

BARBEQUE NATION HOSPITALITY LTD

IPO NOTE



OVERVIEW

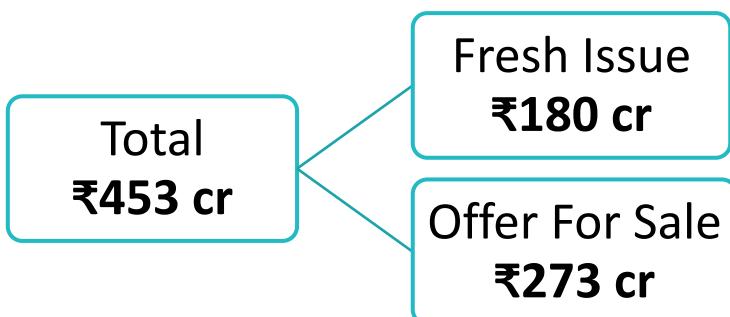
Barbeque Nation Restaurants is one of the India's **casual dining restaurant chains**. The first **Barbeque Nation** restaurant was launched in **2006** by **Sayaji Hotels Limited (SHL)**. It launched its first Barbeque Nation restaurant under its own brand in **2008**, and subsequently acquired **five** Barbeque Nation Restaurants owned by SHL in **2012**. As on 31st December, 2020, it owns and operates **147** **BBQ Nation** restaurants across **77 cities in India** and **six international** **BBQ Nation** restaurants in **three countries outside India**. It owns 61.4% shareholding in one of its subsidiaries, **Red Apple**, which owns and 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.

FINANCIAL HIGHLIGHTS

	FY18	FY19	FY20	8MFY21
Revenue from Operations	586	739	847	201
EBITDA	140	149	168	13
Net Profit	(6)	(38)	(33)	(101)

₹ crore

ISSUE SIZE



ISSUE DETAILS

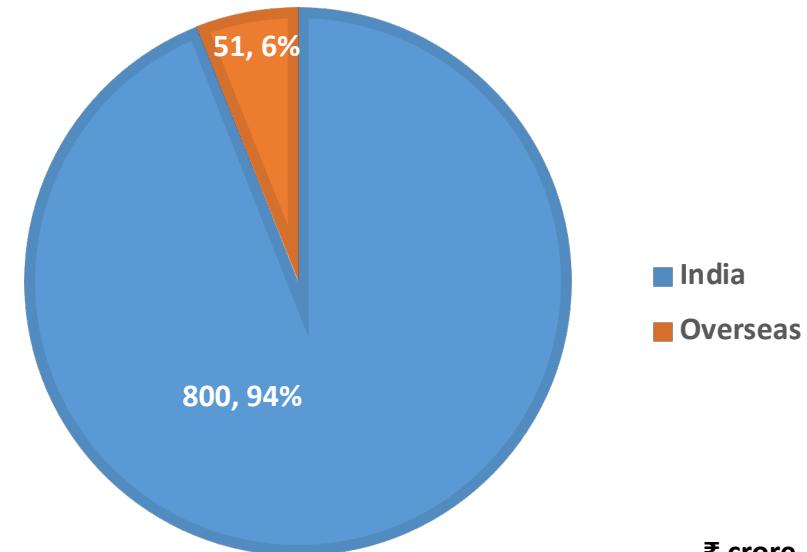
Issue Date	24 Mar'21 to 26 Mar'21
Price Band	₹498-₹500
Bid Lot	30 shares
Issue Size	₹453 cr
No. of Shares (Post Issue)	3.75 cr
Post-Issue Implied Market Cap*	₹1,875 cr
Price to Sales Ratio (FY20)*	2.21x

* At upper price band

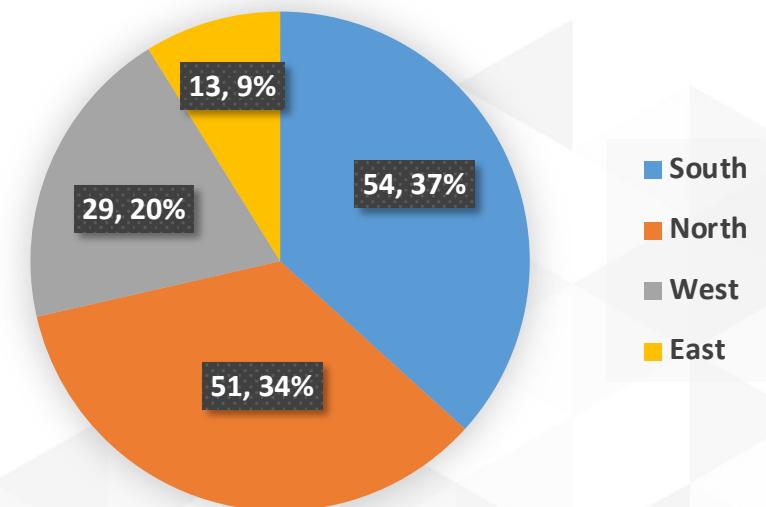
ABOUT THE COMPANY

- Through its Barbeque Nation Restaurants, it pioneered the format of '**over the table barbecue**' concept in Indian restaurants. The live grills embedded in dining tables allows its customers to grill their own barbeques. **In November 2018**, it launched **UBQ by Barbeque Nation Restaurant** to provide *a la carte* Indian cuisine in the value segment.
- As on 31st December, 2020, it is providing **delivery in 77 cities in India** of *a la carte* Indian cuisine **under UBQ** by Barbeque Nation from its existing kitchen infrastructure.
- Its **delivery business** has grown from ₹26.1 crore in fiscal 2020 to ₹37.9 crore during the **eight months ending 30th November, 2020**. Its latest delivery products include '**Barbeque-in-a-Box**', '**Grills in a Box**' and '**Meals in our Box**'. Its average daily delivery sales per restaurant was ₹5,354 in fiscal 2020. The **average bill size (excluding taxes)** for BBQ Nation restaurants owned and operated in India was ₹2,757 in the eight months ended 30th November, 2020.
- Since **fiscal 2017**, it **rebranded and changed its brand logo** and renovated some of its relatively older Barbeque Nation Restaurants to be more appealing and contemporary.

REVENUE BY GEOGRAPHY (FY20)



REGION-WISE PRESENCE



ABOUT THE COMPANY

NUMBER OF OWNED AND OPERATED BARBEQUE NATION RESTAURANTS

	FY17	FY18	FY19	FY20	FY21 (Dec,2020)
Metro Cities	50	55	68	78	75
Tier- I Cities	13	14	17	22	22
Tier- II Cities	14	28	35	42	42
Tier- III Cities	2	5	6	8	8
Total owned and operated BBQ Restaurants	79	102	126	150	147
No of states and Union Territories in India having BBQ restaurants	19	22	23	24	24

INTERNATIONAL BBQ RESTAURANTS AS ON 31ST DEC, 2020

Country	Total BBQ restaurants
United Arab Emirates	4
Oman	1
Malaysia	1
Total	6

SALE OF FOOD AND BEVERAGES POST LOCKDOWN

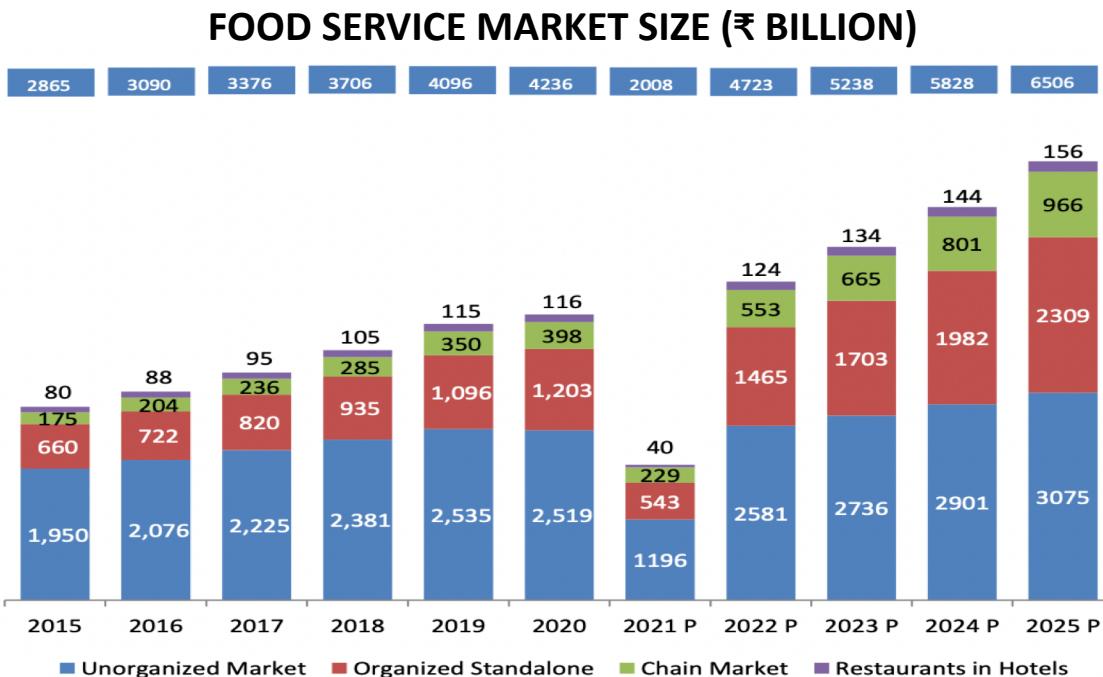
	Monthly Sales (FY20) (₹ crore)	Monthly sales (FY21) (₹ crore)	Fiscal 2021 monthly sales as a % of FY20 monthly sales	Operational dine-in restaurants at the end of each month during FY21
April	64.7	0.5	0.8%	2
May	72.6	1.7	2.4%	4
June	74.9	7.5	10.0%	73
July	71.9	12.5	17.4%	89
August	69.1	24.1	35.0%	106
September	69.3	39.0	56.2%	123
October	70.6	54.3	76.9%	152
November	72.5	61.1	84.2%	156
December	88.4	-	-	-
January	82.3	-	-	-
February	73.5	-	-	-
March	35.6	-	-	-

INDUSTRY OUTLOOK - FOOD SERVICES

- Food services is a key segment in the Indian economy, which accounted for ~\$56.5 billion in FY20, of which ~\$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 FY25** from **2.1% in FY20** 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 - FY20)** to **9% (FY20 - FY25)**.
- The **food services market has been growing** with the international and domestic brands making substantial investments in building the back end consisting of suppliers and logistics segment. The market has witnessed many changes with respect to rising disposable income, availability of quality labour force, use of technology, which are collectively changing the face of the sector by enabling players to sustain efficiency at both front and back end.
- The food services market can be broken down into the following segments:-
- **Unorganized Segment** - It includes roadside eateries and dhabas which have been the most common eating out option.
- **Restaurant in Hotels** - A full-service restaurant with premium interiors, specific cuisine specialty and high standard of service mainly present in premium Hotels.
- **Organized Segment** - It consists of: (a) Standalone restaurants across all formats with less than 3 outlets and (b) Chain format which has 3 or more outlets across all formats. The **chain food service market** can be further segmented based on the positioning, target group and service style.

INDUSTRY OUTLOOK

- The size of the food services market in India is estimated at **₹4,236 billion in FY20** and is projected to grow at a **CAGR of 9% over the next 5 years to reach ₹6,506 billion by FY25** (Source: Technopak).
- In FY21 due to COVID, food services market is expected to show a **dip of 53%** in comparison to food services market size in FY20. Similarly in FY21, **Chain market** is expected to show a **dip of 42%** in comparison to FY20.
- The **organized market** (chain and organized standalone outlets, excluding Restaurants in Hotels) is estimated at **₹1,601 billion in FY20** and is projected to grow, at a **CAGR of 15%**, to reach **₹3,275 billion by FY25** gaining a share of **50%** from **38%** in FY20.



FOOD SERVICES MARKET SHARE

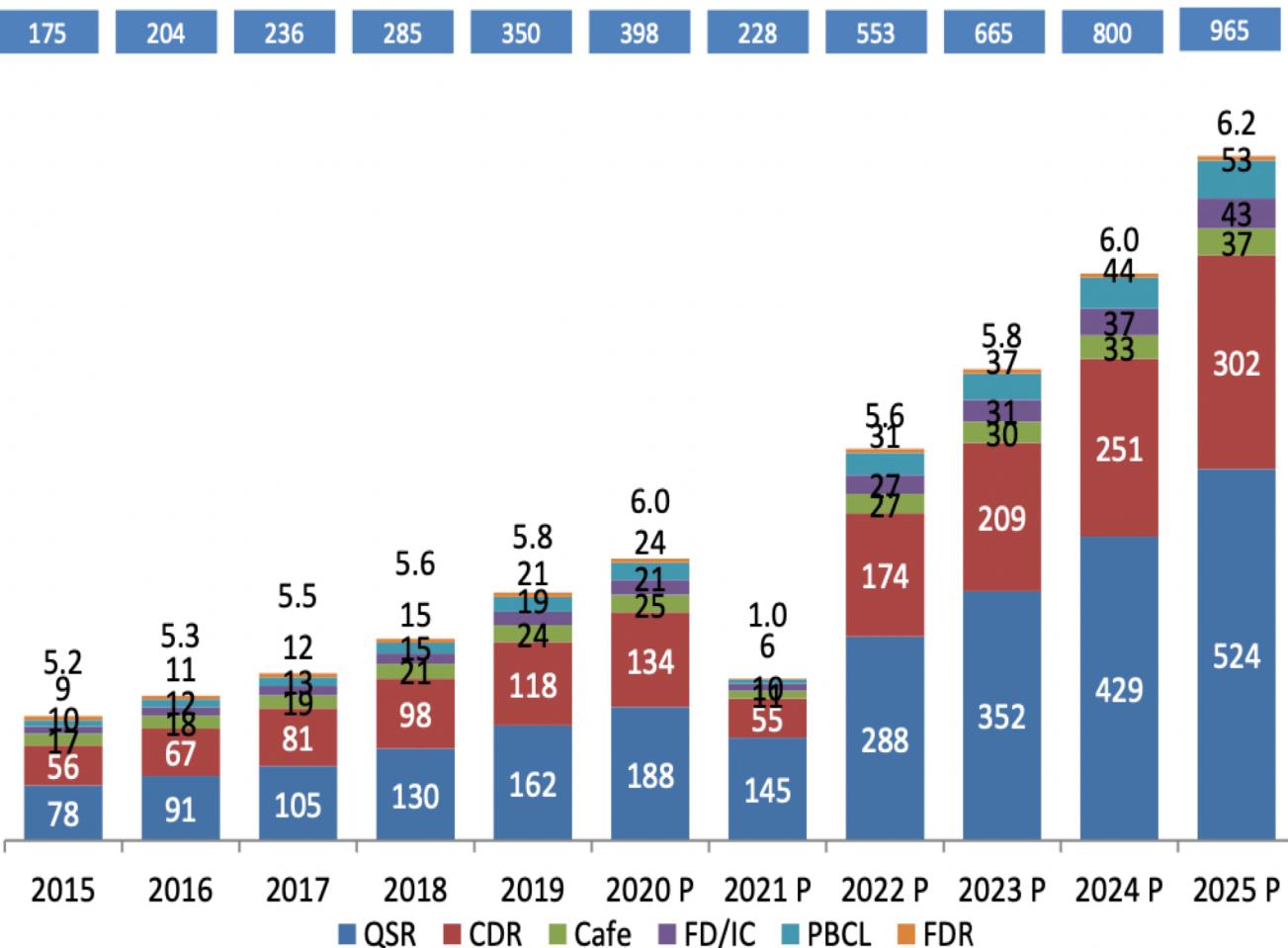
FORMAT	MARKET SHARE		
	FY 2015	FY 2020	FY 2025P
UNORGANIZED MARKET	68.1%	59.5%	47.3%
ORGANIZED STANDALONE MARKET	23.0%	28.4%	35.5%
CHAIN MARKET	6.1%	9.4%	14.9%
RESTAURANT IN HOTELS	2.8%	2.7%	2.4%

FOOD SERVICE MARKET STRUCTURE

Type of Chain	Positioning	Target Group	Ambience	Locations
Café	Tea-Coffee centric with limited focus on food	15-45 years	Relaxing, "catching up" and unwinding.	Malls, high streets, popular markets, office complexes, airports, hospitals, highways, educational campuses
Quick Service Restaurants (QSRs)	Specific product offerings or cuisines with focus on convenience	15-35 years	Functional interiors, compact seating with self-service.	Malls, high streets, popular markets, office complexes, airports, hospitals, highways, educational campuses, multiplexes
Frozen Desserts/Ice-Cream (FD/IC)	Focus on ice-creams and frozen yoghurt with limited options for snacks/beverages	18-35 years	Colourful, fun. Focus on Takeaways	Malls, high streets, popular markets, office complexes, airports, hospitals, highways, educational campuses, multiplexes
Casual Dining Restaurants (CDRs)	Focus on moderately priced food and table service to high quality	20-50 years	Casual fun environment to upmarket environment with design led ambience.	Malls, high streets, popular markets, office complexes, airports, hotels, Food Hubs
Fine Dining Restaurants (FDRs)	Multi-cuisine/ specialty restaurants with a focus on quality, ingredients, presentation and service	25-50 years	Formal, premium design led ambience	Malls, high streets, popular markets, office complexes, hotels
Pubs, Bar Café & Lounges (PBCL)	Focus on alcohol & customer experience	20-40 years	Theme based with loud music. Rustic, no frills to classy	Malls, high streets, popular markets, office complexes, airports, hotels

INDUSTRY OUTLOOK: CHAIN MARKET

CHAIN MARKET FORMAT SHARE



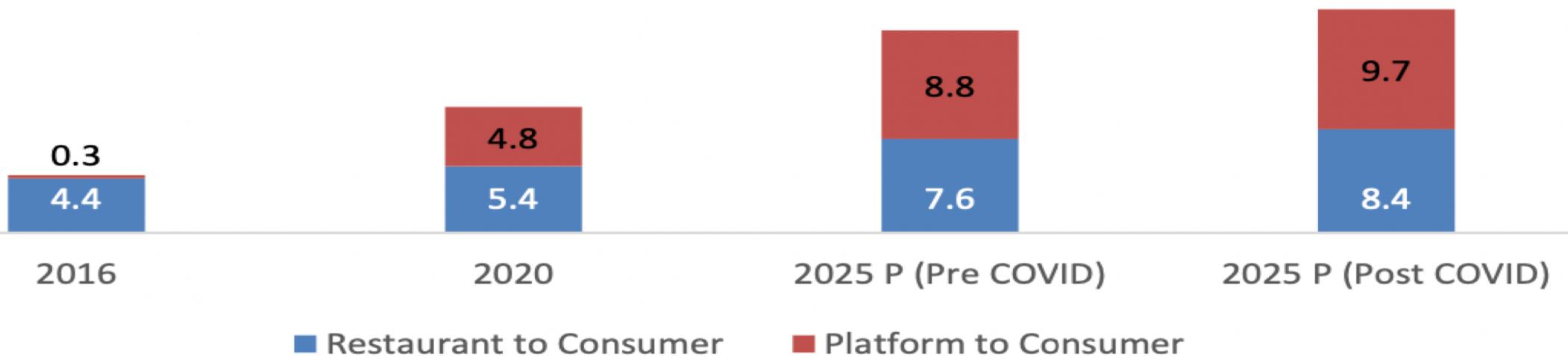
CHAIN MARKET SIZE (IN ₹ BILLION)

FORMAT	MARKET SHARE		
	FY 2015	FY 2020	FY 2025P
QUICK SERVICE RESTAURANTS (QSR)	45%	47%	54%
CASUAL DINING RESTAURANTS (CDR)	32%	34%	31%
CAFE	10%	6%	4%
FROZEN DESSERT/ICE CREAM (FD/IC)	6%	5%	4%
PUBS, BAR CAFÉ & LOUNGES (PBCL)	5%	6%	5%
FINE DINING RESTAURANTS (FDR)	3%	2%	1%

INDIA'S ONLINE FOOD DELIVERY MARKET

- The **online food delivery market** is segmented into two business models with different delivery methods: **(a) Restaurant to Consumer Delivery** and **(b) Platform to Consumer Delivery**
- Restaurant to Consumer Delivery:** Meals ordered online through a restaurant website and directly delivered by the restaurant e.g. Domino's, McDonald's etc.
- Platform to Consumer Delivery:** Online meal order and delivery both carried by a platform e.g. Zomato, Swiggy etc.
- The overall **food delivery market in India** is expected to grow at a **CAGR of 12.2%** to reach **\$18.1 billion** by **FY25** from **\$10.2 billion** in **FY20**. Overall food delivery market in India was **\$4.7 billion** in **FY16** and has grown at a **CAGR of 21.4%** between **FY16 and FY20**.

ONLINE FOOD DELIVERY IN INDIA, FY20 (\$ BILLION)



COMPETITIVE LANDSCAPE



JUBILANT FOODWORKS LIMITED

- Market Cap: ₹37,998 cr
- Total Income: ₹3,997 cr
- Price to Sales: 9.7x
- EPS (Diluted): ₹21.2
- NAV per share: ₹85.0
- RoNW: 25.0%

WESTLIFE DEVELOPMENT LIMITED



- Market Cap: ₹7,250 cr
- Total Income: ₹1,561 cr
- Price to Sales: 4.7x
- EPS (Diluted): ₹(0.5)
- NAV per share: ₹37.1
- RoNW: (1.3%)

SPECIALITY RESTAURANTS LIMITED



- Market Cap: ₹212 cr
- Total Income: ₹368 cr
- Price to Sales: 0.6x
- EPS (Diluted): ₹(8.1)
- NAV per share: ₹34.9
- RoNW: (23.2%)

BURGER KING INDIA LIMITED



- Market Cap: ₹5,264 cr
- Total Income: ₹847 cr
- Price to Sales: 6.3x
- EPS (Diluted): ₹(2.9)
- NAV per share: ₹10.3
- RoNW: (27.8%)

BARBEQUE-NATION HOSPITALITY LIMITED



- Market Cap: ₹1,875 cr
- Total Income: ₹851 cr
- Price to Sales: 2.2x
- EPS (Diluted): ₹(11.8)
- NAV per share: ₹2.1
- RoNW: (556.6%)

Figures are for FY20

PROMOTER BACKGROUND AND SHAREHOLDING

The promoters and promoter group hold a total of **47.81%** which is further distributed as:

- **Sayaji Housekeeping Services Limited (37.18%)**
- **Sadiya Dhanani (1.47%)**
- **Sanya Dhanani (1.47%)**
- **Azhar Dhanani (1.47%)**
- **Other Promoters (6.22%)**

The selling shareholder, **Tamara Private Ltd** as on date holds **17.85%** of the company.

Allocation of Offer	Share in Issue (₹ crore)	% of Issue
QIB	339.8	75
NIB	67.9	15
Retail	45.3	10
Total	453	100

Shareholding	Pre IPO	Post IPO
Promoter	47.81%	37.84%
Public	52.19%	62.16%
Total	100%	100%

Selling Shareholders	Share in Issue (₹ crore)	% of OFS Issue
Tamara Private Ltd	166.2	60.9
AAJV Investment Trust	3.6	1.3
Menu Private Ltd	1.3	0.5
Sayaji Housekeeping Services Ltd	50.9	18.7
Azhar Dhanani	17.0	6.2
Sanya Dhanani	17.0	6.2
Sadiya Dhanani	17.0	6.2

OBJECTS OF THE OFFER

The company proposes to utilize the Net Proceeds towards funding the following objects:

- 1) It intends to utilise **₹54.6 crore** for setting up **26 new Barbeque Nation restaurants** in metros, tier I and tier II cities in India, during fiscal 2022 and fiscal 2023.
- 2) **₹75 crore** would be utilised towards repayment or prepayment of all or a portion of the principal amount on certain loans availed by the company and its subsidiary, **Barbeque Nation (MENA) Holding Limited**, and the accrued interest thereon. As on 31st January, 2021, it had a **consolidated debt of ₹143.1 crore**.
- 3) It has completed a **pre-IPO placement of ₹150.0 crore**. Out of the above, an amount of **₹84.8 crore** had been utilised for repayment of loans of the company and an amount of **₹35.1 crore** has been spent on general corporate purposes.

EXPECTED DEPLOYMENT OF NET PROCEEDS

Particulars	Net Proceeds	Estimated Deployment	
		FY 2022	FY 2023
Capital expenditure for expansion and opening of new restaurants	54.6	42.0	12.6
Repayment of borrowings	75.0	75.0	-
General corporate purposes	●	-	-

● To be determined

₹ crore

RISK FACTORS

- The company has been incurring losses **since the past 3 years from 2018-2020**. It faces the risk of **not turning profitable** in the coming years.
- Some of the **Promoters and Directors operate or control entities engaged in a similar line of business**, which may lead to competition with these entities and could potentially result in a loss of business opportunity for the company. **Tarun Khanna**, is a director on the board **of Sapphire Foods India Private Limited and Thalappakatti Hotels Private Limited**, which are engaged in a similar business.
- **Exceptional items** represented net loss relating to restaurant closed or relocated during the year, write back of gross obligation to acquire non-controlling interests in Red Apple, etc.
- If it is unable to **maintain or enhance its brand recognition**, its results of operations and prospects may be materially and adversely affected. If the company is unable to **identify and obtain suitable locations for its new restaurants**, it may witness lower footfalls and table turns which would adversely affect its ability to achieve the anticipated growth in revenue and profitability.
- **Outbreak of an epidemic or disease** affecting the supplies of poultry, fish products or other perishable food items could significantly affect the company's ability to purchase such commodities, its operations and costs of doing business.
- The **markets in which the company operates is dynamic** in nature. If it is unable to regularly offer new dishes on its menu or if it fails to respond to changes in consumer tastes and preferences in a timely manner, the results of operations would be adversely affected.

FUTURE ROADMAP

The management plans to implement the following strategies to improve its revenue and profitability going forward:

- As on 31st December, 2020, **two Barbeque Nation Restaurants** were in the **construction phase** and are expected to be launched in fiscal 2021. Its **subsidiary, Red Apple**, opened **three Toscano restaurants** in fiscal 2020.
- **Expansion through owned & franchise formats in select international markets-** It currently operates in two International Barbeque Nation restaurants in **Dubai**, two restaurants in **Abu Dhabi**, one in **Kuala Lumpur** and one in **Muscat**.
- **Continue evaluating strategic brand acquisitions-** 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.
- **Delivery Focus with Product Innovation-** It will continue to focus on the delivery segment and will continue to work on improving its product offering in relation to consistency, quality, recipes, delivery menu and meal combos. One of its delivery products, '**Barbeque-in-a-Box**', that it launched in June 2020, provides a wide range of starters, main course and desserts. This is in addition to two other products, '**Grills in a Box**' and '**Meals in our Box**', which are offered through delivery among other offerings.
- **Strengthened Digital Assets-** It updated **BBQ App** includes: (i) option to make dine-in reservations; (ii) online ordering for its delivery products; and (iii) exclusive offers through digital coupons. Its share from digital assets (BBQ App, website and chat bots) as a percentage of **total reservations** grew from **34.6%** in the month of February 2020 to **47.5%** in the month of December 2020.
- **Cost optimization-** It undertook various cost optimization efforts such as seeking rent reliefs from its landlords, renegotiating commercial terms, temporarily reducing senior management salaries and realigning store operating costs and structures.

STATEMENT OF PROFIT AND LOSS

Particulars	Data as on 31 st March (₹ crore)			
	8M FY21	2018	2019	2020
Revenue from Operations	201.00	586.34	739.02	846.97
Other Income	35.61	4.11	3.52	3.82
Total Income (I)	236.61	590.45	742.54	850.79
Cost of Food and Beverages Consumed	76.43	197.84	247.63	292.20
Employee Benefits Expenses	71.26	125.69	167.98	197.51
Other Operating Expenses	76.32	126.55	177.55	193.05
Finance Costs	59.14	53.57	56.40	75.59
Depreciation and Amortization Expense	82.02	70.27	89.53	133.96
Total Expenses (II)	365.17	573.92	739.09	892.31
Exceptional Items (III)	(2.07)	(2.63)	10.27	(16.38)
Profit Before Tax (IV) = (I) - (II) + (III)	(126.49)	19.16	(6.82)	(25.14)
Net Tax Expense/ (benefit) (V)	(25.85)	12.38	14.38	7.79
Profit after Tax from Continuing Operations (VI)= (IV)- (V)	(100.64)	6.78	(21.20)	(32.93)
Profit after Tax from Discontinued Operations (VII)	-	(12.58)	(17.18)	-
Profit for the Period (VI+VII)	(100.64)	(5.80)	(38.38)	(32.93)

STATEMENT OF ASSETS AND LIABILITIES

Particulars	Data as on 31 st March			
	Nov'20	2018	2019	(₹ crore)
Property, Plant and Equipment	303.38	224.75	303.24	332.19
Right-of-use assets	373.46	293.91	354.63	401.47
Other non-Current Assets	173.09	113.56	98.89	154.50
Inventories	15.86	18.98	19.27	14.93
Cash and Cash Equivalents	7.67	43.62	11.98	14.70
Other Current Assets	35.12	28.34	31.08	37.67
Total Assets	908.58	723.16	819.09	955.46
Total Equity	(11.62)	144.99	131.63	11.15
Borrowings (Current and non-Current)	173.34	103.95	125.01	206.53
Lease Liability (Current and non-Current)	457.57	350.73	419.97	481.57
Other non-Current Liabilities	8.56	8.90	11.41	75.96
Trade Payables	160.41	67.33	76.83	112.51
Other Current Liabilities	120.32	47.26	54.24	67.74
Total Liabilities and Equity	908.58	723.16	819.09	955.46

STATEMENT OF CASH FLOW

Particulars	Data as on 31 st March (₹ crore)			
	8M FY21	2018	2019	2020
Net cash generated from operating activities (A)	32.10	127.55	122.25	181.05
Net cash generated from investing activities (B)	2.06	(99.28)	(129.10)	(152.90)
Net cash generated from financing activities (C)	(41.18)	7.29	(24.74)	(26.54)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(7.02)	35.56	(31.59)	1.61

KEY FINANCIAL METRICS

Particulars	Data as on 31 st March			
	8M FY21	2018	2019	2020
EPS (Basic or Diluted) (₹)	(36.0)	(2.51)	(14.5)	(11.8)
EBITDA from Continuing Operations (₹ crore)	12.6	140	149	168
EBITDA Margins from Continuing Operations (%)	5.32	23.8	20.1	19.8
Adjusted EBITDA	(45.5)	90.4	101	80.9
Average Return on Net Worth (%)	-	(4.00)	(2.92)	(556.6)
Net Asset Value per Equity Share (₹)	(5.33)	52.53	47.04	2.11
Net Working Capital (₹ crore)	(206)	(93.0)	(106)	(138)
Net Working Capital as a % of Total Revenue	(87.2)*	(15.8)	(14.2)	(16.2)
Net Worth (₹ crore)	(14.9)	145.0	132.0	5.9
Net Debt (₹ crore)	239.0	84.0	146.0	230.0
Total Debt to Equity	(16.6)	0.9	1.20	41.4
Total Debt to EBITDA	19.6*	0.91	1.06	1.46
Net Debt to Equity	(16.0)	0.58	1.11	38.9
Net Debt to EBITDA	19.0*	0.60	0.98	1.37

*not annualized

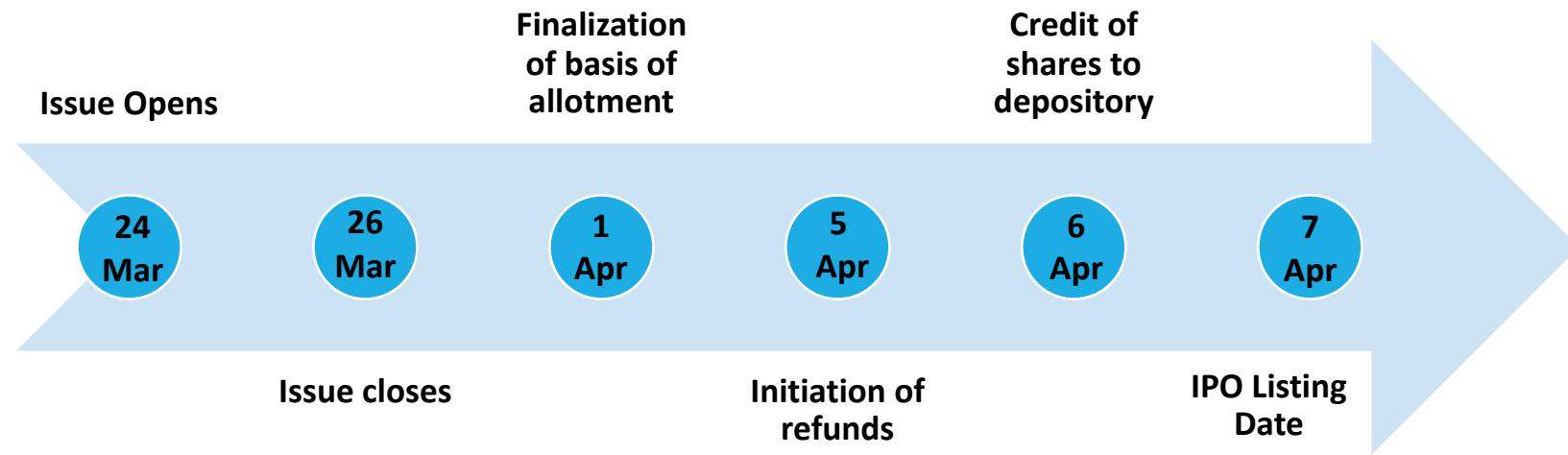
SWOT ANALYSIS



- Despite the revenue from operations being positive and growing at a **3-year CAGR of 13.04%**, the profitability has been a major concern from 2018 to 2020 due to **high raw material expenses, employee benefit expenses, etc.**
- The company has allotted **59,51,132 share** in the period from **2nd December, 2020 to 25th January, 2021** at **₹252 per share** aggregating to a total of **~₹150 crore**. Of this, on 25th January, 2021, **36,50,794 Equity Shares** were allotted to **Jubilant FoodWorks Limited**, i.e., a total of **~₹92 crore** with a shareholding of **~10.72%**.



TIMELINES



Disclaimer:

This document is published for learning purposes only and nothing contained herein shall be construed as a recommendation on any stock or sector.