United Foodbrands

Date: February 5, 2026

To,

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

Dear Sirs,

Subject: Transcript of Earnings Conference Call held on January 30, 2026

Pursuant to the provisions of Regulations 30(6) and 46(2)(oa) read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby enclose the transcript of Earnings Conference Call held on Friday, January 30, 2026 at 5:00 PM (IST), post announcement of Financial Results of the Company for the quarter and nine months ended December 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 record.

Thanking you.

Yours faithfully,
For United Foodbrands Limited
(Formerly known as Barbeque-Nation Hospitality Limited)

AMIT V BETALA

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Date: 2026.02.05 13:17:02 +05'30'

Amit V Betala
Chief Financial Officer

Encl.: *As above*

United Foodbrands Limited

(Formerly known as Barbeque-Nation Hospitality Limited)

Earnings Conference Call

Q3 FY2026

January 30, 2026

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 United Foodbrands Limited Q3 FY2026 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your 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, Mr. Sharma.

Bijay Sharma: Thank you, Rutuja. Welcome, everyone, to United Foodbrands Limited Q3 FY2026 Earnings Conference Call. For today's call, I have with me Mr. Kayum Dhanani, Managing Director; Mr. Rahul Agrawal, CEO & Whole-Time Director; and Mr. Amit V Betala, Chief Financial Officer. Before we begin the call, I would like to remind 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 our earnings presentation for a detailed disclaimer.

We'll start the call with Mr. Kayum Dhanani sharing his perspective on overall demand and key highlights for the quarter. This will be followed by a detailed discussion on business and performance by Mr. Rahul Agrawal. Post that, we'll 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: Thank you. A very good evening, ladies and gentlemen. I take the pleasure in welcoming you to quarter 3 FY2026 conference call of United Foodbrands Limited.

Quarter 3 FY2026 has been a defining quarter for the Company. We delivered highest ever quarterly revenue in our history, driven by record dine-in walk-ins across our restaurants. This performance reflects the strength of our brand, the relevance of our value proposition and the trust our guests place in us.

We reported a Same-Store Sales Growth (SSSG) of 8.2%, driven by a combination of clear strategy, priorities and relentless execution disciplined by our teams. This performance is particularly encouraging as it has been delivered in a persistently soft demand environment, underscoring the resilience of our business model and the strength of our operating execution.

As an organization, we are extremely well positioned to scale all three verticals of our business.

The Barbeque Nation India business delivered strong year-on-year growth across both dine-in business and delivery business. Overall revenue and SSSG growth were driven by strong year-on-year growth, dine-in volume growth of 25%. We continue to gain market share with growth coming from both new customer acquisition and repeat customers. New customer acquisition was particularly strong during the quarter, while repeat customer growth also accelerated. Importantly, the time gap between the repeat visits has reduced, indicating improving guest engagement, loyalty and brand stickiness.

Our international business grew 47% year-on-year, supported by strong SSSG performance and new restaurant additions. We added three new sites during the year, have additional sites under construction. We have successfully entered distinct high potential markets, and our focus now is on scaling Barbeque Nation in these markets and building a long-term platform for sustainable growth.

Our Premium CDR segment also continued to strengthen. Penetration of Toscano and Salt brands increased as we expanded into new metro markets in India. We added 10 new restaurants over the last 12 months and have another five restaurants under construction. The segment consistently delivered strong SSSG, driven by growth across both dine-in and delivery channels. Restaurant operating margins from the mature restaurants have consistently tracked above 20% across many quarters, reinforcing the strength of the business model.

We have systematically built a differentiated portfolio of in-house dine-in and delivery brands through disciplined execution and a consistent focus on superior guest experience, service quality and value leadership. We remain fully committed to scaling each of these brands by delivering industry-leading margins and cash flow and building a sustainable high-quality growth platform for the long term.

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

Rahul Agrawal: Thank you, Kayum. Good evening, everyone, and thank you for joining us.

Q3 has been a transformational quarter for our Company. We delivered our highest ever quarterly revenue, driven by record dine-in walk-ins, which is a powerful validation of our brand strength and value proposition. Achieving this performance in a challenging demand environment underscores the resilience of our business model and the quality of our execution. Most importantly, it reflects the exceptional commitment, discipline and execution excellence of our teams across the organization.

The quarter was marked by strong Same-Store Sales Growth of 8.2% and operating revenues of INR377 crores, translating into a healthy revenue growth of 14.5% on a year-on-year basis and 23.6% on a sequential basis. Operating revenue growth for the quarter was healthy across all verticals with Barbeque Nation India growing at around 10.1%, Barbeque Nation International growing 47% and Premium CDR segment growing at 19.7% on a year-on-year basis. This performance was led by robust transaction growth across both dine-in and delivery channels. We delivered approximately 26% growth in consolidated dine-in volumes and 29% growth in delivery transactions. Barbeque Nation India saw a strong recovery in dine-in segment, delivering 25% year-on-year growth in dine-in volumes.

Consolidated gross profit during the quarter grew by 11.4% year-on-year and around 24% sequentially. Overall, gross profit margin improved by 20 basis points quarter-on-quarter. Pre-Ind AS restaurant operating profit recorded strong momentum, growing around 136% quarter-on-quarter and 8.7% on a year-on-year basis. Pre-Ind AS restaurant operating margin stood at 15.7% compared to around 16.5% in quarter 3 of last year, largely due to the impact of new store ramp-ups. Mature restaurants delivered higher margins and stable performance with pre-Ind AS restaurant operating margins of 17.2%, which was broadly consistent with 17.4% in quarter 3 FY '25.

During the quarter, we increased marketing investments in brand building and value-led campaigns with a clear focus on driving transaction growth. At the same time, we maintained a disciplined approach to cost management and supported by operating leverage, our overall overhead cost, which is excluding marketing, reduced by 2.1% of sales on a year-on-year basis. Consolidated reported operating EBITDA for the quarter was INR68.2 crores with operating margins of 18.1%. This is excluding onetime impact of non-cash provision created due to implementation of new labour code. Our pre-Ind AS adjusted operating EBITDA was INR36.1 crores, growing at 6.5% on a year-on-year basis.

Our new restaurant expansion is on track. During the quarter, we launched eight new restaurants, which is 21 new restaurants over nine-month period, taking the total portfolio to 249 restaurants. New restaurant expansion was broad-based across all three segments with 10 new restaurants added in Barbeque India, three new restaurants added in Barbeque International and eight new restaurants in Premium CDR segment. Coming to Barbeque India.

Barbeque Nation India delivered revenues of INR288 crores with strong 10.1% year-on-year growth and 25.3% sequential growth, reflecting renewed momentum and strengthening customer traction. This growth was driven by strong SSSG of 8.3%, which in turn was led by robust transaction growth across both dine-in and delivery business. During the quarter, we created multiple food-led experiences and thematic dining events and launched targeted value campaigns to build demand during low throughput sessions. We saw strong growth in new customer acquisition alongside meaningful growth in repeat customers. Our guest engagement and loyalty dynamics have improved, leading to a decline in our average time gap between repeat visits. We structurally leveraged our digital ecosystem and significantly strengthened adoption of our advanced model through both app and web with 53% of overall dine-in transaction now rated through our own digital channels. Overall, pre-Ind AS restaurant operating margin stood at 14.6%, while the matured portfolio delivered higher margins of 16%, reflecting the aligned strength of our core business.

Moving to Barbeque Nation International. Our Barbeque Nation International business recorded revenues of INR37.2 crores for the quarter, delivering 47% year-on-year growth, supported by robust network expansion and SSSG of 5.8%. Gross profit also grew year-on-year by 47%, with gross margins remaining strong at around 75%. Despite an aggressive restaurant expansion, pre-Ind AS restaurant operating margin for the International segment remained strong at 23.1% with mature restaurants delivering operating margins of over 27%. We'll continue to build on this growth momentum through disciplined network expansion. During the year, we have launched three new restaurants. We have another three restaurants under construction in our international business and four additional locations are in advanced stages of discussion. As we enter newer geographies, we have done the foundational work of establishing our first restaurant in these markets, and our focus will now shift to scaling each of these distinct markets across the Middle East and Southeast Asia.

Moving to our Premium CDR business. We are well on track in increasing penetration of Toscano and Salt brands across additional metro markets. During the year, we have added eight new restaurants and another five restaurants under construction across key metro markets of Mumbai, Pune and Delhi. We are extremely encouraged by the guest feedback in these newer markets and strongly believe that our sustained focus on guest experience supported by continuous culinary and service innovations will enable us to build a strong and scalable Premium CDR franchise. The Premium CDR segment also delivered a strong year-on-year revenue growth of 19.7%, driven by exceptionally strong SSSG of 9.4%. Gross margin for the segment remained robust at 73%. While the ramp-up of new restaurants impacted overall margin in the short term, the mature network portfolio delivered pre-Ind AS restaurant operating margin of 22%.

Our strategic focus remains unchanged. We'll continue to build Barbeque Nation brand in India and internationally through best-in-category guest experience, strong value proposition and disciplined cost management. In parallel, we'll continue to scale our existing portfolio of high potential brands, building strong differentiated platforms for long-term growth.

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

Moderator: Thank you very much. The first question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Congratulations on great set of numbers. Just wanted to understand, we've had obviously a number of quarters of negative SSSG growth and this is first quarter with positive SSSG after a long time. Just wanted to know what is your comfort that this isn't some sort of an aberration and that it's something we expect to continue going ahead in terms of the SSSG growth. And just wanted to understand what exactly in your view has driven this change to happen?

Rahul Agrawal: I think what you are seeing today is obviously not one-off actions. There are a lot of multiple levers that has been created over the last several months. We have spoken about few of these in our previous calls and our quarterly updates. And to speak about a few of them, we have come out with group dining offers. We have created various food experiences, we have come up with value-led campaigns, we have analyzed our business across various day-parts and segments and then have done targeted value campaigns for these low throughput sessions. We have improved our throughputs in some of these sessions. We have increased our engagement through app and web platforms. And some of these actions that have been taken internally have obviously led to transactions growth, that have led to higher bookings, very strong repeat behavior, very strong digital engagement and obviously, great customer feedback scores. The focused execution on guest experience and value has been really amazing. And if I look at data more than one-off, we have seen positive momentum over the period of last six months wherein we have seen improvement in transaction trend with all the structured initiatives in place.

I strongly believe that the SSSG improvement is sustainable. And the momentum that we are seeing should continue. Obviously, this has to be supported by the disciplined execution that we are continuing to do. And obviously, with operating leverage, things will look very differently in the business.

Riddhesh Gandhi: No, but just to push on that, so is it a market thing? Are there some specific activities we have done? Because look, after eight, nine quarters of negative growth, you can sort of expect there may be a quarter or so where you will have growth and again, we go back to being flattish. So, what is giving you like a comfort now that we should be able to achieve this going ahead?

Rahul Agrawal: I think, you should be looking at last six-month period. If you remember, last quarter also, excluding the impact of Navratri, we were in positive territory. Last quarter, we also reported our numbers for four months, and we distinctly mentioned that the month of October was looking positive in terms of SSSG by around 5%. In the entire quarter, we reported 8%. So, obviously, November and December has been better than October. We are seeing this momentum continuing in the month of January.

If you're seeing something happening for a longer period of six, seven months, we are seeing sequential improvement in these metrics. And obviously, this is not something which is done across the industry. I think there are a lot of internal levers and internal intervention that has been made. I spoke about a few of them in my previous remarks. And those interventions are also reflecting into improvement in measurable operating metrics. That gives me confidence that this will continue.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Rahul, congratulations on a great performance in Q3. Rahul, you did mention that the repeat period has been shortened and the feedback scores are also pretty high from consumers. I wanted to check if you could give us some reference of the past as and what was these data points earlier and what are we standing at currently will help us to better understand the change?

Rahul Agrawal: I think, without getting into specific numbers, what I can tell you is that the time gap between repeat visits has improved by around 10%. If it was, say, 100 days earlier, now it's 90 days. And in terms of transactions, one thing that we have really unlocked is a set of new customers who seems to have also repeated extremely well over the period of last seven, eight months that we have made this intervention. That's the metric that I can share at this point of time.

Devanshu Bansal: And on the feedback perspective, Rahul, any color that you can share from an NPS perspective or whatever you're tracking as in what all the new consumers are sort of suggesting because we just want some confidence as in, obviously, you have done good dining offers, food experiences, etc, which has led to this pickup in transactions. So, we just need some confidence around the feedback that the consumers have had in this transaction so that we get some comfort on these people sort of coming back and back at Barbeque Nation?

Rahul Agrawal: Our feedback mechanism and tracking this across approximately 200 stores of Barbeque Nation in India is very scientific. Broadly, we measure it through three angles. One is our in-house guest satisfaction index score. As you would recall, we call back 20% of guests every day across all restaurants, across all segments of sections of restaurants, across dayparts. And then very critically look at that metrics to ensure that the guest scores are high. And as you would recall, almost 95% of organizations variable pay is dependent on the guest scores. This metric is on upward trend. Secondly, we track our digital NPS score through some of the marketing agencies that work with us. Those scores are also trending up. And third is the rating which normally guest gives across the Google platform and the Zomato platform, which at a pan-India level across all restaurants have been pretty well. Earlier also, we were standing at anywhere around 4.4 to 4.5 and those levels are also being maintained.

The feedback taking process is very scientific. And all of these three metrics are on an upward trend for us. And this is not just this quarter. I think if you recall in the previous quarters also we mentioned about the fact that whatever scenario is, we are continuing to manage our guest scores and we are seeing those improve.

Devanshu Bansal: Great. And Rahul, obviously, this quarter has seen very strong trends. And typically, with word of mouth, the thing is that we see an upward moving trajectory, right? So obviously, if you can share some light in terms of how trends have been so far in Q4? Are they pretty much in line or they are still improving versus what we have delivered in Q3? That would also be very helpful to understand the next, say, next three quarters of your performance?

Rahul Agrawal: Like I mentioned, January is almost coming to an end and the momentum that we saw in quarter 3 is continuing. I strongly feel that the business has structurally shifted one notch above. If you look at last quarter's performance at a sustained basis, we are at close to a monthly run rate of INR125 crores, which translates to annual run rate of around INR1,500 crores. There is obviously some seasonal impact of the business in quarter 3. But the way the business is moving now, I think on the next four quarters basis, we are at that level as a company. Also, if you look at the change that you will see in terms of growth, what was the growth between quarter 2 last year and quarter 3 last year versus quarter 2 this year and quarter 3 this year, you will see that there's a structural shift that has happened in the business. That was also minutely visible when you look at quarter 1 and quarter 2 last year versus quarter-on-quarter this year. And this difference is very stark in quarter 3 of this quarter. I think this momentum should continue. A lot of great interventions being done and good thing is that they are also impacting the measurable numbers across our entire business.

Devanshu Bansal: Great. Sir, from a P&L perspective, obviously, your top line trend has been very robust. But from a P&L perspective, we noticed that we are also making certain investments, right? So, our gross margins are about 200, 250 bps lower. And then you also attributed some additional marketing spends that have gone behind particularly in Q3? I wanted to check whether we can sort of move back towards that 67%, 68% gross margin in the coming quarters and whether these marketing spends were one-off and these are required in the business to sort of keep up the growth momentum?

Rahul Agrawal: Thank you, Devanshu, for asking this. three points here. One, our guidance on gross margin remains unchanged at around 67% to 68% range. I know we are short of this in this quarter. But I think we strongly continue to see this as both achievable and sustainable. But at this stage, I think we are consciously making measured investments in our gross margin and marketing to rebuild our demand momentum to increase our traffic recovery and strengthen customer acquisition to have as much transaction growth as possible. To be fair, 25% transaction growth is something that was really great, and that's continuing also in the current quarter. I would not change this at this moment. We would continue to make these measured investments across both gross margin and marketing.

You mentioned the marketing. I think, the current level of marketing spend is, I think, the new steady state for our business. I'm not seeing this as a temporary spike. I think this is a structural step-up. And also 3% of sales our marketing investment is very disciplined, targeted and also well below industry average. The investment is very focused on high ROI activities, which are leading to driving transaction growth, building traffic, how do you strengthen the brand relevance and all this. In the near term, I don't see that, that changing. Gross margin will slightly inch up. And with respect to overall margin, I think given the nature of our format, operating leverage is structurally high. While we see these gross margin investments to drive traffic, the operating leverage benefits of higher volume and sales growth are structurally more powerful than the near-term margin trade-off. We have seen this traction over the last two quarters. And our focus will be to sustain this as we move forward. I think as revenue builds up, operating leverage naturally flows through margins. And the team in the past has demonstrated a very strong discipline on operating cost control which gives us confidence that the underlying structure of the business is strong and the margin levers like cost of goods sold or marketing investments remain well within our control.

Devanshu Bansal: Fair enough. So obviously, you have indicated some color from a revenue perspective. Any color from EBITDA margin perspective? Because whatever basic projections that we have done, I guess, is 8% kind of a margin, EBITDA margin at the Company level pre-Ind AS is it doable or the operating leverage can help us even surpass that?

Rahul Agrawal: Look, despite a very tough operating environment in FY '24 and '25, we have delivered 8% pre-Ind AS operating margin at corporate level. Which translates to approximately 14% pre-Ind AS restaurant operating margin. And if I further scale it down and remove the impact of new stores, we were at 15% core restaurant operating margin.

In this quarter, that number of 15% is actually 17%. Just because of operating leverage, we may remain at that number in short term. But I think because of operating leverage and because of our cost initiatives, that 15% mature restaurant operating margin will move towards 17%. And once that happens, I think everything else will naturally flow down to overall margin. In the near term, I think the focus is clear, build transaction growth, drive revenue growth. and through operating leverage, move back to at least double-digit pre-Ind AS corporate level EBITDA margin.

Devanshu Bansal: Thank you, Rahul. All the best to the team. Once again congratulations on a great performance.

Moderator: The next question is from the line of Naveen Trivedi from Motilal Oswal.

Naveen Trivedi: Just a couple of questions on the growth side. You mentioned about the SSSG levels which we kind of reported this quarter looks that are sustainable. One, was there any price hike which kind of build in the SSSG number? And how should we look at the pricing strategy for the coming quarters?

Rahul Agrawal: No, there is no price hike at all in this quarter. In fact, there has been very targeted improvement in our throughput, which we have managed by looking at low throughput sessions. Effectively, in some manner, because of change in mix, we have seen effective realization being lower. To further break this up, we have strengthened our weekday dayparts. We have strengthened our lunch businesses. That has led to a slight decline in overall pricing that has happened. The SSSG number that you're seeing is entirely coming through the volume growth. And while delivery volume growth is there and done in the past also, what I'm really excited about is the dine-in volume growth that we have seen across all our businesses, and we have seen that strongest in Barbeque India business.

Naveen Trivedi: So how much like Barbeque India transition growth were there for this quarter? And if you can also give us some sense about any specific market where we have seen more success than other markets?

Rahul Agrawal: It's around 25% dine-in volume growth, when I say dine-in volume growth, this is number of walk-ins across all our restaurants. And in terms of any specific markets, no, I think growth was very broad-based. There is no particular market that I can call out that was an outlier. I think all other markets have pretty much converged to the national performance trends.

Naveen Trivedi: And any sort of divergence between the October, November, December just to get a sense about how has been our exit of the quarter, which gives us the confidence about the sustainability of these numbers for the rest of the coming of the quarter. So, any sense about the exit of the quarter and any little bit of flavor if you can share about the January month also?

Rahul Agrawal: Two data points. One is, like I said, October was 5% SSSG, which you had mentioned in the previous quarter results. And this entire quarter was 8%. So, obviously, November and December were better. I can also say that October, November, December, we have seen sequential same-store cover growth, which is same-store volume growth at the entire portfolio level.

Naveen Trivedi: Just one last question. At what SSSG level we should kind of keep the EBITDA margin expansion? I'm sure typically, we kind of see that 5%, 6% is typically a threshold level SSSG where after which we start seeing margin expansion. 8%, we're still not seeing that sort of a level. But I'm just trying to understand about how should we see the coming quarters margin trajectory at the Barbeque India level and the consol level also?

Rahul Agrawal: Like I mentioned to the previous question, basically, there are three levers on your entire P&L. One is the gross margin, which is cost of goods sold. How can we control that? There are two variables. One is pricing and one is absolute cost of goods sold.

Over the period, absolute cost of goods sold actually declined. Pricing would have just slightly also declined, which impacted our gross margin. Like I said, this is a measured investment that we are trying to do because the key focus is to build transaction growth. Just note aside, I think we didn't mention this earlier, but as a company, we have done highest ever number of covers walk-ins across all businesses. We have done highest in India. We have done highest international, also done highest in Premium CDR, that is one lever. The second lever is marketing investments, So, how do you invest in your brand campaigns, value campaigns and how do you distribute that across your consumers. And the third lever is largely fixed costs. That gets advantage from the operating leverage. We have seen that advantage coming across in this quarter also. While there is an overall reduction in gross margin, there is an incremental investment in marketing. Our operating leverage impact was positive close to 2.2% on the entire business. And if you look at our numbers in detail, we have given a cut around mature restaurants and new restaurants. Our mature restaurants performance and margins were stable at 17.2% versus the last year number.

The point I'm trying to make is the focus on building transaction growth has led to operating leverage, which has led to managing the margins and obviously given us higher absolute operating profit. We obviously have been doing that for the last six, seven months now. And month-on-month or quarter-on-quarter, we are seeing improvement in some of these metrics. I don't think we want to disturb that. The only thing that we'll do is have absolute focus on further driving our volume growth. And then I think given the nature of the Company and the industry, I think operating leverage will take care of itself and margins will come through.

Moderator: The next question is from the line of Viraj Mehta from Enigma.

Viraj Mehta: Rahul, congratulations for good set. Rahul, my first question is on restaurants. If you remember, end of last year and even in the first quarter, you had mentioned we should end the year at around 270, 275 restaurants. But given that we are only 249 now or end of December, that looks a tough task. Can you give a revised numbers for that?

Rahul Agrawal: As of now, we have around 18 restaurants under construction. I think out of these 18, we should be able to launch around 14, 15 in quarter 4. So, we should be able to close the year with around 265. But frankly, these are just accounting dates. What I can tell you is that there's 249, which is operational. There is 18 under construction. That's 267. And we have a very strong pipeline of another 20 restaurants where we have either the commercial negotiation is finished. These are under legal diligence, or under project feasibility phase or in the design phase right now. If I look at my overall visibility pipeline, restaurant number 287 is clearly visible to us. And I think in the entire year, we would be able to definitely cross 300 by end of next financial year. And that's the aim that we're looking towards.

Viraj Mehta: Sure. Second is regarding the cash flow. Obviously, it's nine months, so we don't really get it. But if you can talk about what is the operating cash flow that we have got for nine months? And what is the capex that we have done, just to get a fair idea on where the balance sheet stands.

Rahul Agrawal: Balance sheet remains strong. Our net debt, if you remember, last quarter was around INR90 crores. This has actually come down this quarter. We are around INR80 crores. There is a INR10 crores cash generation in the quarter, net of all the capex investments and all. H1 was very different. You have our numbers. H1, the margins were not great. We didn't generate enough cash flows, but we continue to invest in our new store opening because we could see the improvement trends in transaction volumes. We could feel how the numbers are moving, we borrowed some money and invested back.

I think that trend has changed in this quarter. This quarter, we didn't need to borrow. As you remember, historically, we have always built stores by generating internal cash flows. I think we are reverting back to that right now. We obviously remain very excited about the potential of the brand across all the three segments. And depending on the cash flow generation and the speed of good site that we get, we might go a bit more aggressive on the new store expansion. But overall, I don't see the net debt numbers sort of moving beyond INR100 crores in short term. If we really sort of increase this, I think that's maybe only because some of the sites are really good, and we don't want to say no to that. But in short term, I think I'll stick to INR100 crores guidance on the net debt number.

Viraj Mehta: Right. And last on the discussion that we had in terms of some of the stores were not good enough or the locations were not and we were relocating to the smaller size. And I saw in the presentation that we have not closed a single store this quarter. So, is that now a fair assumption that we are like past that journey now and we probably are not going to like whatever closing of non-profitable or wrong stores or whatever you want to call that had to happen has now happened and that's past us?

Rahul Agrawal: Yes. And in fact, we have been past that for quite some time now. Over the period of last four, five quarters, whatever we have closed was just being very prudent about the bottom number and closing that as it was loss-making. Today, also, in a larger portfolio of 250 restaurants, we have some restaurants which are loss-making, maybe because they're new and maybe because there is some sort of structural change, it's bound to happen. But the losses in those are miniscule. And with some minor interventions, we have seen that in many cases where they have converted into profit making. I think, now going forward on a base of, say, 250, 300 restaurants, we might have on an overall basis, maybe two or three restaurants closure every year for various set of reasons, nothing structural there. But apart from that, I don't expect anything to close.

Viraj Mehta: Right. Super. And one thing on the international part. If I look at the SSSG growth in our international business, over the last three, four quarters, that has just tapered down from high teens number to where it is today. Is it because now the stores have matured and our addition is lower and the base earlier was lower and now the base is now significant compared to earlier international business? Like can you just make us understand is this now a sustainable SSSG and it might not go to where it was?

Rahul Agrawal: First, growing at around 6% this quarter, on a base of maybe 8%, 9% in the previous quarter is actually very impressive. And these stores where you're seeing SSSG is actually on a set of 8 restaurants. And some of these stores have been around for almost seven, eight years. After that, they've been growing at this rate with a mix of both dine-in and delivery. I think, they have done a tremendous job at delivering the results. I think as an overall market and as overall international portfolio, as some of the new stores that we opened up matures, they will not take the burden of putting the entire portfolio SSSG at maybe mid to high single-digit numbers. My sense is that the business should do anywhere between 5% to 7% SSSG.

And as long as they sustain it, I'm extremely happy because the margins there are extremely good. I think at such a small base of eight restaurants, I'm not so worried about SSSG right now. I think the focus there is to scale up. I think over the period of last three years, the team has done a tremendous job in opening up some of the new markets for ourselves. Today, I think we understand specific countries in Southeast Asia and Middle East. We have been there for almost two to three years. And we have gone through that phase of experimentation, piloting across multiple locations simultaneously. That was a very slow process. That was a process which took a lot of sort of effort. But now we are in a phase wherein we'll just keep adding more and more in these markets. As things stand, my sense is that on a base of, say, 12 restaurants, three more will come by end of this year, and we'll close the year hopefully with 15. And then next year, given the situation, given the rental maybe transactions, I would definitely want to close it at anywhere between 23- 25 by end of next year.

Viraj Mehta: Right. And as far as Barbeque India is concerned, and you had mentioned this, but I thought it was more on a company level, but the strong SSSG, obviously, for you continued in November and December. You're continuing to see that in January, even in Barbeque India. Is that correct?

Rahul Agrawal: Yes, absolutely. So, Barbeque India is almost 75% of the portfolio. Our other two businesses have always been very strong. We had some stress in India, and we have been also figuring out and trying multiple stuff over the last two years. Obviously, some work, some didn't work. But I think today, we believe that we have figured out what works for us, and we have seen this working for us continuously over the last six, seven months.

Moderator: The next question is from the line of Pritesh from Lucky Investment.

Pritesh: Sir, just to start with, could you share the nine-month post-Ind AS EBITDA? I could see on your presentation the quarter 3, but what will be the nine months?

Rahul Agrawal: It's around INR53 crores.

Pritesh: INR53 crores. The other question is on the competition side, four quarters or six quarters back, there was this whole comment on the players and the addition. So, any update there in terms of the competition?

Rahul Agrawal: Not much, but the only comment I can make is that we have not seen the competitive intensity change. We have definitely not seen this to have increased. And I'm talking about all you can eat Barbeque category. Other than that, on general restaurant additions, we keep seeing new and new stores keep coming up in the trade areas that we operate in. I think barring that, like I mentioned, a lot of internal levers has worked for us, and that has given us some momentum.

Pritesh: Okay. The other question is on the 100 bookings that you get, what is now the cancellation rate?

Rahul Agrawal: I won't be able to share that number, but directionally, it has come down over the last two, three quarters.

Pritesh: The conversions have improved. And now in the revised restaurant operating model based on the smaller restaurants and maybe a slightly lower revenue per restaurant, what should be the revised restaurant operating margin at the matured portfolio level? And at a mature level should be the restaurant operating margin in your new model or in the revised model of business?

Rahul Agrawal: We have delivered around 16% matured restaurant operating margin. I'm talking about Barbeque India. At a group level, we have done around 17%. The endeavor is to increase it by 2 percentage points.

Pritesh: I'm talking about India. So, if you look at your whole presentations, that used to be plus 20% as your number. And now is it 18%? That's how I should read it in the revised model?

Rahul Agrawal: Look, it's a step. I can wish for 16% currently going up to 21%, but my first target would be taking it to 18%. And obviously, after achieving that, we would not stop and we would endeavor to take it higher.

Pritesh: And my last question is between the ROM, that is restaurant operating margin that you report at 17%, what will be now the corporate overhead line percentage? Earlier it's 5%?

Rahul Agrawal: No, it was not 5%. I think it was always 6% plus. Currently, it stands at 6%

Pritesh: With the revised marketing...

Rahul Agrawal: Marketing doesn't sit here. Marketing sits on the store level. There's no marketing that is added at a back-end level. All marketing are part of restaurant operating margin for us. The back-end cost today sits at around 6%. I think back-end cost also is an area which will get benefit of the operating leverage. I think over a period of last one year, we've also strengthened our team. You would have seen the Chief Operating Officer joining. You see Chief Culinary Officer position, which was not in the Company now being created and joining. We are strengthening our other team members at a regional level. I think, most of these is done now, and they will have a normal growth rate of maybe late single digits. And this area will also see operating leverage. My endeavor would be to bring it down at least by 0.5 percentage point.

Pritesh: What will be the nine-month restaurant operating margin?

Rahul Agrawal: Maybe around 13-odd percent. Quarter 1 was around 11.5%, quarter 2 was 8.2% and quarter 3 was around 16%.

Pritesh: So, the fixed cost is about 6 to 6.5 percentage?

Rahul Agrawal: On the revised base on numbers, we are at 6% today. Okay. If you compare H1 and quarter 3 and add it up, you will get that same number, simple math. But if you look at the structural shift in the business and look from that perspective, different math. But the numbers are correct.

Pritesh: Okay. And the cash conversion at the EBITDA, I'm assuming that the cash conversion will be almost 80%, 90%, right?

Rahul Agrawal: Yes.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Congrats on the recovery and good set of numbers. Sir, I wanted to understand how much of this SSSG growth during this quarter is from the value offers and the group offers that we have initiated over the past six months and how much is the organic one? And sir, this 25% dine-in growth, this is on a quarter-on-quarter basis, right?

Rahul Agrawal: No, this is year-on-year basis.

Madhur Rathi: Okay. Got it. Sir, there has been some reduction in overall pricing. Is that true?

Rahul Agrawal: No, it is not that simple. I think it's not that we have taken a blanket pricing decline across the entire Company. Like I mentioned, there are a lot of interventions being done. Some of these I've spoken about earlier. There are curated dine-in offers that has been created based on the data of groups. There has been sessions wherein our throughput was lower. We have come up with a different sort of pricing campaign in that market. We obviously have improved our interventions through our app and digital platforms.

I think, the overall growth that you are seeing is a mix of all of these levers that we have spoken about. In some markets, we have done curated food experience events, which has given us great results. So, it's a mix of both, all of these put together that we saw year-on-year increase of around 25% in transaction growth.

Madhur Rathi: Got it. And sir, this INR125 crores monthly run rate that we expect to maintain, sir, what kind of margin profile can we expect on this run rate? And what will it require for us to improve our margin profile as previously mentioned, sir, where does this INR125 number needs to go for us to achieve that 18% restaurant operating margin?

Rahul Agrawal: There are three levers to this. The higher sales would lead to higher operating leverage, which will flow through in margins. On a fixed cost base, there has been no difference between our cost structures in quarter 2 versus quarter 3. But we have seen almost 25% jump in our revenue. What was around INR300 crores in quarter 2 is now around INR375 crores in quarter 3. And we see our operating margin moving up from 8.2% to 15.7%. Obviously, if sales goes up, this will flow through in our margins. I think all of these are known, all of these will definitely sort of happen in terms of structural flow-through.

Like I mentioned, the focus of the team inside is to keep working on some of these levers that we have created sharpen the focus on some of these levers, maybe try and find more structural levers that we can intervene in the business to further increase our transaction growth and obviously maintain that discipline in cost and guest experience. I think, we have been doing that for quite some time. We'll continue to do that. And my strong belief is that margin will definitely be an end result of that.

Moderator: The next question is from the line of Gopi Nanda Reddy from PNR Investments.

Gopi Nanda Reddy: Sir, how is the South Indian market doing, sir? Is it improved along with the rest of the country? Or how is it going?

Rahul Agrawal: In the recent past, the performance of South has meaningfully improved, and they are now broadly in line with other regions. I think some of the initiatives that we have taken in this market has worked really well. Historically, we have called out that South India is a slower performing region for us, but that's no longer the case. I think, like I said, they have now converged with the national performance trend.

Gopi Nanda Reddy: Okay. Are we planning any expansions in South also sir, new store openings?

Rahul Agrawal: Yes, we are looking at all across. For example, in Bangalore, we opened three. Chennai, we have two more coming up. In terms of our expansion strategy, we have a long list of around 100 trade areas for BBQ India and also for other brands that we manage. And then we keep working on these trade areas to find the best suitable site at the best suitable operating metrics. There are a lot of variables. There is size, there is rental, there is visibility, there is a distance of the existing ones. And out of these 100 trade areas, whichever clicks first, I think we go ahead and do that. I think at a team level, we have capability to execute restaurants anywhere in the country irrespective of the number of restaurants in that region.

Moderator: The next question is from the line of Manjeet Buaria from Saamya Advisors.

Manjeet Buaria: I just wanted to touch upon the Premium CDR. In that format you've seen gross margin shrink by about 2% over the last 12 months. So, I just wanted to understand whether that's a volume-driven strategy which has led to that outcome? Or is it something else? Question one. The second question on Premium CDR was, out of 10 restaurants opened in the last 12 months, could you give a split between Toscano and Salt?

Rahul Agrawal: On gross margin, Manjeet, so there are two impacts that has led to this number. One is the impact of new store I think whenever you open a new store setting up understanding the menu mix that work in that particular market, there's a time lag for that. And that's why you always see that new restaurants are at slightly 2%, 3% lower gross margin in the Premium CDR segment. And as we understand customer profile, as we understand customer differences, we build our menu designs accordingly and we optimize on that. So that's one.

Secondly, specifically Premium CDR segment, the delivery transaction growth and delivery revenue growth has been far higher than the dine-in revenue growth. And delivery by design is slightly lower gross margin business. Mix of these two is what led to approximately 2% lower number on the gross margin on Premium CDR. In terms of mix between Toscano and Salt, out of around 10 restaurants that we opened, seven would be Toscano and three would be Salt.

Manjeet Buaria: Got it. And just in terms of the new restaurants in the Premium CDR, I just want to let us know what percentage of the system ADS do they start with about how many months does it take or years does it take for them to reach a system level ADS in some sense?

Rahul Agrawal: The range is very wide, Manjeet. Some markets has reacted extremely positively and have started with an ADS of as high as INR2 lakh. And some has reacted slowly and signed with an ADS of INR1 lakh. It also depends on the trade area, where you're in mall or not a mall and other factors. But range is approximately they settle down somewhere between as a starting number, close to INR1.3 lakh, INR1.4 lakh ADS, which translate to around INR40 lakh of monthly business and then they slowly grow and build up.

And that's specifically true for both the brands. The brands actually rely on a large base of repeat customer base. And that has been one of the inherent strength of both these brands. It may take time in some of the newer markets that we're entering and the impact that you're seeing is at least in terms of margin is also because we're building ourselves in markets like Mumbai, Delhi, Pune for Salt. Pune for Toscano is built. We're building in Pune for Salt. We are building Mumbai for Toscano. We have there restaurants operating now. We just opened the third one in Nariman Point in Mumbai and two more under construction, which will come on board soon. soon Mumbai also, we will have five restaurant Toscano, and we'll start seeing it full effect. Similarly, we are building Delhi for Toscano. We have the first one operating. We have the second one coming in this quarter, and then we'll add more.

I think, as we penetrate these key metro markets of India with both these brands, this will build extremely well. I'm actually very excited about the guest feedback that this segment has got.

Manjeet Buaria: And last question is on Barbeque India, Rahul, the strategy which you are sort of pursuing in terms of getting higher footfalls, higher ticket, assuming for that strategy, we have to continue with the gross margin at where it is for, let's say, a couple of years. I just wanted to understand on the operating leverage piece which you explained what revenue per store basically can this go back to about 2 percentage points higher even if we assume gross margin expansion. So just trying to understand what scale we need to be for that purely operating leverage driven margin expansion?

Rahul Agrawal: I understand that the current gross margin in Barbeque India business is lower than what we have seen in the past. But even at the current level of around 65% and maybe another 15%, 20% of some of the direct cost that sort of impacts because of sales. So, every sale will lead to higher performance service charge that we pay to our employees and all this stuff. I think there's a clear 40%, 45% flow-through that happens in our business, if you want to add additional margin of 2%, there is a base impact of the denominator that comes in, you have to add, say, 3% overall. And then you have around 40% flow-through. So, maybe at 8%, 9% higher throughput from the current levels, will help us reach there. That's a broad sense. And that is why when I have been harping on the point that, look, we are focusing on transactions. And once transaction happens, everything will come back. Obviously, we are also excited about the repeat rates in our business. Once we acquire new customers through transaction growth, this will give us a really long-term value base that we are building up in our business. And that is the most exciting part. My strong belief is that I have to worry about margins if the cost discipline is missing. I think over a very long period of time, the team here has proven that they have a very strong cost discipline. I think rest of the numbers are very simple math, Manjeet.

Manjeet Buaria: I appreciate that. I think the value-led strategy always makes more sense, right, to cover margins or operating leverage. It just seems more sustainable, but thank you for your response.

Moderator: The next question is from the line of Parag Shah from Metis Family Office.

Parag Shah: Just wanted to check on two things. So, one comment that you made during the presentation was there will be an improvement in gross margins going forward. So, I wanted to check, can we go back to 68%, 69% or we are anywhere between the two numbers today? And secondly, when you talk about an 18% corporate level margins, right, this quarter was 16%, but if you take nine months average, it is somewhere at 13%. So effectively talking about a 5 percentage point delta. So, if you can just give some waterfall path towards that. And I'm assuming this 18% was more on an annualized basis rather than a quarterly basis?

Rahul Agrawal: One is we have to believe that H1 was different. And based on the efforts being taken for the last six, seven months, we have seen quarter 3 as a structural sort of shift. Quarter 3 generally is also one of the better quarters. But when I say structural shift, what I like is the pace of improvement that normally happens between quarter 2 and quarter 3 is better this time around. And that is a very exciting part for me. And that is why I'm calling it some sort of a structural shift that has happened in our business. Now referring to margins, you mentioned about gross margins. Yes, they are currently at a slightly subdued level than the past. And that's because we are making major investments in gross margin. The two levers of gross margin is one pricing that you command from your guest that will continue to remain there maybe for the next few quarters or we may change based on the data that we see almost on a daily basis in certain fashion.

The Company's system are geared to track every day's performance across dayparts, across session parts to the extent that we also try and drop a session level P&L to see whether this session is making sense for us from a P&L perspective or not. And all these data are real-line, real-time based on cloud system, We'll keep doing that. And the second part to gross margin is cost, as we scale up, as we generally increase the volumes from our business, can we do more effective buying? Can we find better ways of working through our menu design, can we work through better ways in our supply chain. Some of these projects are already identified are work in progress. We have seen a very small improvement of 20 basis points quarter-on-quarter. But directionally, I think, we should target to sort of reach 67%. It may take longer than one or two quarters, but that's where the business direction is. And once you sort that and you build your transaction volume, I think 18% operating margin on a post-Ind AS basis is definitely achievable. And we have done that in quarter 3.

Parag Shah: Yes, I agree. The point comes to the fact that while we understand what you're trying to do, but if you can just guide towards absolute number, let's say 66% margin goes to 67%, 68%, that gives you 100 to 150 bps of margin delta. And assuming the growth rate continues to be in double digit, that gives another 300-odd bps delta. As you said, 45% of your revenue actually falls to EBITDA passthrough that you operate on, right? So, would that math be right?

Rahul Agrawal: The direction is, frankly, very clear, build volumes, build sales. We have obviously lost some of these over a period of last 2.5 years. Come back to the numbers that we used to do in terms of transactions, get more new customers, from there drive more repeat business. And once that happens, I strongly believe that margins will automatically fall through.

Parag Shah: Got it. Thank you so much for this Rahul. Wish you guys all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. With that, we conclude today's conference call on behalf of United Foodbrands Limited 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 a verbatim record of the proceedings.

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