

Barbeque Nation Hospitality

Estimate change



TP change



Rating change

Bloomberg	BARBEQUE IN
Equity Shares (m)	39
M.Cap.(INRb)/(USD)	20.4 / 0.2
52-Week Range (INR)	792 / 495
1, 6, 12 Rel. Per (%)	-10/-31/-42
12M Avg Val (INR M)	76

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	12.5	14.2	16.3
Sales Gr. (%)	1.7	13.1	15.1
EBITDA	2.1	2.5	2.9
Margins (%)	16.9	17.5	17.9
Adj. PAT	-0.1	-0.1	0.1
Adj. EPS (INR)	-2.9	-2.5	1.3
EPS Gr. (%)	N/M	N/M	N/M
BV/Sh.(INR)	100.6	98.0	99.4

Ratios

RoE (%)	-2.8	-2.6	1.3
RoCE (%)	4.5	6.9	6.6

Valuation

P/E (x)	N/M	N/M	391.0
P/BV (x)	5.1	5.3	5.2
EV/EBITDA (x)	12.6	10.6	6.5
Pre-IND AS EV/EBITDA (x)	27.8	18.7	13.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	33.7	33.7	33.8
DII	24.7	25.2	26.5
FII	16.9	17.8	17.8
Others	24.7	23.3	22.0

FII Includes depository receipts

CMP: INR522

TP: INR600 (+15%)

Neutral

Improving SSSG; better margin delivery

- Barbeque Nation (BBQN) delivered 6% revenue growth in 4QFY24, led by the expansion in both dine-in and delivery services. The company delivered SSSG of 1.4% YoY vs. -2.6% in 4QFY23 and -4.9% in 3QFY24. Dine-in revenue was up 3%, while delivery revenue rose 19% YoY.
- GM was healthy at 68.9% (+310bp YoY/100bp QoQ) and supported the overall operating performance. EBITDA margin improved by over 410bp YoY to 18.4%. The company posted PBT loss of INR9m vs. loss of INR125m in 4QFY23.
- The management is looking to add 25-30 stores in FY25 and 100 stores over the next three years.
- BBQN's current valuations at 18.7x FY25E and 13.6x FY26E pre-Ind AS EV/EBITDA are comfortable. However, we are watchful of its operating margin profile in FY25 amid the challenging demand environment. We reiterate our Neutral rating on the stock with a TP of INR600, based on 16x FY26E Pre Ind-AS EV/EBITDA.

Sales in line; SSSG at 1.4%

- Same-store sales grow:** BBQN sales grew 6% YoY to INR3.0b in 4QFY24 with SSSG of 1.4%. Delivery channel (16% of sales) grew 19% YoY to INR466m. The dine-in channel (84% of sales) exhibited a stable YoY performance.
- Digital KPIs:** Cumulative app downloads stood at 6.7m vs. 6.5m in 3QFY24 and 5.7m in 4QFY23. Own digital asset contribution stood at 26.4% vs. 29.7% in 3QFY24 and 29.2% in 4QFY23.
- Store addition:** BBQN added three stores and closed two stores, leading to a total count of 217 stores. Out of 217 stores, BBQN has 186 stores, eight international stores), 16 Toscano stores and seven Salt outlets. There are 168 stores in metro and tier-1 cities and 49 stores in tier 2/3 cities.
- Better-than-expected margins:** GM expanded 300bp YoY to 68.9%, up 100bp QoQ. EBITDA grew 37% YoY to INR547m. EBITDA margin expanded 410bp YoY to 18.4%. (est. 17.9%). Pre-Ind AS EBITDA jumped 108% YoY to INR268m in 4QFY24; margin up 440bp YoY to 9%.
- PBT loss narrows:** PBT loss narrowed to INR9m from INR125m in 4QFY23. BBQN reported a loss of INR0.4m.
- FY24 performance:** Sales remained flat at INR12.5b and EBITDA declined 8% to INR2.1b. Adj. loss came in at INR134m.

Highlights from the management commentary

- Demand** – The demand environment is slightly improved in 4Q, which led to SSSG of 1.4%. Delivery revenues jumped 19.3% in 4Q and 11.9% in FY24. Delivery contributed 15.6% to 4Q revenues and 14.7% to FY24 overall. Dine-in revenues grew by 3.3% YoY in 4Q, although they remained stagnant for the full year.

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- **Some cannibalization** - There has been some impact on SSSG, after the opening of a second store in some cities in non-metro locations.
- **Store expansion to continue**- The management expects to add 25-30 new stores in FY25. The expansion plan includes 15 BBQ India stores, three international stores, six Toscano stores, and three Salt stores. The management's goal is to open 100 new stores over the next three years.
- **Improving margins** - EBITDA grew by ~75% in 2H on a similar revenue base. Profitability improved despite similar revenues in 1H and 2H. The company moderated new restaurant additions in FY24 to focus on margins, achieving around 10% operating margins in 2H.
- **New stores impact** - The new portfolio also demonstrated significant growth, with revenue per outlet rising by 16% YoY in 4Q. Margins improved as the new restaurant portfolio matured, showing an upswing of 8% compared to a decline of 1.2% in 4QFY23.

Valuation and view

- We broadly maintain our estimates for FY25 and FY26.
- BBQN's PBT margin profile is weaker than that of other QSR players. Thereby, despite a comfortable position on valuation, we are watchful of operating margin delivery in FY25.
- **BBQN's current valuation stands at 16.7x FY25E and 13.1x FY26E pre-Ind AS EV/EBITDA. We reiterate our Neutral rating on the stock with a TP of INR600, based on 16x FY26E Pre Ind-AS EV/EBITDA.**

Quarterly Performance

(INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
SSSG (%)	182.0	23.4	-1.2	-2.6	-7.7	-10.7	-4.9	1.4	27.5	-5.9	0.3	
No. of stores	195	205	212	216	212	212	216	227	216	221	227	
Net Sales	3,149	3,105	3,282	2,802	3,239	3,017	3,309	2,981	12,338	12,545	2,995	-0.5
YoY change (%)	208.8	40.6	14.5	11.6	2.9	-2.8	0.8	6.4	43.4	1.7	6.9	
Gross Profit	2,103	2,051	2,189	1,843	2,073	1,990	2,245	2,053	8,186	8,361	2,007	2.3
Margin (%)	66.8	66.1	66.7	65.8	64.0	65.9	67.9	68.9	66.3	66.6	67.0	
EBITDA	705	583	620	399	468	444	663	547	2,306	2,122	536	2.2
EBITDA growth %	N/M	41.1	-5.7	-10.5	-33.6	-23.9	7.0	37.3	72.4	-8.0	34.3	
Margin (%)	22.4	18.8	18.9	14.2	14.4	14.7	20.0	18.4	18.7	16.9	17.9	
Depreciation	352	350	382	366	375	443	414	447	1,450	1,679	403	
Interest	175	180	183	180	187	195	190	186	717	759	185	
Other Income	30	16	12	22	40	43	16	77	80	176	31	
PBT	208	69	67	-125	-55	-151	75	-9	219	-140	-21	
Tax	48	26	17	-26	-14	-32	27	-9	66	-28	-5	
Rate (%)	23.1	38.3	25.7	20.7	26.1	21.3	35.5	95.9	30.1	20.3	25.0	
Adjusted PAT	160	43	50	-99	-41	-119	48	0	153	-112	-16	
YoY change (%)	N/M	39.2	-66.1	-2,138.8	-125.3	-379.2	-2.4	-99.6	-	-172.9	-84.2	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Channel mix (%)								
Dine-in	86.6	87.4	86.3	86.0	85.3	85.5	85.7	84.2
Delivery	13.4	12.6	13.7	14.0	14.7	14.5	14.3	15.8
2Y average growth (%)								
Sales	573.9	115.4	30.8	11.3	2.9	103.0	20.7	10.4
EBITDA	-	-	27.0	-6.3	-33.6	-23.9	24.1	15.8
PAT	-	-	-	-	-	-	-	-
% of Sales								
COGS	33.2	33.9	33.3	34.2	36.0	34.1	32.1	31.1
Operating Expenses	44.4	47.3	47.8	51.5	49.6	51.2	47.8	50.5
Depreciation	11.2	11.3	11.6	13.1	11.6	14.7	12.5	15.0
YoY change (%)								
COGS	149.3	38.8	11.4	8.0	11.5	-2.5	-2.7	-3.3
Operating Expenses	79.6	41.6	27.7	22.7	14.8	5.3	0.9	4.3
Other Income	-59.4	-81.2	-73.5	-62.0	33.5	167.3	38.2	241.1
EBIT	-175.5	113.7	-25.0	-69.5	-73.7	-99.6	4.6	211.9

E: MOFSL Estimates



Key takeaways from the management interaction

Business Environment

- In 4Q, consolidated revenues saw a YoY increase of 6.4%, with a more modest growth of 1.7% for FY24. This boost in 4Q was primarily driven by the expansion of both dine-in and delivery services.
- Dine-in revenues grew by 3.3% YoY in 4Q, although they remained stagnant for the full year.
- Dine-in sales accounted for 83.3% of revenue in 4Q and 84.8% for the full FY24.
- Delivery revenues surged 19.3% in 4Q and 11.9% in FY24. Delivery contributed 15.6% to 4Q revenues and 14.7% to FY24 overall.
- Operating performance witnessed a YoY improvement, particularly notable in the mature portfolio, which achieved an average annual revenue per outlet of INR59m, up 3% YoY. Restaurant operating margins stood at 16.1%, reflecting a noteworthy increase of 160bp YoY.
- The new portfolio also demonstrated significant growth, with revenue per outlet rising by 16% YoY in 4Q. Margins improved as the new restaurant portfolio matured, showing a remarkable upswing of 8% compared to a decline of 1.2% in the preceding year.
- Overall, the average revenue per outlet reached INR55m, marking a 6% increase on YoY. Restaurant operating margins expanded to 14.4%, indicating a substantial increase of 330bp on YoY.
- Barbeque International achieved a YoY revenue growth of 28%, driven by network growth and SSSG, with strong operating margins. It contributed 7.3% to consolidated revenues in FY24.
- Barbeque International added two restaurants in FY24, and plans to add two to three more in FY25.
- Toscano achieved FY24 revenue growth of 18.7%, supported by network growth and strong operating margins. It contributed 8.6% to consolidated revenues in FY24 and plans to add 5-6 restaurants in FY25.

- Salt achieved YoY revenue growth of 7.3% after acquisition in Nov'23. The integration is progressing as expected. There are plans to merge with Red Apple Kitchen Consultancy (Toscano) and to add 3-4 stores.

Cost and Margins

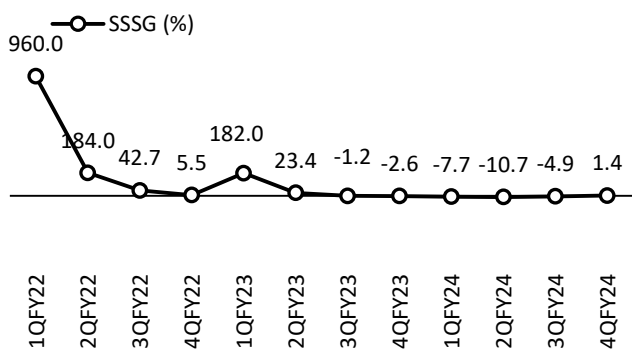
- The GP margin expanded 300bp due to the reclassification of cost, structural improvement in the business, and the softening of input costs (mainly in beverage portfolio).
- EBITDA margin expansion of 110bp was due to the benefits of GP margin expansion, rationalization programs, cost-control initiatives and operating leverage benefits.
- Adjusted EBITDA margins increased YoY from 4.6% in 4QFY23 to 9.0% in 4QFY24.
- EBITDA grew by ~75% in 2H on a similar revenue base.
- Profitability improved despite similar revenues in 1H and 2H.
- The company moderated new restaurant additions in FY24 to focus on margins, achieving around 10% operating margins in 2H.

Store Expansion

- In 4Q, two new restaurants were opened, including one Salt restaurant, while two restaurants were closed.
- The management expects to add 25-30 stores in FY25.
- The expansion plan includes 15 BBQ India stores, three international stores, six Toscano stores, and three Salt stores.
- The management's goal is to open 100 new stores over the next three years.

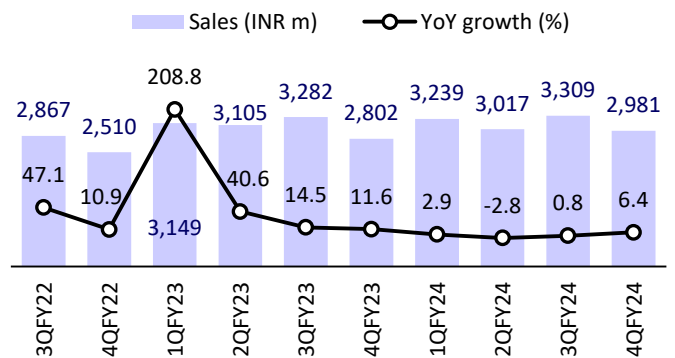
Key Exhibits

Exhibit 1: YoY SSSG stood at 1.4% in 4QFY23



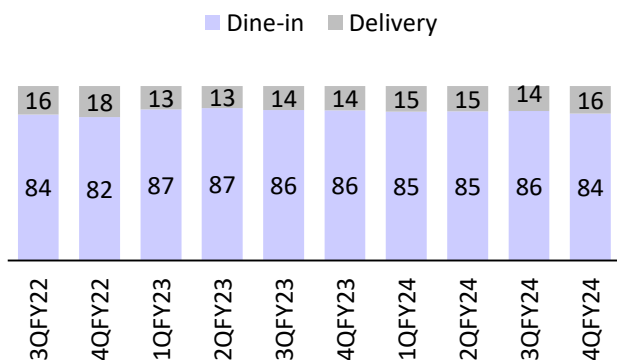
Source: Company, MOFSL

Exhibit 2: Net sales grew 6.4% YoY to INR3.0b in 4QFY23



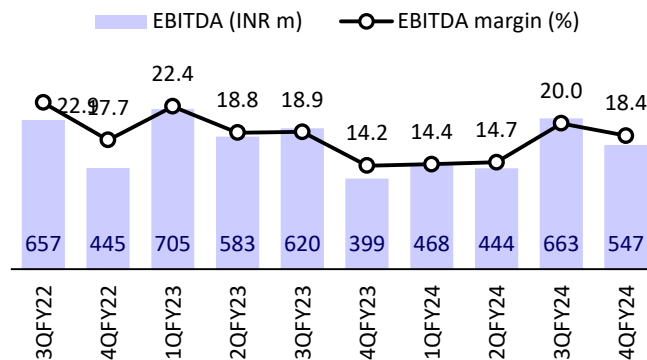
Source: Company, MOFSL

Exhibit 3: Dine-in contribution stood at 84% in 4QFY23



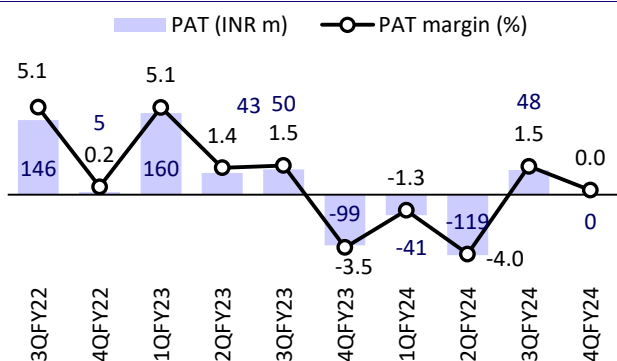
Source: Company, MOFSL

Exhibit 4: EBITDA margin came in at 18.4% in 4QFY23



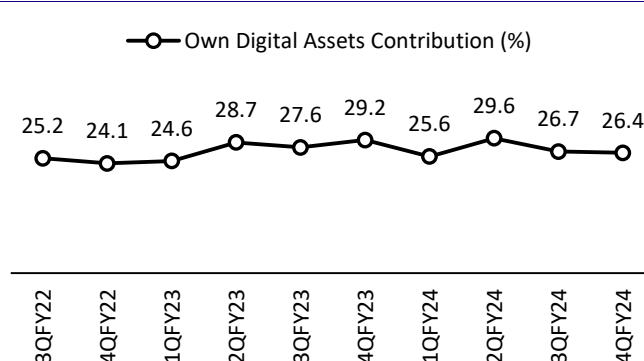
Source: Company, MOFSL

Exhibit 5: Adjusted PAT loss came in at INR0.37m in 4QFY23



Source: Company, MOFSL

Exhibit 6: Contribution from its own digital assets stood at 26.4% in 4QFY23



Source: Company, MOFSL

Valuation and view

- We broadly maintain our estimates for FY25 and FY26.
- BBQN’s PBT margin profile is weaker than that of other QSR players. Thereby, despite a comfortable position on valuation, we are watchful of operating margin delivery in FY25.
- **BBQN’s current valuations stand at 16.7x FY25E and 13.1x FY26E pre-Ind AS EV/EBITDA. We reiterate our Neutral rating on the stock with a TP of INR600, based on 16x FY26E Pre Ind-AS EV/EBITDA.**

Exhibit 7: We decrease our EBITDA forecast for FY25/FY26 by 2.5%/3.1%, respectively

INR m	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	14,188	16,326	14,250	16,392	-0.4%	-0.4%
EBITDA	2,483	2,922	2,423	2,836	2.5%	3.1%
PAT	-99	52	-3	74	N/A	-29.8%

Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Net Sales	7,390	8,470	5,071	8,606	12,338	12,545	14,188	16,326
Change (%)	26.0	14.6	-40.1	69.7	43.4	1.7	13.1	15.1
Material Consumed	2,476	2,922	1,782	3,047	4,152	4,184	4,682	5,339
Gross Profit	4,914	5,548	3,288	5,558	8,186	8,361	9,506	10,987
Gross Margin %	66.5	65.5	64.8	64.6	66.3	66.6	67.0	67.3
Operating expenses	3,455	3,906	2,825	4,221	5,880	6,239	7,023	8,065
EBITDA	1,459	1,642	464	1,337	2,306	2,122	2,483	2,922
Change (%)	7.0	12.6	-71.8	188.3	72.4	-8.0	17.0	17.7
Margin (%)	19.7	19.4	9.1	15.5	18.7	16.9	17.5	17.9
Depreciation	895	1,340	1,212	1,273	1,450	1,679	1,854	2,050
Int. and Fin. Ch.	564	756	849	653	717	759	853	939
Other Non-recurring Inc.	35	38	460	263	80	176	125	135
PBT	35	-415	-1,136	-326	219	-140	-99	69
Change (%)	-79.1	P/L	-	-	L/P	-164.0	-	L/P
Margin (%)	0.5	-4.9	-22.4	-3.8	1.8	-1.1	-0.7	0.4
Tax	144	78	-197	-69	66	-28	0	17
Tax Rate (%)	416.8	-18.8	17.3	21.1	30.1	20.3	0.0	25.2
Adjusted PAT	-109	-493	-940	-257	153	-112	-99	52
Change (%)	P/L	-	-	-	L/P	-172.9	-	L/P
Margin (%)	-1.5	-5.8	-18.5	-3.0	1.2	-0.9	-0.7	0.3
Non-rec. (Exp)/Inc.	-275	164	21	5	38	0	0	0
Minority interest	0	-5	-14	4	21	22	0	0
Reported PAT	-384	-324	-905	-256	170	-134	-99	52

Balance Sheet							(INR m)	
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Share Capital	140	140	170	195	195	195	195	195
Reserves	1,176	-81	2,269	3,665	3,816	3,734	3,636	3,687
Net Worth	1,316	59	2,439	3,860	4,011	3,930	3,831	3,883
Loans	1,579	2,450	1,528	218	196	397	397	397
Lease Liabilities	4,200	4,816	4,498	5,887	6,649	6,459	6,766	7,381
Others	0	52	38	93	82	110	108	108
Capital Employed	7,095	7,377	8,503	10,057	10,939	10,896	11,101	11,768
Gross Block	9,619	11,910	12,049	14,411	16,749	18,378	20,242	22,458
Less: Accum. Depn.	2,986	4,507	5,456	6,410	7,356	9,035	10,889	12,938
Net Fixed Assets	6,634	7,404	6,593	8,000	9,393	9,460	9,354	9,519
RTU	3,546	4,015	3,617	4,878	5,556	5,334	4,799	4,604
Capital WIP	159	109	60	212	273	47	47	47
Goodwill	190	723	723	723	723	897	897	897
Investments	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0
Curr. Assets, L&A	1,209	1,319	4,002	2,478	2,200	2,368	2,878	3,602
Inventory	193	149	202	358	421	387	466	537
Account Receivables	49	22	26	57	74	267	78	89
Cash and Bank Balance	120	147	2,455	853	426	360	951	1,566
Others	847	1,001	1,319	1,210	1,280	1,355	1,382	1,410
Curr. Liab. and Prov.	1,057	2,167	2,855	1,356	1,647	1,783	1,980	2,204
Other Current Liabilities	141	894	1,237	199	227	390	402	414
Creditors	768	1,125	1,468	988	1,235	1,181	1,360	1,566
Provisions	148	148	150	168	185	212	218	225
Net Curr. Assets	152	-848	1,147	1,122	553	586	897	1,398
Current tax liabilities	-40	-11	-20	0	-4	-94	-94	-94
Appl. of Funds	7,095	7,377	8,503	10,057	10,939	10,896	11,101	11,767

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Basic (INR)								
EPS	-3.9	-17.6	-27.7	-6.6	3.9	-2.9	-2.5	1.3
BV/Share	47.0	2.1	71.9	99.2	102.9	100.6	98.0	99.4
Valuation (x)								
P/E	N/M	N/M	N/M	N/M	131.5	N/M	N/M	391.0
EV/Sales	2.7	2.5	4.2	2.9	2.2	2.1	1.9	1.2
EV/EBITDA	13.8	13.1	45.5	19.0	11.5	12.6	10.6	6.5
P/BV	11.0	244.6	7.2	5.2	5.0	5.1	5.3	5.2
Return Ratios (%)								
RoE	-8.3	-833.5	-38.5	-6.7	3.8	-2.8	-2.6	1.3
RoCE	-28.5	5.6	-3.0	2.8	6.2	4.5	6.9	6.6
RoIC	-28.7	5.2	-9.4	0.7	6.2	3.4	6.1	6.4
Working Capital Ratios								
Debtor (Days)	2	1	2	2	2	8	2	2
Inventory (Days)	10	6	15	15	12	11	12	12
Creditor (Days)	38	48	106	42	37	34	35	35
Asset Turnover (x)	1.0	1.1	0.6	0.9	1.1	1.2	1.3	1.4
Leverage Ratio								
Debt/Equity (x)	1.2	41.4	0.6	0.1	0.0	0.1	0.1	0.1

Cash Flow Statement

(INR m)

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
OP/(loss) before Tax	-295	-251	-1,115	-321	257	-140	-99	69
Int./Div. Received	207	-149	-412	-137	28	7	-125	-135
Depreciation & Amort.	1,022	1,340	1,212	1,273	1,450	1,679	1,854	2,050
Interest Paid	-488	-659	-739	-500	-559	-597	-853	-939
Direct Taxes Paid	143	78	-12	31	57	-29	0	17
Inc/(Dec) in WC	57	-291	-244	686	-38	-35	-280	-114
CF from Operations	1,223	1,811	679	598	2,276	2,206	2,763	3,019
Inc/(Dec) in FA	-1,299	-840	-143	-932	-1,459	-874	-864	-1,015
Free Cash Flow	-76	971	536	-334	817	1,331	1,898	2,004
Others	7	-678	71	30	-59	-185	125	135
Pur of Investments	0	0	0	0	0	0	0	0
CF from Invest.	-1,292	-1,518	-72	-902	-1,518	-1,059	-739	-880
Issue of Shares	320	1	1,495	1,844	15	22	0	0
Incr in Debt	302	876	73	-1,310	-22	177	0	0
Dividend Paid	-34	-34	0	0	0	0	0	0
Others	-836	-1,109	133	-1,832	-1,179	-1,410	-1,433	-1,524
CF from Fin. Activity	-247	-265	1,700	-1,298	-1,186	-1,211	-1,433	-1,524
Incr/Decr of Cash	-316	27	2,308	-1,602	-428	-65	590	614
Add: Opening Balance	436	120	147	2,455	853	426	361	951
Closing Balance	120	147	2,455	853	426	361	951	1,566

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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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