

Barbeque Nation Hospitality Limited

Barbeque Nation is India's leading casual dining restaurant (CDR) chains (in terms of outlet count as of September 30, 2020), and International Barbeque Nation Restaurants. Company own and operate Toscano Restaurants and UBQ by Barbeque Nation Restaurant. Company has launched its first Barbeque Nation Restaurant in 2008, and subsequently acquired five Barbeque Nation Restaurants owned by SHL (Sayaji Hotels Ltd) in 2012. As of December 31, 2020, Barbeque Nation Restaurant network has reached to 147 Restaurants chain across 77 cities in India and six International Barbeque Nation Restaurants in three countries outside India.

Positives: (a) Barbeque Nation is one of India's fastest growing and widely recognized restaurant brands in the rapidly growing CDR Market (b) Attractive offerings based on constant menu innovation and customer focus. (c) Strong business processes and back-end systems leading to efficient operations (d) Experienced staff and value-oriented business culture led by some of Promoters and senior management team bringing experience from well-known hospitality brands.

Investment concerns: (a) The outbreak of COVID-19 pandemic, as well as Govt measures to reduce the spread of, have had a substantial impact on restaurant operations. (b) Deterioration in the performance of, or relationships with, third-party delivery aggregators, may adversely affect business. (c) Failure in implementing growth strategy including in relation to selecting cities and locations for new restaurants etc. (d) Unable to continue & build the Barbeque Nation brand or the Toscano brand, business, reputation and results of operations may be adversely affected.

Outlook & Valuation: While the company has posted revenue growth of 20% CAGR between FY18-FY20 it has been continuously incurring losses at PAT level despite topline growth. The Covid-19 pandemic too has had an adverse impact on the operations of the company hence we expect profits will remain under pressure over the medium term. At the higher end of the price band the company is asking for a valuation of 2.4x FY20 EV/Sales which we believe is expensive given the current environment and hence we recommend a **"NEUTRAL"** rating to the IPO.

Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020
Net Sales	586.3	739.0	847.0
% chg	-	26.0	14.6
Net Profit	-6.5	-40.7	-35.6
% chg	-	524.0	-12.6
EBITDA (%)	23.2	19.7	19.4
EPS (Rs)	-2.1	-13.7	-11.8
P/E (x)	-237.9	-36.5	-42.5
P/BV (x)	9.5	10.6	125.6
ROE (%)	-4.0	-29.2	-295.4
ROCE (%)	11.8	8.9	4.2
EV/EBITDA	14.2	13.6	12.6
EV/Sales	3.3	2.7	2.4

NEUTRAL

Issue Open: March 24, 2021

Issue Close: March 26, 2021

Price Band: Rs 498-500

Lot Size: 30 shares and in multiple thereafter

Post-issue mkt. cap: *Rs 1870 cr - **Rs 1877 cr

Promoters holding Pre-Issue: 47.8%

Promoters holding Post-Issue: 37.8%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	37.8%
Others	62.2%

Jyoti Roy

+022 39357600, Extn: 6842

jyoti.roy@angelbroking.com

Company background

Barbeque Nation Hospitality Limited was incorporated on October 13, 2006. They also own and operate Toscano Restaurants and You and Barbeque (“UBQ”) by Barbeque Nation. Company operates nine restaurants under the brand name, “Toscano”, a casual dining Italian restaurant chain and operates one restaurant each under the brand names “La Terrace” and “Collage” respectively, with its subsidiary company name Red Apple. In November 2018, it launched UBQ by Barbeque Nation Restaurant to provide a la carte Indian cuisine in the value segment. At present, UBQ by Barbeque Nation Restaurant predominantly caters to the delivery segment.

The Chain CDR (Casual Dining Restaurant) segment represents the 2nd largest share in the chain food services market in India after QSR (Quick Service Restaurant). The segment is expected grow at a healthy CAGR of 18% to reach ₹302bn by FY2025.

The Company places a strong emphasis on customer reviews and feedback and Barbeque Nation Restaurants use in-house call center to obtain customer feedback for Barbeque Nation Restaurants in accordance with internally devised and managed Guest Satisfaction Index (“GSI”). It accepts reservations for Barbeque Nation Restaurants through smartphone application ‘BBQ App’, Facebook chat messenger, chat-bot and other reservation platforms.

Issue details

The issue comprises of fresh issues of ₹180 crore and an offer for sale of up to 54,57,470 shares in the price band of ₹498-500.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	1,62,25,421	47.8	1,41,87,469	37.8
Public	1,77,17,499	52.2	2,33,55,451	62.2
Total	3,39,42,920	100.0	3,75,42,920	100.0

Source: Company, Angel Research & RHP.

Objectives of the Offer

- Capital expenditure for expansion and opening of new restaurants by the Company
- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company on a consolidated basis
- General Corporate Purposes

Key Management Personnel

T Narayanan Unni is the Chairman and a Non-Executive Director and Independent Director of the Company. He has been a Director of the Company since February 9, 2009. He is a member of the Institute of Chartered Accountants of India and he has been a practicing-chartered accountant since July 1, 1975.

Kayum Dhanani is the Managing Director of the Company. He has been a Director of the Company since November 30, 2012. He holds a diploma in sole making from the Central Leather Research Institute, Chennai. He has been associated with Sara Suole Private Limited since 2005, which is involved in the business of manufacturing, processing and selling leather goods including, soles, shoes and other leather accessories.

Rahul Agrawal is the Whole-time Director and Chief Executive Officer of Company. He has been a Director of Company since December 31, 2020. He holds a bachelor's degree in commerce (honors) from Shri Ram College of Commerce, University of Delhi and a post graduate diploma in management from the Indian Institute of Management, Bengaluru. Prior to joining the Company, he was associated with Ernst & Young Private Limited and Beacon BVM Advisors Private Limited.

Raof Dhanani is the Non-Executive Director of the company. He has been a Director of the company since July 1, 2015. He joined the management of SHL in 2013 and is currently involved in managing the operations of SHL.

Suchitra Dhanani is the Non-Executive Director of the company. She was a director of the company from November 2, 2006 until March 28, 2008. Thereafter she was appointed as a consultant from January 2012 to March 2012, and later as an employee of the company until March 2013, for interior decorating and housekeeping related activities. She was subsequently appointed as a Director of the company on July 1, 2015.

Tarun Khanna is the Non-Executive, Nominee Director of the company appointed to the Board by their Shareholder, TPL. He has been a Director of the company since April 12, 2013. He has worked with GE Capital Transportation Financial Services Ltd. in the past. He joined CX Advisors LLP in February 2009 in the capacity of an investment principal and was inducted as a partner of the firm from March 2013. He is currently a partner of CX Advisors LLP.

Exhibit 1: Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020	8MFY2021
Total operating income	586.3	739.0	847.0	201.0
% chg	-	26.0	14.6	-
Total Expenditure	450.1	593.2	682.8	224.0
Cost of food and beverages consumed	197.8	247.6	292.2	76.4
Employee benefits expenses	125.7	168.0	197.5	71.3
Other operating expenses	126.6	177.5	193.0	76.3
EBITDA	136.3	145.9	164.2	-23.0
% chg	-	7.0	-	-114.0
(% of Net Sales)	23.2	19.7	19.4	-11.4
Depreciation & Amortization	70.3	89.5	134.0	82.0
EBIT	66.0	56.3	30.3	-105.0
% chg	-	-	-46.3	-
(% of Net Sales)	11.3	7.6	3.6	-52.3
Finance costs	53.6	56.4	75.6	59.1
Other income	4.1	3.5	3.8	35.6
(% of Sales)	0.7	0.5	0.5	17.7
Recurring PBT	16.5	3.4	-41.5	-128.6
% chg	-	-79.1	-1,303.4	209.7
Exceptional item	-2.6	10.3	-16.4	-2.1
Tax	12.4	14.4	7.8	-25.8
Discounting Operation	-12.6	-17.2	-	-
PAT	-5.8	-38.4	-32.9	-100.6
% chg	-	524.0	-	-
(% of Net Sales)	-1.0	-5.2	-3.9	-50.1
Basic & Fully Diluted EPS (Rs)	-2.1	-13.7	-11.8	-36.0

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ cr)	FY18	FY19	FY20	8MFY21
SOURCES OF FUNDS				
Equity Share Capital	13.8	14.0	14.0	14.0
Other equity (Retained Earning)	131.2	117.6	-8.1	-28.9
Non Controlling interest	-	-	5.2	3.3
Shareholders' Funds	145.0	131.6	11.1	-11.6
Total Loans	103.9	125.0	206.5	173.3
Other liabilities	310.2	373.6	508.8	415.9
Total Liabilities	559.2	630.2	726.4	577.6
APPLICATION OF FUNDS				
Property, plant and equipment	224.8	303.2	332.2	303.4
Right-of-use assets	293.9	354.6	401.5	373.5
Capital work-in-progress	18.5	15.9	10.9	5.1
Goodwill	23.0	19.0	72.3	72.3
Other intangible assets	6.2	5.5	6.7	5.6
Current Assets	90.9	62.3	67.3	58.7
Inventories	19.0	19.3	14.9	15.9
Investments	0.0	-	-	-
Trade receivables	5.6	4.9	2.2	4.1
Cash and cash equivalents	43.6	12.0	14.7	7.7
Other financial assets	0.3	1.0	4.2	1.6
Other current assets	22.4	25.2	31.3	29.4
Current Liability	164.0	188.9	229.0	330.9
Net Current Assets	-73.1	-126.5	-161.7	-272.3
Other Non-Current Asset	65.8	58.5	64.6	90.1
Total Assets	559.2	630.2	726.4	577.6

Source: Company, Angel Research

Exhibit 3: Cash Flow Statement

Y/E March (₹cr)	FY18	FY19	FY20	8MFY21
Operating profit before working capital changes	129.9	142.2	159.8	-24.5
Net changes in working capital	12.1	-5.7	29.1	55.1
Cash generated from operations	142.0	136.5	188.9	30.6
Direct taxes paid (net of refunds)	-14.5	-14.3	-7.8	1.5
Net cash flow (used in)/from operating activities (A)	127.5	122.3	181.1	32.1
Capital Exp	-101.1	-130.0	-84.1	-3.6
advances	0.0	0.0	0.0	0.0
Proceeds from sale of property, plant and equipment	0.1	0.1	0.1	0.0
Acquisition of subsidiary	0.0	0.0	-67.5	0.0
Proceeds from sale of investment in subsidiary	0.0	0.1	0.0	0.0
Deposits placed for margin money	0.0	-1.0	-3.6	0.0
Others	1.7	1.7	2.2	5.6
Cash Flow from Investing (B)	-99.3	-129.1	-152.9	2.1
Proceeds from issue of equity shares	47.8	32.0	0.1	-
Expenses towards offer for sale	-6.7	-2.3	-6.1	-0.2
Proceeds from long-term borrowings	79.2	82.7	94.4	11.2
Proceeds from loan from director	-	-	-	2.0
Repayment of long-term borrowings	-53.7	-49.7	-32.6	-5.6
Others	-59.3	-87.5	-82.4	-48.6
Cash Flow from Financing (C)	7.3	-24.7	-26.5	-41.2
Inc./ (Dec.) in Cash	35.6	-31.6	1.6	-7.0
Opening Cash balances	8.1	43.6	12.0	14.7
Closing Cash balances	43.6	12.0	14.7	7.7

Source: Company, Angel Research

Exhibit 4: Key Ratios

Y/E March	FY2018	FY2019	FY2020
Valuation Ratio (x)			
P/E (on FDEPS)	(237.9)	(36.5)	(42.5)
P/CEPS	21.4	27.4	13.9
P/BV	9.5	10.6	125.6
EV/Sales	3.3	2.7	2.4
EV/EBITDA	14.2	13.6	12.6
Per Share Data (Rs)			
EPS (Basic)	(2.1)	(13.7)	(11.8)
EPS (fully diluted)	(2.1)	(13.7)	(11.8)
Cash EPS	23.4	18.3	36.1
Book Value	52.5	47.0	4.0
Returns (%)			
ROE	(4.0)	(29.2)	(295.4)
ROCE	11.8	8.9	4.2
Turnover ratios (x)			
Receivables (days)	3.5	2.4	0.9
Inventory (days)	11.8	9.5	6.4
Payables (days)	102.1	93.3	98.7
Working capital cycle (days)	(86.8)	(81.3)	(91.3)

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.comWebsite: www.angelbroking.com

DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and investment advisor with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.