Date: November 19, 2024

To,

The Manager Listing Department **BSE Limited** P.J. Towers, Dalal Street, Mumbai – 400001 ***Scrip Code: 543283***	The Manager Listing & Compliance Department **National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051 ***Scrip Symbol: BARBEQUE***

Dear Sirs,

Subject: Transcript of Earnings Conference Call held on November 12, 2024

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

We hereby enclose the transcript of Earnings Conference Call held on Tuesday, November 12, 2024 at 5:00 PM (IST), post announcement of financial results of the Company for the quarter and half year ended September 30, 2024. The audio recording of the Earnings Conference Call along with the Transcript have been uploaded on the Company's website at www.barbequenation.com.

This is for your information and records.

Thanking you.

Yours faithfully,
For Barbeque-Nation Hospitality Limited

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Date: 2024.11.19 21:09:45 +05'30'

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

Encl.: *As above*

Barbeque-Nation Hospitality Limited

Earnings Conference Call
Q2 FY2025

November 12, 2024

Management:

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

Moderator: Ladies and gentlemen, good day, and welcome to Barbeque-Nation Hospitality Limited's Q2 FY25 Earnings Conference Call. As a reminder, all participants will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-down phone. Please note that this conference is being recorded.

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, Sejal. Welcome, everyone, to Barbeque-Nation Hospitality Limited's Q2 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 sharing his perspective on overall demand scenario and key highlights for the quarter. This will be followed by a detailed discussion on business performance and outlook by Mr. Rahul. Post that, we'll open the forum for an interactive Q&A Session.

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

I now hand over the conference 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 Q2FY25 conference call of Barbeque Nation.

Over the quarters, we have relentlessly focused on maintaining best in category guest experience to drive dine-in growth. This has helped us in delivering same-store dine-in growth which is better than the industry.

The Company reported same-store sales growth of minus 2.5%, which was on improving trend on month-on-month basis. This was a remarkable feat, given that the operating environment continues to remain challenging, particularly for the value segment. We are optimistic that this improvement trend will continue and will benefit us in upcoming seasonally strong operating periods.

During the quarter, we reported revenues of Rs.306 crores, an increase of 1.3% y-o-y. Q2 is seasonally a weaker quarter and has historically been lower than the Q1 in revenues. However, this year, we reported flat sequential sales in Q2. We continue to report positive same-store sales EBITDA growth. Our relentless focus on cost efficiencies, productivity, menu engineering and better management of input costs has helped improve margins, despite the negative SSSG.

Our reported pre-IND AS operating EBITDA increased by 23% compared to same period last year. Pre-Ind AS EBITDA margins improved by around 100 basis points on a year-on-year basis.

Margin improvement was stronger in Barbeque Nation India business and international business. Our margin in premium CDR segment reduced due to the impact of new stores. Same-store margins in the Premium CDR segment continues to track well.

We remain committed to enhance our guest experience through culinary innovations, food festivals and restaurant upgrades. We undertook 'Chettinad Kitchen' festival across our Barbeque Nation restaurants in India to celebrate the heritage and flavours from South India. We also celebrated 'World Senior Citizens Day' with 'Senior Legends Offer', where we had special packages for all the guests of above 60 years of age.

In Toscano and Salt, we curated various special menus such as Pesto special, Witches Brew, Chef's special, Monsoon mocktails, etc. Guest feedback from all these initiatives has been very encouraging.

We added 8 new restaurants in H1 and are on track to add 25 new restaurants for FY25. With a focus on building a portfolio of scaled CDR brands, we expanded our premium CDR brands, Toscano and Salt to Hyderabad. Further, we will take Toscano to Mumbai and Delhi this year. We have received very encouraging response from guests for those brands in Hyderabad.

While we are facing industry headwinds, we continue to work towards enhancing our guest experience to drive dine-in growth. For the medium term, we will target to add 100 new restaurants to reach 325 restaurants by FY27. We have built strong tech-driven back-end process over the years and are in very strong position to leverage these to scale the existing brand portfolio.

Thank you, and I would now hand over to Rahul, who will walk you through the performance in detail. Thank you.

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

During the quarter, we reported a revenue of Rs.306 crores, a growth of 1.3% on year-on-year basis. The revenues were flat on a sequential basis despite a seasonally weak Q2.

We reported negative same-store sales growth of 2.5% during the quarter. Despite the prevailing slowdown in consumption across mass category discretionary spend, we've been able to improve our SSSG trend on a gradual basis. We continue to experience month-on-month improvement in this SSSG trend.

Gross margins for the quarter increased by about 140 basis points on a year-on-year basis, net of the reclassification adjustments. This was primarily driven by cost efficiencies, menu engineering and efficient management of input costs.

Restaurant operating margin grew year-on-year by 12.5%. That is an increase from 11.2% in quarter Q2FY24 to 12.4% in quarter Q2FY25. Same-store EBITDA growth was positive for the second consecutive quarter.

Pre-IND AS operating EBITDA grew by 23.1% to Rs.16.6 crores. Adjusted operating EBITDA margin for the quarter was 5.4%, an improvement of 96 basis point compared to same period last year.

Consolidated reported operating EBITDA for the quarter increased by 3% year-on-year to Rs.46 crores. Reported operating margins for the period was 14.9%. We also maintained robust EBITDA to cash conversion and delivered around Rs.15 crores of cash profit, an increase of 17% compared to the same period last year.

We added 4 new restaurants in the quarter and closed one restaurant. At the close of the quarter, we had 222 restaurants, which includes 187 restaurants of Barbeque Nation in India, 8 restaurants of Barbeque Nation in international markets and 27 restaurants in Premium CDR segment.

In October-24, we have already launched another 3 new restaurants and another 6 restaurants are under construction and expected to be launched in the coming months. We are on track to add 25 new restaurants in FY25. We are excited to build a portfolio of scaled CDR brands and believe that these initiatives undertaken by us, coupled with network expansion, would further enhance our operating performance.

Thank you. With this, we can 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 Khush from InCred Asset Management. Please go ahead.

Khush: I wanted to understand how is the on-ground demand situation post the festive season because we are seeing some divergent commentaries from QSR and unlisted CDR players, so it could be helpful to understand how the demand situation is?

Rahul Agrawal: Thanks, Khush. This is obviously a question which is in everybody's mind. But in Q2, things continue to remain challenging and this is what we have heard across spectrum. But there's a lot of inward measures that have been taken which has helped us to report a gradual improvement in our same-store sales numbers.

Subsequent to Q2, festive season for us is not a great period because Navaratri is also in the same specific dates, which impacted our business. There is no significant improvement that we have seen on the ground, which tends to sort of believe that the SSSG would generally come under a positive territory.

But the one comment that I'll also make is there has been some regional shift at least that we have seen in our business, specifically in North and East India. We have seen good improvement in our SSSG numbers. In fact, those territories are also in positive territory now. South India is specifically struggling for us and continues to be in the negative territory.

Khush: And, one question is what would be the margins from the new stores? You used to give it in the presentation earlier.

Rahul Agrawal: So our restaurant operating margin, which is the brand margin from new stores, is approximately 6% in the previous quarter.

Khush: And that could be a 100-basis point improvement from Q2 FY24?

Rahul Agrawal: Yes.

Khush: Got it, sir. And last question is, out of the 27 Premium CDR, how much will be Salt and Toscano?

Rahul Agrawal: We have 9 Salt and 18 Toscano as of quarter end.

Moderator: The next question is from the line of Tanish Mehta from ithought Financial Consulting LLP. Please go ahead.

Tanish Mehta: My first question was with regards to our matured store and store margins. So you've been giving these numbers over the last 2 years and it has been consistently decreasing. So if could you just provide a little bit more clarity on as to why this is happening? And do you think it will go back to the earlier number, which was sales per stores for mature as Rs.7 crores and restaurant operating margin of 21% or 22%?

Rahul Agrawal: The mature portfolio will behave in a pretty much similar trend as the same-store sales data. If you look at last 2 years, at the industry level, the same-store sales data has been negative, which is then also impacting our matured store sales data. And given that the operating leverage in our business is extremely high, a drop in sales across this portfolio over a period of, say, 1.5 to 2 years would lead to a decline in your margins.

Otherwise, structurally, in terms of cost efficiencies, in terms of maintaining great guest experience on the store, we are on track. Number of mature market and SSSG will be in direct proportion to each other.

Tanish Mehta: Okay. So in an ideal scenario, it should go back to Rs.7 crores per restaurant and 21% margin. Is that right?

Rahul Agrawal: Yes, absolutely. It is right now a function of revenues and sales per store.

Tanish Mehta: Okay. Right. Understood. Also, sir, how many of our stores are in Tier 2 and Tier 3 markets? And is there any major difference in store-level economics between, let's say, metro Tier 1 and Tier 2, Tier 3 markets?

Rahul Agrawal: I mean we have around 24%-25% of our stores in Tier 2 & 3 markets. Tier 2 & 3 market has lower throughput, and they have slightly lower gross margins because the pricing is slightly lower. But this gets compensated by lower manpower costs and lower rent costs. And otherwise, at a lower throughput of, say, 20% also, this will deliver a 20% EBITDA margin at store level.

Tanish Mehta: Also, I think you have given a guidance of 100 stores, right, in the next 3 years. How much debt would be required to fuel this expansion? Or will you be able to do it?

Rahul Agrawal: Historically, we have done it through our internal cash flows. Even in the tough environment of current period, we have used our entire cash flows to grow. From now on, 100 stores would require approximately Rs.300 crores. And in the next 2.5 to 3 years, just based on the last year's operating cash that we generated, it is enough to deliver that.

Tanish Mehta: Okay. Also one last question, what is our average per person pricing at the moment? And what has been the average realization growth for us over the, let's say, last few years?

Rahul Agrawal: They're different for different brands. For Barbeque Nation India, it's approximately Rs.830, for international markets, it's around Rs.1,500, For Toscano and Salt, it's around Rs.1,100. And the average pricing growth over last year, it's flattish. We have not taken any price hikes at a portfolio level. It's just marginal 0.2% increase in overall APC, if you look at the entire 222 store portfolio.

Moderator: The next follow-up question is from the line of Khush from InCred Asset Management. Please go ahead.

Khush: I just wanted to understand on the marketing spend, what would it have been in this quarter? And would you ramp up since you're also adding Toscano and Salt stores? And the second question would be out of the 100 new stores that we would want to add, how much would be for the Premium CDR?

Rahul Agrawal: On marketing spend side, we spent close to 1.7% during the quarter. And all of these marketing spends actually are above our store EBITDA or store profitability. This 1.7% is pretty much consistent across the various formats that we have. There's no corporate-level marketing spend that we've done over and above the store level. So even though something is done at a national level, it is proportionate to the various stores in the country.

And out of 100 stores that we're targeting, we will have around 35 to 40 restaurants coming from Premium CDR, around 15 will come from international markets and the balance will come from Barbeque India.

Khush: And in terms of your journey for store closure, this quarter, it has been consistently decreasing now to one store in this quarter. So, do you see that in the second half, you will be able to add 17 stores to reach a 25-store target? Do you see that much catchment area spaces, etcetera?

Rahul Agrawal: Two parts to it. One is on the closed stores, whatever large-scale stuff that we had to do, we have already done with in FY24. And now we keep looking at our portfolio and try and rebalance it and see which are the stores where the long-term economics had deteriorated, So that's when we take the call. Frankly, I think there would be maybe one closure every quarter going forward.

Now in terms of our 25 new store targets, we've already done eight in H1. Like I said, we've also done three more in October. Some of these pipelines were back-ended. And we have six under construction. So 17 is done. For the balance of eight, we have a very strong pipeline of around 15 sites. Some of these will come in Q4 and some of these will also come in Q1 of next financial year.

Khush: And last question from my side is, sir, what is the sensitivity of EBITDA margins to your SSSG? So 1% improvement or decline, how much it would be impacting your margins?

Rahul Agrawal: Our flow-through from top line to bottom line is around 50%. So any SSSG increase of, say, 5% will help us to improve our margins by 2% to 3%. If you look at the last 2 quarters, our SSSG has been lower, but our same-store EBITDA margins have been better,

So there's a lot of work being done at the company level on items like menu engineering, maintaining our gross margins, cost efficiencies, supply chain costs, store manpower realignment given that the sales were slightly lower. That is the reason why we are able to do that. But frankly, long-term, it has to get back to a long-term SSSG trend that the Company has been doing always of around 4% to 5% to maintain our long-term margins of around 18%-19% at store level.

Khush: Sure. And this would remain same across all the 3 portfolio brands? Or this would be higher for the Premium CDR?

Rahul Agrawal: Broadly same. But since international business and Premium CDR business today is overall only 15% of our portfolio, and they are in metro markets, premium metro markets, the throughput and margins are better. Barbeque Nation India, which is more spread out at Tier

2 & 3 markets, and the impact on the mass discretionary spend more related to Barbeque Nation India, we are seeing margins to be slightly lower for that.

But margin improvement in the current quarter or in the first half has been better in Barbeque Nation India and slightly lower in Premium CDR. The impact has been largely because of the impact of new stores where we have to spend money in the initial phase for liquor licenses, which obviously get charged off the P&L. But structurally on the same-store basis, even the Premium CDR margins are maintained.

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

Naitik: My first question is if you could give us a mix of the mature stores and new stores. And the second question is what is the SSSG for mature stores this quarter?

Rahul Agrawal: SSSG and mature stores are similar. So mature stores are something which is more than 2 years old and SSSG is something which have been operating for full year in both the periods. So our mature store portfolio will also reflect, say, maybe a 2.5% SSSG decline. In terms of store counts, our mature portfolios would have approximately 185 stores and the balance will be new stores.

Naitik: 185 stores, okay. And what are the restaurant-level margins we make in the mature stores?

Rahul Agrawal: Mature store margins are around 14% right now. This is for the Q2.

Naitik: Q2, 14%. But we can make 20%, that is the potential they have, right, restaurant-level margins for the mature stores?

Rahul Agrawal: Yes. Like I also mentioned in my previous comments when I think Khush had asked, it all depends on SSSG or the throughput of the store. In an environment wherein over a bit of the last 2 years, there have been negative SSSG, so if you revert back to those sales number, the operating leverage story will play out. And this 14% will increase to around 17%-18%, which is what we used to do historically.

Moderator: The next question is from the line of Palash Kawale from Nuvama Wealth Management. Please go ahead.

Palash Kawale: Where do you see your store count? I mean, in terms of store closures, do you plan to close any stores in the second half?

Rahul Agrawal: I think we will have maybe 2 stores which might close in the second half.

Palash Kawale: And sir, in terms of store additions, you plan to add pretty aggressive numbers. And the performance in H1 has kind of been flattish. So what gives you the confidence of adding stores in such an environment? And why not delay the store additions? If you could give any colour on it.

Rahul Agrawal: You have to look at it from the perspective of, say, last 6, 8 quarters. In FY24, we looked at our margin drop, and we said today we'll focus on trying to increase the throughput of our existing stores rather than focusing on adding more capacity. And if you look at our portfolio and, in some cases, in Tier 2 & 3 markets, we also closed a few stores. And that was what we did in FY24.

Post that, we obviously realized that the operating environment is weak for the entire industry and not just us. And after having done, obviously, those measures and having a good control on our operating expenses, we're very comfortable with the operating-level metrics at the outlet. And that's the reason why you will see in the first half of this financial year, there has been almost a 25% increase in our profitability, both restaurant operating margins and overall EBITDA margins.

And by the start of this calendar year, we have geared up to start our expansion. Obviously, one bad period doesn't mean that the potential for a new store is not there. We have mapped out pretty much 100 sort of trade markets where we can take Barbeque Nation brands. And all we're saying is out of these, based on the site that comes in and based on the economics that are offered to us, we'll end up opening maybe 50 of these. That's on Barbeque Nation.

For brand like Toscano, it is extremely strong in South India with a strong presence in Bangalore, Chennai and Pune. And then we took it to Hyderabad. We got great response. And then now we are taking this through Mumbai and Delhi. Delhi, in fact, we've already launched in this quarter. And Bombay, we'll launch hopefully by December end or early Jan.

And if you look at both the brands and the way it's run, Toscano in Bangalore has around 11 stores. So if Bangalore can take a Premium CDR like Toscano with 11 outlets, I'm sure that places like Bombay and Delhi can take much more. So these 2 brands are another focus areas for us, which we'll expand over a period of time.

So we also remain very comfortable with our operating cash generation, which is anticipated to fund this growth for us. And that is what is guiding our strategy.

Palash Kawale: Sir, my next question is, if you separate Value CDR versus Premium CDR, which segment excites you most for next 2 to 3 years?

Rahul Agrawal: I mean both have advantages. In the Value CDR, we have obviously built Rs.1,000 crores business with approximately 200 stores. And obviously, we have seen various ups and downs in this journey of building 200 stores. And as we navigate through the market, we also, of course correct ourselves.

For example, in our core Value segment CDR, we are also optimizing our space. We are trying to take some more premium sites with natural flow of traffic. We are working a lot on our menu engineering and new design so that the spaces are more optimized. So that is a different segment. And we still excite in large part of this country, wherein they see significant value to have unlimited meal with unlimited starters and that, too, high-cost protein starters like prawn, chicken, mutton, fish. So I think that market for a country like India is extremely large, and we'll continue to grow that business.

Similarly, we will utilize our existing back end to grow another brand, which is the Premium CDR, both of which are very, very strong brands. They have got great guest ratings, and it's a matter of executing it slowly and steadily in various parts of this country.

India is a highly segmented market for CDR. And there are a very few brands who have crossed, say, Rs.100 crores sort of mark, but if executed well. All of these brands have large consumer base in the country. So when we started Barbeque Nation, there was no category like Barbeque Nation or Barbeque all-you-can-eat.

Today, the largest brand in this category is from Barbeque all-you-can-eat. And I believe that the country can take at least Rs.500 crore-plus of brands for Italian cuisine, for Indian a la carte, for Oriental cuisines. The consumption is there in the country.

Palash Kawale: And sir, has there been such a prolonged slowdown in the history of the company that you could think of?

Rahul Agrawal: I think if I look at 10-year back data, 2015, 2016 also had periods of negative SSSG.

Moderator: The next question is from the line of Giriraj Daga from Visaria Family Trust. Please go ahead.

Giriraj Daga: Actually, my question is more of a structural kind of nature and your thought process would help there. So just to understand, my first question related to that, what is the demand elasticity to the price hikes what we take in the system?

So sitting on this side of the table, what we understand or what we feel is that probably 1% or 2% price hike will not make a material difference to the thought process of the consumer, that he will not come to the restaurant because of the 1% to 2% price hike. And in a demand environment, which is like, obviously, sometimes we will have good demand and where sometimes we'll have not so good demand environment, so why not keep a habit of taking a small price hike every time so that our store economics doesn't go for a toss for a period when we go through a bad period?

Because, let's say 2, 3 more quarters down the line when the demand environment improves, and that time, if we'll go for the price hike, probably that will lead to a chunky price hike of 3%, 4%, maybe 5%, to offset the inflation on our overhead cost. So why not keep taking a small, small price hike of 1% to 2%, part of the portfolio, some quarter, some other part of the portfolio? What are your thoughts there?

Rahul Agrawal: Very good question, Giriraj. And I think you are absolutely right. Frankly, we maintain that. Just a note on our pricing strategy, we don't have uniform price pan-India for all our restaurants. We have pricing based on weekday, weekend. We have pricing based on lunch, dinner. And we have pricing based on the market that we're operating in.

For example, the Connaught place kind of market in Delhi versus Laxmi Nagar kind of market will have different pricing. We do that. And we also have differential pricing for weekday lunches versus, weekend dinners and Sunday lunches.

I think in those aspects, we have taken a couple of percentage price hikes as and when we believe that velocity is okay. But when I say that, over the period of last year, we don't have any price hike on a portfolio level. One thing we have done also is we have launched a concept called 'Xpress Buffets' where we don't serve the live grill, but we offer full-fledged buffet at a price point of Rs.400.

So this is something which has done extremely well in our Tier 2 & 3 markets in lunch session on weekdays. And the net impact, we've got very high level of volume increase in these markets. And obviously, pricing was dropped by almost 30% by also doing the menu engineering. So the net impact of all of these things is that the pricing overall is 0.2%. But on the same market basis, we would take a couple of percentage price hikes every year.

Giriraj Daga: Okay, sir. Should we assume that 2%, 3% kind of price hike every year, that's the normal benchmark or it can be less than that or more than that?

Rahul Agrawal: If I look at the last 10-year data, and I'm excluding the COVID periods of ups and downs, but in that time frame, our CAGR price hike would be around 2.5%, 3%. And that's also required. Otherwise, we won't beat inflation. Beyond a point, you can't do any cost efficiency.

Giriraj Daga: Okay. Second, let's say, if I try to understand, in fact, let's look at last 2-3 years' data, probably we are doing a similar number in the first half compared to last year first half and compared to prior to that year first half also.

So let's say in year '22, we have done about Rs.625 crores of revenue, this time, we are about, let's say, Rs.610 crores kind of a number, roughly 2% to 3% down. If I look at the potential number of customer or number of bill cuts, number of some other metrics, as the number has gone down, the per bill value has gone down or the customer has gone down, how will you describe that data?

Rahul Agrawal: It has dropped marginally. See, because if the overall revenues have dropped by, say, 2% versus last year, the pricing has been flattish, so the balance comes from the volume. So when we look at our SSSG numbers, the drop has largely been on the number of customers or number of bill cuts in these cases.

Giriraj Daga: Okay. Number of bill cuts has gone down. Okay. Last thing from my side, generally, Q3 is seasonally the best quarter for us. Many times, we had even got an 8%, 10% quarter-on-quarter improvement also compared to what we're getting now. And this time, you added some new restaurants also, some restaurant addition has happened already in quarter 3 and October itself. So should we fairly be confident that probably this 10% growth over the September looks fairly doable? Will you say that it is yes?

Rahul Agrawal: Very difficult to give me an exact number. But like you mentioned, a few positive things happening. The store counts that we're entering into this quarter, we're entering with additional, say, around eight to nine new restaurants. So on a portfolio of 220, that is, say, 2%, 3%, 4% coming from that. Sequentially, we're also seeing improvement in our SSSG numbers.

So Q1 was down at around 7%, which has improved to around 2.5% in Q2. In fact, when we exited September, we were actually marginally flattish there. These two are very positive trends by which we hope that could be the number that you are mentioning but, obviously, very difficult to predict.

Moderator: The next question is from the line of Saaksha from Old Bridge Capital. Please go ahead.

Saaksha: My question basically is related to the balance sheet part, so two parts to it. Firstly, there is a slight increase in gross debt. I think it's gone up by Rs.10-12 odd crores. So firstly, could you please explain what is that for? What has led to that?

Secondly, your capex number for H1 is at around Rs.40-odd crores. Could you please help us with a split of that? Because I think with 8 new restaurants coming in, that should be somewhere around Rs.25- 26 odd crores of capex. What else is actually going into that number? So that's my first question.

Rahul Agrawal: On balance sheet, gross debt has gone up by Rs.10 crores. We have done additional purchase to increase our stake in Toscano business. And for that, we have spent around Rs.10 crores in Q2. So that's the gross debt part.

On capex of Rs.40 crores, there is around Rs.25 crores spent on new sites. We have around Rs.7 crores that was spent on some of the existing site relocations/renovations. As we discussed earlier, we are investing a lot on ambience improvement and restaurant upgrades, to drive our dine-in growth. And the balance of Rs.8 crores has gone into regular maintenance activities that we do for all our restaurants.

Saaksha: Sure. Secondly, I think you came out with a press release 2-3 months back, mentioning probably possible foray into Sri Lanka. So could you please share any updates there?

Rahul Agrawal: We have incorporated a company and starting our first restaurant there. That site is under construction now and should start trading in, hopefully, January next year.

Saaksha: And how should we look at that market as a potential opportunity? Can you help us size it a little bit like whatever is possible?

Rahul Agrawal: We have 8 restaurants outside in multiple places, largely Middle East. We are opening up our first restaurant in Sri Lanka. I don't think we will add more for at least 3, 4 quarters. And after that, we will look at the response and see whether we need to add more in Colombo or other parts of Sri Lanka.

So, if you look at our business divisions, apart from Barbeque India and Premium CDR, we have international business, in which we have eight restaurants. This year, frankly, we plan to add three more restaurants, out of which two would come in Middle East and 1 is coming in Sri Lanka.

Moderator: The next follow-up question is from the line of Naitik from NV Alpha. Please go ahead.

Naitik: My follow-up question is, we have seen last 3-4 quarters of sustaining gross margin of around 68%. So can you just give us some colour on what are the changes that you have made which is leading to this sort of margin? And can we expect these sorts of margins going forward? Or there is any scope for improvement?

Rahul Agrawal: This should remain. If you look at Q3 last year, there was a reclassification that was done by auditors, wherein the restaurant employee food cost was moved from food cost to employee cost. So that led to an improvement in gross margin, but obviously, it didn't have any impact on EBITDA, store EBITDA. That is one reclassification that has happened.

But overall, we have improved by around 1.2%. So there's a lot of work done on menu engineering. We also looked at our supply chain cost. We have also been very practically proactive in hedging our meat cost and the sourcing initiatives they have really helped us to maintain our gross margins.

Naitik: So, sir, on a like-to-like basis, if you could just give the impact of this restaurant employee food cost going below gross margin?

Rahul Agrawal: It was around 80 basis points.

Naitik: 80 basis points, okay. So, 67% of the like-to-like basis is sustainable?

Rahul Agrawal: 68% is what we're targeting, We have delivered that in H1. And we expect to close the year also at 68%.

Naitik: That won't be like-to-like, right? I mean, 70 basis points is from reclassification, right?

Rahul Agrawal: Okay. So like that, yes, you can say that. But now the reclassification is done, we just look at that. And to that extent, our employee cost had gone up.

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

For further information, please contact

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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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