfolio, restaurants which lose money will hardly be three or four. And like I said earlier, on annual basis, we will keep rebalancing the portfolio by closing one restaurant every quarter. But we do not have a problem of Barbeque India business from stores losing a lot of money.

Dhaval Dama: So, just one last thing from my end. I wanted to understand, what do you think, over the last five, six quarters, looking at the efforts that the team has been trying to make, at least in trying to enhance the guest experience, obviously, which has not resulted in the kind of footfalls that the team would have been anticipating. So, do you think that a menu revamp or something like that sort would be much better as compared to just focusing on guest experience enhancement? That is one last thing that I would want to understand. What was your thought process on that?

Rahul Agrawal: Menu innovations are happening, like I mentioned about the 'Kukkad Carnival' Festival, I think our guest scores in that period was very high. If I look at our NPS scores between the start of the quarter versus end of the quarter, we have seen good improvements there. Some of these festivals that we are running, coupled with additional starters, all these initiatives are translating into good guest satisfaction scores and our NPS scores. Just that it has not led to some volume growth that we would have expected in the business.

Dhaval Dama: Sure. Thanks a lot, Rahul.

Rahul Agrawal: Thank you, Dhaval.

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

Naitik Mutha: Hi, thanks for taking my question. Sir, I just wanted to understand what exactly is leading to such high negative SSSG in the South portfolio? I mean, what exactly is going wrong in the South portfolio which is leading to such pressure on the SSSG? And if you could also give the number of stores that the portfolio has because it is weighing down our company level SSSG so heavily. So that would also be very helpful.

Rahul Agrawal: In South, we have around 50 restaurants. And in South, if I look at the three large metro markets, of which the two large metro markets in Bangalore and Chennai, the competition players in the all-you-can-eat barbecue category are also among the highest.

I would also like to mention that the competitive intensity has not increased as such, in terms of the number of restaurants that competition had or we had. I am seeing that number to be at least stable. But overall, in these markets there is some larger stress than we are seeing in some of the other markets.

There is also a pressure on pricing in these markets, which is taking away some business. And especially in Bangalore, for example, the number of trade area, newer a-la-carte options that we are seeing is slightly higher than what we are noticing in some of the other trade areas that we are operating in like Delhi or Bombay.

Naitik Mutha: Right. So, it is a combination of pricing pressure and competition.

Rahul Agrawal: Yes. And also, there is some reduction in corporate business in South, South also depends a lot on the corporate business. We are seeing some of our weekday numbers being lower in South, which was always driven by corporate demand, which has been lower.

Naitik Mutha: Is our competitors also facing sort of similar problem in terms of corporate demand being weak, etc., or it is just us, the issue?

Rahul Agrawal: Our informal channel checks believe that they too are facing that, but obviously the numbers are not out in the public, so very difficult to comment on it.

Naitik Mutha: Right. But this portfolio issue we have been facing since a couple of quarters, right? This is not a one, two or three quarter phenomena. So, I mean, how do we plan to change this again?

Rahul Agrawal: The efforts taken in this market is pretty much similar to what we have done for pan India, just that I think on the pricing side these markets will see more aggressive offers than you will see in other parts of India. Apart from that, our focus on guest experience is one of the highest across all markets.

Naitik Mutha: Right. Got it, sir. That's it from my side. Thank you.

Rahul Agrawal: Thank you.

Naitik Mutha: You are welcome.

Moderator: Thank you. The next question is from the line of Madhur Rathie from Counter Cyclical Investments. Please proceed.

Madhur Rathie: Sir, thank you for the opportunity. Sir, I wanted to understand on the other expenses part of our P&L, so if I look at our standalone, it is flat on a quarter-on-quarter basis. But if I look at on a consolidated basis, it has increased also. Is it because of our new restaurant opening, this has increased? Because I understand that the Rs. 70 crores or Rs. 78 crores, like we had done our cost reduction and it was going to be stable going forward.

Rahul Agrawal: This has all come because of new store expansion.

Madhur Rathie: Got it. And, sir, is there any additional possibility of reducing our cost on our businesses, like for the next three, four quarters?

Rahul Agrawal: I think whatever cost reduction exercise that needs to be done, we have largely sort of done that. But we keep looking at our existing cost structure and keep evaluating that. But I think the focus today is largely revenues per restaurant, and that is why you will see we have increased our marketing spend by 1% of sales in the current quarter. But on the structural side, I think we are fairly optimized in terms of operating this. Despite two years of sequential SSSG decline, we are still at double-digit restaurant operating margin in our core Barbeque India business. I think with SSSG recovery, the margins will be driven by that.

Madhur Rathie: Got it. And sir, like what gives us the confidence, sir I am trying to understand this negative 13%-14% SSSG that we have experienced over the 24 months and our prices have been flat, so it is mostly volume growth has declined. So, is there an issue with our product market fit or something else? And what gives us the confidence that whenever spending resumes, we will be one of the beneficiaries of this uptrend?

Rahul Agrawal: I do not think there is a product market fit problem. We stand for group dining, we stand for celebrations, our guest scores are very good. And some of the internal studies that we have done which looks at brand performance versus competition, our numbers are also very good. I do not think this is a product sort of problem. I understand that on a FY24 basis we are down from say 100% to 87%, 86%. But I think this is something that we understand well and this is something that we will keep investing on and keep getting better at.

I do not think there is something that needs to drastically change at the core offering. We will not change our experience offering, which is like grill. We also keep innovating on our product. We have added almost seven, eight new starters in the menu, when we launched 10 plus 10 as offering. We have consistently been doing food festivals in the past.

And we are also seeing that in our guest scores, but just that is not reflected back in our cover numbers.

Madhur Rath: Got it. Sir, do we have any idea, on ground, sir, whom are we losing these volumes to? Is it other restaurants, is it other buffet kind of store formats, or is it like something else other than this?

Rahul Agrawal: No, overall, as a segment, the other players, they may have been in some trade areas, but we have not seen any trade area wherein we are struggling and similar format competition is thriving. In fact, we have seen certain trade areas where we are doing well, and we have seen competition exiting that market. I do not think it is a competition problem at all, at least in the same trade areas that we are working at.

Madhur Rath: Okay, good. So, it is basically some alternate form of eating out kind of where we are losing share, is that understanding correct?

Rahul Agrawal: Yes, I would guess so, yes.

Madhur Rath: Okay, sir. Thank you so much and all the best.

Rahul Agrawal: Thank you, Madhur.

Moderator: Thank you. The next question is from the line of Harsh from Avener Capital. Please proceed.

Harsh: Hi team. Thanks for the opportunity. What would be the blended price hikes at the Barbeque India level on a Y-o-Y basis?

Rahul Agrawal: The average realization in the company is lower by 0.5% versus last year. Like I mentioned in the previous comment, there is a discontinuation of service charge now. We used to charge 5% service charge. We have passed that in our overall blended pricing. But with the impact of various offers that keep running, we are lower by 0.5%.

Harsh: Okay. But we mentioned that we have taken some price increases, so what would be that number, if you could share?

Rahul Agrawal: We have taken around 4.5%-5% of price hikes after we removed service charge. But the net realization on an average basis versus last year is still lower by around 0.5%.

Harsh: Okay, got it. Thanks for that. And what would be our current debt levels? And what debt levels do we project by the end of this year?

Rahul Agrawal: We have around Rs. 50 crores net debt today. And by the end of the year, we will be in the range of around Rs. 80 crores to Rs. 90 crores.

Harsh: Okay. Those are my two questions. Thank you.

Rahul Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Ashish from AK Investments. Please proceed.

Ashish: Thank you for taking my question. So, I just wanted to compare our Barbeque Nation India with the Premium CDR. So, I understand that the Premium CDR is a relatively small business with 32 sort of restaurants. But still, we see positive SSSG in Premium CDR. However, Barbeque Nation is having negative SSSG. So, can you please explain that?

Rahul Agrawal: Both formats are different. One is all you can eat buffet concept, the other one is a-la-carte dining concept. In one concept you can choose how much you want to order. In other concept, as you enter, there is a minimum pricing that you are charged. There is a difference in gross margin, there is a difference in the location. I think with the Premium CDR business, these are located in high footfall sites which also drive a lot of impulse purchase. Barbeque Nation is largely located in destination sites. The impulse structure in both the places are different. I do not think it is actually fair to just compare both the profiles, like Barbeque Nation is present in close to 80 cities, the Premium CDR business we would be present in four, five cities right now.

Ashish: Okay, understood. So just to extend it further, so even like if I see the gross margin, it has a good gross margin of 74%. So, I am just wondering like why cannot we focus on Premium CDR rather than focusing on Barbeque Nation India. I mean, I am not sure if that business model is sustainable, so can you please maybe throw some colors there?

Rahul Agrawal: All three businesses are at different stages, we are focusing on all three, and we have separate teams driving all three businesses. In Barbeque India business, I would say the focus is among the highest, while unfortunately the numbers are not resulting the way it is. But we also realize that the impact on our overall numbers and our overall margins that we will get from a higher SSSG in Barbeque India business will be far higher at a consolidation level than the other two businesses. Again, I am no way saying that the focus in one or the other is divided. There are good competent teams to run all the three businesses.

In Premium CDR business, we have accelerated the growth. This is the first year when we will look at opening between 12 to 15 restaurants. We have a decent sort of pipeline. There are five restaurants under construction in this particular segment. So, overall, a base of 30 restaurants, adding 14 to 15 restaurants will add to almost 40% network expansion for that base. And I think that is a good size which will help us to also expand in a manner that does not compromise on any of the experiences of the guests that you want to do. I think that result is good, and over the period of next two to three years with the expansion that we are doing, I believe, that this will grow at upwards of 20% there.

Similarly, also for international business, in terms of business performance there is 10% year-on-year growth. This is after the fact that one of the sites was temporarily closed due to one incident in Abu Dhabi. That will start operating from early next month. That business also when we add around five to six restaurants on a base of 11 restaurants, it will give us around 40% incremental store counts. And we will continue to grow over the next three to four years at 20% plus.

The largest one now obviously is Barbeque India, which is undergoing a challenge in terms of SSSG, and that is where the focus is highest, because as we shift from SSSG negative to positive, the impact that we see will be far higher. I understand the last two years has been lower, we are obviously going through that. There are multiple efforts being taken across, some at larger levels, some at local market level. Some efforts have worked out for us, some efforts have not worked out for us. While I am seeing guest scores being looking better, we are still not seeing the volume numbers coming up.

Ashish: Okay. Thank you. And last one. So, I think in the last quarterly call you mentioned like our corporate cost is around 6.5%. So, I mean, I am just wondering, is it shared across different formats? Or it is like different, we have different corporate structure, different employees, and all of that?

Rahul Agrawal: The leadership level sits in Barbeque India business, and the number two i.e. some department heads sit in other businesses also. For example, in Premium CDR business, there is a separate HR Head for that business, but she would end up reporting to the CHRO of the group. So, those costs sit in Barbeque India business.

Ashish: Okay. And given that we are targeting 30-odd stores this year, so, I mean, what is your target in terms of corporate cost by end of this year?

Rahul Agrawal: Overall increase on corporate costs, I do not see beyond single-digits. I think the percentage number will also be a function of how we grow our revenues. But over a longer term, I think this number should not go beyond 5% to 6%. Historically, pre-COVID, these numbers have always been around 5% to 6%.

Ashish: Okay. Thank you very much.

Rahul Agrawal: Thank you, Ashish.

Moderator: Thank you. The next question is from the line of Harshid Vohra, an Individual Investor. Please proceed.

Harshid Vohra: What is the marketing expense as a percentage of revenue for Barbeque India?

Rahul Agrawal: Just for our core dine-in business, it is around 3% right now.

Harshid Vohra: So basically, I mean, I am just wondering if the Barbeque brand is being starved of marketing and visibility. In fact, we are using the cash flows from the core Barbeque brand to expand into Toscano and Salt? We will be using the cash flows from the existing 195 restaurants in Barbeque Nation to expand into these other restaurants.

Rahul Agrawal: I am not looking at this way. As a company we are generating operating cash flow, and then we are allocating that operating cash flow to grow our network, wherever we believe that the payback and the unit economics is better. If you look at our international business, that business is anyways generating operating cash of approximately Rs. 20 crores to Rs. 23 crores, which is good enough to open around four to five restaurants. And based on the new expansion sites that we are getting, and if required, the gap between operating cash flow expansion is higher, we may sort of resort to a very small amount of debt. So that number is very low.

And similarly, in Premium CDR, I think whatever operating cash flows we are generating, they are investing back into the business. This year around, since the network expansion growth is almost 40% of existing base, there will be some shortfall, which will be either funded through debt or partly from Barbeque India. But I do not think they are starved of cash because of which we are not investing in Barbeque India business. I think we are taking all the prudent calls in terms of investment returned on every penny that we are investing, be it Capex or be it Opex.

Last year, we have seen, despite negative SSSG, we have maintained our margins, which is very difficult in a high Opex business like ours. And we have done a lot of cost control sort of measures. I think the point that I am trying to make now is that the focus is largely on reviving the business growth in the core India business, wherein we are not shying away in making investments that are required, be it in the internal operating team, be it in marketing spends. So, that is setting up right now. But we are not in a position wherein we are starved of cash because of which we are not investing either in operating side or on the Capex side.

Harshid Vohra: So, to be prudent, I mean, would not it be wiser to basically stop expanding until we solve the problems in our core business and stabilize, and then look at expanding?

Rahul Agrawal: I think it is not that we are falling short in terms of our effort, not because of lack of time we are not able to get the SSSGs back. And because of which, we should focus more on existing business versus growing. No, I think we are large set up. There are different teams for different sort of work profiles. If you are entering into markets or trade areas where our customers are not served, I think it is right to penetrate further and grow our brands in those areas.

We are also obviously prudent in terms of not opening up stores just for the sake of store counts and cannibalizing our existing business. We have gone through that journey in the

past, and we are prudent about that. And that is why in Barbeque India business you see expansions of around 20 stores in a year, which I think on a base of 200 we can do. And the balance 20 for the overall network target is coming from the other two divisions that we have, I think, grown and built very efficiently.

Harshid Vohra: Okay, thank you, sir.

Rahul Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Dhaval Dama from Enigma Small Opportunities Fund. Please proceed.

Dhaval Dama: Rahul, just a follow up. Basically, so all three businesses during the current quarter on a Y-o-Y basis have seen a decline on the average revenue per store during the quarter, per restaurant, during the quarter, if you look at it, on a Y-o-Y basis, be it your international business or your Premium CDR also, where the average revenue on an annualized basis has declined during the current quarter as compared to last year. So basically, I was just asking, is it just because of dilution that is happening because of new store openings on at least Premium CDR or the international business or is that something more to it also?

Rahul Agrawal: It is just a function of new store opening, and how they ramp up. For example, in our international business, you would remember we started Sri Lanka last quarter, and that has been ramping up absolutely well. In our existing portfolio, as you know, we did not grow much in our international business for almost three years post COVID. And that is why all of these individual restaurants have reached to a particular scale.

As we are opening up new restaurants, with some of the new restaurants also we are right sizing ourselves. I think average revenue in this portfolio on a larger base of maybe 40-45 restaurants, in my prediction will settle down at Rs. 8 crores to Rs. 9 crores. But again, that depends entirely on what sizes we do, what markets we do, what types we do, so very difficult to project. But otherwise, on the existing base, obviously, SSSG is 8.5%, so the existing numbers are looking very good in that market.

Dhaval Dama: Okay, sure. Rahul, one last thing from my side. So just wanted to understand that, we have been trying to promote a lot to our customers in terms of guest experiences. So just wanted to know like say what percentage of our spends would be going towards the digital forms and what would be traditional? Or something on that sort, if you could give us some color on that would be helpful.

Rahul Agrawal: Almost 80% would be on digital and the balance 20% would be on mediums like radios and hoardings. We have not done mass market TV or something right now, but these are two channels that we spend money on.

Dhaval Dama: Sure. Thanks a lot, Rahul.

Rahul Agrawal: Thank you.

Moderator: Thank you. As there are no further questions from the participants, thank you members of the management. Thank you, everyone, for joining the conference call. On behalf of Barbeque Nation's Conference Call, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.



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

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