



SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	FMCG
Total Issue (Shares) - Offer for sale	5,457,470
Total Issue (Shares) - Fresh Issue	3,600,000
Net Offer to the Public	9,057,470
Employee Reservation Portion	40,000
Issue Size (Rs. Cr.)	451-453
Price Band (Rs.)	498-500
Offer Date	24-Mar-21
Close Date	26-Mar-21
Face Value	5
Lot Size	30

Issue Composition

	In shares
Net offer to public	9,017,470
QIB	6,763,103
NIB	1,352,621
Retail	901,747

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	47.80%	40.51%
QIB	52.20%	53.38%
NIB	0.00%	3.60%
Retail	0.00%	2.40%
Employee Reservation Portion		0.11%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

To make prepayment/repayment of all or a part of the company's outstanding borrowings availed on a consolidated basis.

To meet general corporate purposes.

Book Running Lead Manager

- IIFL Securities Limited
- Axis Capital Limited
- Ambit Capital Private Limited
- SBI Capital Markets Limited
-

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in 2006, Barbeque Nation Restaurants is one of the leading casual dining restaurant chains in India. It offers the best quality of food offerings, ambiance, and services to customers. It also owns and operates Toscano Restaurants and UBQ by Barbeque Nation that caters to the delivery segment. The first Barbeque Nation Restaurant was established in 2008 and as of November 30, 2019, the network has been steadily grown to 138 Barbeque Nation Restaurants in 73 cities in India and 7 International Barbeque Nation Restaurants in 3 countries outside India. The company has recently diversified into another brand "Red Apple" which operates 10 Italian restaurants in 2 cities of India i.e. Bengaluru and Chennai.

Strength

Barbeque Nation is one of India's fastest growing and widely recognised restaurant brands in the rapidly growing CDR market:

The company has 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 six International Barbeque Nation Restaurants in three countries outside India as of December 31, 2020. In addition, as of December 31, 2020, it had granted franchise rights in respect of one Barbeque Nation Restaurant. As of December 31, 2020, almost half of its Barbeque Nation Restaurants were located in Metro cities. As of December 31, 2020, its average rating of Barbeque Nation Restaurants on an online food aggregator was 4.38 out of 5.00. It also has a large social media following. As of December 31, 2020, its Company had over 1 million followers on Barbeque Nation's Facebook main page and, as of January 8, 2021, over 0.15 million followers on its Instagram page.

Steady growth in covers and consistent APC with a relatively high proportion of total revenues from weekday sales and lunch covers:

It has experienced consistent cover growth in recent Fiscals. The number of in-dining covers served at its Barbeque Nation Restaurants in India increased from 6.86 million in Fiscal 2017 to 9.92 million in Fiscal 2020 at a CAGR of 13.08%. In addition to its consistent cover growth, the APC (excluding revenues from UBQ and taxes) for dine-in customers at its Barbeque Nation Restaurants in India (excluding food delivery) has grown from ₹707 in Fiscal 2017 to ₹764 in Fiscal 2020 at a CAGR of 2.62%. Its APC from the Barbeque Nation Restaurants in India for the eight months ended November 30, 2020 was ₹762.

Attractive offerings based on constant menu innovation and customer focus:

It has recently diversified into the Italian food segment pursuant to its acquisition of 61.35% of the share capital (on a fully diluted basis) of Red Apple, which operates 11 Italian Restaurants in three cities in India. Its acquisition of Red Apple has enabled it to diversify its brand, cuisine and customer segment beyond its flagship 'over the table barbeque'.

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

The company benefits from strong processes and systems that have been established over the past 14 years of its Company's operation. Its restaurant locations are carefully chosen by a dedicated internal team. It has been successful in opening Barbeque Nation Restaurants in popular business districts, neighbourhoods and local markets without typically paying high street premium rentals. It has significant online presence and it has witnessed increased reservations through its online platforms. In Fiscal 2020 and the eight

months ended November 30, 2020, over 46.7% and 60.8% of total reservations at Barbeque Nation Restaurants were made online. Also, as of December 31, 2020, its BBQ App had registered over 2.2 million downloads.

Strategy

Increase same store sales growth, revenue per store and profitability as the vintage of its Barbeque Nation Restaurants increases: The Company is committed to continuing to enhance its same store sales growth and profitability. Accordingly, it has intended to implement a number of initiatives, many of which represent natural extensions and a continuing refinement of its strategy to date.

Continue expansion in Indian cities: The company believes that its strong presence in the Indian market positions well to capitalise on the anticipated growth in consumer spending from expected increases in the level of disposable income in India. It intends to increase both 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. Increasing its penetration in existing cities with a greater number of restaurants will enable it to access new catchment areas within these cities and optimize its infrastructure usage. As of December 30, 2020, it was providing a la carte food delivery in 77 cities in India under UBQ by Barbeque Nation from its existing kitchen infrastructure. Enhancing its reach to cover additional cities will enable it to reach out to a larger target customer base.

Expansion through owned & franchise formats in select international markets: It intends to continue to roll out primarily owned and operated restaurants and franchise owned (whether franchise or company operated) restaurants in select international cities in line with its carefully defined process for new restaurants openings. It will prioritise its expansion of restaurants in those markets where it can leverage its existing infrastructure and expertise. It currently operates two International Barbeque Nation Restaurants in Dubai, two International Barbeque Nation Restaurants in Abu Dhabi, one International Barbeque Nation Restaurant in Kuala Lumpur and one International Barbeque Nation Restaurant in Muscat. The level of operational involvement of franchisees will depend on their expertise and position in its target international markets.

Continue evaluating strategic brand acquisitions: Barbeque Nation is its core brand in the chain CDR market. It has acquired 61.35% of the share capital (on a fully diluted basis) of Red Apple which operates the Italian Restaurants also in chain CDR market. It 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 its customer base. It intends to structure its brand portfolio to offer different price points and appeal to different clientele, with each brand maintaining a distinctive identity. It believes that the food services industry has potential for significant further growth and it plans to leverage its market position and experience in the food services industry by introducing other international food service brands in India or through acquisition of an existing Indian brand. A multi-brand strategy will allow it to (i) reduce its exposure to risks in a specific market segment, and (ii) derive cost efficiency and synergy from sharing operations or functions, leveraging its industry knowledge and experience, pooling negotiating powers with landlords and suppliers, and coordinating marketing and promotion initiatives across different brands and market segments.

Risk factors

- Company has been incurring losses in the last 3 years and 8 months.
- The company has been issued a notice from the National Anti-Profiteering Authority under the GST Act. Any adverse decision can impact company operations.
- Deterioration in the performance of relationship with third party delivery aggregators may adversely impact its business.

Peer comparison

Company	Net Sales (TTM)	PAT (TTM)	EPS	P/E	P/BV	BV	FV	Price	Mcaps
Jubilant Foodworks Ltd	3182.77	157.75	12.69	226.90	33.81	85.16	10	2879.30	37997.85
Westlife Development Ltd	957.60	-118.24	0.00	0.00	14.98	31.06	2	465.40	7250.67
Speciality Restaurants Ltd	160.13	-74.88	0.00	0.00	1.63	27.60	10	45.05	211.55
Burger King India Limited	489.39	-185.38	0.00	0.00	6.91	19.90	10	137.45	5264.06
Barbeque-Nation Hospitality Ltd	846.97	-32.93	-ve	-ve	11.15	44.85	5	500.00	1877.15

** Financials are estimated annualised FY21

Valuation

The Company has negative earnings and negative networth so valuation cannot be done on P/E and P/Bv basis. Therefore, we are considering the EV/EBIDTA ratio valuation of actual FY20, on the upper end of the price band of Rs. 500, the stock is priced at post issue, EV/EBIDTA of 14.98x on its FY20 EV of Rs. 2460.31 and EBIDTA of Rs164.22.

Industry overview

Food services is a key segment in the Indian economy, which accounted for approximately US\$ 56.5 billion in FY 2020, of which approximately US\$ 22.8 billion comes from the organized market (chain and organized standalone outlets). Changing consumer dynamics paired with increasing market proliferation of brands in India are expected to continue to boost the food services sector's growth. The share of food services in Indian GDP is expected to increase to 2.2% by FY 2025 from 2.1% in FY 2020 on account of its growth at faster pace compared to GDP growth. Also, growth of food services market is expected to outpace its growth till now i.e., from 8.1% (FY15 to FY20) to 9% (FY20- FY25). It is rational to anticipate that the food services market will see growth in tandem with this economic growth, and there is every indication that such expansion will be substantial. The overall food delivery market in India is expected to grow at a CAGR of 12.2% to reach US\$ 18.1 Bn by FY 2025 from US\$ 10.2 Bn in FY 2020. Overall food delivery market in India was US\$ 4.7 Bn in FY 2016 and has grown at a CAGR of 21.4% between FY 2016 and FY 2020.

Outlook

Barbeque Nation Restaurants is one of the leading casual dining restaurant chains in India. As per the management, the company also plans to get back to its expansion plans, having gone from 80 restaurants in FY17 to over 160 restaurants now. However, resurgence of Pandemic scare looms large on the near term prospects of this company. Also the company has been incurring losses in the last 3 years and 8 months. Moreover, Barbeque Nation is asking Rs 500 per share, which is almost double of Rs 252, the price at which the company allotted shares in pre-IPO placements in December 2020 and January 2021.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	March 24, 2021
Bid/Offer Closing Date	March 26, 2021
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about April 01, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about April 05, 2021
Credit of Equity Shares to depository accounts of Allottees	On or about April 06, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about April 07, 2021

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Nov-20 (8 Months)	31-Mar-20 (12 Months)	31-Mar-19 (12 Months)
Total Operating Income	201.00	846.97	739.02
Total expenditure	224.02	682.76	593.15
Operating Profit	-23.01	164.22	145.86
OPM%	-11.45	19.39	19.74
Other Income	35.605	3.824	3.525
PBDIT	12.59	168.04	149.39
Depreciation	82.02	133.96	89.536
	-69.43	34.08	59.85
Interest	59.135	75.592	56.401
PBT before exceptional item	-128.56	-41.52	3.45
Exceptional item	-2.067	-16.38	10.272
PBT	-126.50	-25.14	-6.82
Tax	-25.849	7.792	14.38
Profit After Tax	-100.65	-32.93	-21.20

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Nov-20	As on 31-Mar-20	As on 31-Mar-19
Non-current assets			
Property, plant and equipment	303.38	332.19	303.24
Right of Use Assets	373.46	401.47	354.63
Capital work-in-progress	5.08	10.89	15.89
Goodwill	72.30	72.30	18.97
Other Intangible assets	5.59	6.73	5.49
Financial assets			
Loans	30.36	28.92	23.24
Other financial assets	1.32	2.16	1.53
Deferred tax assets (net)	53.46	27.79	30.45
Other non-current assets	4.99	5.72	3.33
Total Non- Current Assets	849.93	888.17	756.76
Current assets			
Inventories	15.86	14.93	19.27
Financial assets			
Investments	0.00	0.00	0.00
Trade and other receivables	4.10	2.15	4.90
Cash and Bank balances	7.67	14.70	11.98
Other financial assets	1.64	4.19	1.01
Other current assets	29.38	31.33	25.17
Total current assets	58.66	67.29	62.33
Total Assets	908.59	955.46	819.09
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	135.51	165.06	109.30
Lease liabilities	407.36	432.80	362.19
Other financial liabilities	0.00	67.43	0.00
Provisions	8.56	8.53	11.41
Total non-current liabilities	551.43	673.82	482.89
Current liabilities			
Borrowings	37.83	41.47	15.71
Lease liability	50.22	48.77	57.78
Trade payables			
total outstanding dues of micro enterprises and small enterprises	2.75	0.87	0.10
Total outstanding dues of creditors other than micro enterprises	157.65	111.65	76.73
Other financial liabilities	90.53	48.85	38.93
Other current liabilities	21.80	11.56	7.99
Provisions	5.55	6.27	3.35
Other current liabilities	2.43	1.06	3.97
Total current liabilities	368.78	270.49	204.56
Total liabilities	920.21	944.31	687.46
	-11.62	11.15	131.63
Net worth represented by:			
Equity share capital	14.00	14.00	13.99
Other equity	-28.92	-8.08	117.64
Non-controlling interest	3.30	5.23	0.00
Total Equity	-11.62	11.15	131.63

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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