Nuvama Wealth Research

Barbeque-Nation Hospitality Ltd



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Date: January 26, 2023

Long Term Recommendation
Barbeque Nation Hospitality Ltd.

Grilled for appetizing growth ahead!!!

Barbeque Nation Hospitality Ltd. (BNHL) is India's most successful casual-dining-restaurant (CDR) brand, as it quadrupled its overall restaurant count (~22% CAGR over FY15–22) to 205 restaurants (as on Q2FY23). BNHL's restaurant chain is dominated by the flagship Barbeque Nation (BBQN) restaurants by store network and revenue pie (~90%). The company also operates 13 Italian cuisine fine-dine restaurants (FDRs) under the brand Toscano. During the pandemic, the company ventured into the online delivery segment (23% revenue contribution in FY22) under UBQ and Barbeque-in-a-Box brands. We expect BNHL to continue the growth momentum going forward (~19% restaurant opening run rate over FY22–25E). With aggressive restaurant expansion, improvement in table turns and maturity of existing restaurants, we expect Revenue and EBITDA CAGR of 30% and 45%, respectively, over FY22–25E. We initiate coverage on BNHL with a target price of INR1,275 per share based on a 15x FY24E EV/EBITDA.

Strong execution led by highly scalable business model

The CDR market is tough to scale due to a high number of SKUs compared with a quick-service restaurant (QSR), which makes standardisation difficult in this industry. However, **BNHL is an outlier in this segment, as it scaled up its restaurant network relatively faster compared with peers, and a majority of its restaurants are profitable with superior store-level economics.** BNHL's growth is also supported by developing standardised food packets for its dishes and maintaining long-term contracts with dedicated vendors for sourcing raw materials. Most importantly, BNHL focuses on only two brands – BBQN (UBQ and Barbeque-in-a-Box revolve around the core brand BBQN) and Toscano, which makes developing and maintaining SOPs relatively easier.

Restaurant additions to remain aggressive

BNHL increased its restaurant count at ~22% CAGR over FY15–22 and currently has 205 restaurants (incl. 186 BBQN restaurants in 84 cities in India). BNHL has been successful as it pioneered the concept of (a) 'over the table barbeque' live grills embedded in dining tables – allowing guests to grill their own barbecues right at their tables and (b) 'all you can eat dining option' at a fixed price. We expect the company to spearhead its restaurant addition momentum, as it targets 500 BBQN and 100 Toscano restaurants over the medium-to-long term. We forecast the company to add 40 restaurants annually over FY22–25E to reach 300+ restaurants.

Most efficient player in the CDR segment

CDRs register high weekend sales (70–80%) and high dinner sales (~60%), which implies low utilisation for the industry over the week, thereby resulting in low asset turns. However, **BNHL enjoys almost equal proportion of the total revenues from weekday and weekend sales and a 45:55 mix between lunch vs. dinner covers, as its buffet spread is a popular choice for corporate lunches during weekdays and families during weekends. This results in high-capacity utilisation throughout the week for the company.** Moreover, most BNHL restaurants are strategically located near corporate offices, which results in large gatherings during weekdays and lunch time. This enables BNHL to register high table turns, which stands at 1.8–1.9x, much higher than the industry average of ~1.3x.

Outlook and valuation: A strong re-rating candidate; initiating with a 'Buy' rating

BNHL is one of the most popular, fastest growing and efficient CDR players in India. With the company's sharp focus on (a) maintaining the restaurant opening run rate, (b) continuing with the cluster approach for its expansion plans and (c) emphasis on building core brands, we expect BNHL's restaurant opening run rate and revenue CAGR of 19% and 30% CAGR over FY22–25E, with 600 bps expansion in operating margins to ~22% over the same period. BNHL would turn profitable in FY23E and is expected to record a PAT CAGR of ~74% over FY23E-FY25E. With high table turns, improving cost structure and expanding delivery vertical, BNHL's return ratios would reach ~20% by FY25E. With BNHL's best-in-class business model, growth opportunities, execution capabilities, lean balance sheet and management quality, we initiate our coverage on the company with a target price of INR1,275 based on 15x FY24E EV/EBITDA.

(INR Cr)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	507	861	1,259	1,568	1,900
EBITDA	46	134	250	323	411
EBITDA Margin (%)	9%	16%	20%	21%	22%
Net Profit	-92	-25	36	69	108
EPS (INR)	-31.5	-6.5	9.2	17.8	27.7
EPS Growth (%)	NA	-79%	-242%	93%	56%
EV/EBITDA	NA	36.1	13.4	10.3	8.0
P/E (x)	NA	-190.3	95.5	49.4	3.7
ROE (%)	-75.2%	-8.2%	8.1%	15.3%	19.9%
ROCE (%)	-10.9%	0.8%	11.9%	15.9%	20.1%

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CMP INR: 880

Rating: BUY

Target Price INR: 1,275

Upside: 45%

Date: January 26, 2022

Bloomberg:	BARBEQUE:IN
52-week range (INR):	879/ 1,524
Share in issue (crore):	3.9
M-cap (INR cr):	3,443
Promoter holding (%)	33.81

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Long Term Recommendation
Barbeque Nation Hospitality Ltd.

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Business Structure

Barbeque Nation Hospitality is one of the largest CDR chains in India in terms of restaurant count. The company has scaled up its presence from its first Barbeque Nation (BBQN) restaurant launched in 2008 to 186 restaurants across 84 cities in India and six international BBQN restaurants in three countries as at the end of Q2FY23. The BBQN brand is known for pioneering the 'on-the-table-live-grill' concept in India. BNHL owns 75.16% of the equity share capital (on a fully diluted basis) of one of its subsidiaries, Red Apple, which owns and operates 13 restaurants under the brand Toscano (~6% revenue contribution), a fine-dining Italian restaurant chain.

The company's flagship brand BBQN is known for its value-for-money offerings and outstanding service and experience – making it a favoured choice for large groups. The brand sold ~1cr covers in FY20. The company intends to maintain its average restaurant opening run rate (~20%) over the medium term, which would help maintain the growth momentum. We expect BNHL to clock ~30% revenue CAGR (average SSSG of ~12%) over FY22–25E. The company's store economics is slated to improve with its average revenue per store exceeding INR6.5cr by FY25, while return ratios would surpass 20% levels over the same period.

INR cr	FY22	FY23E	FY24E	FY25E
Revenue	861	1,259	1,568	1,900
EBITDA	134	250	323	411
EBITDA margin (%)	15.5	19.9	20.6	21.7
PAT margin (%)	(2.9)	2.8	4.4	5.7

INR cr	FY22	FY23E	FY24E	FY25E
RoCE (%)	0.8	11.9	15.9	20.1
RoE (%)	-8.2	8.1	15.3	19.9

EV/EBITDA	FY24E	CMP/Target
EV/EBITDA	15	1,275

Over FY22–25E, Barbeque is expected to clock 30% revenue CAGR, led by (a) a strong revival of dine-in channel revenue, (b) an aggressive store opening run rate, (c) superior store-level economics and (d) the expansion of alternate channels and business segments.

We forecast Barbeque's operating margins to reach 20% in FY23E with significant margin expansion (~600 bps) over FY22–25E, supported by a strong recovery in the dine-in business (after COVID-19), cost-saving initiatives and operating leverage kicking in.

We also expect Barbeque to turn profitable in FY23E and record ~74% PAT CAGR over FY23–25E. We expect Barbeque to improve table turns, enhancing RoCE and RoE to ~20% each by FY25E.

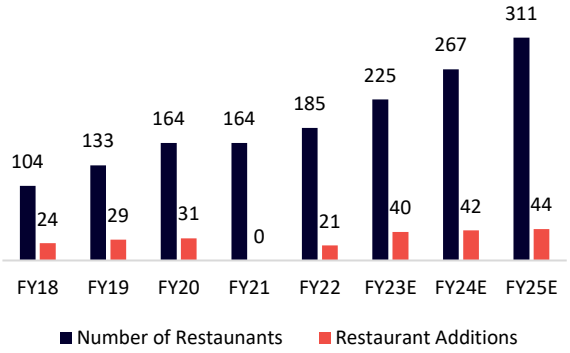
At CMP, FY25E EV/EBITDA is 8x + **FY25E RoCE of 20%** + **At target price, FY25E EV/EBITDA is 12x**

Upside: 45%

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Focus Charts

Exhibit 1: Aggressive restaurant openings



*FY21 – nil restaurant openings due to the pandemic

Exhibit 2: aided by addition of delivery segment revenue

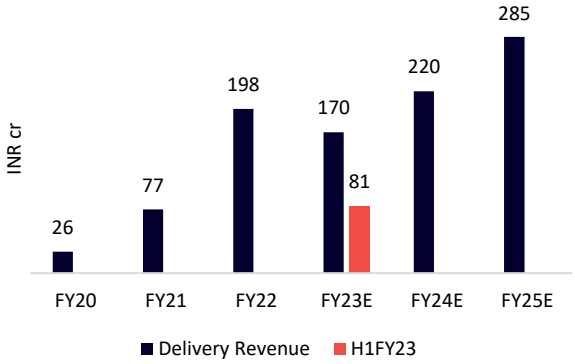


Exhibit 3: would drive overall revenue CAGR of 30%

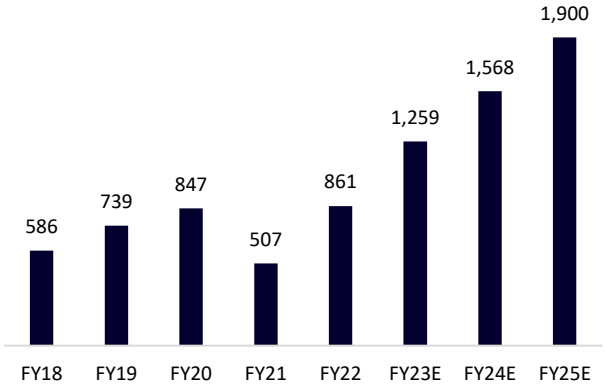


Exhibit 4: and EBITDA margin expansion of ~600 bps over FY22–25

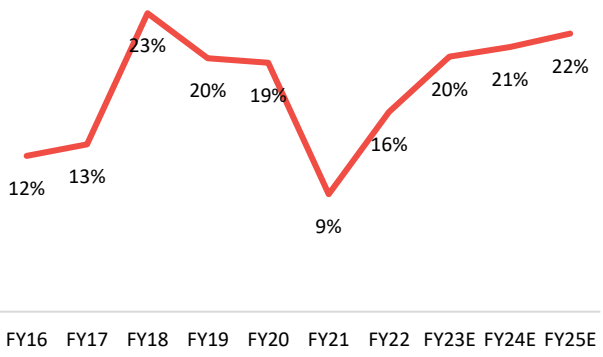


Exhibit 5: resulting in PAT turning black

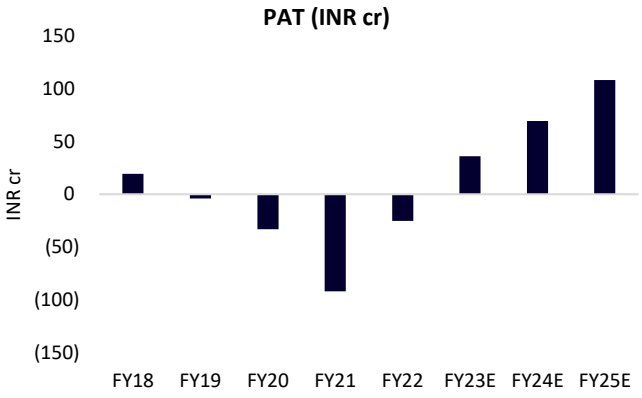
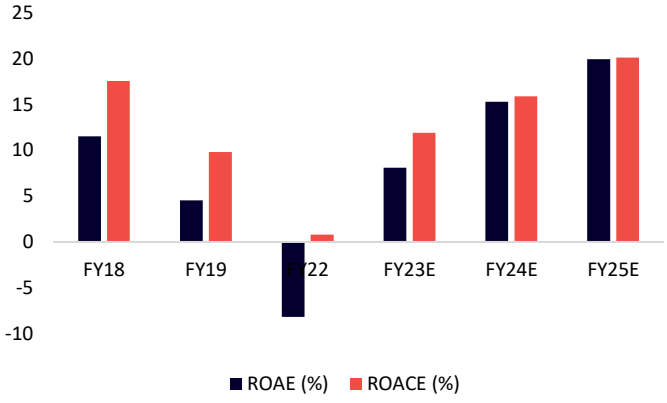


Exhibit 6: with high double-digit return ratios



***FY20 & FY21 were affected by the pandemic, hence excluded**

Source: Nuvama Wealth Research

Investment Rationale

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I. Top-notch execution in a tough-to-scale sector

Barbeque Nation operates in the high-growing CDR sector; wherein the chain CDR market grew ~19% over FY15–20, and the growth rate is expected to be maintained (~18% CAGR over FY20–25E) (Source: Technopak). However, this is a tough-to-scale sector as the number of SKUs are high, so standardising the operating procedures, which is paramount for scaling up, is difficult. For example, the BBQN format has 75–80 SKUs and Toscano has 25–30 SKUs.

With high focus on craftsmanship and fresh produce, chain CDRs limit the use of standardised ready-to-cook/eat food products, which restricts fast scalability. However, using SOPs with a strong training and monitoring system helped BNHL to expand rapidly at the pan-India level.

The CDR sector is dine-in focused due to the experiential dining USP of restaurants (the size of a CDR is ~3x of QSRs) and high focus on lunch/dinner. Therefore, scaling up a CDR is more challenging than a QSR, given its (i) larger ticket size, (ii) larger format store, and (iii) lack of an all-day dining menu. However, BNHL's focus on standard operating procedures (SOPs) enable it to scale up rapidly. BBQN restaurant count in India stood at 186 as on Sep'22, whereas other prominent food chains in the casual dining space in India were merely at half or less than half of this count, which highlights the success of the format in which BBQN operates in addition to the brand loyalty enjoyed by it over the years.

What is BNHL's secret recipe for success?

(1) Adoption of emerging trends

The Indian food services market reported some key emerging trends over the last few years:

- High focus on value meals: Even as eating-out and ordering-in frequency grows, Indian consumers remain cost-conscious and continue to prefer value-for-money concepts.
- Unlimited food at a limited price and DIY: Fixed-price menu concepts have emerged in recent years, especially in the CDR and Fine-Dining Restaurant (FDR) formats. Restaurants now offer a fixed-menu buffet range with a medium-to-large spread of options in various meal courses at a fixed price. These formats increase consumer engagement via 'do it yourself (DIY)' concepts, where brands place 'over the table barbeques' for consumers to cook their own food.
- Contemporisation of Indian cuisine: Restaurants are increasingly offering traditional and regional specialities of Indian cuisine, prepared using differentiated techniques and new-world presentations.

All these emerging trends have worked in BNHL's favour as it pioneered the 'over the table barbeque' concept in India, allowing guests to grill their own barbeques over live grills embedded in dining tables. BBQN restaurants offer a fixed-price dining option, which typically includes pre-cooked appetisers, an all-you-can-eat main course buffet and a selection of desserts. BBQN restaurants also offer new menu options, largely based on Indian cuisine, and use seasonal customer preferences to introduce new dishes.

(2) Value proposition

BBQN restaurants offer value compared with other dining options due to DIY and cook-at-the-table features, which help create dishes according to each diner's individual tastes and preferences. Moreover, fixed-price dining is popular amongst large groups due to customers' perception of value for money and certainty over the bill amount irrespective of varying individual consumption.

(3) Long-term contracts for sourcing requirements

Barbeque Nation has dedicated vendors for its meat requirements (fish and chicken accounts for more than 50% of BNHL's material cost). The company source ingredients from various suppliers and, in some cases, import them from outside India (fish is imported from Vietnam). This allows BNHL to maintain the quality of food over its chain of restaurants. The company has signed long-term contracts with vendors, minimising the effect of raw material inflation.

(4) Food standardisation

BNHL has developed standard food packets for most dishes offered on its menu. As a result, chefs at BBQN restaurants only mix the contents of a food packet with a gravy and follow SOPs. This brings consistency and efficiency in the operations. For example, BNHL has only two core brands (BBQN and Toscano; the rest three brand offerings are delivery based and centre around the core offerings), while its competitors Speciality Restaurants (SRL) and Lite Bite Foods have ~20 brands each, making it difficult for them to develop SOPs and scale up rapidly.

BBQN restaurants are standardised in terms of offerings, even as it allows individual restaurant-level business managers reasonable autonomy in daily operations. Restaurant menus are also largely standard, albeit may vary in some respects, based on the city in which the restaurant is located to cater to local tastes.

Exhibit 7: Brand offerings

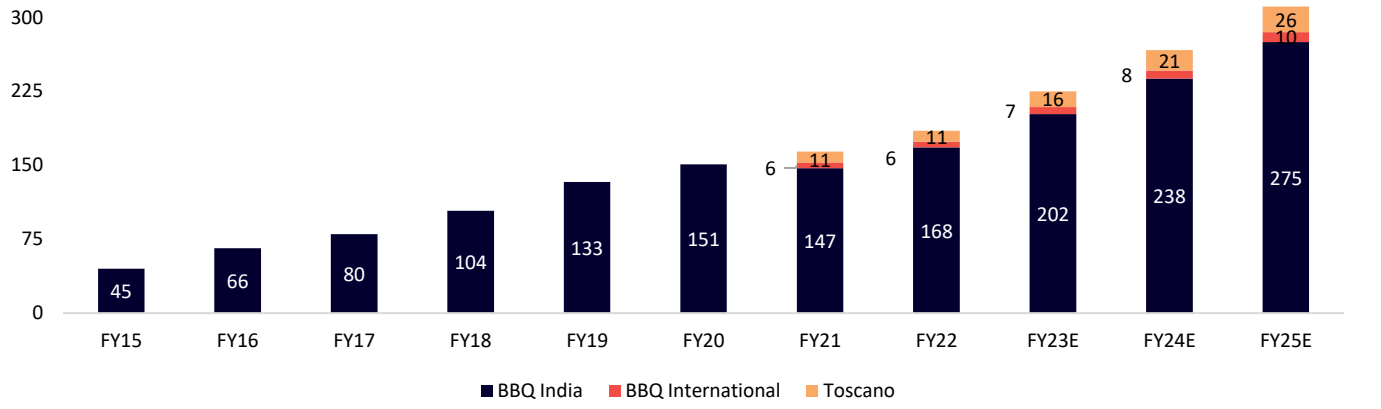
	Format	What it offers?	No. of stores	Product details
2006	Casual-dining restaurant	Offers differentiated experience of 'DIY over the table barbeque' concept at a fixed price 'all you can eat' format	186 restaurants across India, with six international restaurants	North Indian, Mughlai, seafood, biryani, desserts, kebabs, etc.
2008	Fine-dining restaurant	Italian chain offering dine-in and delivery. BHNL has a 75.2% stake (worth ~INR92cr) in Red Apple, which operates Italian restaurants under the brand name 'Toscano', 'La Terrace' and 'Collage'	13 restaurants across three Indian cities (Bengaluru, Chennai and Pune)	Italian, continental, salads, desserts and beverages
2018	Online delivery – à la carte	Provide à la carte Indian cuisine in the value segment; operates through Barbeque Nation restaurants	Served through 186 BBQN India restaurants	North Indian, BBQ, beverages and desserts
2020	Online delivery – meal/box	Offers meal boxes via the delivery channel with a wide variety of starters, main courses and desserts	Served through 186 BBQN India restaurant	Meals in Barbeque-in-a-Box, Biryani & Kebab Box and Meals & Grills Box
2023	Online delivery – à la carte	Offers meal boxes via the delivery channel with veg and non-veg biryani assortments	Served through 90 BBQN India restaurants	North Indian, biryani and meals in a box

Source: Company, Nuvama Wealth Research

II. Fastest-growing CDR player

Barbeque Nation started its operations in 2006, and it has been one of the fastest growing CDR brands in the country. Barbeque has expanded the overall store count by 22% CAGR over FY15-22. As of Sep'22, the company operated 205 restaurants across store formats and geographies. The key factor for this swift expansion has been the selection of suitable locations at appropriate lease rentals. The company deliberately keeps most BBQN restaurants away from premium locations (premium shopping malls or other high-street areas in metro cities), where lease rentals are high.

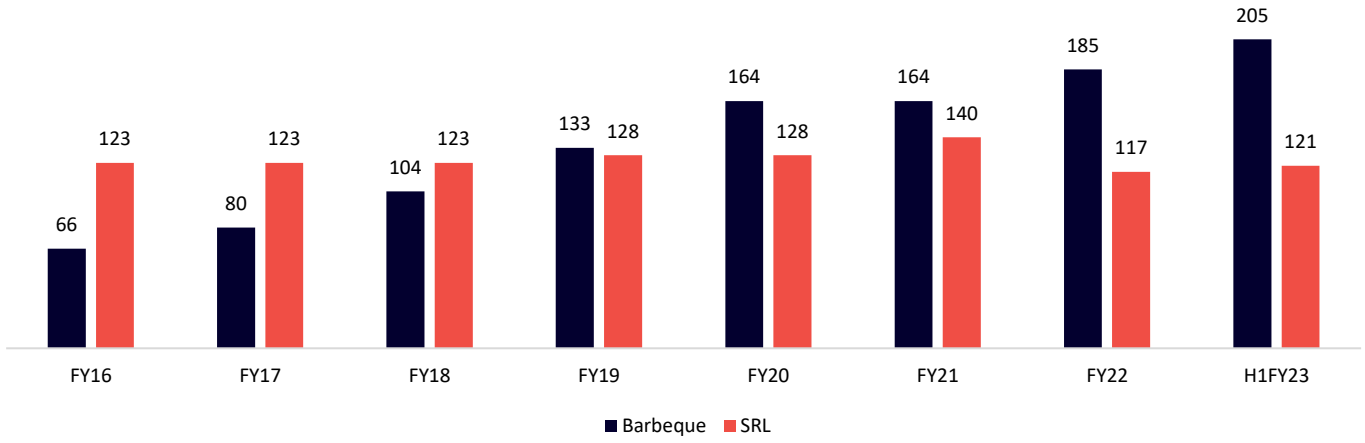
Exhibit 8: BNHL restaurant footprint



Source: Company, Nuvama Wealth Research

BNHL – much ahead of competition w.r.t. restaurant footprint

Exhibit 9: BNHL vs SRL restaurant count



Source: Company, Nuvama Wealth Research

(1) BNHL restaurant count is 2x compared with its nearest competitor.
(2) Even competitors that are in existence for a longer time than BNHL, have not been able to surpass a three-figure mark yet.

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Going forward, we expect the company to maintain a healthy restaurant opening run rate of ~20%. In addition to scaling up its mainstream BBQN restaurants in India, BNHL is cautiously entering into other brands. In FY20, BNHL acquired a 61.35% stake in Red Apple Kitchen Consultancy Pvt. Ltd. (which operates Italian casual-dining chain Toscano) for INR67.5cr, and later increased its stake to 75.2% in Aug'22 for an additional INR24.65cr. We expect Toscano to add 4–5 restaurants each year until FY25E. BNHL also ventured into the international territory in 2016, and as of Sep'22 operated six restaurants in international markets – two in Dubai, two in Abu Dhabi, one in Kuala Lumpur and one in Muscat. Revenue per store and margins for the international business are superior to that for the India business. We expect the company to add 1–2 international restaurants each year until FY25E. According to the management, BNHL does not plan to grow aggressively, as its competitors grew in the past. **The company focuses primarily on expanding its domestic business, followed by the expansion of Toscano restaurants.** Also, the restaurant additions would be funded via internal accruals.

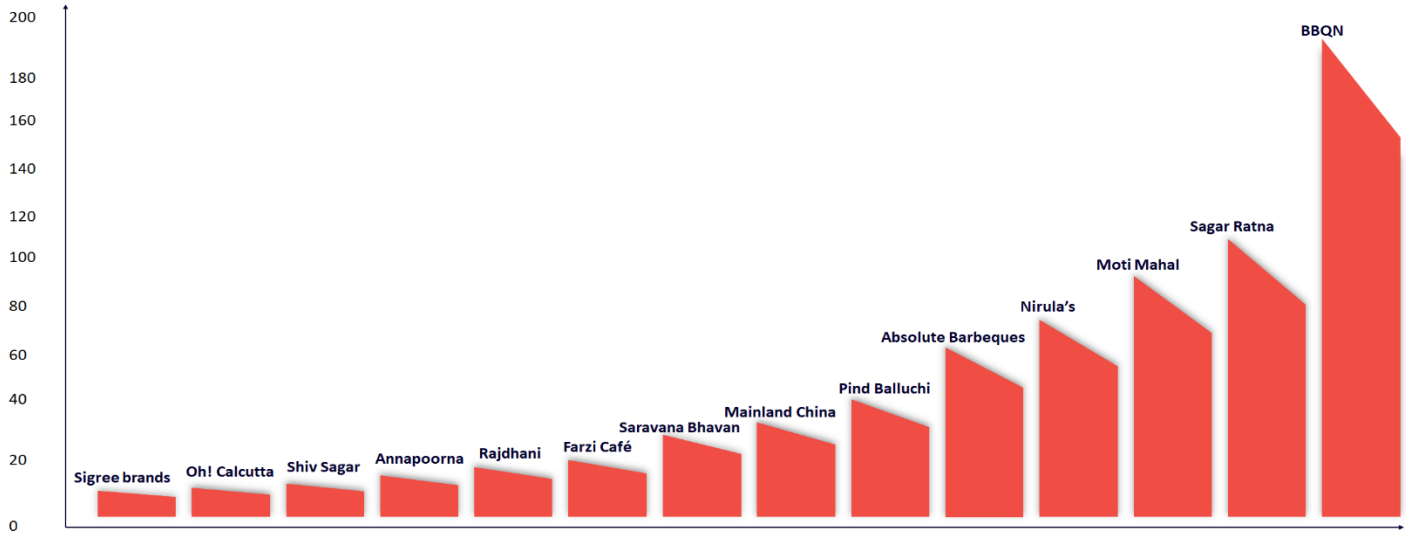
Exhibit 10: Financial snapshot of BNHL brands

Particulars (FY22)	BBQ India	BBQ International	Toscano
Store size (sq. ft.)	4,500-5,000	4,500-5,000	2,000
Capex per store (INR cr)	2.5-2.7	4.0	2.5-2.7
Revenue (INR cr)	761	54	47
Rev per store (INR cr)	4.8	9.0	4.2
APC (INR)	850-900	1,600	600-650
Gross margins %	65%	70%	75%
Store level EBITDA margins %	21%	30%	21%

Source: Company, Nuvama Wealth Research

BNHL is the only pan India CDR player, which has expanded across geographies effortlessly. Currently, 70% of its stores are located in metros and 30% in Tier I/II cities; the company expects to maintain the same ratio going forward, as it believes it is still underpenetrated in the metros. **We believe incremental restaurant additions to be concentrated in existing geographies (cluster-based expansion) to leverage benefits of cost-efficiency.**

Exhibit 11: Brand-wise CDR restaurant footprint in India



Source: Company, Nuvama Wealth Research

III. Most efficient player in the CDR segment

The CDR industry registers higher sales during weekends (Friday–Sunday) compared with weekdays. The number is as large as 70–80% of sales generated during weekends. Likewise, the salience of lunch sales is lower than dinner sales across most CDR formats. The share of lunch sales for the industry also stands at ~40 (37–39% during weekdays and 42–44% during weekends). Hence, the CDR industry suffers from low utilisation, resulting in low asset turns.

Barbeque Nation remains an outlier in this industry, as it enjoys almost equal proportion of the total revenues from weekday and weekend sales and a 45:55 mix between lunch vs. dinner covers. This is because BBQN is a popular choice for corporate lunches during weekdays and families during weekends. This results in a high capacity utilisation throughout the week for the company, thereby helping it efficiently manage its costs.

Exhibit 12: BNHL lunch vs. dinner

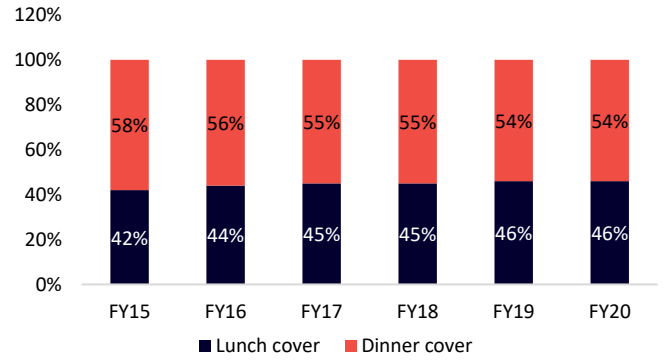
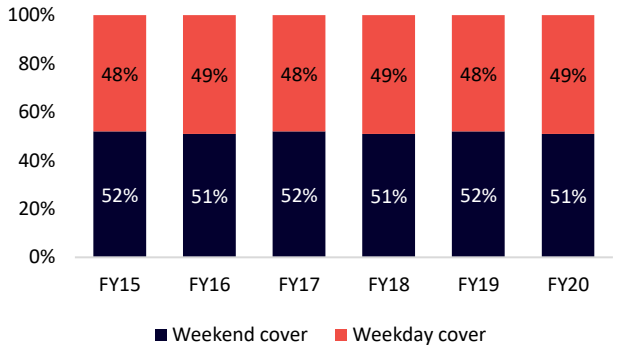


Exhibit 13: BNHL weekend vs. weekday mix

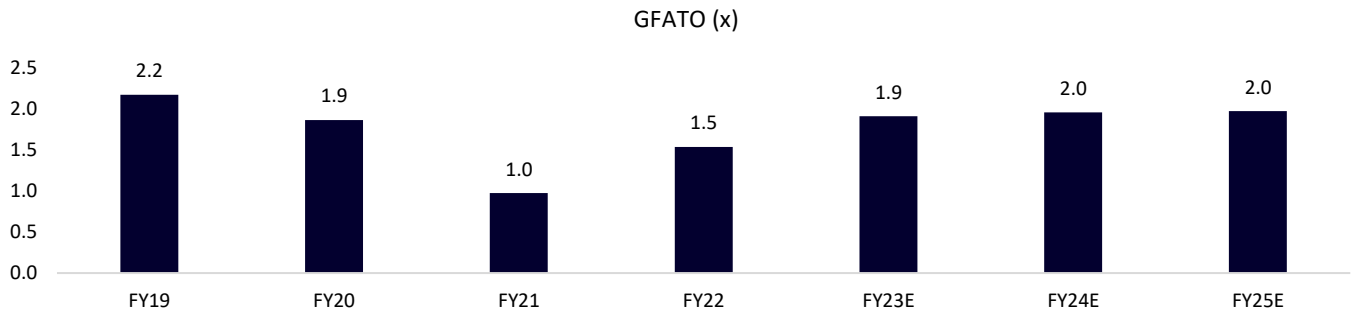


Source: Company, Nuvama Wealth Research

Table reservations resulting into better planning: Lately, it has become a norm for casual- and fine-dining restaurants to offer table reservations to their customers. With this service, outlets can
(a) estimate demand accurately,
(b) improve sourcing & staffing and
(c) manage costs efficiently.

As mentioned earlier, most BBQN restaurants are strategically placed near corporate offices, which results in large gatherings during weekdays and lunch time. This enables BBQN to register high table turns, which stands at 1.8–1.9x, much higher than the industry average of ~1.3x. This then results in double-digit return ratios for the company. **Despite being the fastest growing CDR player, BNHL remains the most efficient player in the segment.**

Exhibit 14: High table turns improving gross fixed asset turnover



Source: Company, Nuvama Wealth Research

BNHL's table turns are still ~10% lower than the pre-pandemic levels as corporates are not fully back to offices (especially IT companies).

IV. Focus on delivery to aid revenue growth

Unlike the BBQN format, UBQ (launched in Nov'18) is à la carte catering to the value segment, exclusively via the delivery channel.

With dine-in focused restaurants coming to a complete halt in FY21 due to COVID-19 restrictions in major cities, BNHL repositioned UBQ and introduced a unique concept 'Barbeque-in-a-Box' in Jun'20 to ramp up the delivery side of the business. Barbeque-in-a-Box includes an assortment of starters, main course and desserts, with an attempt to replicate the buffet experience, as much as possible. The company also introduced low-price variants such as 'Grills in a Box', with a few offerings. This concept is a huge success among consumers and constitutes ~70% of the company's delivery business. Recently, the company also introduced 'Dumsafar' biryani brand, which would predominantly cater to the delivery segment via UBQ.

Barbeque-in-a-Box comprises ~1.8 kg of food sufficient for two people, priced at ~INR950–1,250 (six starters, three gravies, biryani, raita and three desserts)

With the delivery segment registering a decent quarterly revenue run rate of INR45–50cr on average, BNHL opened 15 extension kitchens to meet the growing delivery orders in major metros. **BNHL incurs a capex of INR15 lakh for an extension kitchen, whereas it generates revenues of INR25 lakh and operating margins of 15–16%.** The extension kitchen geography mix is the same as BBQN at 70:30 for metros and non-metros.

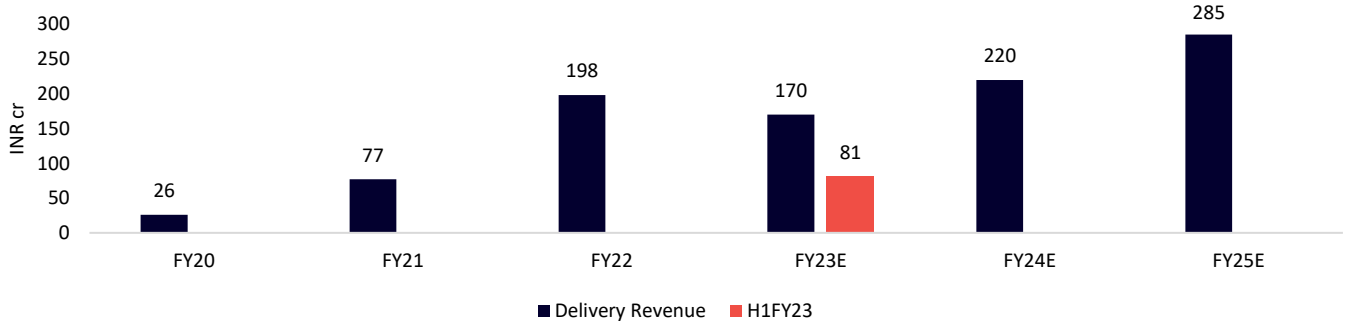






With such focused efforts, the salience of the delivery business increased from ~3% of sales before COVID-19 to 15% of sales currently. However, this was partially driven by the impact on dine-in operations over FY21 and FY22, as some cities continued to restrict dine-in services. We expect delivery segment's revenue salience to remain at ~15% of the overall revenues, aided by several initiatives taken by the company.

Exhibit 15: Growth trajectory of delivery segment's revenue



*FY22 delivery revenue inflated on account of COVID-19 tailwinds
Source: Company, Nuvama Wealth Research

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Delivery has now become a focus area for the company and would be an additional growth driver, as delivery revenue per store is expected to add ~INR0.75–1cr to the dine-in revenue per store of INR6cr. We expect delivery business' revenue to grow at ~13% CAGR over FY22–FY25E and 30% over FY23E-25E (excluding the high base effect of FY22, which was positively impacted on COVID-19 tailwinds). BNHL's same store sales growth (SSSG) averaged ~6% in the past, and going forward, we expect SSSG of ~25%, 6% and 5% in FY23E, FY24E and FY25E, respectively, well supported by revenues from the delivery segment and strong pent-up demand in the dine-in segment.

We believe the delivery business compliments BNHL's business model as the company can utilise its existing restaurant infrastructure for delivery, rather than incurring large capex renovation/resizing of existing stores. However, BNHL needs to hire additional labour to manage its delivery business. Despite this additional cost item, store-level EBITDA margins of the delivery segment are comparable with the dine-in business.

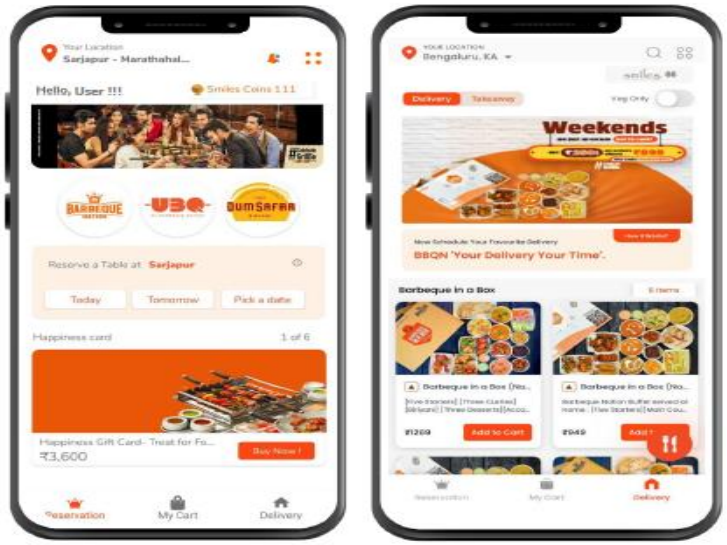
Exhibit 16: Barbeque Nation dine-in vs. delivery cost break-up

Barbeque Nation	Dine-in	Delivery
Material costs	35%	40%
Gross margins	65%	60%
Commissions and delivery	-	30%
Rental costs	10–11%	-
Staffing and other costs	16–17%	8–9%
Store-level EBITDA margins	20–22%	21–22%

Source: Company, Nuvama Wealth Research

Strengthening digital assets: The company expects to drive last-mile delivery via food aggregators/third parties as it is more economical than delivering using own fleet. Online delivery is available from all BBQN offline stores and 15 extended kitchens across 84 cities. BBQN launched delivery on BBQ App in Mar'21 and updated the same recently. This updated BBQ App includes (i) an option to make dine-in reservations, (ii) online ordering for delivery products and (iii) exclusive offers through digital coupons. The app also provides a payment option for dine-in customers.

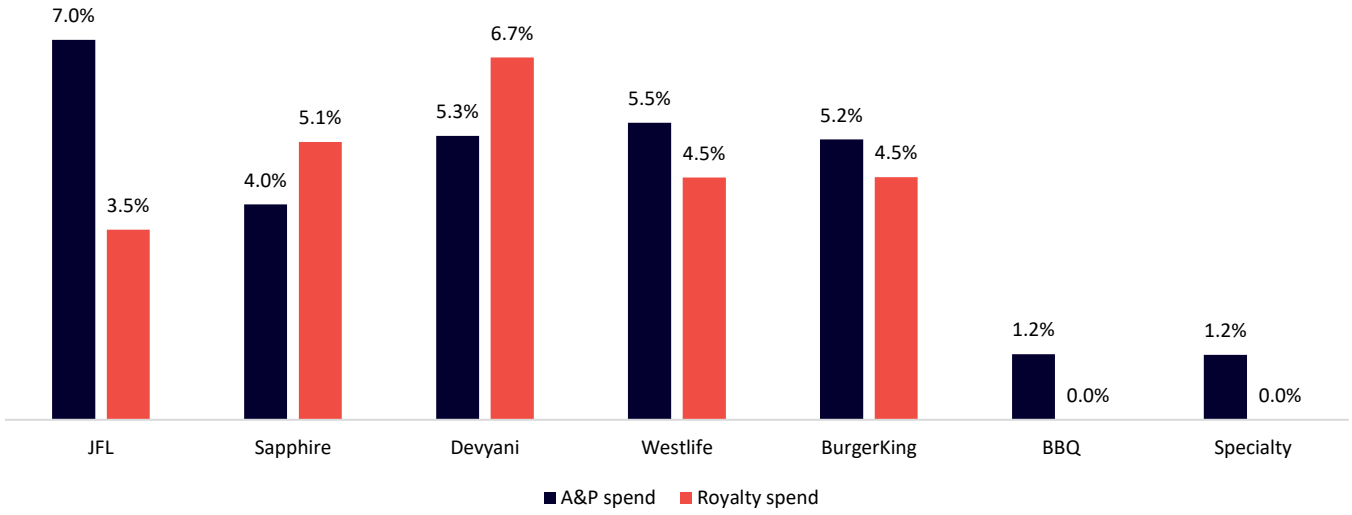
- The share of digital assets (BBQ App, website and chat bots) as a percentage of the total reservations has grown to ~30% over the last three years.
- BBQN recently introduced its Smiles Loyalty program, where it provides 5% of the bill value (subject to certain terms and conditions) to customers as Smiles points, which can be redeemed within a defined timeline during the customer's next dine-in visit or delivery orders from BBQ App or website.



V. Better cost structure led by zero royalty and low ad spends

QSR players spend 5–7% of their total revenue on advertisement spends through traditional and digital media. However, **for BNHL, ad spends stand at a mere 1–2% of the total revenue, as the company advertises more through low-cost billboards and banners** (over and above digital marketing) as compared to high-cost TV and print ads used by QSR players. The company advertises close to its stores to target customers. Moreover, **BNHL does not pay royalty fees, unlike QSR players, who shell out 3–6% of revenue to their franchisee owners.**

Exhibit 17: BNHL enjoys lower ad spends and nil royalty payments compared with QSR players



Source: Company, Nuvama Wealth Research

The dual benefits on operating costs allow BNHL to operate at comparable margins with other QSR players despite incurring higher employee spends and material costs (as BNHL is a CDR player, employee costs as % of sales are almost double than that of QSR players due to high training costs).

Exhibit 18: BNHL vs. QSR players EBITDA margins

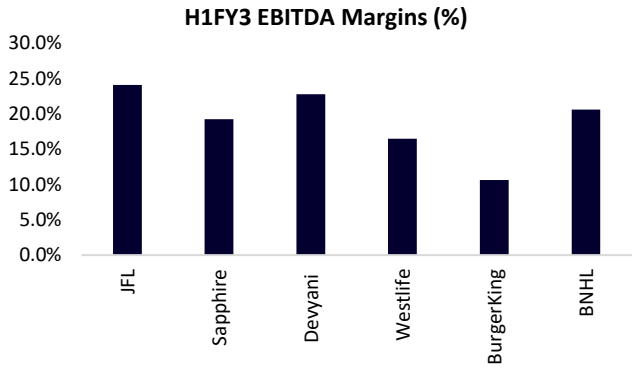
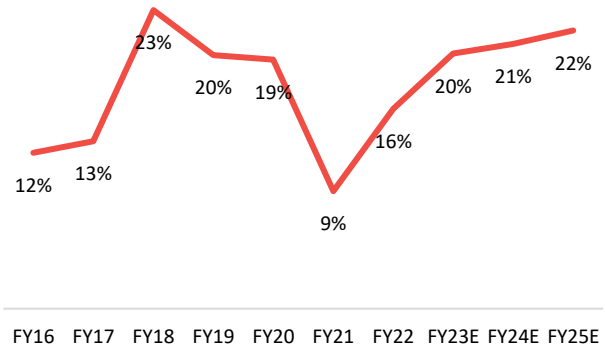


Exhibit 19: NHL EBITDA margins to continue moving up



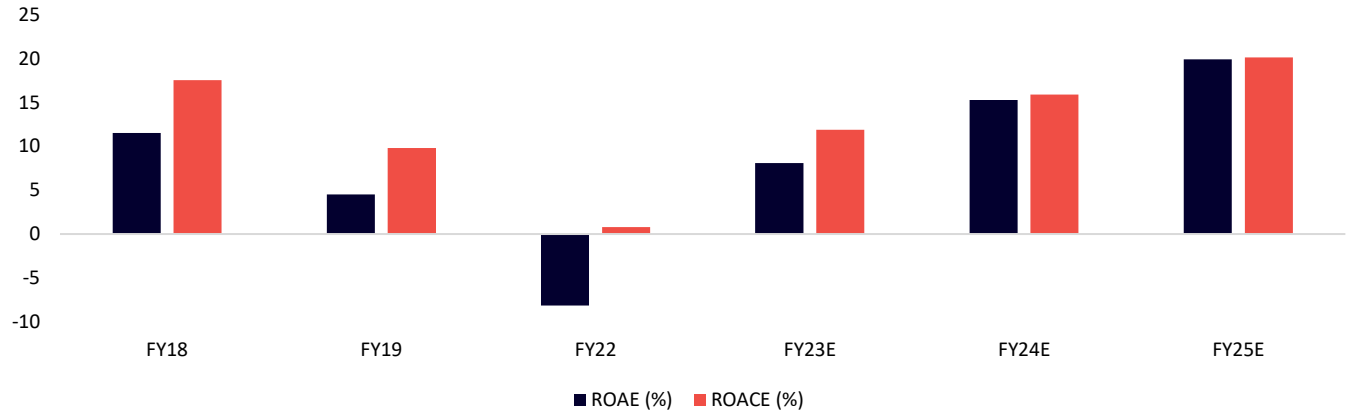
Source: Company, Nuvama Wealth Research

We expect operational margins for BNHL to improve going forward, led by the economies of scale and further improvement in operational efficiencies.

VI. Improvement in margin profile

We expect BNHL to deliver double-digit return ratios on high table turns and operating margins. Moreover, return ratios should improve going forward, led by operating leverage playing out via low corporate overheads (as % of sales) and an increase in revenue per store on improved product mix and the expansion of the delivery channel.

Exhibit 20: Return ratios to improve on margin improvement



*FY20 & FY21 were affected by the pandemic; hence, return ratios for this period were excluded
Source: Company, Nuvama Wealth Research

The company's sharp focus and ability to operate on SOPs (as mentioned above) allow it to generate better store-level economics in the CDR industry. With industry-leading table turns, BNHL generates ample cash to support its restaurant additions. Also, high table turns allow the company to have better payback period than its competitors in the CDR space.

Although the QSR industry has larger addressable target audience than the CDR industry (as QSRs attract the youth, which forms ~35% of India's population), BNHL's store-level economics are still comparable to QSR players on most operating metrics.

Exhibit 21: Barbeque Nation store-level economics

Store-level economics	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue (INR cr)	4.0	5.0	6.0	6.5	7.0
Gross margin %	65.0%	65.5%	66.0%	66.0%	66.0%
EBITDA margin %	10.0%	15.0%	20.0%	22.0%	23.0%
EBIT margin %	-1.0%	4.0%	9.0%	11.0%	12.0%
Asset turn (x)	1.0	1.6	1.8	1.9	2.1
RoCE %	-4%	7%	20%	26%	31%

Source: Company, Nuvama Wealth Research

BNHL's each outlet requires a capex of INR2.5–2.75cr. Average revenue per mature store is ~INR7cr as against average revenue per store of INR6cr, which is diluted due to the impact of new stores. Gross margin stands at 65–66%.

As most footfalls are on a reservation basis, the company's outlets need not be in high-traffic areas.

The rent-to-revenue ratio for the company is lower (at ~10%) compared with other CDR chains. Employee cost forms 20% of sales and other expenses form 10–12%, resulting in a store-level EBITDA margin of 20–22% at maturity. Depending on store location, breakeven happens within 12 months. The payback period at the restaurant level is ~3 years.

VII. Strong back-end processes in place to ensure smooth operations

The company has developed a strong back-end network over the past 16 years. BNHL focuses on customer reviews and feedback and uses two cloud-based systems, i.e. the Central Reservation System (CRS) and the Central Feedback System (CFS), to collect essential customer data. Barbeque Nation restaurants use an in-house call center to obtain customer feedback and initiate a quick response based on the data collected.

Business Insights has a direct interface with their enterprise resource planning system for Barbeque Nation restaurants, which is designed to handle and streamline the complex workings of their financials, inventory, warehousing, sales, purchases and manufacturing and enhance the ability to predict trends and business data through advanced detailed reporting.

CRS is connected to its CRS agents, smartphone application, web-based app and in-restaurant POS reservation system. This synchronised system allows the company to track all reservations for BBQN restaurants centrally, with all interconnected booking systems feeding the central cloud database. CFS allows quick customer response from multiple media at any time of the day. It has integrated 'Business Insights' (in-house business intelligence software), which allows it to track restaurant-wise data (operational and financial) for Barbeque Nation restaurants at a granular level.

A strong feedback system, MIS, that monitors store-level profitability on a daily basis and a remuneration system strongly linked to performance have not only resulted in improved brand equity but also an attractive return profile. The performance of each restaurant is reviewed using various KPIs, including customers served per day, average per cover, table turns, covers, raw material costs, staff costs and customer feedback. The financial performance is also reviewed based on gross margins, restaurant-level profitability and corporate-level profitability. The operational indicators of best-performing restaurants are analysed, and the best practices are shared with other restaurants.

BNHL also places a strong emphasis on customer reviews and feedback. It has a in-house department to gather feedback daily across multiple satisfaction parameters for its internal Guest Satisfaction Index (GSI). The results determined by GSI play an important role in the management and staff incentive schemes. Based on the management's several years of experience and regular customer feedback, it carefully designs and adjust its menus. It aims to inculcate a service-oriented mindset in all its staff and train them to be attentive to customer needs.

BNHL's strong back-end systems help in selecting restaurant locations, as they are carefully chosen by a dedicated internal team. The company has been successful in opening BBQN restaurants in popular business districts, neighbourhoods and local markets without typically paying high-street premium rentals. BBQN restaurant locations are chosen with the objective of keeping their rent to potential revenue ratio low (at ~10% vs. industry average of 15%, as per our internal estimates).

Peer Analysis

Exhibit 22: Listed CDR companies peer set

Barbeque Nation	FY19	FY20	FY21	FY22	H1FY23
No. of Restaurants	133	164	164	185	205
Store additions	29	31	0	21	20
Revenue (cr)	739	847	507	861	625
Growth (%)	26.0	14.6	-40.1	69.7	
Gross Margin (%)	66.5	65.5	64.8	64.6	66.4
EBITDA (cr)	146	164	46	134	129
EBITDA Margin (%)	19.7	19.4	9.1	15.5	20.6
PAT (cr)	-4	-33	-92	-25	22
RoE (%)	4.5	-71.7	-75.2	-8.2	9.5
RoCE (%)	9.8	4.9	-10.9	0.8	9.8
Debt (cr)	125	207	153	22	16
Revenue per store (cr)	6.2	5.7	3.1	4.9	6.2
EBITDA per store (cr)	1.2	1.1	0.3	0.8	1.3

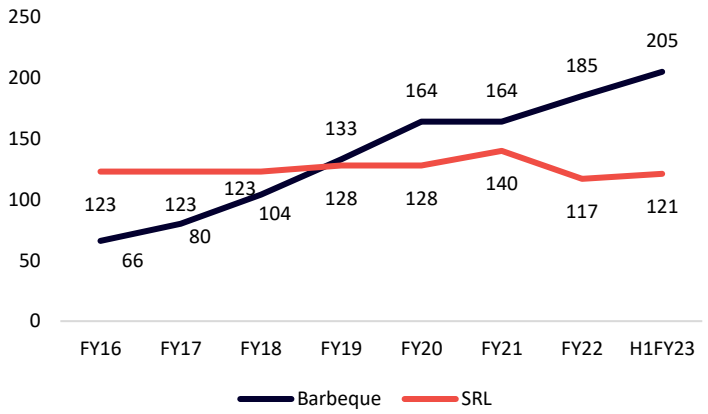
Speciality Restaurant	FY19	FY20	FY21	FY22	H1FY23
No. of Restaurants	128	140	117	117	121
Store additions	0	12	-23	0	4
Revenue (cr)	346	358	150	253	184
Growth (%)	16.7	3.3	-58.0	68.5	
Gross Margin (%)	68.6	68.3	69.9	70.1	70.1
EBITDA (cr)	12	15	-2	36	38
EBITDA Margin (%)	3.6	4.1	-1.1	14.4	20.7
PAT (cr)	-8	-38	-29	8	26
RoE (%)	-3.5	-19.8	-19.6	5.8	25.4
RoCE (%)	-7.3	-17.4	-12.3	3.2	12.0
Debt (cr)	0	0	21	24	0
Revenue per store (cr)	3.1	3.0	1.5	2.9	4.1
EBITDA per store (cr)	0.1	0.1	0.0	0.3	0.3

Source: Company, Nuvama Wealth Research

Exhibit 23: SRL - Number of brands over the years

	SRL Brands	SRL Stores
FY13	10	96
FY14	12	106
FY15	11	115
FY16	11	123
FY17	11	123
FY18	14	128
FY19	17	128
FY20	22	140
FY21	20	117
FY22	20	117

Exhibit 24: Store additions: Barbeque vs. SRL

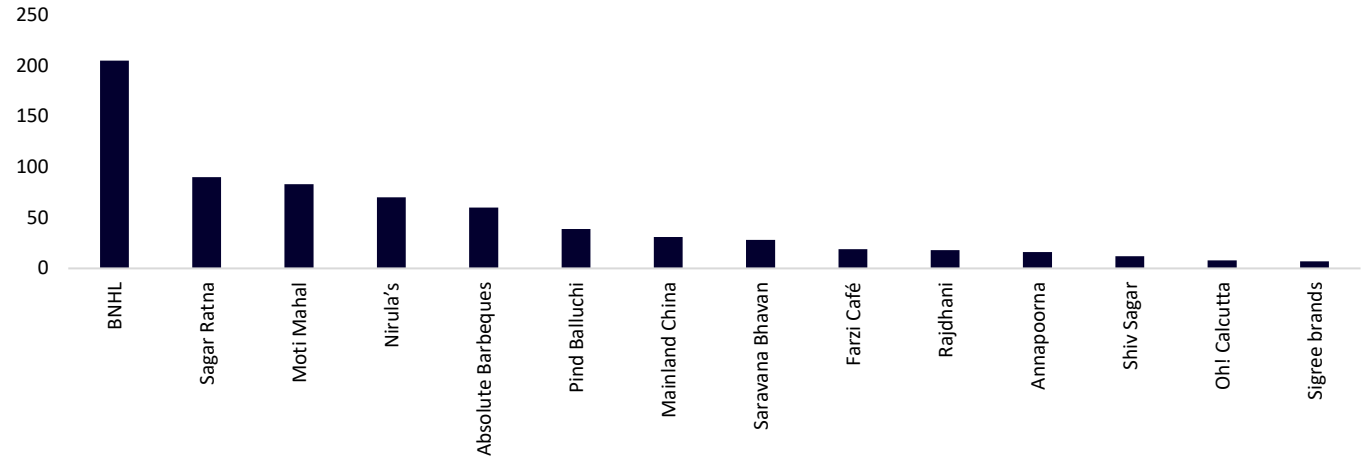


*Speciality Restaurants include brands such as Mainland China, Oh! Calcutta, Sigree, Asia Kitchen, etc. and confectionaries such as Sweet Bengal and Dariole across India, Doha, UAE and London.
Source: Company, Nuvama Wealth Research

(1) SRL has doubled its brand count over FY13-22, but store count addition has been lacklustre (closed loss-making stores during the pandemic). However, BNHL offers only two core brands, and its store count has increased ~3x over the same period on account of strong focus on the core offerings, developing SOPs and simultaneously finding considerable scope on the scalability of these brands. Conversely, SRL could not scale up as it manages around 20 brands simultaneously (closed several restaurants of its core brands – Mainland China and Sigree – over the last five years).

(2) In addition, BNHL's per store metrics are far superior than its competitor, which would result in much better margins and return ratios in the future.

Exhibit 25: CDR sector restaurant footprint in India



Source: Company, Nuvama Wealth Research

(1) BNHL remains much ahead of its peers in terms of restaurant count (2x compared with its nearest competitor).

(2) Rather, most of its competitors that are in existence for a longer time than BNHL have not been able to surpass a three-figure mark yet.

Exhibit 26: Comparison with other restaurant chains

	BNHL	Speciality	Jubilant	Westlife	Devyani	Sapphire	Burger King	Subway	Chilli's	The Great Kebab Factory
Format	CDR	CDR	QSR	QSR	QSR	QSR	QSR	QSR	CDR	FDR
No. of stores	205	121	1,804	337	1,096	658	334	540	21	23
Store size (sq. ft.)	4,500–5,000	4,000–6,000	1,400–1,600	2,600–3,200	1,500–1,700	1,500–1,700	1,300–1,400	750–1,000	3,700–4,300	4,500–5,000
APC (INR)	850–900	650–700	200–225	225–250	275–300	275–300	200–225	175–200	600–700	1,250–1,500
Capex per store (INR cr)	2.5–2.75	2.5–3	1.4	2.5–3	1.4	1.4	2	0.4–0.5	3–3.5	4–5
ADS (INR lacs)	1.5–1.6	0.6–0.8	0.8–0.9	1.6–1.8	0.85–0.95	1.0–1.1	1.25	0.3–0.35	1.4–1.5	1.9–2.1
Rev per store (INR cr)	6.2	4.1	3.0	6.7	2.9	3.5	4.3	-	-	-
Gross margin %	66%	70%	78%	65%	71%	67%	66%	67%	71%	69%
EBITDA %	21%	21%	24%	16%	23%	19%	11%	22%	21%	18%
EBITDA per store (INR cr)	1.3	0.3	0.7	1.1	0.6	0.6	0.5	NA	NA	NA
Payback period (years)	3	8	2	3	3	3	5	NA	NA	NA
RoE %	10%	25%	23%	19%	37%	14%	-6.4%	NA	NA	NA
RoCE %	10%	12%	19%	12%	18%	10%	-1.0%	NA	NA	NA
GFATO (x)	2.0	2.0	2.5	1.9	2.3	1.7	1.4	NA	NA	NA

Source: Company, Nuvama Wealth Research

(1) Despite a smaller addressable market than QSRs, BNHL has been able to scale up swiftly with ~20% store additions annually. BNHL's revenue per store and ADS are much superior to competition, as the company follows a cluster policy to concentrate on major metros for store openings (currently, ~80% of its stores are mature).

(2) BNHL's revenue per store and ADS are in the top tier in the industry due to its strong focus on the dine-in format and strong brand loyalty enjoyed over the years.

(3) Despite lower gross margins than most of the competition in the organised restaurant space, BNHL's operating margins are comparable to its competition on lower rental and nil royalty costs.

(4) Despite a higher store size and capex per store than most QSRs, BNHL has comparable store-level economics such as EBITDA per store, GFATO, payback period and return ratios.

Risks

Over expansion into new formats may cause significant cash burn

Only a few operators have been able to scale up in the CDR sector as standardisation is difficult due to numerous SKUs. Historically, restaurant operators in this segment increased the number of brands to increase the restaurant count. The businesses have not fared well for most operators as they could not figure out a profitable business model. BNHL is also expanding into Toscano and international operations, which may cause cash burn and capital misallocation if these relatively new businesses/verticals do not perform well.

Commodity inflation

BNHL faces significant inflation across key ingredients, such as (a) 25% YoY inflation in chicken and (b) 35–40% YoY inflation in edible oil. To mitigate the inflationary pressure, BNHL hiked prices by 7–8% over the last year. While the food services industry is relatively better placed vs. other discretionary categories, a slowdown in discretionary spend due to the inflationary environment would eventually result in slow discretionary spending and a cut in SSSG expectations.

Resurgence of COVID-19 lockdowns

COVID-19 disrupted the dine-in restaurant industry severely over FY20–22. Though delivery gained significance over this period with several initiatives taken by the restaurant industry to revive lost volumes, the overall restaurant business remained impacted. With increase in COVID-19 cases in some parts of the world, some lockdown restrictions might again be possible. We believe any such disruption would be detrimental for the industry, impacting business strategies, new store openings and eventually the financial performance of the underlying companies in the sector.

Increase in attrition rates would increase costs and would be time consuming

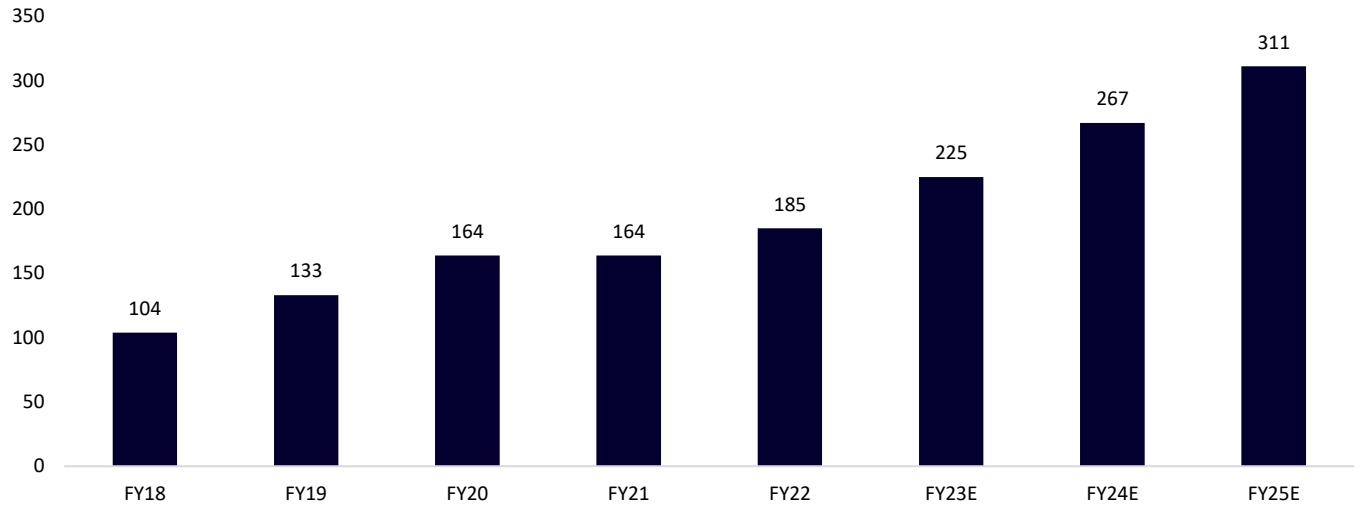
The Indian restaurant industry was constrained by high levels of attrition in the past. Rising competition and low affinity with the workplace, especially at the lower levels, have caused a war on talent in the industry. Skill building and upskilling, which are critical for the industry, are time consuming and costly but essential, especially for chain restaurants in which food and service standardisation is the key. High levels of attrition are a big challenge for the restaurant industry, as replacing quality workforce requires significant training.

Lack of robust supply chain

The other major challenge faced by the industry is a lack of robust supply chain infrastructure, including cold chain, which pushes up costs. A robust supply chain is critical, especially for large restaurant chains operating in multiple locations, for ensuring quality and cost standardisation and adding a sense of reliability.

Financial Analysis

Exhibit 27: Restaurant footprint

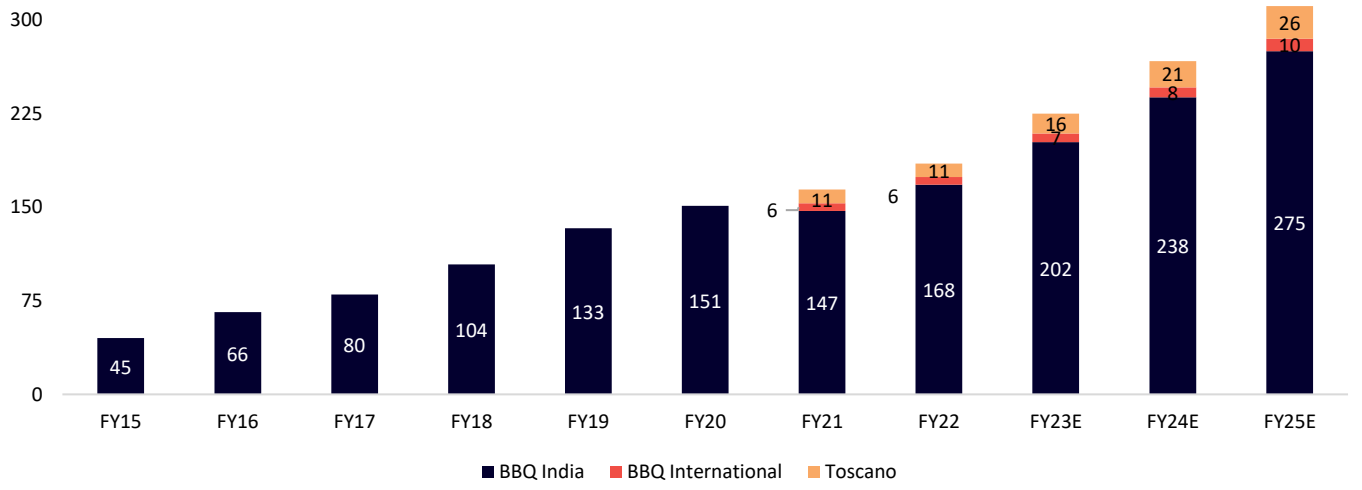


Source: Company, Nuvama Wealth Research

BNHL plans to open ~40 stores annually over the near-to-medium term. Incremental store additions would be concentrated in existing geographies (cluster-based expansion).

Exhibit 28: Restaurant mix

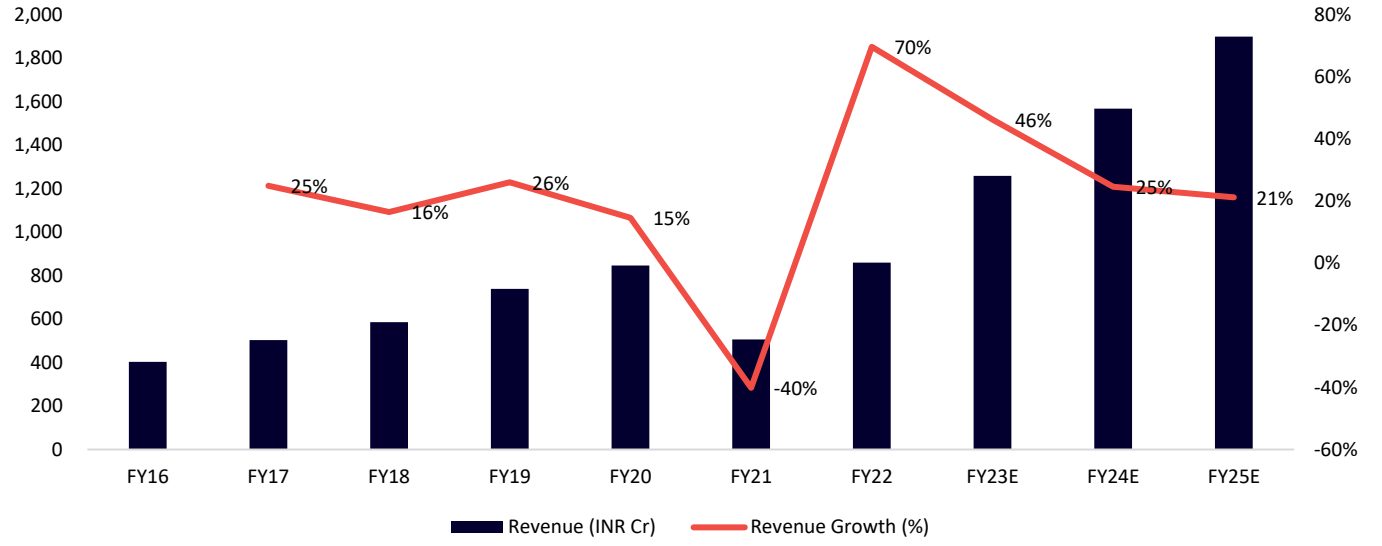
Number of Restaurants



Source: Company, Nuvama Wealth Research

(1) BBQN format to continue to contribute ~90% of the overall restaurant network.
(2) The company plans to double its Toscano store presence over FY22–25E.

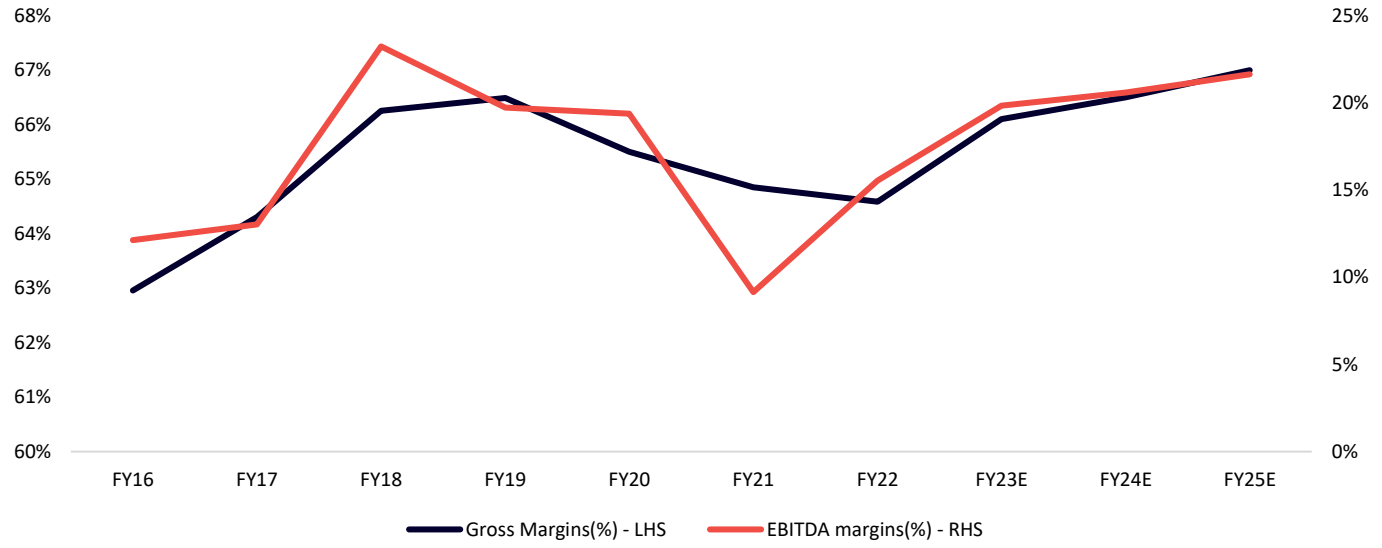
Exhibit 29: Revenue growth trend



Source: Company, Nuvama Wealth Research

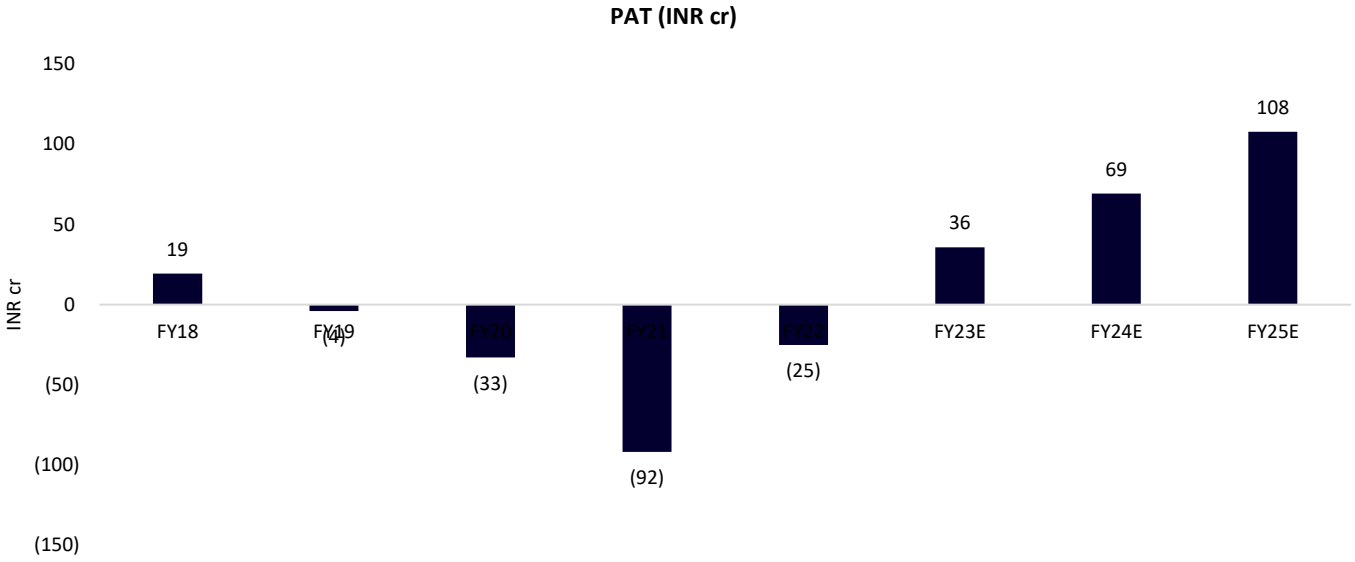
We expect BNHL's consolidated revenue to expand at 30% CAGR over FY22–25E, driven by aggressive store openings (19% CAGR), average SSSG of ~12% and ramp up of its delivery vertical.

Exhibit 30: Margin trend



Source: Company, Nuvama Wealth Research

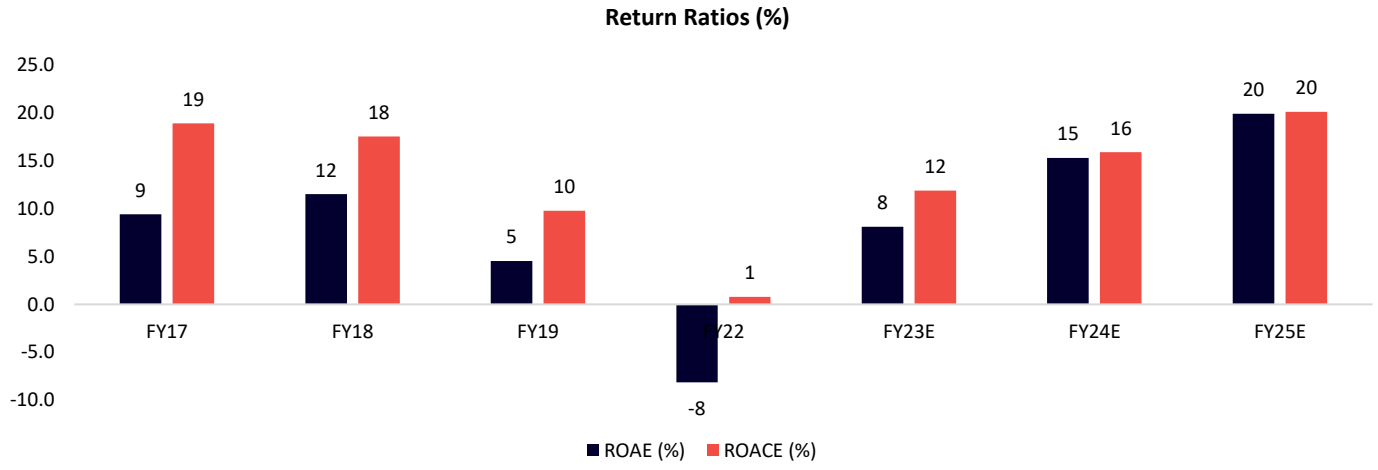
Exhibit 31: PAT trend



Source: Company, Nuvama Wealth Research

We expect BNHL to turn black in FY23E (after the impact of the pandemic) driven by recovery in the business and post a healthy growth of 74% over FY23E-25E.

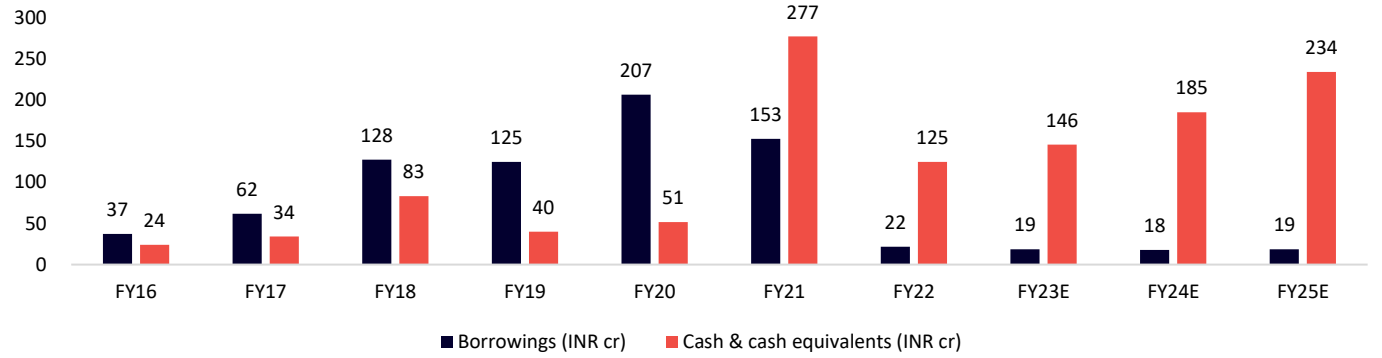
Exhibit 32: Return ratios to improve on margin expansion



Source: Company, Nuvama Wealth Research

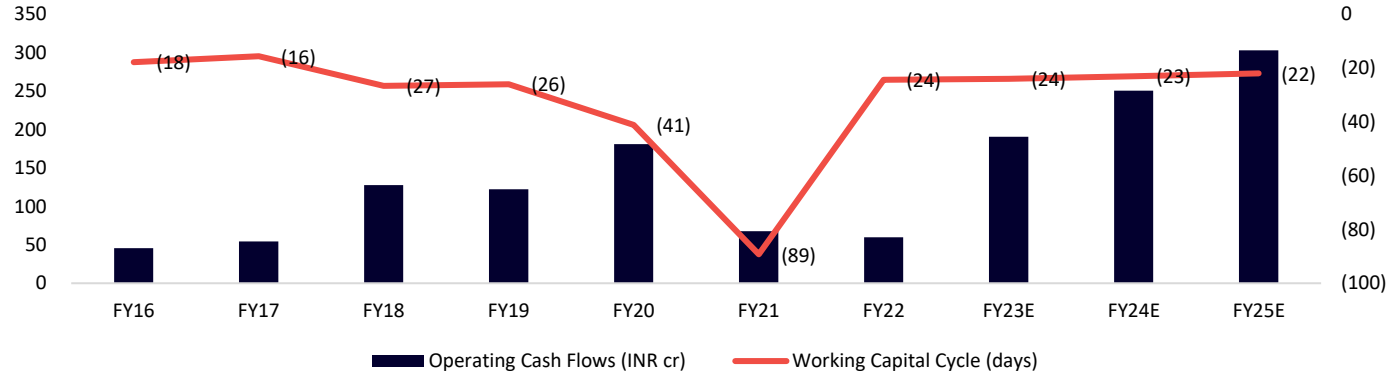
Return ratios are likely to reach high double digits in the coming years, led by positive operating leverage.

Exhibit 33: Balance sheet to remain net debt free on healthy cash flows



Source: Company, Nuvama Wealth Research

Exhibit 34: Healthy operating cash flows supported by a negative working capital cycle

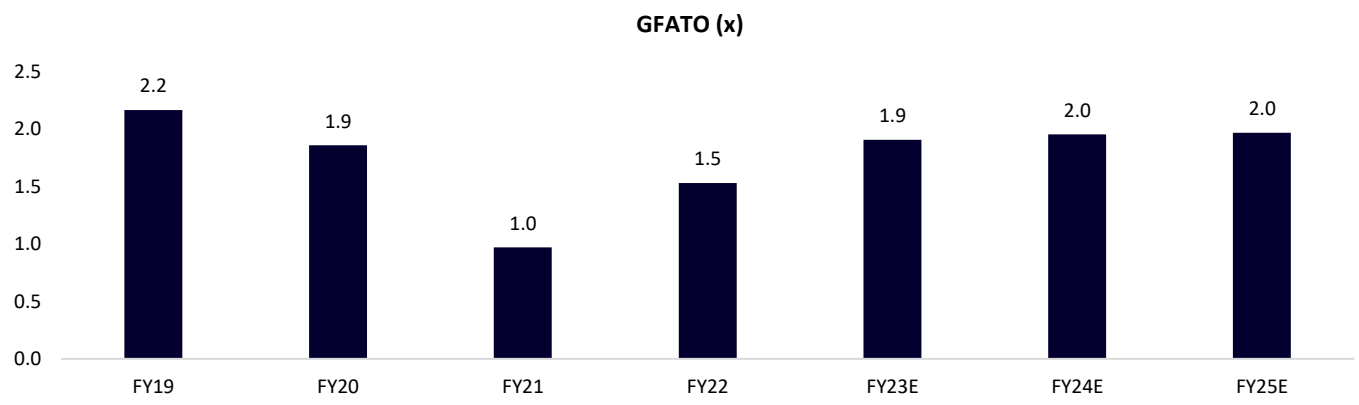


Source: Company, Nuvama Wealth Research

(1) Barbeque Nation has been continuously growing its store count over the years and will continue to do so in coming years. Despite expanding its store count aggressively, we expect the company to generate strong operating cash flows and maintain a negative working capital cycle.

(2) Operating cash flows are likely to be used for its aggressive store expansion, and the company would remain debt-free going forward.

Exhibit 35: GFATO to continue to improve with a higher average revenue per restaurant



Source: Company, Nuvama Wealth Research

Valuation and Outlook

We are optimistic about the ~INR17,000cr chain CDR industry, given its huge market size, changing consumer eating habits and expansion plans of restaurant operators in big cities, where the appetite for dining out is accelerating. Though competition has further intensified in this sector after the pandemic, we believe this industry is still in early growth phase and restaurant-penetration levels continue to be low, providing immense growth opportunities for all industry participants over the long term.

Barbeque Nation is one of the largest players in the chain CDR market, and it is the sole operator in the industry that has been able to scale up profitably and is way ahead of its peers in terms of restaurant count and store-level economics. **We like Barbeque Nation because of its (a) ability to operate under strong SOPs across all its restaurants; (b) sharp focus on store expansion along with maintaining superior store economics; (c) focus on the delivery vertical, which would aid revenue growth; (d) better table turns, resulting into a high fixed-asset turnover; and (e) better cost structure, resulting in better margins and higher return ratios.**

We believe the company would grow at a revenue CAGR of 30% over FY22–25E, outperforming the CDR industry, supported by a store expansion CAGR of 19% and strong SSSG. BNHL's operational profitability would improve in FY23E on a strong recovery in dine-in sales after COVID-19 and operating leverage kicking in. We expect healthy growth in the dine-in channel to continue going forward. We also expect BNHL's EBITDA margins to expand >600 bps over FY22–25E.

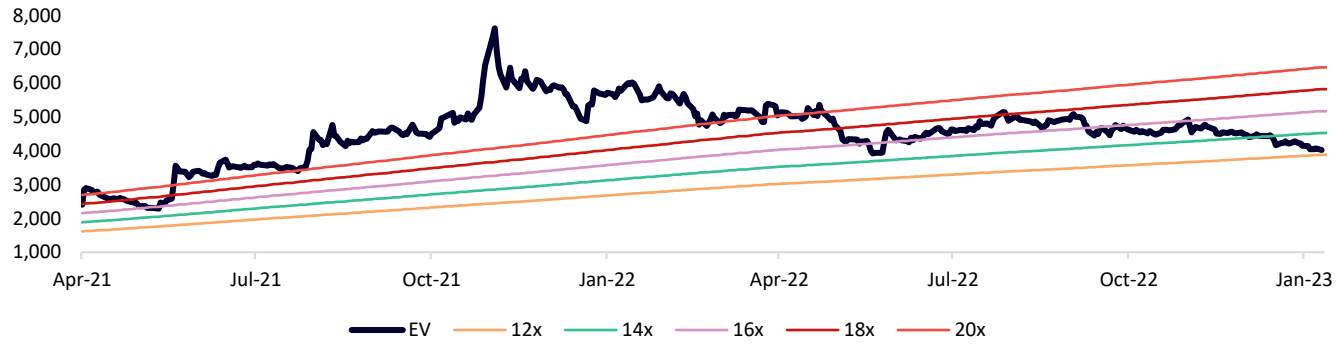
BNHL currently trades at an attractive valuation of ~10x/8x EV/EBITDA for FY24E and FY25E, ~50% below the QSR industry average of 21x FY24E EV/EBITDA. Moreover, its earnings growth potential is higher than QSR companies. However, scaling up casual dining as a format vs. QSR is challenging, given its (i) larger ticket sizes, (ii) lower table turns, (iii) smaller target audience and (iv) lack of an all-day dining menu. We, therefore, believe that BNHL would trade at a 25–30% discount to the average QSR industry multiple and value it at 15x EV/EBITDA with a target price of INR 1,275/share.

Exhibit 36: Valuation matrix

Companies	Mcap	CMP	P/S (x)					EV/EBITDA (INR)				
	(INR crore)	Price (INR)	FY20	FY21	FY22	FY23E	FY24E	FY20	FY21	FY22	FY23E	FY24E
Barbeque Nation	3,424	880	NA	NA	5.7	3.4	2.7	NA	NA	36.1	13.4	10.3
Speciality Rest.	1,231	262	0.6	2.8	4.3	NA	NA	15.5	-270.4	30.2	NA	NA
Sapphire	8,210	1,292	4.5	6.0	4.8	3.6	2.9	32.9	49.1	30.5	19.3	14.3
Devyani	19,095	159	4.0	5.4	9.2	6.4	5.0	25.8	27.7	44.7	28.7	21.1
JFL	32,890	498	5.4	12.2	7.5	6.0	5.3	25.4	53.8	29.3	22.6	19.5
WDL	11,109	713	3.2	3.2	7.3	7.0	5.0	22.8	85.0	40.4	30.4	25.1
BK	5,538	112	7.2	12.3	5.3	3.6	2.7	65.8	431.1	61.3	34.4	23.1

Source: Company, Nuvama Wealth Research

Exhibit 37: EV/EBITDA Band (x) – BNHL



Source: Company, Nuvama Wealth Research

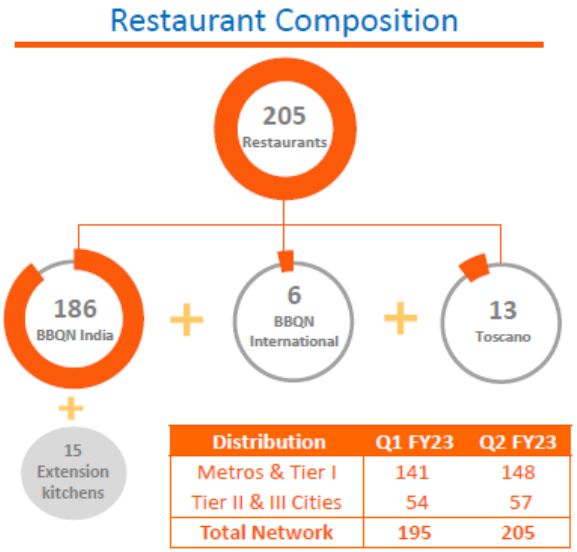
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Company Description

Barbeque Nation was started in 2006 by one of the promoters, Late Sajit Dhanani, who was the brother of the current Managing Director of the company, Kayum Dhanani. The first BBQN restaurant was opened in Pali Hills in Mumbai. BBQN restaurants offer fixed-price 'over the table barbeque' to its customers, which includes live grills embedded in dining tables, allowing guests to grill their own barbeques.

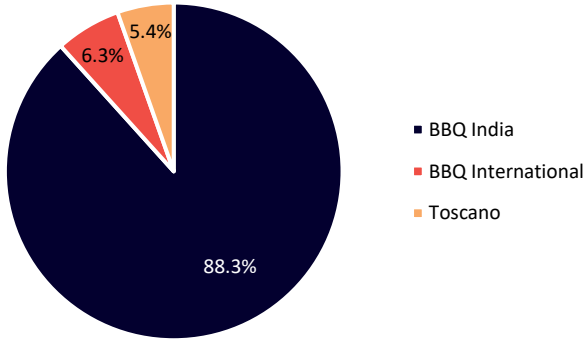
BNHL also owns and operates Toscano (Italian cuisine), You and Barbeque ('UBQ') and 'Barbeque-in-a-Box' by BBQN. As on Sep'22, BNHL operated 186 BBQN outlets (in 84 cities) and 13 Italian restaurant outlets (in three cities) in India through two commissaries (Delhi NCR and Mumbai). Moreover, it has six Barbeque Nation outlets in UAE and one each in Oman and Malaysia. At present, UBQ and Barbeque-in-a-Box predominantly operate via the delivery channel.

Exhibit 38: FY22 store mix



Distribution	Q1 FY23	Q2 FY23
Metros & Tier I	141	148
Tier II & III Cities	54	57
Total Network	195	205

Exhibit 39: FY22 revenue mix



Source: Company, Nuvama Wealth Research

Exhibit 40: Barbeque Nation financials snapshot

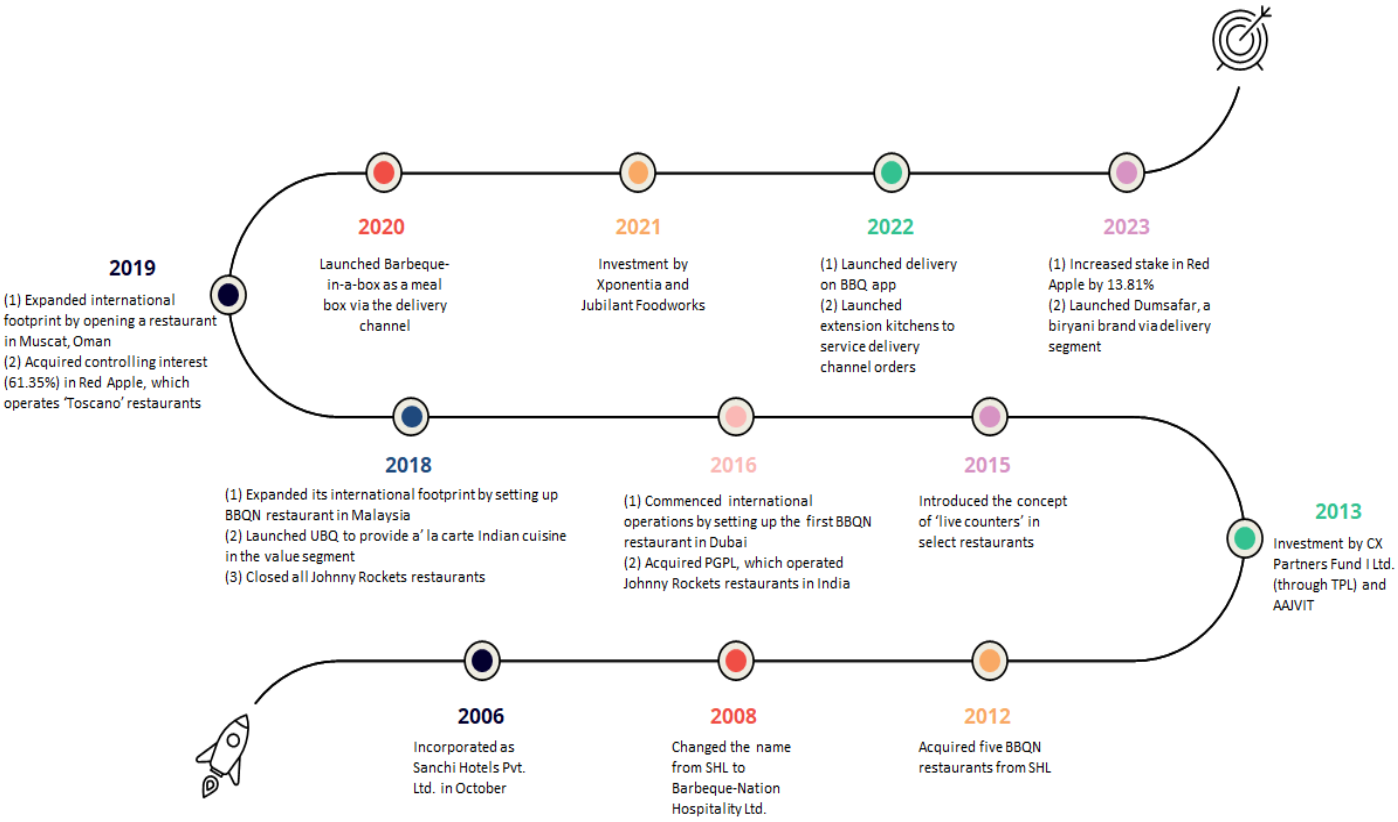
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	H1FY23
Barbeque Nation								
No. of restaurants	66	80	104	133	164	164	185	205
Store additions		14	24	29	31	0	21	20
Revenue (cr)	403	503	586	739	847	507	861	625
Growth (%)		24.9%	16.5%	26.0%	14.6%	-40.1%	69.7%	93.7%
SSSG (%)			20%	960%	184%	43%	6%	NA
Gross margin (%)	63.0%	64.3%	66.3%	66.5%	65.5%	64.8%	64.6%	66.4%
EBITDA (cr)	49	66	136	146	164	46	134	129
EBITDA margin (%)	12.1%	13.0%	23.2%	19.7%	19.4%	9.1%	15.5%	20.6%
PAT (cr)	6	12	19	-4	-33	-92	-25	22
RoE (%)	9.6	9.4	11.5	4.5	-71.7	-75.2	-8.2	5.6
RoCE (%)	29.4	18.8	17.5	9.8	4.9	-10.9	0.8	14.1
Debt (cr)	37.3	61.7	127.7	125.0	206.5	152.8	21.8	16.0
Revenue per store (cr)	6.1	6.3	5.6	5.6	5.2	3.1	4.7	6.1
EBITDA per store (cr)	0.7	0.8	1.3	1.1	1.0	0.3	0.7	1.3

Source: Company, Nuvama Wealth Research

Long Term Recommendation
Barbeque Nation Hospitality Ltd.

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Timeline



Long Term Recommendation
Barbeque Nation Hospitality Ltd.

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Management Profile

Name and Designation	Profile
 **T Narayanan Unni –** *Chairman, Non-Executive Director & Independent Director*	Mr. T Narayanan Unni holds a Bachelor's degree in Commerce from Vikram University, Ujjain, and a Bachelor's degree in Law from the University of Indore. He is a member of the Institute of Chartered Accountants of India and has been a practicing chartered accountant since 1 July 1975. He has been a Director of Barbeque Nation since 9 February 2009.
 **Kayum Dhanani -** *Managing Director*	Mr. Kayum Dhanani holds a Diploma in Sole-making from the Central Leather Research Institute, Chennai. Since 2005, he has been associated with Sara Suole Private Limited, which is engaged in the business of manufacturing, processing and selling leather goods, including soles, shoes and other leather accessories. He has been a Director of Barbeque Nation since 30 November 2012.
 **Rahul Agrawal -** *Whole Time Director & CEO*	Mr. Rahul Agrawal holds a Bachelor's degree in Commerce (Hons) from Shri Ram College of Commerce, University of Delhi, and a Post Graduate Diploma in Management from the Indian Institute of Management, Bengaluru. Prior to joining Barbeque Nation, he was associated with Ernst & Young and Beacon BVM Advisors. He was also associated with CX Advisors LLP from October 2009 to July 2017. He joined Barbeque Nation on 24 July 2017 and has been a Director since 31 December 2020.
 **Faiz Azim -** *Chief Operating Officer*	Mr. Faiz Azim has 16 years of experience across consulting, industry, entrepreneurship and e-commerce. He has worked with Myntra, A.T. Kearney, Walmart and Jubilant Retail. He also set up and managed Brown Apron, India's first online meat and seafood e-commerce business; and Atom Data Labs, a tech start-up focused on location analytics. He holds a Post Graduate Diploma in Management from the Indian Institute of Management, Bengaluru.
 **Nakul Gupta -** *Chief Marketing Officer*	Mr. Nakul Gupta holds a Bachelor's degree in Commerce from Shri Ram College of Commerce and has a Master of Business Administration degree from Xavier School of Management. Prior to joining Barbeque-Nation, he worked with Tata Motors for 16 years and served as Head of its marketing division. He has also worked as management trainee with Tata Administrative Services.

Key Management Personnel	
Person	**Position**
Rahul Agrawal	CEO
T Narayanan Unni	Chairman
Kayum Dhanani	MD
Faiz Azim	COO
Anurag Mittal	CFO

Shareholder's name	% of holding
Promoter group	33.9%
DII's	**27.5%**
UTI Flexi Cap Fund	6.4%
ICICI Pru Small Cap Fund	5.9%
Motilal Oswal Midcap 30 Fund	2.9%
Aditya Birla Sun Life Insurance	2.2%
Public	**22.7%**
Jubilant Foodworks	9.4%
Aashish Kacholia	1.1%
FII's	**15.8%**
MIT	3.3%
Kuwait Investment Authority	3.1%
Nomura Trust & Banking	1.1%

Appendix

Industry Overview

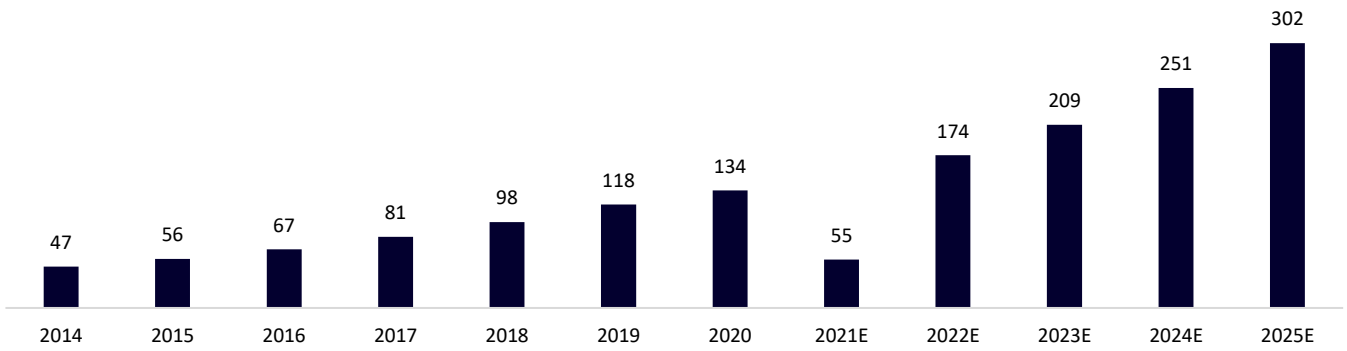
CDR Market Overview

The chain casual-dining segment caters to the various needs of consumers by offering different service styles, cuisines, ambiance and price points; for example, Sagar Ratna and UBQ by Barbeque Nation with an APC of INR200–300 cater to value seeking consumers, whereas Barbeque Nation and Mainland China with APC of INR775–800 cater to experiential consumers, who like to enjoy a sumptuous meal with great ambience. Outlets like Farzi Café (APC of INR 1,100–1,250) cater to consumers looking to experiment with Indian food in a lively and eclectic environment.

Casual dining is a blend of fine and fast-food dining, which serves moderately priced food in a more casual and friendly atmosphere. The key difference between fine and casual dining is the ambience. Casual dining serves in a friendlier and informal way, whereas fine dining entails a more elegant and formal atmosphere.

The chain casual dining market in India has been flourishing over the last few years. The chain CDR segment represents the second largest share in the chain food services market in India after QSR. Following an evolution of sorts over the years, there are currently a few players generating revenue of more than INR500cr in this category. Exhaustive menus, quality food, high focus on presentation and the presence of specific cuisines or themes are all features of the CDR segment. The size of the chain casual dining market was INR 134bn in FY20, which is expected to grow at a healthy CAGR of 18% to INR 302bn by FY25 (contribution to the overall chain food services market to remain at ~30%). The share of the overall CDR market in the food services sector is expected to be INR 976bn as of 2022 and the segment is expected grow at a healthy CAGR of 16% to INR 1,607bn by FY25.

Exhibit 41: Chain CDR Market Size in ₹ billion



Source: Company, Nuvama Wealth Research

Within the eating-out space, the CDR segment is best placed in the overall chain segment based on pricing, wholesome offer, and involvement of the entire family. Apart from convenience and quick bites, consumers are looking at experiential format due to higher disposable income and changing eating-out habits. CDRs continue to be a popular format in Tier I and Tier II cities along with the mega and mini metros.

Key Players

As per an estimate, the chain CDR segment had ~4,700–5,200 outlets across India in FY20, which was ~1,800–2,000 in FY14.

The CDR market is mainly dominated by domestic players and since the chain CDR sector has witnessed high growth, quite a few new players have entered the market. As a result, the existing players are innovating on a larger scale than before. Moreover, many successful domestic players like Moti Mahal, Barbeque Nation and Sagar Ratna have turned their attention to the national and international arena.

Competition in the chain CDR space is based on factors such as price, type of cuisine, quality of food, quality of customer service, value, brand recognition and location of restaurants.

Competitors

Speciality Restaurants

Incorporated in 1992 by Anjan Chatterjee, Speciality Restaurants Ltd (SRL) owns multiple chains of fine and casual dining restaurants in India and overseas markets. In 1992, the company started its first restaurant, 'Only Fish', in Mumbai. In 1994, the company introduced two new brands, 'Oh! Calcutta' and 'Mainland China', in Mumbai. As of Sep'22, the company had 83 restaurants and 38 confectionary stores across 25 cities in India and a few in Dhaka (Bangladesh), Dar-es-Salaam (Tanzania), Colombo (Sri Lanka) and recently in Dubai (UAE). The company also operates a restaurant under the brand name 'Chourangi' in London under a joint venture.

SRL's flagship brands, Mainland China and Mainland China-Asia Kitchen, serve Chinese regional cuisines and dishes from across Asia. The other key brands include Oh! Calcutta, which serves flavours from Kolkata; Sigree and Sigree Global Grill, which bring grilled flavours from across the world; and Sweet Bengal, a confectionary chain of Bengali sweets.

Restaurant count	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	H1FY23
Mainland China and Asia Kitchen by Mainland China	47	53	53	52	48	48	47	45	32	31	
Oh! Calcutta	9	8	9	9	9	9	9	9	8	8	
Sigree & Sigree Global Grill	7	12	16	17	18	17	14	14	6	7	
Haka, Haka Express and Haka - Asia Bowl	3	2	2	2	2	2	2	6	6	5	
Machaan	6	5	3	2	2	3	2	2	1	1	83
Flame & Grill	7	5	3	3	3	3	3	2	2	2	
Café Mezzuna	0	2	2	4	4	2	2	2	2	2	
Hoppipola	0	2	5	10	13	13	13	14	6	5	
Cloud Kitchen	0	0	0	0	0	0	0	1	4	11	
Other brands*	3	3	4	6	6	9	12	14	9	7	
Dariole	0	0	0	0	0	1	2	3	3	8	8
Sweet Bengal	14	14	18	18	18	21	22	28	38	30	30
Total	**96**	**106**	**115**	**123**	**123**	**128**	**128**	**140**	**117**	**117**	**121**

Source: Company, Nuvama Wealth Research

* Other brands include Kix, Episode One, Riyasat, BARissh, Zoodles, Gong, POH, Hay, Urban Deccan Pub, Calcutta Canteen, Jungle Safari, Spicery and Kaazi restaurants

Notes:

(1) SRL aims to open 12-15 restaurants over the next 24 months
(2) The company plans to raise INR 127cr through equity warrants (at INR 212.05/share) for new restaurant additions
(3) Mainland China (including Asia Kitchen) restaurants account for 50-60% of the company's total revenues
(4) SRL became profitable in FY22 on closure of loss-making stores and higher salience from delivery channel
(5) Delivery channel contributed 25-27% to SRL's revenue as of Sep'22
(6) SRL opened cloud kitchens to improve presence, thereby aiding the delivery channel. Cloud kitchen contributes ~30% to delivery revenues

Absolute Barbecues

Absolute Barbecues (AB's) is a Hyderabad-based casual dining barbeque restaurant chain with 60 restaurants across 23 cities in India. The company runs two restaurants in Dubai and one in Qatar. Restaurateur Prosenjit Roy Choudhury started the first restaurant in the chain in Vadodara in 2013. Mr. Prosenjit Roy Choudhury started his career with Sayaji Hotels as a Management Trainee in 1995. He worked in different sub verticals within F&B and became its head in 1999. The company plans to reach around 100 outlets over the next two years. The company's current turnover is INR430cr.

The company's delivery arm AB's Express offers customised options such as Genie's Buffet Box, Meal-for-One, Starters Box, and festival special lunch/dinner offerings carrying AB's signature taste and flavour.

	2020	2021	2022
AB's restaurant count	29	42	60

Source: Company, Nuvama Wealth Research

Geographical break-up of buffet-focused restaurants:

Geographical break-up %	BNHL	Sigree	AB's
South	34%	29%	58%
West	26%	43%	19%
North	25%	0%	10%
East	15%	29%	14%

Source: Company, Nuvama Wealth Research

Financials

Income statement (INR crs)

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Income from operations	507	861	1,259	1,568	1,900
Direct costs	178	305	427	525	627
Employee costs	135	189	274	337	404
Other expenses	147	233	308	383	458
Total operating expenses	461	727	1,009	1,245	1,489
EBITDA	46	134	250	323	411
Depreciation and amortisation	121	127	142	171	205
EBIT	-75	6	108	152	206
Interest expenses	85	65	75	71	75
Other income	46	26	11	12	13
Profit before tax	-114	-33	43	92	144
Provision for tax	-20	-7	11	23	36
Core profit	-94	-26	33	69	108
Extraordinary items	2	0	3	0	0
Profit after tax	-92	-25	36	69	108
Minority Interest	0	0	0	0	0
Share from associates	0	0	0	0	0
Adjusted net profit	-92	-25	36	69	108
Equity shares outstanding (Cr)	2.9	3.9	3.9	3.9	3.9
EPS (INR) basic	-31.5	-6.5	9.2	17.8	27.7
Diluted shares (Cr)	2.9	3.9	3.9	3.9	3.9
EPS (INR) fully diluted	(31.5)	(6.5)	9.2	17.8	27.7
Dividend per share	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0

Common size metrics- as % of net revenues

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Operating expenses	90.9	84.5	80.2	79.4	78.4
Depreciation	23.9	14.8	11.3	10.9	10.8
Interest expenditure	16.7	7.6	6.0	4.5	3.9
EBITDA margins	9.1	15.5	19.9	20.6	21.7
Net profit margins	(18.1)	(2.9)	2.8	4.4	5.7

Growth metrics (%)

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Revenues	(40.1)	69.7	46.3	24.6	21.2
EBITDA	(71.8)	188.3	86.8	29.3	27.4
PBT	173.6	(71.3)	(233.4)	112.8	55.7
Net profit	90.5	(72.7)	(226.8)	112.8	55.7
EPS	167.6	(79.4)	(242.2)	93.4	55.7

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Balance sheet (INR cr)

As on 31st March	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	17	19	19	19	19
Preference Share Capital	0	0	0	0	0
Reserves & surplus	227	367	399	468	576
Shareholders funds	244	386	419	488	596
Secured loans	99	14	12	10	10
Unsecured loans	54	7	6	7	8
Borrowings	153	22	19	18	19
Lease Liabilities	397	529	529	529	509
Minority interest	4	9	9	9	9
Sources of funds	**798**	**947**	**976**	**1,044**	**1,133**
Gross block	531	593	728	878	1,053
Depreciation	239	285	427	598	803
Net block	292	308	301	280	249
Capital work in progress	6	21	31	41	51
Total fixed assets	298	329	332	321	301
Right of Use Assets	362	488	513	563	613
Goodwill	72	72	72	72	72
Intangible Assets	5	4	4	4	4
Investments	32	39	54	69	84
Inventories	20	36	48	56	62
Sundry debtors	3	6	7	9	10
Cash and equivalents	245	85	91	116	150
Loans and advances	0	0	0	0	0
Other current assets	48	22	32	42	52
Total current assets	317	148	178	222	274
Sundry creditors and others	325	178	227	262	297
Provisions	6	6	6	6	6
Total CL & provisions	331	184	233	269	303
Net current assets	-15	-36	-55	-47	-29
Net Deferred tax	47	54	54	54	74
Misc expenditure	-4	-5	1	7	13
Uses of funds	**798**	**947**	**976**	**1,044**	**1,133**
Book value per share (INR)	NA	99	108	125	153
	0.0	0.0	0.0	0.0	0.0

Cash flow statement (INR crs)

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Net profit	-110	-35	29	69	108
Add: Depreciation	121	127	142	171	205
Add: Misc expenses written off/Other Assets	33	36	-6	-6	-6
Add: Deferred tax	0	0	0	0	-20
Add: Others	0	0	0	0	0
Gross cash flow	44	128	165	234	287
Less: Changes in W. C.	-24	69	-25	-16	-16
Operating cash flow	68	60	191	251	303
Less: Capex	14	93	135	150	175
Free cash flow	**54**	**-33**	**56**	**101**	**128**

Long Term Recommendation
Barbeque Nation Hospitality Ltd.

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Ratios

Year to March	FY21	FY22	FY23E	FY24E	FY25E
ROAE (%)	-75.2	-8.2	8.1	15.3	19.9
ROACE (%)	-10.9	0.8	11.9	15.9	20.1
Debtors (days)	2	2	2	2	2
Current ratio	1	1	1	1	1
Debt/Equity	0.6	0.1	0.0	0.0	0.0
Inventory (days)	15	15	14	13	12
Payable (days)	106	42	40	38	36
Cash conversion cycle (days)	-89	-24	-24	-23	-22
Debt/EBITDA	3	0	0	0	0
Adjusted debt/Equity	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)

Valuation parameters

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Diluted EPS (INR)	(31.5)	(6.5)	9.2	17.8	27.7
Y-o-Y growth (%)	*167.6*	*(79.4)*	*(242.2)*	*93.4*	*55.7*
CEPS (INR)	9.3	26.1	44.9	61.8	80.5
Diluted P/E (x)	*NA*	*(190.3)*	*96.6*	*49.9*	*32.1*
Price/BV(x)	NA	2.8	8.3	7.1	5.8
EV/Sales (x)	*NA*	*5.6*	*2.7*	*2.1*	*1.8*
EV/EBITDA (x)	NA	36.1	13.6	10.4	8.1
Diluted shares O/S	*2.9*	*3.9*	*3.9*	*3.9*	*3.9*
Basic EPS	(31.5)	(6.5)	9.2	17.8	27.7
Basic PE (x)	NA	*(190.3)*	*96.6*	*49.9*	*32.1*
Dividend yield (%)	-	0.0	0.0	0.0	0.0

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