

#### Company Overview

Barbeque Nation Hospitality Limited owns and operates Barbeque Nation Restaurants, one of India's leading casual dining restaurant chains and International Barbeque Nation Restaurants. They also own and operate Toscano Restaurants and UBQ by Barbeque Nation. The first Barbeque Nation Restaurant was launched in 2006 by Sayaji Hotels Ltd. ("SHL"), one of their promoters. They launched their 1st Barbeque Nation Restaurant in 2008, and subsequently acquired 5 Barbeque Nation Restaurants owned by SHL in 2012. The company has steadily grown their owned and operated Barbeque Nation Restaurant network from a single restaurant in Fiscal 2008 to 147 Barbeque Nation Restaurants (including opened, temporarily closed and under construction outlets) across 77 cities in India and 6 International Barbeque Nation Restaurants in 3 countries outside India as of December 31, 2020. The company has integrated digital ecosystem of app, reservation system, delivery & loyalty program. They have managed risks due to Covid19 with consistent recovery. The company places a strong emphasis on customer reviews and feedback and use to obtain customer feedback in accordance with their internally devised and managed Guest Satisfaction Index.

#### Objects of the issue

The issue consist of Offer for sale (INR 2.7 bn) and Fresh issue (INR 1.8 bn). Company proposes to utilize the net proceeds from fresh issue for:

- A) Capital expenditure for expansion and opening of new restaurants by the Company (INR 0.5 bn)
- B) Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company on a consolidated basis. (INR 0.7 bn)
- C) General Corporate Purposes. (INR 0.6 bn)

#### Investment Rationale

##### Attractive offerings based on constant menu innovation and customer focus

Through their Barbeque Nation Restaurants, the company pioneered the format of 'over the table barbeque' concept in Indian restaurants. Their live grills embedded in dining tables allow their customers to grill their own barbeques. Indian cuisine is a natural part of the diet in the markets in which the Barbeque Nation Restaurants operate. They continue to offer new menu options, both vegetarian and non-vegetarian, largely based on Indian cuisine and use seasonal customer preferences to introduce new dishes. They also run popular food festivals at their Barbeque Nation Restaurants such as Jewels of the Sea, Barbeque Nation Festival League and Mango Mania, thereby offering their customers a range of Indian and international cuisines.

##### Strong business processes and back-end systems leading to efficient operations

The company has benefited from strong processes and systems that have established over the past 14 years of the Company's operation. Their restaurant locations are carefully chosen by a dedicated internal team. They have been successful in opening Barbeque Nation Restaurants in popular business districts, neighbourhoods and local markets without typically paying high street premium rentals. Their rent (including lease rentals, common area maintenance charges and GST to the extent input credit was not allowed) was ₹624.53, ₹863.43, ₹1,059.94 and ₹432.02 million for Fiscals 2018, 2019, 2020 and for the 8 months period ended November 30, 2020 respectively and rent to revenue ratio was 10.58%, 11.63%, 12.46% and 18.26% for Fiscals 2018, 2019, 2020 and for the 8 months period ended November 30, 2020, respectively, on a consolidated basis. Due to the impact of COVID-19, their restaurants were temporarily closed from the third week of March 2020 and therefore the rent to revenue ratio for the 8 months period ended November 30, 2020 was not comparable

#### Valuation and Outlook

Barbeque Nation Hospitality Limited is one of the leading casual dining restaurant chains in India. They have steadily grown its owned and operated Barbeque Nation Restaurant network from a single restaurant in 2008 to 147 Barbeque Nation Restaurants (including opened, temporarily closed and under construction outlets) across 77 cities in India and 6 International Barbeque Nation Restaurants in three countries outside India. On the valuation front, the company is valued at 12.6x EV/EBITDA based on FY20 numbers. Stringent lockdown rules, intense competition and company's weak profitability, remains a cause of concern for future growth prospects. Considering all these factors, We assign an "AVOID" rating on this IPO issue.

Issue Details	
Offer Period	Mar 24th - 26th Mar 2021
Price Band	INR.498 to INR.500
Bid Lot	30
Listing	BSE&NSE
Issue Size (no. of shares in mn)	9.0
Issue Size (INR. in bn)	4.5
Face Value (INR)	5

Issue Structure	
QIB	75%
Retail	10%
HNI	15%

BRLM	Axis Capital, IIFL Securities, Ambit Capital, SBI Capital Markets
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Registrar	Link Intime India Pvt. Ltd
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Particulars	Pre Issue %	Post Issue %
Promoter	47.80	37.79
Public	52.20	62.21
<b>Total</b>	<b>100</b>	<b>100</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



## Income Statement (In mn)

Particulars	FY18	FY19	FY20	8MFY21
<b>Revenue</b>				
Revenue from operations	5,863	7,390	8,470	2,010
<b>Total revenue</b>	<b>5,863</b>	<b>7,390</b>	<b>8,470</b>	<b>2,010</b>
<b>Expenses</b>				
Cost of food and beverages consumed	1,978	2,476	2,922	764
Employee benefit expenses	1,257	1,680	1,975	713
Other expenses	1,266	1,775	1,930	763
<b>Total Operating expenses</b>	<b>4,501</b>	<b>5,932</b>	<b>6,828</b>	<b>2,240</b>
<b>EBITDA</b>	<b>1,363</b>	<b>1,459</b>	<b>1,642</b>	<b>(230)</b>
Depreciation and amortisation expense	703	895	1,340	820
Other income	41	35	38	356
<b>EBIT</b>	<b>701</b>	<b>599</b>	<b>341</b>	<b>(694)</b>
Finance costs	536	564	756	591
<b>PBT</b>	<b>165</b>	<b>34</b>	<b>(415)</b>	<b>(1,286)</b>
Current tax	154	184	49	-
Deferred Tax charge	(31)	(41)	(57)	(258)
Deferred tax impact on account of change in effective tax rate	-	-	85	-
<b>Total tax</b>	<b>124</b>	<b>144</b>	<b>78</b>	<b>(258)</b>
Exceptional Items	(26)	103	(164)	(21)
<b>PAT</b>	<b>68</b>	<b>(212)</b>	<b>(329)</b>	<b>(1,006)</b>
<b>Diluted EPS</b>	<b>1.8</b>	<b>(5.6)</b>	<b>(8.8)</b>	<b>(26.8)</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (In mn)

Particulars	FY18	FY19	FY20	8MFY21
Cash Flow from operating activities	1,275	1,223	1,811	321
Cash flow from investing activities	(993)	(1,291)	(1,529)	21
Cash flow from financing activities	73	(247)	(265)	(412)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>356</b>	<b>(316)</b>	<b>16</b>	<b>(70)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>81</b>	<b>436</b>	<b>130</b>	<b>147</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>436</b>	<b>120</b>	<b>146</b>	<b>77</b>

Source: RHP, BP Equities Research



## Balance Sheet (In mn)

Particulars	FY18	FY19	FY20	8MFY21
<b>Equity</b>				
Share Capital	138	140	140	140
Other Equity	1,312	1,176	(81)	(289)
Non-Controlling Interests	-	-	52	33
<b>Net worth</b>	<b>1,450</b>	<b>1,316</b>	<b>111</b>	<b>(116)</b>
Long-Term Borrowings	854	1,093	1,651	1,355
Lease Liabilities	3,013	3,622	4,328	4,074
Long-Term Provisions	87	114	85	86
Other Non-current Liabilities	2	-	-	-
Other Financial Liabilities	-	-	674	-
<b>Total Non Current Liabilities</b>	<b>3,957</b>	<b>4,829</b>	<b>6,738</b>	<b>5,514</b>
Short Term Borrowings	185	157	415	378
Trade payables	673	768	1,125	1,604
Lease Liabilities	494	578	488	502
current tax liability	53	40	11	24
Other current liabilities	67	80	116	218
Short Term Provisions	32	34	63	56
Other Financial Liabilities	320	389	488	905
<b>Total Current Liabilities</b>	<b>1,825</b>	<b>2,046</b>	<b>2,705</b>	<b>3,688</b>
<b>Total liabilities</b>	<b>7,232</b>	<b>8,191</b>	<b>9,555</b>	<b>9,086</b>
<b>Assets</b>				
Tangible Assets	2,248	3,032	3,322	3,034
Capital work in Progress	185	159	109	51
Intangible Assets	62	55	67	56
Right Use of Assets	2,939	3,546	4,015	3,735
Loans	212	232	289	304
Goodwill	230	190	723	723
Deferred tax Assets	262	305	278	535
Other Financial Assets	12	15	22	13
Other non-current assets	173	33	57	50
<b>Total Non current assets</b>	<b>6,322</b>	<b>7,568</b>	<b>8,882</b>	<b>8,499</b>
Other Financial Assets	3	10	42	16
Trade Receivables	56	49	22	41
Cash and cash equivalents	436	120	147	77
Inventories	190	193	149	159
Other current assets	224	252	313	294
<b>Total Current Assets</b>	<b>909</b>	<b>623</b>	<b>673</b>	<b>587</b>
Net Current Assets	(916)	(1,422)	(2,032)	(3,101)
<b>Total Assets</b>	<b>7,232</b>	<b>8,191</b>	<b>9,555</b>	<b>9,086</b>

Source: RHP, BP Equities Research

**Key Risks.**

- ⇒ Some of the company promoters are involved in SEBI proceedings in relation to certain non-compliances under securities related law.
- ⇒ Deterioration in the performance of relationship with third party delivery aggregators may adversely impact its business.
- ⇒ If they are unable to continue to build the Barbeque Nation brand or the Toscano brand, its business, reputation and results of operations may be adversely affected.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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