

Barbeque Nation Hospitality

Estimate change

TP change

Rating change



CMP: INR684

TP: INR650 (-5%)

Neutral

SSSG remains weak; expect recovery in 2HFY24

- Barbeque Nation Hospitality (BARBEQUE) reported a weak performance in 1QFY24. Revenue grew 3% YoY while EBITDA declined 34% YoY. Lower SSSG and a contraction in GM resulted in a sharp moderation of 800bp YoY in EBITDA margin. Additionally, it closed four stores on a net basis.
- Demand outlook remains bleak and the management has reduced its new store opening guidance at 10 (net) in FY24 vs. 31 in FY23. The stock is currently trading at 72x FY25E EPS and 15x FY25E EV/EBITDA (pre-Ind-AS). We **reiterate our Neutral rating** on the stock with a TP of INR650, based on 14x FY25E EV/EBITDA (pre-Ind-AS).

Subdued performance results in a net loss

- Sales grew 3% YoY/16% QoQ to INR3.2b (in line) led by 7.7% decline in SSS (vs. est. -8%) and 9% YoY growth in stores. It opened four stores and closed eight in 1QFY24, leading to a total of 212 stores.
- Out of these 212 stores, BARBEQUE has 190 domestic stores, seven international stores and 15 Toscano outlets.
- Gross profit declined 1% YoY/up 12% QoQ to INR2.1b (in line) and margin contracted 280bp/180bp YoY/QoQ to 64.0%.
- EBITDA declined 34% YoY/up 17% QoQ to INR468m (5% miss) and margin dipped 800bp YoY to 14.4%. ROM contracted 780bp YoY to 11.8% due to lower GM and operating deleverage.
- The company reported a loss of INR72m (est. loss of INR31m) vs. PAT of INR160m in 1QFY23.

Highlights from the management commentary

- SSSG is likely to remain weak in 2QFY24 due to Hindu festival season and the management is expecting a recovery from 2HFY24.
- The management has reduced its new store opening guidance at 10 (net) in FY24. On a gross basis, management expects to add 20 stores – five Toscano outlets, three BBQ International and 12 BBQ India stores.
- The company is looking for both organic (volume growth) and inorganic opportunities to drive revenue.

Valuation and view

- Due to muted commentary for 1HFY24 and lower store addition guidance, we cut our revenue/EBITDA estimates by 5%/6% for FY25 and project a CAGR of 11%/12% in revenue/EBITDA during FY23-25.
- We **reiterate our Neutral rating** on fair valuations, lower return ratios as compared to QSRs, and potential vulnerability of its higher ticket size delivery business in an inflationary environment. We arrive at our TP of INR650 based on 14x FY25E EV/EBITDA (pre-Ind-AS).



Bloomberg	BARBEQUE IN
Equity Shares (m)	39
M.Cap.(INRb)/(USD\$b)	26.7 / 0.3
52-Week Range (INR)	1219 / 593
1, 6, 12 Rel. Per (%)	1/-29/-53
12M Avg Val (INR M)	93

Financials & Valuations (INR b)

Y/E March (INR b)	FY23	FY24E	FY25E
Sales	12.3	13.4	15.1
Sales growth (%)	43.4	8.9	12.4
EBITDA	2.3	2.4	2.9
Margins (%)	18.7	17.5	19.0
Adj. PAT	0.2	0.2	0.4
Adj. EPS (INR)	3.9	4.5	9.4
EPS Growth (%)	L/P	15.0	107.4
BV/Sh.(INR)	102.9	107.4	116.8

Ratios

RoE (%)	3.8	4.2	8.0
RoCE (%)	6.2	6.2	8.2

Valuations

P/E (x)	172.2	149.8	72.2
P/BV (x)	6.6	6.3	5.8
EV/EBITDA (x)	14.2	13.6	11.0
EV/Sales (x)	2.7	2.4	2.1

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	33.8	33.8	34.0
DII	25.5	27.6	27.5
FII	17.0	16.7	15.8
Others	23.7	22.0	22.7

FII Includes depository receipts

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Quarterly Performance

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	(%)
SSSG (%)	182.0	23.4	-1.2	-2.6	-7.7	-6.0	7.0	7.1	27.5	0.0	-8.0	
No. of stores	195	205	212	216	212	217	222	226	216	226	221	
Net Sales	3,149	3,105	3,282	2,802	3,239	3,268	3,899	3,025	12,338	13,431	3,281	-1.3
YoY change (%)	208.8	40.6	14.5	11.6	2.9	5.3	18.8	8.0	43.4	8.9	4.2	
Gross Profit	2,103	2,051	2,189	1,843	2,073	2,108	2,573	1,976	8,186	8,730	2,116	
Margin (%)	66.8	66.1	66.7	65.8	64.0	64.5	66.0	65.3	66.3	65.0	64.5	
EBITDA	705	583	620	399	468	526	873	483	2,306	2,350	492	-5.0
EBITDA growth %	N/M	41.1	-5.7	-10.5	-33.6	-9.7	41.0	21.2	72.4	1.9	-30.1	
Margin (%)	22.4	18.8	18.9	14.2	14.4	16.1	22.4	16.0	18.7	17.5	15.0	
Depreciation	352	350	382	366	375	375	375	408	1,450	1,533	388	
Interest	175	180	183	180	187	143	143	170	717	643	165	
Other Income	30	16	12	22	9	9	9	13	80	40	20	
PBT	208	69	67	-125	-86	17	364	-81	219	215	-42	106.8
Tax	48	26	17	-26	-14	3	66	-16	66	39	-10	
Rate (%)	23.1	38.3	25.7	20.7	16.6	18.0	18.0	19.5	30.1	18.0	25.2	
Adjusted PAT	160	43	50	-99	-72	14	299	-65	153	176	-31	130.5
YoY change (%)	N/M	39.2	-66.1	-2,138.8	-144.7	-66.9	503.0	-34.4	-	15.0	-119.4	

E: MOFSL Estimates



Key takeaways from the management interaction

Operating performance

- The company reported 3% sales growth due to the higher base impact of last year.
- The focus was to drive growth through volume and hence volume grew 20% QoQ while the dine-in realization contracted 5% QoQ.
 - Volume growth could be achieved by: a) reducing the prices, b) upgrading the restaurant design, c) strengthening service culture and d) enhancing guest satisfaction.
 - On the delivery side, the AOV was at INR500 (excl. GST and discounts).
- The company opened two BBQN India stores, one BBQ international store and one Toscano outlet while it closed eight stores due to poor store economics. The company is considering renegotiation of rent for opening two stores.
 - **Guidance** – It could add 10 stores on net basis in FY24 and 20 on gross basis. There could be closure in 2QFY24 as well.
 - On a gross level, Toscano can add around five stores, BBQ International can add three and BBQ India can add 12 stores.
 - Out of 212 stores, around 152 stores are matured ones.
 - The stores are split equally among East, West, South and North
- The company is looking for both organic (volume growth) and inorganic opportunities to drive revenue
- Lower price realization led to lower ROM in this quarter.

Current environment -

- SSSG is likely to remain weak in 2QFY24 due to Hindu festival season and the management is expecting a recovery from 2HFY24.
- Before Covid, the delta between 1Q and 4Q remained at -8%, where -5% would be contributed from volume and -3% from realization.
- Further, delta between 1Q and 2Q was at 4-5%.
- Once the environment improves, the company can increase the pace of store adds.

Capex

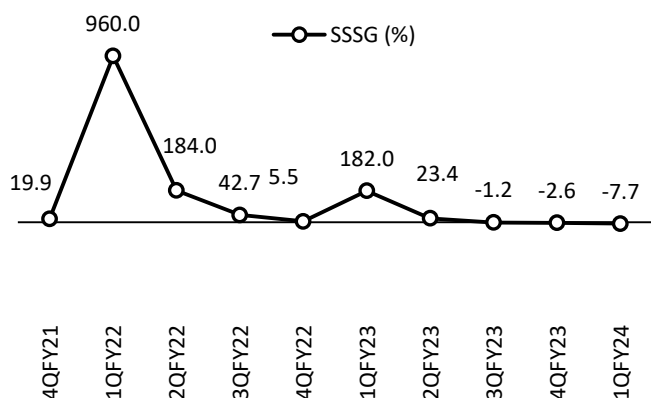
- Capex per outlet has gone up to INR31m and a store requires 40 staff on an average.
- Quarterly run-rate of reported depreciation would be around INR370m and INR180m on pre-Ind AS basis (i.e. INR4m/outlet per year)

Others

- Dumsafar – there was a MoM increase in ADS of INR5k
- The company has two commissaries in India – in Mumbai and in Delhi.
- Around 50% of the revenue comes from the existing customers and average group size is 4-5 people.

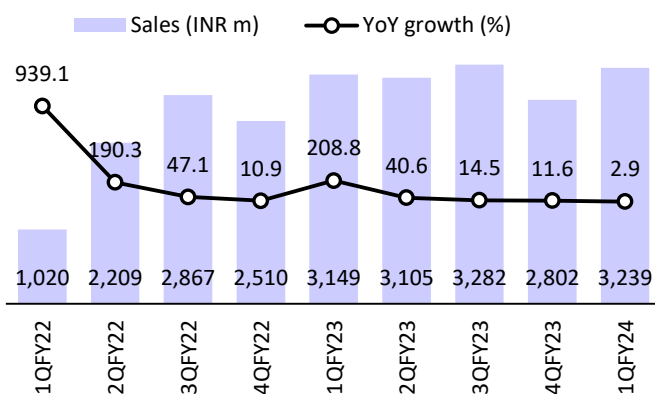
Key Exhibits

Exhibit 1: SSSG remained weak



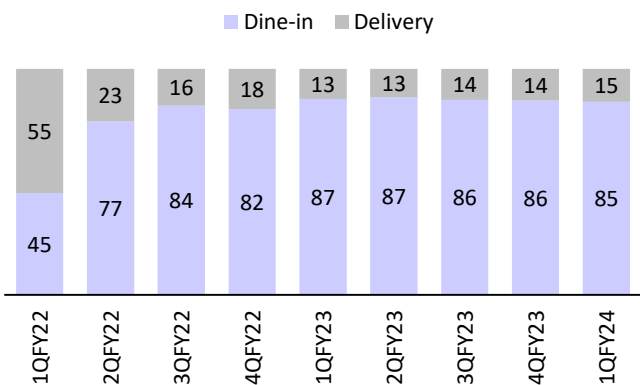
Source: Company, MOFSL

Exhibit 2: Net sales grew 3% YoY led by store adds



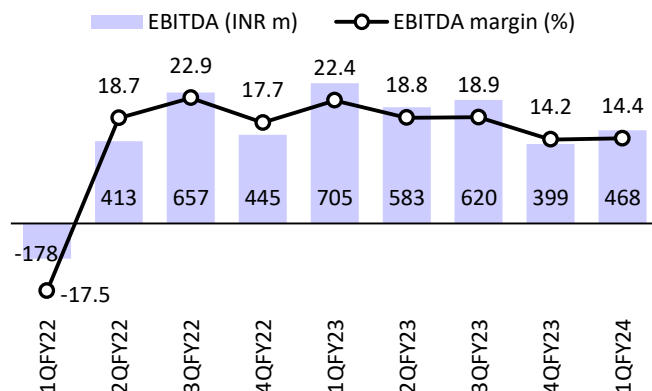
Source: Company, MOFSL

Exhibit 3: Delivery segment grew higher than Dine-in



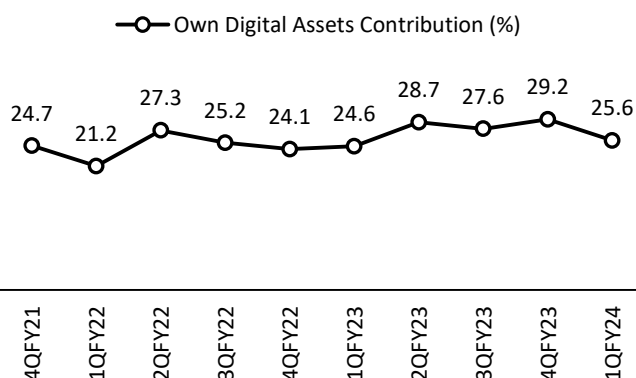
Source: Company, MOFSL

Exhibit 4: EBITDAM dipped 800bp YoY due to decline in GM



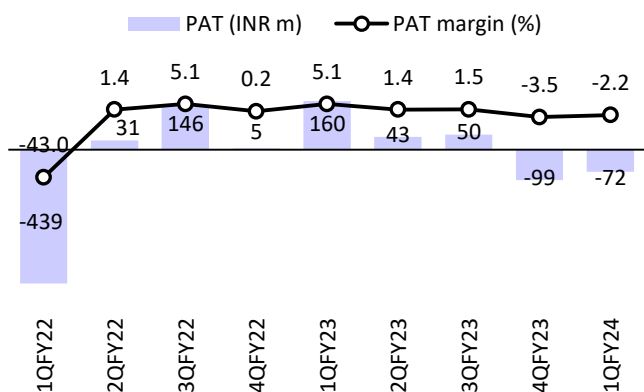
Source: Company, MOFSL

Exhibit 5: Contribution from its own digital assets declined



Source: Company, MOFSL

Exhibit 6: Company continued to post losses in 1QFY24



Source: Company, MOFSL

Exhibit 7: We cut our estimates for FY24/FY25

	FY24E	FY25E
Revenue (INR m)		
Old	13,835	15,831
Actual/New	13,431	15,099
Change (%)	-2.9	-4.6
Gross Profit (INR m)		
Old	9,103	10,480
Actual/New	8,730	9,965
Change (%)	-4.1	-4.9
Gross margin (%)		
Old	65.8%	66.2%
Actual/New	65.0%	66.0%
Change (bp)	-80	-20
EBITDA (INR m)		
Old	2,601	3,040
Actual/New	2,350	2,869
Change (%)	-9.6	-5.6
EBITDA margin (%)		
Old	18.8%	19.2%
Actual/New	17.5%	19.0%
Change (bp)	-130	-20
Net Profit (INR m)		
Old	349	452
Actual/New	176	365
Change (%)	-49.5	-19.2
EPS (INR)		
Old	9.0	11.6
Actual/New	4.5	9.4
Change (%)	-49.5	-19.2

Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Net Sales	5,863	7,390	8,470	5,071	8,606	12,338	13,431	15,099
Change (%)	19.8	26.0	14.6	-40.1	69.7	43.4	8.9	12.4
Material Consumed	1,978	2,476	2,922	1,782	3,047	4,152	4,701	5,134
Gross Profit	3,885	4,914	5,548	3,288	5,558	8,186	8,730	9,965
Gross Margin %	66.3	66.5	65.5	64.8	64.6	66.3	65.0	66.0
Operating expenses	2,522	3,455	3,906	2,825	4,221	5,880	6,380	7,097
EBITDA	1,363	1,459	1,642	464	1,337	2,306	2,350	2,869
Change (%)	15.9	7.0	12.6	-71.8	188.3	72.4	1.9	22.1
Margin (%)	23.2	19.7	19.4	9.1	15.5	18.7	17.5	19.0
Depreciation	703	895	1,340	1,212	1,273	1,450	1,533	1,637
Int. and Fin. Ch.	536	564	756	849	653	717	643	816
Other Non-recurring Inc.	41	35	38	460	263	80	40	40
PBT	165	35	-415	-1,136	-326	219	215	457
Change (%)	26.6	-79.1	P/L	-	-	L/P	-1.9	112.6
Margin (%)	2.8	0.5	-4.9	-22.4	-3.8	1.8	1.6	3.0
Tax	124	144	78	-197	-69	66	39	91
Tax Rate (%)	74.9	416.8	-18.8	17.3	21.1	30.1	18.0	20.0
Adjusted PAT	41	-109	-493	-940	-257	153	176	365
Change (%)	-37.5	P/L	-	-	-	L/P	15.0	107.4
Margin (%)	0.7	-1.5	-5.8	-18.5	-3.0	1.2	1.3	2.4
Non-rec. (Exp)/Inc.	-99	-275	164	21	5	38	0	0
Minority interest	0	0	-5	-14	4	21	0	0
Reported PAT	-58	-384	-324	-905	-256	170	176	365

Balance Sheet							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Share Capital	138	140	140	170	195	195	195	195
Reserves	1,312	1,176	-81	2,269	3,665	3,816	3,993	4,358
Net Worth	1,450	1,316	59	2,439	3,860	4,011	4,188	4,553
Loans	1,277	1,579	2,450	1,528	218	196	196	196
Lease Liabilities	3,507	4,200	4,816	4,498	5,887	6,649	7,161	8,251
Others	0	0	52	38	93	82	82	82
Capital Employed	6,234	7,095	7,377	8,503	10,057	10,939	11,627	13,082
Gross Block	7,446	9,619	11,910	12,049	14,728	17,571	18,493	20,016
Less: Accum. Depn.	2,197	2,986	4,507	5,456	6,728	8,178	9,711	11,348
Net Fixed Assets	5,249	6,634	7,404	6,593	8,000	9,393	8,782	8,668
Lease Deposits	0	0	0	0	0	0	0	0
Capital WIP	185	159	109	60	212	273	273	273
Goodwill	230	190	723	723	723	723	723	723
Curr. Assets, L&A	1,568	1,209	1,319	4,002	2,478	2,200	3,551	5,281
Inventory	190	193	149	202	358	421	442	496
Account Receivables	56	49	22	26	57	74	74	83
Cash and Bank Balance	436	120	147	2,455	853	426	1,757	3,422
Others	886	847	1,001	1,319	1,210	1,280	1,280	1,280
Curr. Liab. and Prov.	945	1,057	2,167	2,855	1,356	1,647	1,699	1,859
Other Current Liabilities	152	141	894	1,237	199	227	227	227
Creditors	673	768	1,125	1,468	988	1,235	1,288	1,448
Provisions	120	148	148	150	168	185	185	185
Net Curr. Assets	623	152	-848	1,147	1,122	553	1,852	3,421
Current tax liabilities	-53	-40	-11	-20	0	-4	-4	-4
Appl. of Funds	6,234	7,095	7,377	8,503	10,057	10,939	11,626	13,082

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Basic (INR)								
EPS	1.5	-3.9	-17.6	-27.7	-6.6	3.9	4.5	9.4
BV/Share	52.5	47.0	2.1	71.9	99.2	102.9	107.4	116.8
DPS	0.0	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	0.0
Valuation (x)								
P/E	450.5	N/M	N/M	N/M	N/M	172.2	149.8	72.2
EV/Sales	3.9	3.3	3.1	5.2	3.7	2.7	2.4	2.1
EV/EBITDA	16.9	16.9	15.9	57.2	23.6	14.2	13.6	11.0
P/BV	12.9	14.4	320.3	9.4	6.8	6.6	6.3	5.8
Return Ratios (%)								
RoE	2.9	-8.3	-833.5	-38.5	-6.7	3.8	4.2	8.0
RoCE	3.2	-28.5	5.6	-3.0	2.8	6.2	6.2	8.2
RoIC	3.3	-28.7	5.2	-9.4	0.7	6.2	6.8	10.4
Working Capital Ratios								
Debtor (Days)	3	2	1	2	2	2	2	2
Inventory (Days)	12	10	6	15	15	12	12	12
Creditor (Days)	42	38	48	106	42	37	35	35
Asset Turnover (x)	0.9	1.0	1.1	0.6	0.9	1.1	1.2	1.2
Leverage Ratio								
Debt/Equity (x)	0.9	1.2	41.4	0.6	0.1	0.0	0.0	0.0

Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
(INR m)								
OP/(loss) before Tax	66	-295	-251	-1,115	-321	257	215	457
Int./Div. Received	8	207	-149	-412	-137	28	-40	-40
Depreciation & Amort.	753	1,022	1,340	1,212	1,273	1,450	1,533	1,637
Interest Paid	-472	-488	-659	-739	-500	-559	-643	-816
Direct Taxes Paid	145	143	78	-12	31	57	39	91
Inc/(Dec) in WC	-121	57	-291	-244	686	-38	-32	-96
CF from Operations	1,275	1,223	1,811	679	598	2,276	2,344	2,873
Inc/(Dec) in FA	-1,010	-1,299	-840	-143	-932	-1,459	-521	-723
Free Cash Flow	266	-76	971	536	-334	817	1,822	2,150
Others	42	7	-678	71	30	-59	667	837
Pur of Investments	3	0	0	0	0	0	0	0
CF from Invest.	-965	-1,292	-1,518	-72	-902	-1,518	146	114
Issue of Shares	478	320	1	1,495	1,844	15	0	0
Incr in Debt	405	302	876	73	-1,310	-22	0	0
Dividend Paid	-33	-34	-34	0	0	0	0	0
Others	-778	-836	-1,109	133	-1,832	-1,179	-1,159	-1,322
CF from Fin. Activity	73	-247	-265	1,700	-1,298	-1,186	-1,159	-1,322
Incr/Decr of Cash	384	-316	27	2,308	-1,602	-428	1,331	1,666
Add: Opening Balance	53	436	120	147	2,455	853	426	1,757
Closing Balance	436	120	147	2,455	853	426	1,757	3,422

E: MOSL Estimates

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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

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