



The consolidated sales of the company has increased at a 2 year CAGR of 20% backed by fast growing delivery channel under the brand name UBQ. Despite of EBITDA Margin of 20%, the company is incurring losses at PAT level. As the company is in casual dining restaurant business, the store level experience is something that the company has to take into consideration unlike delivery based QSR, which is less capital intensive. The company's recently added services of delivery, which will be something to focus on but at present consistent loss at PAT level is not comforting. Hence we recommend 'AVOID' for the issue.



### About Company

Barbeque Nation Hospitality Limited operates one of India's leading casual dining restaurant chains. The company owns 164 restaurants as on 31<sup>st</sup> Dec 2020, which includes 147 Barbeque Nation Restaurants across 77 cities in India, 6 international barbeque nation restaurants across 4 cities in India and 6 restaurants outside India . The company also owns Italian restaurants brand "Toscano" with other two brands "La Terrace" and "Collage". The company pioneered format of "over the table barbeque" concept.

### Issue details

Price Band (in ₹ per share)	498-500
Issue size (in ₹ Crore)	452.87-451.78
Fresh Issue (in ₹ Crore)	180
Issue open date	24-03-2021
Issue close date	26-03-2021
Tentative date of Allotment	05-04-2021
Tentative date of Listing	07-04-2021
Total number of shares (lakhs)	90.72-90.57
No. of shares for QIBs (75%) (lakhs)	67.74-67.63
No. of shares for NII (15%) (lakhs)	13.55-13.53
No. of shares for retail investors (10%) (lakhs)	9.03-9.02
No. of Shares of Employees	40160-40000
Employee Discount	NIL
Minimum order quantity	30
Face value (in ₹)	5.00
Amount for retail investors (1 lot)	14,940-15,000
Maximum number of shares for Retail investors at lower Band	390(13 Lots)
Maximum number of shares for Retail investors at upper band	390(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,94,220-1,95,000
Exchanges to be listed on	BSE, NSE

### Promoters

Sayaji Hotels Limited  
Sayaji Housekeeping Services Limited  
Kayum Dhanani  
Raof Dhanani  
Suchitra Dhanani

### Objective of the Offer

1. Capital expenditure for expansion and opening of new restaurants by the company
2. Prepayment or repayment of all or a portion of certain outstanding borrowings
3. Sale of upto 54,57,470 shares by selling promoters

**Brief Financials**

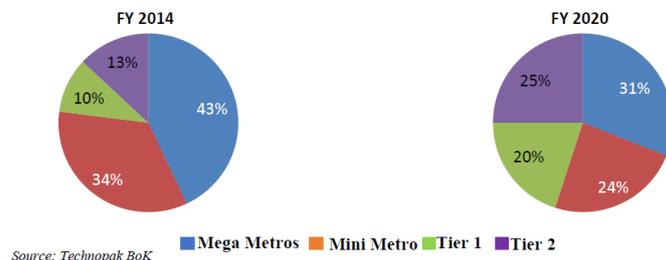
Particulars (Rs. Cr)	As on Nov 20	FY20	FY19	FY18
Share Capital	14.00	14.00	14.00	13.80
Net Worth	(14.92)	5.92	131.63	144.99
Revenue from Operation	201.00	846.97	739.02	586.34
PBT	(126.50)	(25.14)	(6.82)	19.16
PAT	(100.65)	(32.93)	(38.39)	(5.80)
Basic EPS(Rs)	(35.95)	(11.76)	(13.71)	(2.07)
NAV	(5.33)	2.11	47.04	52.53
P/E #	NA	NA	NA	NA
P/B #	NA	236.97	NA	NA

Source: RHP # Calculated at the upper price band

**Industry Review**

It is estimated that presently, the chain CDR segment has ~4,700 -5,200 outlets in FY 2020 across India which was ~1800-2000 in FY 2014. A few examples are Moti Mahal, Barbeque Nation, Toscano, Café Zoe, Flavours of Italy, Rajdhani, Pizza Hut, Sarvana Bhavan etc. Newer formats like Chilli's, Farzi Café, Carl's Jr. and Soda Bottle Openerwala have also taken a share of the pie. With the thinning lines between each format type, some players from the QSR and FDR segment have started venturing into the chain CDR segment. These transitions between various players within the chain CDR market have only added to its burgeoning growth.

Chain CDR- City Type Outlet Presence



Mega Metros have the highest presence of chain CDR outlets at 31% while Mini-metros are next with a share of 24%. The remaining 45% market share is accounted for by Tier I and Tier II cities. However, with existing higher penetration in Metros and Tier I cities, most of the chain CDR formats have taken cue from the QSR players like Domino's and McDonald's and have ventured into Tier I & II cities.

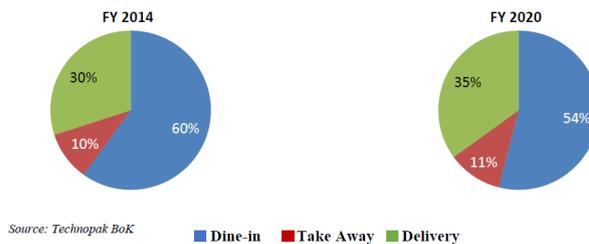
Food dominates the Sales and SKU mix at 74% and 74% respectively for FY 2020. It is followed by beverages and desserts, where the share of beverages SKUs has increased from 14% in FY 2014 to 20% in FY 2020. Beverages having less food cost as compared to food items, the increase in beverage-based SKUs helps brands in maintaining healthy profit levels at the outlet level.

Sales Mix: Dine in and Non Dine in: Paucity of time among the consumers residing in metros has fuelled the growth of delivery in these cities. Also, in FY2020 delivery services have gained traction primarily in office areas or residential complexes as evidenced by their increasing market share, currently at 35%. However, most consumers prefer to savour their meal experience, & dine-in is the preferred option at 54% in FY2020. This holds true for Chain CDRs in segments, which boasts of superior-quality interiors, variety of flavours and wide mix of food and beverage items. Due to COVID, dine in has been affected in FY 2021, and trend of Delivery and Takeaway has increased, but things are expected to get back close to normalcy post vaccination & reduction in Covid cases. Though there is expected to be a traction towards Organised food services for Quality & Hygiene reasons.



## Industry Review

Chain CDR- Dine in vs. Non Dine-in



The Chain CDR segment based on its varied cuisine offerings along with higher APC, has more chances of a faster growth as compared to other food services segments such as FDR, PBCL and even to the extent QSRs which primarily offer American cuisine based on burgers and pizzas. QSRs have a price and volume advantage over CDRs. However, the same is anticipated to undergo changes in the coming years based on shifting consumer habits, higher disposable income, increasing experimentation and urge to try new different things.

Going forward, the brands operating in the Chain CDR segment are continuously introducing newer concepts based on ambience and food offerings. These brands are just not limiting to a single brand or format and are venturing into different formats such as QSR, PBCL etc. Companies like Massive Restaurants, Impresario Hospitality and Specialty Restaurants not only have different brands in the same formats but are also venturing into different formats.

## Competitive Strengths

**Brand widely recognised restaurant brands in the rapidly growing CDR market:** The company has steadily grown 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, company had granted franchise rights in respect of one Barbeque Nation Restaurant.

One of the main contributors to the brand affinity of Barbeque Nation Restaurants has been referrals and recommendations by its customers, which the company believes has enabled it to retain a strong market position whilst steadily expanding across India in a fragmented and highly competitive industry.

**Attractive offerings based on constant menu innovation and customer focus:** Through Barbeque Nation Restaurants, the company pioneered the format of 'over the table barbeque' concept in Indian restaurants according to the Technopak Report. The company's live grills embedded in dining tables allow its 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. The company continues to offer new menu options, both vegetarian and non-vegetarian, largely based on Indian cuisine and use seasonal customer preferences to introduce new dishes. It also runs popular food festivals at Barbeque Nation Restaurants such as Jewels of the Sea, Barbeque Nation Festival League and Mango Mania, thereby offering customers a range of Indian and international cuisines.

The company's fixed price 'all you can eat' concept at Barbeque Nation Restaurants offers customers a varying spread of consistently delicious food at a value-oriented price in a pleasant and casual dining environment. It believes that barbeque cuisine is distinctively attractive as compared with other dining options due to its DIY and cooked-at-the table nature and the flexibility and fun of mixing and matching a wide variety of meats, vegetables, sauces and condiments to create dishes according to each diner's individual tastes and preferences. In addition, fixed price dining is very popular amongst relatively larger groups, due to customers' perception of value for money and the comfort of certainty over the bill amount irrespective of varying individual appetites and consumption.

**Experienced staff and value oriented business culture:** The company believes that a sense of ownership across all levels is very important to the success of a customer-oriented business. The company places strong emphasis on instilling core values in each of staff. When the company opens new restaurants, it generally transfers some staff from existing restaurants to its new restaurants to ensure easier initial launch and set up. The company believes that the experience of Promoters and senior management team will also be pivotal in expansion of Toscano Restaurants to Metro and Tier I cities. The company places great emphasis on training employees. Its training program is structured to provide a growth path for all employees, from trainees to managers. In addition, it emphasises organic growth, having promoted some of its staff who joined the Company as trainees to chefs or management based on their performance. The company has empowered its restaurant managers with authority in certain matters to maintain its engagement with customers and business.



## Risk Factors

**Deterioration in the performance of, relationships with, 3<sup>rd</sup> party delivery aggregators, may adversely affect business:** The company currently depends on third party delivery aggregators for a substantial portion of food delivery services and that could increase in the future, especially as a result of the impact of COVID-19 and the resulting growth in delivery. It is possible that the negotiating leverage of third party delivery aggregators with respect to the company's agreements with them could increase as their businesses grow, which means it may have to pay higher fees for their services or may have difficulty extending or renewing agreements with them on commercially acceptable terms, or at all, in the future, especially if it fails to sufficiently develop its own food delivery services or find alternative means to serve the increasing number of customers who choose to order their food online or through mobile applications.

**Some of Promoters and Directors operate or control entities engaged in a similar line of business as company, which may lead to competition:** Some of the company's Promoters, including one of the company's corporate promoters, SHL and Directors directly or indirectly operate or control entities which are engaged in similar line of business as the Company and Red Apple. Such companies are involved in the restaurant and hospitality business and may offer cuisines or menu items similar or identical to those offered in the restaurants. Further, SHL is involved in the hospitality sector and operates hotels and restaurants, inter alia, within the premises of its hotels or within the premises of third-party hotels and certain standalone restaurants. Some of Promoters may have conflicts of interest with interests or the interests of Shareholders and favour these companies in certain situations, or not direct opportunities to the company.

**Significant business from metros:** The concentration of revenues from operations generated from these areas heightens the exposure to adverse developments related to competition, as well as economic, political, demographic and other changes, which may adversely affect business prospects, financial conditions and results of operations. Any adverse development that affects the performance of the company's restaurants located in these areas could have a material adverse effect on its business, financial condition and results of operations.

## Peer Comparison

Name of the Company	Revenue (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	RONW
Barbeque Nation Hospitality Ltd.	850.79	5	(11.77)	2.11	NA	236.97	(556.59%)
Jubilant Foodworks Ltd.	3996.89	10	21.22	85.02	135.67	33.86	24.95%
Westlife Development Ltd.	1560.79	2	(0.47)	37.07	NA	12.57	(1.27%)
Speciality Restaurants Ltd.	368.06	10	(8.09)	34.88	NA	1.29	(23.20%)
Burger King India Ltd.	846.83	10	(2.87)	10.31	NA	13.29	(27.80%)

\*P/E & P/B ratio based on closing market price as on March 22nd, 2021, At the upper price band of IPO, financial details consolidated audited results as on FY20.

## Our Views

Barbeque Nation Hospitality Limited is one of the leading brands in CDR space with a wide network of 164 stores across 77 cities that pioneered 'on the table live grill' concept in India. The company has introduced online delivery through UBQ that increased the online delivery salience from low single digit to 18% at present. As the count of stores has increased, the company has been able to increase the in dine customers to 9.92 Million in FY20 from 6.8 Million in FY17. Around 70% of the outlets for the company are located in metros and remaining in tier 2 and tier 3 cities. Jubilant Foodworks Ltd. has acquired 10.76% stake in January 2021 at INR 252 with an investment of INR 92 crores.

The consolidated sales of the company has increased at a 2 year CAGR of 20% backed by fast growing delivery channel under the brand name UBQ. Despite of EBITDA Margin of 20%, the company is incurring losses at PAT level. As the company is in casual dining restaurant business, the store level experience is something that the company has to take into consideration unlike delivery based QSR, which is less capital intensive. The company's recently added services of delivery, which will be something to focus on but at present consistent loss at PAT level is not comforting. Hence we recommend 'AVOID' for the issue.



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### Research Desk

#### Canara Bank Securities Ltd

**SEBI: RESEARCH ANALYST REGISTRATION: INH000001253**

**BSE: INB 011280238, BSE F&O: INF 011280238**

**NSE: INB 23180232, F&O: INF 231280232, CDS: 231280232**

**Maker Chambers III, 7th floor,**

**Nariman Point, Mumbai 400021**

**Contact No. : 1800220369/18001031369, 022 - 22802441/42,  
43603841/42**

**Email id: [researchdesk@canmoney.in](mailto:researchdesk@canmoney.in) Website: [www.canmoney.in](http://www.canmoney.in)**