

March 23, 2021

Issue Details		
Issue Opens	24-03-21	
Issue Closes	26-03-21	
Issue Size (in Rs. Crs)	452.87	
Issue Size (Shares)	90,57,470	
Authorised Shares	600,00,000	
Issued, Subscribed and Paid Up Sh. Pre offer	33,942,920	
Offer for Sale	547,57,470	
Face Value	Rs. 5.00	
Lot Size (Sh)	30.00	
Price Band	Rs.498 - Rs.500	
Issue Type	Book Building	
Book Value (in Rs.)(30th Nov, 20)	-5.33	
BRLMs	IIFL Securities, Axis Capital, Ambit Capital, SBI Capital.	
Registrar	Link Intime India Pvt. Ltd.	
Listing Venue	BSE/NSE	
Finalization of Allotment	01-Apr -21	
Initiation of refunds	05-Apr -21	
Credit to Demat Account	06-Apr -21	
Listing	07-Apr -21	
Issue Structure		
Categories	Allocation	
QIBs	75.00%	
Non-Institutional	15.00%	
Retail Portion	10.00%	
Total	100.00%	
Shareholding Pattern		
Categories	Pre Issue	Post Issue
Promoter & Promoter Group	47.80%	37.79%
Public	52.20%	62.21%
Total	100.00%	100.00%
Recommendation		
NOT RATED		

Company Background

Barbeque Nation Hospitality Ltd (BNHL) is a casual dining restaurant chain which was incorporated in 2006 and now functions as the country's fastest-growing restaurant brand. It is one of the leading casual dining restaurant chains in the country and offers a wide variety of both vegetarian and non-vegetarian meals. The very first Barbeque Nation restaurant was established in 2008. As of December 31, 2020 BNHL owns and operates 164 restaurants which includes 147 Barbeque Nation Restaurants across 77 cities in India, six International Barbeque Nation Restaurants across four cities outside India and 11 Italian Restaurants across three metro cities in India of which nine are operated under the brand name "Toscano" and one each under the brand names "La Terrace" and "Collage", respectively.

Objects of the Issue

Net proceeds from the fresh issue will be utilized towards:

- Capital expenditure for expansion and opening of new restaurants, prepayment or repayment outstanding borrowings of Rs.75 crores. As on 30th Nov, 2020 total borrowing is Rs.173.34 crores.
- General corporate purposes.

Key Points

- BNHL has pioneered the format of 'over the table barbeque' concept in Indian restaurants through which it offers value a one-of-a-kind overall customer experience.
- Acquisition of Red Apple has enabled it to diversify its brand, cuisine and customer segment beyond flagship concept of 'over the table barbeque'.
- Company has positioned itself well in order to capitalize on both the robust growth trend of the Casual Dining Restaurant (CDR) market in India and the broader chain restaurant market.
- It chooses the location of its restaurant very carefully and judiciously with the objective of keeping its rent to potential revenue ratio low. Company has also undertaken various cost optimization efforts wherein it reduced senior management salaries and realigned store operating costs and structures.
- Company will continue to focus on the delivery segment and will continue to work on improving its product offering in relation to consistency, quality, recipes, and delivery menu and meal combos. UBQ by Barbeque Nation provides a la carte Indian cuisine in the value segment. At present, UBQ predominantly caters to the delivery segment.
- Jubilant Foodworks also owns 10.72% stake in BNHL.
- BNHL is very decisively placed and positioned in the Casual dining restaurant chain market in India which has been flourishing really well and it also represents the 2nd largest share in the chain food services market. **Considering the risk of rising Corona Cases, lockdowns and restrictions in some parts of the country, negative bottom line & book value. We are not rating the issue.**

Particulars (Rs. Crs)	30-11-20	FY20	FY19	FY18	FY17
Revenue from Operations	201.00	846.97	743.06	586.34	503.49
Operating Profit (excl OI)	12.59	164.22	136.78	66.98	66.89
Profit Before Tax (PBT)	-126.50	-25.14	-29.49	18.47	18.28
Profit After Tax (PAT)	-100.65	-32.93	-38.39	3.53	9.93
PATM (%)	-50.07	-3.89	-5.17	0.60	1.97
Equity (Rs. Crs)	14.00	14.00	13.99	13.80	13.51
EPS (Rs.) (FV Rs.5)	-29.69	-11.76	-13.72	1.28	3.79

Source: Company's RHP, Ace Equity, AUM Research

Competitive Strengths

- ✦ Barbeque Nation is one of India's fastest growing and widely recognised restaurant brands in the rapidly growing Casual Dining Restaurant (CDR) market.
- ✦ It has demonstrated steady growth in covers and consistent Average Per Cover (APC) with a relatively high proportion of total revenues from weekday sales and lunch covers.
- ✦ Attractive offerings based on constant menu innovation and customer focus.
- ✦ Strong business processes and back-end systems leading to efficient operations.
- ✦ Experienced staff and value-oriented business culture led by strong Promoters and its senior management team bringing experience from well-known hospitality brands.
- ✦ It has profitable platform model benefitting from India growth story.
- ✦ Proven track record of revenue growth.

Key Business Strategies

- ✦ To increase in Same Stores Sales Growth (SSSG), revenue per store and profitability as the vintage of Barbeque Nation Restaurants increases.
- ✦ Company intends to increase its revenues and profits by opening new Barbeque Nation Restaurants and new Toscano Restaurants in existing cities where it operates as well as in new cities in India and exploring additional opportunities for UBQ by Barbeque Nation.
- ✦ Company will continue to implement staff training policies and assessment procedures in a transparent and consistent manner as in the past and to continue investing in other resources.
- ✦ Company also intends to continue to roll out primarily owned and operated restaurants and franchise owned restaurants in select international cities in line with its carefully defined process for new restaurant openings.
- ✦ Company plans to continue pursuing brand diversification to capture additional market segments, take advantage of a wider range of market opportunities and ultimately increase its overall market share by enlarging the customer base.

Risk Factors

- ✦ COVID-19 pandemic, as well as Government of India (GoI) measures to curb the spread of COVID-19, had a substantial impact on BNHL's restaurant scale of operations and the timing of how long the COVID-19 pandemic and the related GoI measures will last is still uncertain.
- ✦ Deterioration in the performance of relationships with, third-party delivery aggregators, may adversely affect business, results of operations and financial condition.
- ✦ Inability to implement growth strategies successfully may adversely affect financial conditions.
- ✦ Erstwhile subsidiary PGPL, which operated Johnny Rockets restaurants, had incurred losses.
- ✦ Inability to identify and obtain suitable locations for its new restaurants may result in lower footfalls and table turn rates.

Financials
Financial Highlights-Consolidated (Values in Rs. Crore)

Description	FY20	FY19	FY18	FY17
Inc / Exp Performance				
Gross Sales	846.97	743.06	586.34	503.49
Total Income	850.79	746.58	590.45	503.93
Total Expenditure	682.76	606.28	519.36	436.60
PBIDT	168.04	140.30	71.09	67.34
PBIT	50.46	27.87	36.91	32.67
PBT	-25.14	-29.49	18.47	18.28
PAT	-32.93	-38.39	3.53	9.93
EPS	-11.76	-13.72	1.28	3.79
Book Value	0.42	45.75	69.31	54.04
Equity Paid Up				
Equity Paid Up	14.00	13.99	13.80	13.51
Reserves and Surplus	-12.81	114.04	177.49	132.51
Net Worth	1.19	128.03	191.29	146.03
Total Debt (Long Term plus Short Term)	244.96	157.86	127.66	87.05
Capital Employed	250.88	289.48	321.80	234.04
Gross Block				
Gross Block	1,263.35	980.89	320.45	315.95
Investments	0.00	0.00	0.00	2.79
Cash and Bank balance	14.70	11.98	43.62	5.27
Net Current Assets (Including Current Investments)	-203.20	-142.23	-41.55	-45.27
Total Current Liabilities	270.49	204.56	133.10	86.07
Total Assets	927.67	788.63	417.18	291.70
Cash Flow from Operations				
Cash Flow from Operations	181.05	122.25	66.41	54.20
Cash Flow from Investing activities	-152.90	-129.10	-97.80	-88.63
Cash Flow from Finance activities	-26.54	-24.74	66.95	25.15
Free Cash flow	46.05	-71.87	-50.41	-26.13
Debt to Equity(x)				
Debt to Equity(x)	206.72	1.23	0.67	0.60
Current Ratio(x)				
Current Ratio(x)	0.25	0.30	0.69	0.47
ROCE (%)				
ROCE (%)	18.67	9.12	13.28	15.96
RONW (%)				
RONW (%)	-50.97	-24.04	2.10	7.37
PBIDTM (%)				
PBIDTM (%)	19.84	18.88	12.12	13.37
PATM (%)				
PATM (%)	-3.89	-5.17	0.60	1.97

Aum Capital RESEARCH DESK

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