

# Barbeque Nation Hospitality

Estimate change



TP change



Rating change



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Bloomberg	BARBEQUE IN
Equity Shares (m)	39
M.Cap.(INRb)/(USDb)	46.6 / 0.6
52-Week Range (INR)	1950 / 870
1, 6, 12 Rel. Per (%)	3/-14/26
12M Avg Val (INR M)	236

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	8.6	13.6	16.7
Sales Gr. (%)	69.7	57.6	22.8
EBITDA	1.3	2.9	3.5
Margins (%)	15.5	21.2	21.1
Adj. PAT	-0.3	0.5	0.7
Adj. EPS (INR)	-6.6	12.5	19.3
EPS Gr. (%)	N/M	L/P	54.4
BV/Sh.(INR)	99.2	111.7	130.9
<b>Ratios</b>			
RoE (%)	-6.7	11.2	14.7
RoCE (%)	2.8	9.6	11.3
<b>Valuation</b>			
P/E (x)	N/M	95.9	62.1
P/BV (x)	12.1	10.7	9.1
EV/EBITDA (x)	34.3	15.4	12.1

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	34.0	34.5	35.7
DII	27.5	17.1	16.4
FII	15.8	11.4	9.3
Others	22.7	37.0	38.6

FII Includes depository receipts

CMP: INR1196

TP: INR1,300 (+9%)

Neutral

## Robust dine-in revenue leads to a significant beat

- The first normal quarter for BARBEQUE after the lifting of COVID-related restrictions witnessed a strong performance in dine-in, led by realization and covers. Delivery fell ~6% QoQ, especially in the Box product.
- While the second quarter is usually subdued, the recovery momentum in dine-in is likely to result in healthy earnings in 3Q and 4QFY23.
- Valuations are fair at 18.2x FY24E pre Ind AS 116 EV/EBITDA. **We maintain our Neutral rating.**

## Beat on all fronts

- **Sales grew 3x YoY to INR3.1b** (est. INR2.5b), with SSSG of 182% (est. 110%). EBITDA stood at INR705m (est. INR460m). Adjusted PAT came in at INR160m (est. INR45m).
- It opened 11 and closed one Barbeque Nation store, taking its total store count to **176 in India and six internationally** at the end of 1QFY23. It has **15 extension kitchens** for BBQN and **13 Toscano** outlets too.
- Gross margin rose 790bp YoY to 66.8% (est. 65.1%). EBITDA margin came in at 22.4% (est. 18%) v/s -17.5% YoY and 17.7% QoQ.
- **EBITDA adjusted for Ind AS 116** came in at INR460m v/s a loss of INR342m in 1QFY22. EBITDA margin came in at 14.6% in 1QFY23.

## Highlights from the management commentary

- Both covers and realization clocked a healthy growth in 1QFY23. As per the management, there isn't any significant 'revenge consumption' at play.
- Average covers are still 10% lower than pre-COVID levels as the contribution from corporates are yet to return to pre-pandemic levels.
- Revenue from the Delivery business fell 6% QoQ. Revenue from the Box product has fallen, but a la carte delivery has grown sequentially.
- BARBEQUE is adding a delivery-only Biryani brand, with a regional launch first (which may take three-to-six months), before rolling out nationwide.
- A higher share of dine-in enabled better EBITDA margin. Calibrated price hikes and operating leverage aided margin. The company has raised prices by 4-5% in Apr-May'22 in two phases.

## Valuation and view

- Changes to our model led to an increase of ~21%/14% in our FY23/FY24 EBITDA forecasts. As the company is returning to net profit after losses in preceding years, the impact on PAT, over a smaller base, is higher.
- We maintain our Neutral rating on fair valuations, inherently lower return ratios compared to QSRs, and potential vulnerability of its higher ticket size delivery business in an inflationary environment.

## Quarterly Performance

(INR m)

Y/E March	FY22				FY23				FY22	FY23E	FY23 1QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
SSSG (%)	960.0	184.0	42.7	5.5	182.0	39.0	14.0	30.0	64.7	26.8	110.0	
No. of stores	166	167	174	185	195	200	210	220	185	220	192	
Net Sales	1,020	2,209	2,867	2,510	3,149	3,203	3,727	3,484	8,606	13,563	2,549	23.5
YoY change (%)	939.1	190.3	47.1	10.9	208.8	45.0	30.0	38.8	69.7	57.6	150.0	
Gross Profit	600	1,450	1,886	1,622	2,103	2,114	2,497	2,319	5,558	9,033	1,660	
Margin (%)	58.9	65.6	65.8	64.6	66.8	66.0	67.0	66.6	64.6	66.6	65.1	
EBITDA	-178	413	657	445	705	604	827	737	1,337	2,872	460	53.3
EBITDA growth %	N/M	N/M	59.6	-2.1	N/M	46.2	25.9	65.4	188.3	114.8	N/M	
Margin (%)	-17.5	18.7	22.9	17.7	22.4	18.9	22.2	21.1	15.5	21.2	18.0	
Depreciation	289	304	340	340	352	400	450	498	1,273	1,699	300	
Interest	166	153	172	162	175	170	180	186	653	710	150	
Other Income	74	85	45	59	30	50	50	56	263	186	50	
PBT	-559	41	190	2	208	84	247	109	-326	649	60	249.1
Tax	-120	10	44	-3	48	22	64	29	-69	163	15	
Rate (%)	21.5	24.9	23.2	-109.0	23.1	26.0	26.0	26.8	21.1	25.2	25.2	
Adjusted PAT	-439	31	146	5	160	62	183	80	-257	485	45	258.9
YoY change (%)	N/M	L/P	L/P	-92.4	N/M	102.3	25.0	1,545.8	-	-	N/M	

E: MOFSL Estimates

## Key Performance Indicators

Y/E March	FY22				FY23
	1Q	2Q	3Q	4Q	1Q
Channel mix (%)					
Dine-in	45.0	76.8	83.7	82.2	86.6
Delivery	55.0	23.2	16.3	17.8	13.4
2Y average growth (%)					
Sales	939.1	190.3	47.1	14.7	573.9
EBITDA	-	-	59.6	40.0	-
PAT	-	-	-	-92.4	-
% of Sales					
COGS	41.1	34.4	34.2	35.4	33.2
Operating Expenses	76.3	46.9	42.9	46.9	44.4
Depreciation	28.3	13.8	11.9	13.5	11.2
YoY change (%)					
COGS	511.9	163.5	46.4	17.5	149.3
Operating Expenses	99.4	101.3	41.8	11.8	79.6
Other Income	-51.5	-27.1	-47.6	-44.2	-59.4
EBIT	-29.9	-131.7	221.6	-35.4	-175.5



## Key takeaways from the management interaction

### Performance and outlook

- This was the first fully normalized quarter since Covid. Management is amused with the dine-in performance.
- Both covers and realization clocked a healthy growth in 1QFY23. As per the management, there isn't any significant 'revenge consumption' at play.
- Average covers are still 10% lower than pre-COVID levels as the contribution from corporates are yet to return to pre-pandemic levels.
- Revenue from the Delivery business fell 6% QoQ. Revenue from the Box product has fallen, but a la carte delivery has grown sequentially.

### Costs and margins

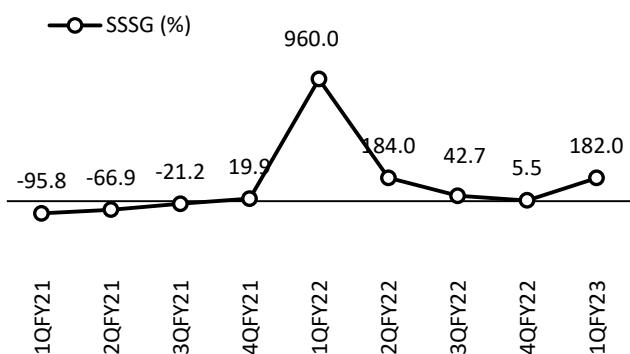
- A higher share of dine-in enabled better EBITDA margin. Calibrated price hikes and operating leverage aided margin. The company has raised prices by 4-5% in Apr-May'22 in two phases.
- Generally, Q3 and 4Q are usually much better on margins. 2Q is usually the weakest quarter.
- By 4QFY23, 50 sites will be less than 1 year old and with the company adding 12-13 stores per quarter, 3QFY23 and 4QFY23 margins could get impacted.
- It is likely to attain 15% Pre Ind-AS margins in 3QFY23 and 4QFY23.
- Toscano has over 23% store margins

### Expansion

- Management stated that they will cross 200 Barbeque Nation stores this year.
- They will also add 5 more Toscano stores in FY23.
- It added 10 outlets so far and is on track to add 35-40 for the full year. They currently have visibility for 40 sites.
- Capex will be INR1.3-1.4b in FY23
- BARBEQUE is adding a delivery-only Biryani brand, with a regional launch first (which may take three-to-six months), before rolling out nationwide.
- Internationally there are three sites under pipeline this year (all in Middle-East) and may add two-three more stores later. It will be a mix of own and franchising.
- Sales per store can be INR70m in FY23.

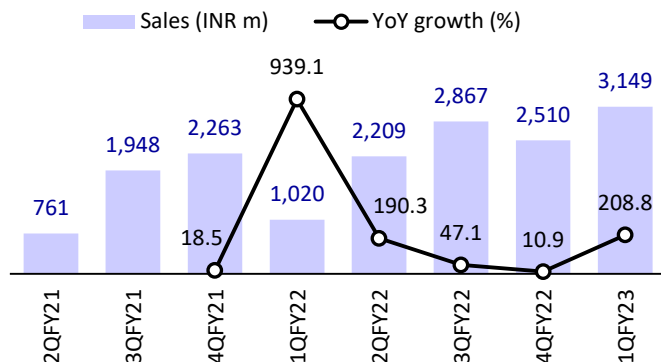
Key exhibits

Exhibit 1: YoY SSSG stood at 182% in 1QFY23



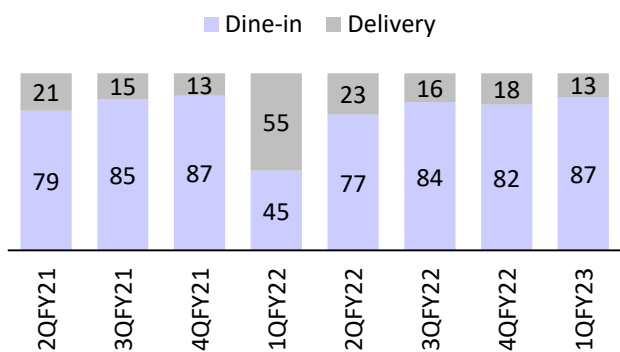
Source: Company, MOFSL

Exhibit 2: Net sales grew 3x YoY to INR3.1b in 1QFY23



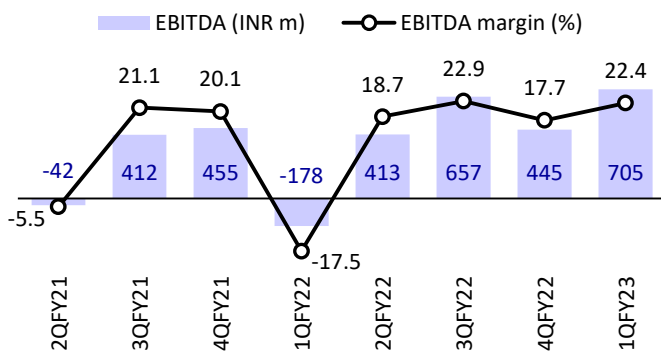
Source: Company, MOFSL

Exhibit 3: Dine-in contribution at 87% in 1QFY23



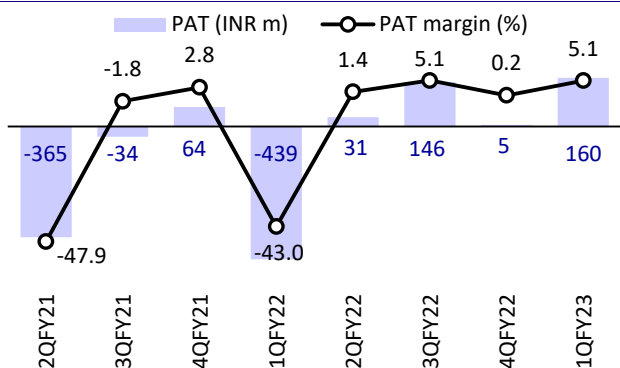
Source: Company, MOFSL

Exhibit 4: EBITDA margin came in at 22.4% in 1QFY23



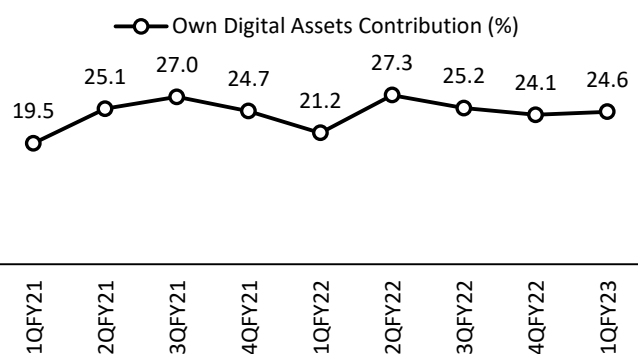
Source: Company, MOFSL

Exhibit 5: Adjusted PAT came in at INR160m in 1QFY23



Source: Company, MOFSL

Exhibit 6: Contribution from its own digital assets stood at 24.6% in 1QFY23



Source: Company, MOFSL

## Valuation and view

- Changes to our model led to an increase of ~21%/14% in our FY23/FY24 EBITDA forecasts. As the company is returning to net profit after losses in preceding years, the impact on PAT, over a smaller base, is higher.
- We maintain our Neutral rating on fair valuations, inherently lower return ratios compared to QSRs, and potential vulnerability of its higher ticket size delivery business in an inflationary environment.

### Exhibit 7: We raise our EBITDA forecast for FY23/FY24 by 21%/14%, respectively

	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	13,563	16,654	12,971	15,995	4.6	4.1
EBITDA	2,872	3,518	2,371	3,075	21.1	14.4
PAT	485	749	180	504	168.8	48.7

Source: Company, MOFSL

## Financials and valuations

Income Statement						(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Net Sales</b>	<b>5,863</b>	<b>7,390</b>	<b>8,470</b>	<b>5,071</b>	<b>8,606</b>	<b>13,563</b>	<b>16,654</b>
Change (%)	19.8	26.0	14.6	-40.1	69.7	57.6	22.8
Material Consumed	1,978	2,476	2,922	1,782	3,047	4,530	5,496
<b>Gross Profit</b>	<b>3,885</b>	<b>4,914</b>	<b>5,548</b>	<b>3,288</b>	<b>5,558</b>	<b>9,033</b>	<b>11,158</b>
Gross Margin %	66.3	66.5	65.5	64.8	64.6	66.6	67.0
Operating expenses	2,522	3,455	3,906	2,825	4,221	6,161	7,640
<b>EBITDA</b>	<b>1,363</b>	<b>1,459</b>	<b>1,642</b>	<b>464</b>	<b>1,337</b>	<b>2,872</b>	<b>3,518</b>
Change (%)	15.9	7.0	12.6	-71.8	188.3	114.8	22.5
Margin (%)	23.2	19.7	19.4	9.1	15.5	21.2	21.1
Depreciation	703	895	1,340	1,212	1,273	1,699	1,911
Int. and Fin. Ch.	536	564	756	849	653	710	757
Other Non-recurring Inc.	41	35	38	460	263	186	152
<b>PBT</b>	<b>165</b>	<b>35</b>	<b>-415</b>	<b>-1,136</b>	<b>-326</b>	<b>649</b>	<b>1,002</b>
Tax	124	144	78	-197	-69	163	252
Tax Rate (%)	74.9	416.8	-18.8	17.3	21.1	25.2	25.2
<b>Adjusted PAT</b>	<b>41</b>	<b>-109</b>	<b>-493</b>	<b>-940</b>	<b>-257</b>	<b>485</b>	<b>749</b>
Change (%)	-37.5	P/L	-	-	-	L/P	54.4
Margin (%)	0.7	-1.5	-5.8	-18.5	-3.0	3.6	4.5
Non-rec. (Exp)/Inc.	-99	-275	164	21	0	0	0
Minority interest	0	0	-5	-14	0	0	0
<b>Reported PAT</b>	<b>-58</b>	<b>-384</b>	<b>-324</b>	<b>-905</b>	<b>-257</b>	<b>485</b>	<b>749</b>

Balance Sheet						(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Share Capital	138	140	140	170	195	195	195
Reserves	1,312	1,176	-81	2,269	3,665	4,150	4,900
<b>Net Worth</b>	<b>1,450</b>	<b>1,316</b>	<b>59</b>	<b>2,439</b>	<b>3,860</b>	<b>4,345</b>	<b>5,094</b>
Loans	1,277	1,579	2,450	1,528	218	400	400
Lease Liabilities	3,507	4,200	4,816	4,498	5,887	6,202	6,753
Others	0	0	52	38	93	93	93
<b>Capital Employed</b>	<b>6,234</b>	<b>7,095</b>	<b>7,377</b>	<b>8,503</b>	<b>10,057</b>	<b>11,041</b>	<b>12,340</b>
Gross Block	7,446	9,619	11,910	12,049	14,728	16,076	17,593
Less: Accum. Depn.	2,197	2,986	4,507	5,456	6,728	9,150	11,061
<b>Net Fixed Assets</b>	<b>5,249</b>	<b>6,634</b>	<b>7,404</b>	<b>6,593</b>	<b>8,000</b>	<b>6,926</b>	<b>6,532</b>
Capital WIP	185	159	109	60	212	212	212
Goodwill	230	190	723	723	723	723	723
Investments	0	0	0	0	0	1,300	1,600
Deferred tax assets	0	0	0	0	0	0	0
<b>Curr. Assets, L&amp;A</b>	<b>1,568</b>	<b>1,209</b>	<b>1,319</b>	<b>4,002</b>	<b>2,478</b>	<b>3,566</b>	<b>5,264</b>
Inventory	190	193	149	202	358	409	548
Account Receivables	56	49	22	26	57	85	91
Cash and Bank Balance	436	120	147	2,455	853	1,499	2,581
Others	886	847	1,001	1,319	1,210	1,573	2,044
<b>Curr. Liab. and Prov.</b>	<b>945</b>	<b>1,057</b>	<b>2,167</b>	<b>2,855</b>	<b>1,356</b>	<b>1,686</b>	<b>1,990</b>
Other Current Liabilities	152	141	894	1,237	199	209	213
Creditors	673	768	1,125	1,468	988	1,301	1,597
Provisions	120	148	148	150	168	177	180
<b>Net Curr. Assets</b>	<b>623</b>	<b>152</b>	<b>-848</b>	<b>1,147</b>	<b>1,122</b>	<b>1,880</b>	<b>3,274</b>
Current tax liabilities	-53	-40	-11	-20	0	0	0
<b>Appl. of Funds</b>	<b>6,234</b>	<b>7,095</b>	<b>7,377</b>	<b>8,503</b>	<b>10,057</b>	<b>11,041</b>	<b>12,340</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Basic (INR)</b>							
EPS	1.5	-3.9	-17.6	-27.7	-6.6	12.5	19.3
BV/Share	52.5	47.0	2.1	71.9	99.2	111.7	130.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>							
P/E	795.5	N/M	N/M	N/M	N/M	95.9	62.1
EV/Sales	5.8	4.7	4.2	7.8	5.3	3.3	2.6
EV/EBITDA	24.8	23.9	21.8	85.5	34.3	15.4	12.1
P/BV	22.8	25.4	565.7	16.6	12.1	10.7	9.1
<b>Return Ratios (%)</b>							
RoE	2.9	-8.3	-833.5	-38.5	-6.7	11.2	14.7
RoCE	3.2	-28.5	5.6	-3.0	2.8	9.6	11.3
RoIC	3.3	-28.7	5.2	-9.4	0.7	10.3	15.0
<b>Working Capital Ratios</b>							
Debtor (Days)	3	2	1	2	2	2	2
Inventory (Days)	12	10	6	15	15	11	12
Creditor (Days)	42	38	48	106	42	35	35
Asset Turnover (x)	0.9	1.0	1.1	0.6	0.9	1.2	1.3
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.9	1.2	41.4	0.6	0.1	0.1	0.1

### Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>(INR m)</b>							
OP/(loss) before Tax	66	-295	-251	-1,115	-321	649	1,002
Int./Div. Received	8	207	-149	-412	-137	-186	-152
Depreciation & Amort.	753	1,022	1,340	1,212	1,273	1,699	1,911
Interest Paid	-472	-488	-659	-739	-500	-710	-757
Direct Taxes Paid	145	143	78	-12	31	163	252
Inc/(Dec) in WC	-121	57	-291	-244	686	112	312
<b>CF from Operations</b>	<b>1,275</b>	<b>1,223</b>	<b>1,811</b>	<b>679</b>	<b>598</b>	<b>2,597</b>	<b>2,954</b>
Inc/(Dec) in FA	-1,010	-1,299	-840	-143	-932	-1,347	-1,517
<b>Free Cash Flow</b>	<b>266</b>	<b>-76</b>	<b>971</b>	<b>536</b>	<b>-334</b>	<b>1,249</b>	<b>1,437</b>
Others	42	7	-678	71	30	3,007	2,485
Pur of Investments	3	0	0	0	0	-1,300	-300
<b>CF from Invest.</b>	<b>-965</b>	<b>-1,292</b>	<b>-1,518</b>	<b>-72</b>	<b>-902</b>	<b>359</b>	<b>668</b>
Issue of Shares	478	320	1	1,495	1,844	0	0
Incr in Debt	405	302	876	73	-1,310	182	0
Dividend Paid	-33	-34	-34	0	0	0	0
Others	-778	-836	-1,109	133	-1,832	-2,493	-2,540
<b>CF from Fin. Activity</b>	<b>73</b>	<b>-247</b>	<b>-265</b>	<b>1,700</b>	<b>-1,298</b>	<b>-2,310</b>	<b>-2,540</b>
<b>Incr/Decr of Cash</b>	<b>384</b>	<b>-316</b>	<b>27</b>	<b>2,308</b>	<b>-1,602</b>	<b>646</b>	<b>1,082</b>
Add: Opening Balance	53	436	120	147	2,455	853	1,499
<b>Closing Balance</b>	<b>436</b>	<b>120</b>	<b>147</b>	<b>2,455</b>	<b>853</b>	<b>1,499</b>	<b>2,581</b>

E: MOFSL Estimates

NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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