

Barbeque-Nation

BSE SENSEX
71,337

S&P CNX
21,441

CMP: INR664

TP: INR690 (+4%)

Neutral



Stock Info

Bloomberg	BARBEQUE IN
Equity Shares (m)	39
M.Cap.(INRb)/(USDb)	25.9 / 0.3
52-Week Range (INR)	1000 / 592
1, 6, 12 Rel. Per (%)	-1/-16/-51
12M Avg Val (INR M)	87

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Net Sales	12.3	12.7	14.4
EBITDA	2.3	1.9	2.6
PAT	0.2	(0.3)	0.1
EPS (INR)	3.9	(6.8)	3.2
GR. (%)	-	-	-
BV/Sh (INR)	102.9	96.1	99.3

Ratios

ROE (%)	0.1	(0.2)	0.1
RoCE (%)	6.2	2.8	7.2

Valuations

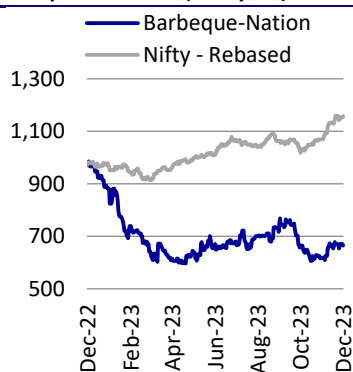
P/E (X)	151.8	(97.3)	204.6
P/BV (X)	6.4	6.9	6.7
EV/EBITDA (X)	13.9	16.1	11.8
Div Yield (%)	-	-	-

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	33.8	33.8	33.8
DII	25.1	24.5	26.7
FII	18.1	18.0	16.6
Others	23.0	23.7	22.9

FII Includes depository receipts

Stock performance (one-year)



Valuation play

Barbeque-Nation (BARBEQUE) is among the few scalable casual dining players with a healthy store economics and net cash balance sheet. In the last one year, weak macro has adversely impacted SSSG earnings. Management has rationalized the store and with a steady CFO, it is well-positioned to comfortably manage 15-20% growth through internal funding once the market recovers. At EV/Sales of 1.4x and EV/EBITDA of 14x on FY26E, it is the lowest in the retail space, offering a better risk reward opportunity.

Management's rational approach

Over the last few quarter, macro headwinds have had an adverse impact on SSSG (average at -6%). Taking cognizance of the weak environment and sluggish ADS, the company had decided to pause new store additions in FY24 and is redirecting its focus toward optimizing store economics by closing down unprofitable stores (closed 19 stores in last 12 months). We expect the company to resume its target of adding 25-30 stores across formats from FY25 onwards, on the back of recovery in the demand environment.

Steady store economics

BARBEQUE is among the few scalable casual dining players, with a robust brand that deeply connects with consumers. Its healthy store economics, marked by an ADS and revenue/store of INR160k/INR58m per store, contribute to achieving a 20-22% store-level EBITDA margin with a payback period of three years. This is due to its right product-pricing strategy, appropriate store size of 4,500 sqft (rationalizing further to 3,500-4,000 sqft) and standardized product, which is difficult to scale in the casual dining. Even amidst the current weak environment, it's expected to achieve 12-16% restaurant EBITDA margin. Similarly, formats such as SALT and Toscano demonstrate similar strong store economics.

Growth from internal accruals

BARBEQUE has a strong cash flow and a healthy debt-free balance sheet that should help drive growth without any external capital. We expect it to generate INR760m CFO in FY24, and INR1.5b in FY25 which should comfortably suffice for ~15% store adds, i.e., 30-40 store adds, (Capex INR28m/store) even in a down cycle. Out of 30-40 store adds target, BARBEQUE India would be adding around 15-17 stores, BARBEQUE international ~3-4 stores, Toscano/SALT ~5 stores each and the remaining in Fiesta. The company has now 4 formats in CDR/FDR viz., BARBEQUE (India and International), Toscano, SALT, Fiesta (covering existing BARBEQUE format). Additionally, it has embraced a delivery channel representing 15% of sales delivery channel - UBQ and Dum Safar. Both India and international formats should grow independently through internal accruals.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Weak current environment

The current environment continues to be challenging, largely due to a) Navratri/Shraad in Oct'23 and b) the world cup in Nov'23 affecting performance. However, the store rationalization efforts are expected to improve pre-Ind AS EBITDA margins. Closure of loss-making stores and streamlined cost optimization measures are expected to support growth through internal accruals. Further, with the cycle of low base, and improving market conditions, we expect the earnings to bottom out in the next couple of quarters. A strong cash flow and internally funded growth should bode well in the future.

Valuation comfort high

BARBEQUE with a strong cash flow, net cash balance sheet, and well-funded growth engine is trading at EV/Sales of 1.4x vs. other QSR players at 2-4x. We have cut our Revenue estimates for FY24/25 by 3%/5% and EBITDA estimates by 12%/5%. The stock is currently trading at 14x FY25E EV/EBITDA (pre-Ind-AS), which factors 14%/26% revenue/ EBITDA CAGR over FY24-26. Over the last one year, weak SSSG has adversely impacted earnings and subsequently exerted downward pressure on the stock price (down 35% in the last one year). But the recovery in SSSG should be a key positive catalyst in reviving store-level profitability. We have valued the stock at INR690, using a 15x EV/EBITDA of its Dec'25 EBITDA.

Exhibit 1: Valuation on Dec'25

(INR m)	Dec'25
Target EBITDA	1,630
Multiple	15x
Implied EV	24,448
Implied Equity value	26,893
No. of shares	39.0
Target Price	690
CMP	664
Upside	4%

Source: MOFSL, Company

Management’s rational approach

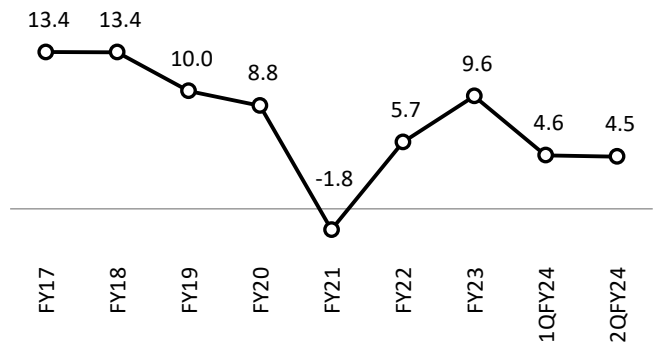
- Over the last few quarters, macro headwinds have adversely impacted SSSG (decline by average 6%). This has led to a decline in pre Ind AS EBITDA margin from around 9% in FY20 to 4.5% in 1HFY24. Even during challenging times, the company is able to generate positive pre Ind-AS 116 EBITDA margin.

Exhibit 2: Witnessing weak SSSG (%) over the last four quarters...



Source: MOFSL, Company

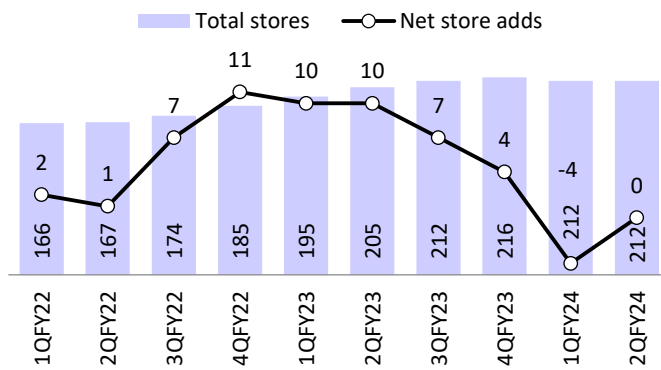
Exhibit 3: ... and decline in pre Ind AS EBITDA 116 (margin)



Source: MOFSL, Company

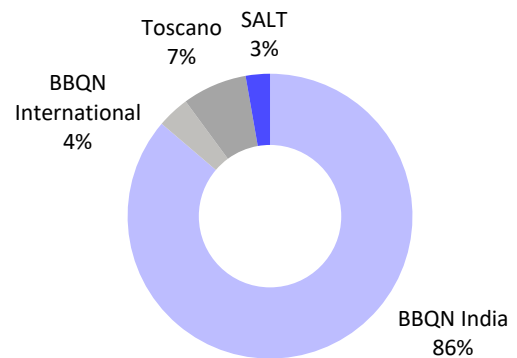
- Taking cognizance of the weak environment and sluggish ADS, the company had decided to put a pause on new store additions in FY24 and it is redirecting its focus on optimizing store economics by shutting down unprofitable stores.

Exhibit 4: Slowed down the net store add pace



Source: MOFSL, Company

Exhibit 5: Portfolio of formats as on 2QFY24



Source: MOFSL, Company

Steady store economics

- BARBEQUE currently operates four formats in CDR/FDR viz., BARBEQUE (India and International), Toscano, SALT, and Fiesta (covering existing BARBEQUE format). All formats consistently achieve a 20-23% pre Ind-AS restaurant EBITDA margin.

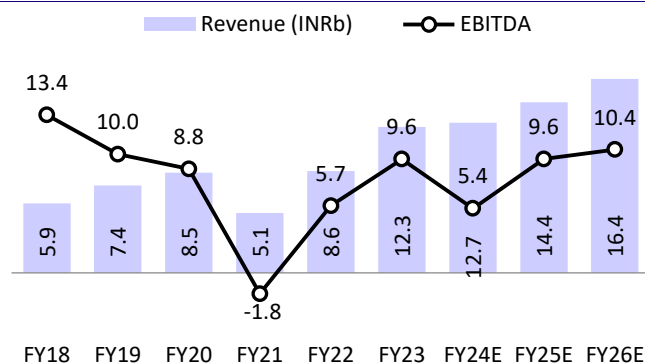
Exhibit 6: Store economics of various formats

(INR m)	BARBEQUE	Toscano	SALT	International
Area	4500 sqft	3000 sqft	3000 sqft	NA
capex	28	27.5	25	50
Revenue	65.0	65	55	120
GP	42.3	46.9	38.3	90.0
margin	65%	72%	70%	75%
Employees	11.7	13.0	10.9	20.4
% to sales	18%	20%	20%	17%
Rent	7.15	8.5	7.1	15.6
% to sales	11%	13%	13%	13%
Utilities	2.6	2.6	2.2	4.8
% to sales	4%	4%	4%	4%
Others	6.5	7.8	7.4	19.2
% to sales	10%	12%	14%	16%
EBITDA	14.3	15.0	10.6	30.0
margin	22%	23%	19.4%	25%
Depreciation	2.8	2.75	2.5	5
EBIT	11.5	12.2	8.1	25.0
Tax	3.5	3.7	2.4	7.5
PAT	8.1	8.6	5.7	17.5
CFO	10.9	11.3	8.2	22.5
CFO/capex	38.8%	41.1%	32.7%	45.0%
RoCE	41.1%	44.4%	32.4%	50.0%

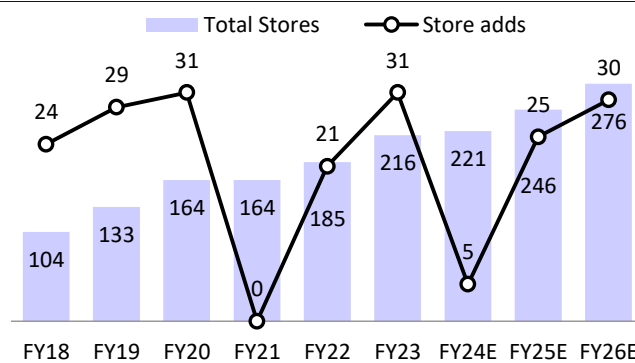
Source: MOFSL, Company

Growth from internal accruals

- BARBEQUE has a strong cash flow and a healthy debt-free balance sheet that should help drive growth without any external capital.
- We expect it to generate INR760m CFO in FY24, and INR1.5b in FY25, which should comfortably suffice for ~15% store adds, i.e., 30-40 store adds, (Capex INR28m/store) even in a down cycle.
- Out of 30-40 store adds target, BARBEQUE India would be adding around 15-17 stores, BARBEQUE international ~3-4 stores, Toscano/SALT ~5 stores each and the remaining in Fiesta. Both India and international formats should grow independently through internal accruals.

Exhibit 7: Revenue/Margins (pre Ind-AS) expect to register a CAGR of 14%/500bp over FY24-26E led by store adds/SSSG

Source: MOFSL, Company

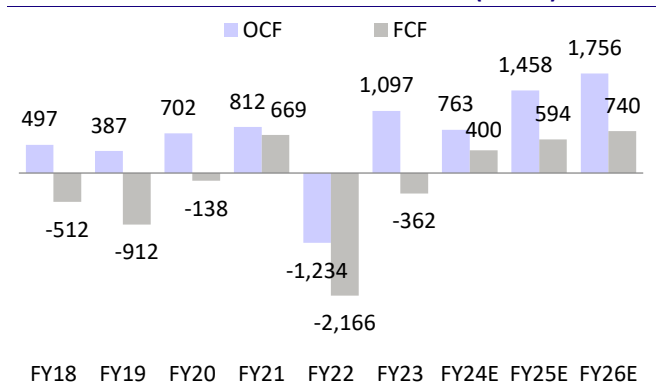
Exhibit 8: Store adds trajectory to pick up from FY25 on the back of demand recovery

Source: MOFSL, Company

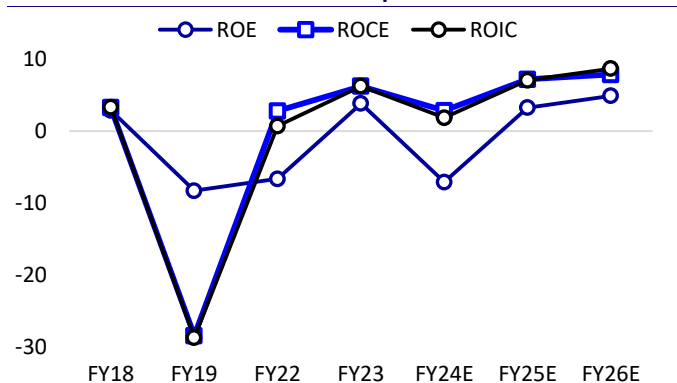
Exhibit 9: Comparison of pre Ind-AS EBITDA margin: BARBEQUE margins in line with Pizza Hut and Burger King (India)

Pre-Ind AS 116	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
BARBEQUE	10.0	8.8	-1.8	5.7	9.6	5.4	9.6
KFC (Devyani)	11.7	8.2	11.4	15.8	16.1	15.5	16.5
KFC (Sapphire)	5.2	6.4	6.1	12.2	14.8	15.2	16.1
Pizza Hut (Devyani)	8.8	2.8	6.0	10.7	10.3	6.0	10.5
Pizza Hut (Sapphire)	-0.1	0.6	-2.9	4.9	8.7	4.5	8.0
JUBI	16.8	14.8	15.8	17.9	15.4	14.6	15.9
WLDL	8.9	9.4	-0.2	7.5	12.4	13.6	14.0
Burger King (India)	2.4	2.4	-2.7	-1.4	2.5	5.3	7.2

Source: MOFSL, Company

Exhibit 10: Growth from internal accruals (INR m)

Source: MOFSL, Company

Exhibit 11: Return ratios could improve

Source: MOFSL, Company

Valuation comfort high

- BARBEQUE with a strong cash flow, net cash balance sheet, and a well-funded growth engine is trading at EV/Sales of 1.4x vs other QSR players at 2-4x.
- We have cut our Revenue estimates for FY24/25 by 3%/5% and EBITDA estimates by 12%/5%, factoring 14%/26% revenue/ EBITDA CAGR over FY24-26. (Exhibit 12).
- Over the last one year, weak SSSG has adversely impacted earnings and subsequently exerted downward pressure on the stock price (down 35% in the last one year). But the recovery in SSSG should be a key positive catalyst in reviving store-level profitability.
- We have valued the stock at INR690, using a 15x EV/EBITDA of its Dec'25 EBITDA.

Exhibit 12: Estimate change table

	FY24E	FY25E
Revenue (INR m)		
Old	13,108	15,149
Actual/New	12,697	14,428
Change (%)	-3.1	-4.8
Gross Profit (INR m)		
Old	8,586	9,998
Actual/New	8,317	9,522
Change (%)	-3.1	-4.8
Gross margin (%)		
Old	65.5%	66.0%
Actual/New	65.5%	66.0%
Change (bp)	0	0
EBITDA (INR m)		
Old	2,196	2,765
Actual/New	1,936	2,626
Change (%)	-11.8	-5.0
EBITDA margin (%)		
Old	16.8%	18.3%
Actual/New	15.3%	18.2%
Change (bp)	-150	-5
Net Profit (INR m)		
Old	-59	343
Actual/New	-265	126
Change (%)	350.7	-63.2
EPS (INR)		
Old	-1.5	8.8
Actual/New	-6.8	3.2
Change (%)	350.7	-63.2

Source: MOFSL, Company

Exhibit 13: QSR valuation table

Companies	M.Cap (INR b)	CMP (INR)	Revenue (INR b)			EBITDA (Pre Ind AS-116)			EBITDA Margins (%) (Pre Ind AS-116)			EBITDA margins (%) (Post Ind AS-116)			PAT (INR b)		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
QSR																	
Devyani	227	188	35	43	51	5	6	8	13.0	14.9	15.2	20.3	22.2	22.5	1.3	2.7	3.5
Sapphire	91	1,435	28	34	42	3	5	6	11.8	13.2	14.2	18.6	20.0	21.0	1.1	1.7	2.6
Jubilant	369	559	55	63	72	8	10	12	14.6	15.9	16.0	22.1	23.4	23.5	3.7	5.0	6.0
Westlife	135	865	26	31	36	4	4	5	13.6	14.0	14.5	17.1	17.5	18.0	1.4	1.9	2.7
BARBEQUE	26	672	13	15	17	1	1	2	7.9	9.7	10.5	16.8	18.3	18.7	-0.1	0.3	0.5
RBA	58	118	26	34	42	1	2	3	3.1	5.8	8.0	10.9	13.1	15.1	-0.9	0.2	1.7

Companies	ROCE (%)			P/E			EV/Sales			EV/EBITDA (Pre Ind AS-116)			EV/EBITDA (Post Ind AS-116)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
QSR															
Devyani	11.1	12.9	13.4	132.8	85.9	66.0	7.0	5.8	4.4	49.8	35.2	28.8	34.4	26.0	19.5
Sapphire	7.9	9.8	12.0	80.8	53.2	35.4	3.6	2.9	2.0	27.1	19.5	14.5	19.3	14.6	9.8
Jubilant	10.9	12.8	14.3	99.1	74.1	61.4	7.0	6.2	1.0	44.5	36.3	31.8	31.5	26.5	4.2
Westlife	11.2	12.9	14.2	99.2	69.5	49.4	5.6	4.7	3.6	37.9	30.7	24.8	32.7	27.0	20.0
BARBEQUE	4.9	8.2	8.6	N/M	76.3	54.4	2.4	2.0	1.2	23.6	15.5	11.5	14.4	11.2	6.4
RBA	0.9	6.7	12.9	N/M	262.1	34.1	2.6	2.1	1.7	70.3	30.0	17.3	24.0	15.9	11.1

Financials and Valuation

Income Statement							(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	7,390	8,470	5,071	8,606	12,338	12,697	14,428
change%	26.0	14.6	(40.1)	69.7	43.4	2.9	13.6
Gross Profit	4,914	5,548	3,288	5,558	8,186	8,317	9,522
Gross margin%	0.7	0.7	0.6	0.6	0.7	0.7	0.7
Total Expense	5,932	6,828	4,607	7,268	10,032	10,761	11,802
EBITDA	1,459	1,642	464	1,337	2,306	1,936	2,626
EBITDA Margin%	19.7	19.4	9.1	15.5	18.7	15.3	18.2
Depreciation	895	1,340	1,212	1,273	1,450	1,703	1,825
EBIT	563	303	(748)	65	856	233	801
Interest and finance charge	564	756	849	653	717	741	804
other income	35	38	460	263	80	161	161
PBT Before EO	35	(415)	(1,136)	(326)	219	(347)	158
PBT after EO	(240)	(251)	(1,115)	(321)	257	(347)	158
Total Tax	144	78	(197)	(69)	66	(82)	32
Tax Rate%	(59.9)	(31.0)	17.6	21.4	25.6	23.5	20.0
Minority Interest	-	(5)	(14)	4	21	-	-
Reported PAT	(384)	(324)	(905)	(256)	170	(265)	126
Adjusted PAT	(109)	(493)	(940)	(257)	153	(265)	126
change%	(363.5)	346.2	89.7	(71.8)	(150.6)	(301.2)	(147.5)
margin%	(363.5)	346.2	89.7	(71.8)	(150.6)	(301.2)	(147.5)

E: MOFSL estimates

Balance Sheet							(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	140	140	170	195	195	195	195
Total Reserves	1,176	(81)	2,269	3,665	3,816	3,551	3,677
Networth	1,316	59	2,439	3,860	4,011	3,746	3,872
Other Liability + Def Tax Liabilities	-	52	38	93	82	82	82
Minority Interest	-	-	-	-	-	-	-
Capital Employed	7,095	7,377	8,503	10,057	10,939	10,370	11,064
Gross Block	9,619	11,910	12,049	14,411	16,749	17,313	19,177
Less: Accum Dep	2,986	4,507	5,456	6,410	7,356	9,059	10,884
Fixed Asset (Net Block)	6,634	7,404	6,593	8,000	9,393	8,254	8,294
CWIP	159	109	60	212	273	273	273
Goodwill	190	723	723	723	723	723	723
Total Investment	-	-	-	-	-	-	-
Curr. Assets Loans & Advances	1,089	1,172	1,547	1,624	1,774	1,767	1,833
Inventory	193	149	202	358	421	417	474
Account Receivables	49	22	26	57	74	70	79
Cash and Bank	120	147	2,455	853	426	986	1,740
Loans and Advances	-	-	-	-	-	-	-
Current Liab and Provision	1,096	2,178	2,875	1,356	1,650	1,633	1,799
Account Payables	768	1,125	1,468	988	1,235	1,218	1,383
Other current liabilities	40	11	20	-	4	4	4
Provision	148	148	150	168	185	185	185
Net Current Assets	(7)	(1,006)	(1,329)	269	124	134	34
Application of Funds	7,095	7,377	8,503	10,057	10,939	10,370	11,065

E: MOFSL estimates

Financials and Valuation

Ratios							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	(3.9)	(17.6)	(27.7)	(6.6)	3.9	(6.8)	3.2
Cash EPS	18.3	36.3	9.0	26.1	41.6	36.9	50.0
Book Value	47.0	2.1	71.9	99.2	102.9	96.1	99.3
DPS	-	-	-	-	-	-	-
Payout (incl. div. text)	-	-	-	-	-	-	-
Valuation (X)							
P/E	(48.3)	(57.3)	(24.9)	(100.7)	151.8	(97.3)	204.6
Cash P/E	36.3	18.3	73.3	25.4	15.9	18.0	13.2
Price/ Book Value	14.1	313.5	9.2	6.7	6.4	6.9	6.7
EV/Sales	3.3	3.0	5.1	3.6	2.6	2.5	2.2
EV/EBITDA	16.5	15.6	55.9	23.1	13.9	16.1	11.8
Div Yield (%)	-	-	-	-	-	-	-
Profitability Ratios (%)							
ROE%	(0.3)	(7.5)	(5.2)	(0.3)	0.1	(0.2)	0.1
ROCE%	(28.5)	5.6	(3.0)	2.8	6.2	2.8	7.2
Turnover Ratios (%)							
Asset Turnover (x)	1.1	1.2	0.6	0.9	1.2	1.2	1.3
Debtors (No. of days)	2	1	2	2	2	2	2
Inventory (No. of days)	28	19	41	43	37	35	35
Creditors (No. of days)	113	141	301	118	109	101	103
Leverage Ratios (%)							
Net Debt/ Equity (x)	4.3	120.3	1.5	1.4	1.6	1.5	1.4

E: MOFSL estimates

Cash Flow Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Adj EBITDA	1,459	1,642	464	1,337	2,306	1,936	2,626	
Non Cash Op. Exp (Inc)	(36)	(44)	(40)	(22)	(11)	-	-	
(Inc)/Dec in Wkg Cap	(57)	291	244	(686)	38	(10)	100	
Tax Paid	(143)	(78)	12	(31)	(57)	82	(32)	
Other Operating Activities	-	-	-	-	-	-	-	
CF. From Op Activity	1,223	1,811	679	598	2,276	2,008	2,694	
(Inc)/Dec in FA & CWIP	(1,299)	(840)	(143)	(932)	(1,459)	(364)	(864)	
Free Cashflows	(76)	971	536	(334)	817	1,644	1,829	
(Pur)/ Sale of inv	0	-	-	-	-	-	-	
others	(10)	(700)	40	(28)	(112)	-	-	
CF. From Inv Activity	7	(678)	71	30	(59)	161	161	
(Inc)/ Dec in net worth	320	1	1,495	1,844	15	-	-	
(Inc)/dec in Debt	302	876	73	(1,310)	(22)	-	-	
Interest Paid	(502)	(654)	(226)	(50)	(15)	(125)	(16)	
Dividend Paid (Incl.tax)	(34)	(34)	-	-	-	-	-	
CF. From Fin Activity	(247)	(265)	1,700	(1,298)	(1,186)	(1,244)	(1,236)	
(Inc)/dec in cash	(316)	27	2,308	(1,602)	(428)	560	754	
Add: Opening Balance	436	120	147	2,455	853	426	986	
Closing Balance	120	147	2,455	853	426	986	1,740	

E: MOFSL estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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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