



BARBEQUE-NATION HOSPITALITY LIMITED

Company Incorporate:	13 Oct 2006
Reg. Office	Bengaluru
Website	www.barbequenation.com
Industry: Casual Dining Restaurant	
Offered Shares	90,57,470 Shares
Offer Size	Rs.452.87 Cr
Offer Price	Rs.498 Rs.500 per equity share
Retailer Discount	Nil
Issue Open Date	Mar 24, 2021
Issue Close Date	Mar 26, 2021
Retail Quota	10%
Face Value	Rs.5 per equity share
1 Lot Size	30 Shares
1 Lot Value- @ Cap Price	Rs.15000(500*30)
Apply For	1 Lot Per Family Member A/C.

INDUSTRY OVERVIEW

❖ Food Services Spend

Food services is a key segment in the Indian economy, which accounts for approximately US\$ 56.5 billion in FY 2020, of which approximately US\$ 22.8 billion comes from the organized market. Changing consumer dynamics paired with increasing market proliferation of brands in India are expected to continue to boost the food services sector's growth.

Industry-wise Market Size in FY 2020

S.No.	Industry	Market Size (US Bn)
1	Retail	829.5
2	Insurance	80.9
3	Food Services	56.5
4	Hotels	7.0

Source: TRAI, Crisil, IRDA, Industry Sources, Technopak Research & Analysis
 1 USD = INR 75
 Year indicates FY

Contribution of Food Services Market to GDP CY 2019

Country	GDP CY 2019 (US\$ Tn.)	FS Market Size CY 2019 (US\$ Bn.)	Contribution of Food Services Market to GDP
USA	21.37	552	2.6%

China	14.3	613	4.3%
Brazil	1.8	83	4.6%
UK	2.8	77	2.7%
India*	2.7	56.5	2.1%
Indonesia	1.1	32	2.9%
Russia	1.7	13	0.7%
Saudi Arabia	0.8	21	2.6%
South Africa	0.4	5	1.3%

The share of food services in Indian GDP is expected to increase to 2.2% by FY 2025 from 2.1% in FY 2020 on account of its growth at faster pace compared to GDP growth. Also, growth of food services market is expected to outpace its growth till now i.e., from 8.1% (FY15 to FY20) to 9% (FY20- FY25)

❖ **Key implication of the growing trend in Food services market:**

- Pre COVID, Indian consumers had been dining out more frequently and younger Indians have shed the biases of their elders against eating-out. With over one lakh outlets in organized segment (20 or more seats) in India as of FY 2019, there is plenty of room for growth in the industry.
- With higher disposable income with younger population who are well travelled, brand conscious and well connected through social media and along with rise in presence of branded retail chains; consumers in smaller cities i.e. Tier I & Tier II cities have been spending more on eating out and this trend is expected to continue post COVID. National and international chains are endorsing Tier I and Tier II cities as engines for growth and expansion.
- It is estimated that Indians spend 8 to 10% of their food expenditures outside the home in restaurants, cafeterias, and other food establishments. This trend is expected to strengthen in future. However, due to COVID this trend has undergone some changes. A lot of people now prefer Delivery and takeaway in comparison to dine-in. Considering this as an isolated occurrence, it is expected people will again start to dine out post COVID vaccination drive.
- Post COVID, customers have started giving immense importance to safety and hygiene. Hence, the restaurants will have to provide their services keeping both these factors in mind.
- The trend of delivery and takeaway has risen in the past few months due to COVID, hence most formats of restaurants whether it is QSR, CDR or cafe, have started these services apart from dine-in to remain competitive in the food services market.
- **Food services market in India**

India's food services market has come a long way from early 1980's when the number of organized brands were countable, and the market otherwise was dominated by un-organized players. The revolution in this

sector began in FY 1996 with the opening up of restaurants by McDonald's, Pizza Hut, Domino's followed by entry of players like Subway and Barbeque Nation post 2000 and expansion of legendary home-grown players like Haldirams and Moti Mahal.

The food services market has been growing since then with the international and domestic brands making substantial investments in building the back end consisting of suppliers and logistics segment. Since then, the market has witnessed many changes with respect to rising disposable income, availability of quality labour force, use of technology, which are collectively changing the face of the sector by enabling players to sustain efficiency at both front and back end.

	Phase I (1991-2001)	Phase II (2001-2010)	Phase III (2010 Onwards)
Geographical	High focus on Metros & Mini-Metros	Initial entry into Tier II Cities	Greater presence in newer locations
Operating Model	Ownership & Franchisee Model	More Franchisee Models	Concept of JVs
Investment Needs	Family/Self-funded	Partnerships, JVs and start of PE funding	Brand expansion driven by IPO, PE and others
Strategic Focus	Sustainable revenue growth	New opportunity areas with focus on CRM	Format diversification, birth of food technology etc.
Industry Segmentation	Indian & International Brands	Emergence of defined formats e.g. CDR, QSR, FDR, Café etc.	Further sharpening of formats based on consumer needs

Source: Technopak Analysis

- **Food Services Market Structure**

The food services market can be broken down into three broad segments: unorganized, organized standalone and chain.

Structure of Indian Food Services Market

Key Segments in the Food Services Market	Average Spend per Person* (₹)
Unorganized Segment – It includes roadside eateries and dhabas which have been the most common eating out option.	10-100
Restaurant in Hotels - A full-service restaurant with premium interiors, specific cuisine specialty and high standard of service mainly present in premium Hotels. E.g. The Great Kebab Factory, Bukhara etc.	>1000
Organized Segment – Consists of: a) Standalone restaurants across all formats with less than 3 outlets. b) Chain format which has 3 or more outlets across all formats.	
Chain Segment	

1. Café	Coffee & chai bars as well as parlours and bakeries. High focus on beverages supported by food items. E.g.: • Starbucks, Café Coffee Day etc.	50-250
2. Quick Service Restaurants (QSRs)	Focused on speed of service, affordability and convenience. Strong focus on takeaway & delivery with minimal table service. E.g.: • Haldiram's, McDonald's	75-250
3. Frozen Desserts/Ice-Cream (FD/IC)	Comprises small kiosk formats of ice-cream brands and has now extended the dine-in concept to frozen yogurt brands. E.g.: • Baskin-Robbins, Red Mango etc.	50-150
4. Casual Dining Restaurants (CDRs)	A restaurant serving moderately to high priced food in an ambience oriented towards providing an affordable dining experience, with table service along with some restaurants offering eclectic high quality interiors and high standards of service. The offerings bridge the gap between QSRs and fine dining restaurants. E.g.: • Farzi Cafe, Barbeque Nation, Oh! Calcutta, Sagar Ratna, Moti Mahal Delux etc.	250-1000
5. Fine Dining Restaurants (FDRs)	A full service restaurant with premium interiors, specific cuisine specialty and high standard of service. They offer a unique ambience and an upscale service with the help of highly trained staff. E.g.: • The Great Kebab Factory, Olive Bar, Yautcha etc.	>1000
6. Pubs, Bar & Cafés & Lounges (PBCL)	This format mainly serves alcohol and related beverages and includes night clubs and sports bars. E.g.: • Beer Café, Xtreme Sports Bar etc.	750-1500

*Spend is Exclusive of Taxes
Source: Technopak BoK

The chain food service market can be further segmented based on the positioning, target group and service style.

Food Services Chain Market – Format Description

Type of Chain	Positioning	Target Group/ Pricing	Ambiance	Locations
Café	Tea-Coffee centric with limited focus on food	15-45 years/ Affordable	Relaxing, “catching up” and unwinding.	Malls, high streets, popular markets, office complexes, airports, hospitals, highways, educational campuses
Quick Service Restaurants (QSRs)	Specific product offerings or cuisines with focus on convenience	15-35 years/ Affordable	Functional interiors. Compact seating with self-service.	Malls, high streets, popular markets, office complexes, airports, hospitals, highways, educational campuses, multiplexes
Frozen Desserts/Ice-Cream (FD/IC)	Focus on ice-creams and frozen yoghurt with	18-35 years/ Affordable	Colourful, fun. Focus on Takeaways	Malls, high streets, popular markets, office complexes, airports, hospitals,

• **Market Size & Growth**

The size of the food services market in India is estimated at INR 4,236 bn in FY 2020 and is projected to grow at a CAGR of 9% over the next 5 years to reach INR 6,506 bn by FY 2025. The organized market (chain and organized standalone outlets, excluding Restaurants in Hotels) is estimated at INR 1,601 bn in FY 2020 and is projected to grow, at a CAGR of 15%, to reach INR 3,275 bn by FY 2025 gaining a share of 50% from 38% in FY 2020.

Format	CAGR FY 2015-20	CAGR FY 2020-25
Unorganized Market	5%	4%
Organized Standalone	13%	14%
Chain Market	18%	19%
Restaurant in Hotels	8%	6%

Source: Technopak BoK, Technopak Analysis

❖ **City wise Market Size**

- The two mega metros, Delhi & Mumbai, contribute a total of 21.9% to the food services market. The 6 Mini-Metros constitute 20.8% of the food services market, while the rest of the contribution comes from the Tier I & II cities along with the rest of India.
- The top eight cities in India have been the centre of development, especially for the organized food services. Due to increased economic activity, rising disposable incomes, a greater need for convenience and an increasing women workforce, the chain food services brands have done well in these cities. The two mega metros: Delhi NCR & Mumbai contribute to around 42% of the chain food services market in India. The next six cities: Kolkata, Bengaluru, Chennai, Hyderabad, Pune and Ahmedabad along with Delhi NCR & Mumbai contribute around ~87% of the total chain market.
- The growth of food services has moved beyond the metros and mini metros, the same could be witnessed increasing presence of QSR and CDR chains in Tier I & II cities. This shift has happened primarily due to nonavailability of quality real estate in mega metros and mini metros and increasing competition within these cities. The Tier I & II cities have now emerged as new Urban powerhouses with higher disposable incomes clubbed with high aspirational value of the youth, fuelling growth of food services.

❖ **Growth Drivers and Trends in Food Services Market**

Increasing eating out behaviour

- Rising urbanization and rising disposable income are fuelling the growth of Indian food services market.
- The trend of eating out is increasing in urban India and the urban consumers don't need a special occasion to eat out. The occasion for eating out can vary from shopping & casual outing to spending free time.
- Indians are eating out not only to consume food but also to socialize and to experiment various cuisines. The trend of eating out is increasing across all section of society irrespective of economic class.
- Increase in flow of tourism in India and increase in Indians travelling abroad who are developing tastes for western cuisines.
- Increase of women in workforce has seen a shift of patterns in terms of household activity including a downward trend in home cooked meals and an increase in demand for "out of home" meals.
- 60% of Indians eating out are the Millennials in the age group of 15-34 years. 58% of the global millennials reside in Asia and out of which the maximum number of millennials are in India. India has the maximum number of millennials in the world followed by China, USA, Indonesia and Brazil. The millennial population of India is expected to increase at a faster rate signifying the further growth in eating out behaviour among Indians. The same has grown from 418 Mn. in FY 2011 to 447 Mn. in FY 2019.

❖ **Food trends**

➤ **Larger Focus on Value Meals:**

In the Indian food services market, value for money will continue to be the order of the day as Indians are eating-out and ordering-in much more at an average of 6-7 times per month per household. Indian consumers, irrespective of their economic class and the type of city they live in, are eat out/ ordering-in more. This is primarily to experiment, prefer to socialize and unwind over food. Indian consumers, though willing to spend more and more on experiential eating, are cost-conscious and look at value for money concepts, or for cost efficient functions when ordering-in. Due to the demand for quality, consistency and

trust branded internationally known establishments in the organized sector i.e., QSRs such as McDonald's, KFC are in higher demand than domestic unorganized F&B services.

➤ **Unlimited Food at a Limited Price & DIY:**

Recent years have witnessed growth of fixed price menu concepts in the Indian Food Services space, especially in the CDR and FDR formats. The increased exposure to eating out has helped develop the market by enticing people to try new cuisines and eat out frequently to indulge the “foodie” in them. This prevalent shift in the lifestyle has encouraged the operators to try formats and concepts that can cater to the needs of this growing segment and give them a platform that requires engagement from the diner. Fixed buffet menu restaurants that have been traditionally popular within hotels have seen growth outside their traditional premises.

➤ **Contemporising Indian Cuisine:** A new development is being crafted in Indian restaurant industry where consumers can experience the traditional and regional specialities of Indian food prepared by using differentiated techniques and new world presentations. Few of the trendsetters in this category are ‘The Bombay Canteen’, ‘Farzi Café’ and ‘Soda Bottle Openerwala’

➤ **Beverage Remains the Game Changer**

Beverages, both alcoholic and non-alcoholic are a good source of boosting the bottom line of a restaurant. The beverage cost remains low at 15-20% as compared to the cost of other food items on the menu which is between 25-30% in most cases and as high as 35-40% in certain cases. A healthy sales mix of beverages in the menu certainly helps in attaining higher profitability. The Indian QSR and casual dining chains are revamping their beverage offerings and introducing exotic and differentiated beverages to consumers.

➤ **Key Cuisines Offered across Food Services Segments**

North Indian, Chinese and South Indian contributed ~54% of the total market offerings and American, Pizza, Italian and other western cuisines contributed ~22% of the total offerings in FY 2019. Increase in the share of American cuisine and pizza can be attributed to the growth of QSRs and CDRs offering these cuisines.

Share of key cuisines across formats Fiscal 2019

Cuisines	Share of Cuisine	Cuisines	Share of Cuisine
North Indian	26.6%	Street Food	6.3%
Chinese	19.0%	Italian	4.5%
South Indian	7.7%	Regional Food	3.7%
American	7.2%	Continental	3.5%
Pizza	7.2%	Pan Asian	2.0%
Bakery & Dessert	6.6%	Others	5.8%

Source: Zomato Data, Technopak Analysis

➤ **Chain Market**

With INR 398 Bn in FY 2020, the chain market is expected to grow at a CAGR of 20% to reach INR 965 Bn by FY 2025. QSRs (47%) have the maximum market share followed by Casual Dining Restaurants (34%).

In the chain market, QSRs and the CDRs constitute 81% in FY 2020 and the same is expected to grow to 86% by 2025. The market share of CDRs will decrease to 31% in FY 2025. However, the segment is expected grow at a healthy CAGR of 18% to reach INR 302 Bn. The growth for CDRs will be fuelled by more CDRs in the chain segment making inroads in Tier II and Tier III cities.

BUSINESS OVERVIEW

- Barbeque Nation Restaurant is one of the India's leading casual dining restaurant chains (in terms of outlet count as of September 30, 2020), and International Barbeque Nation Restaurants.
- The company has steadily grown their owned and operated Barbeque Nation Restaurant network from a single restaurant in 2008 to 147 Barbeque Nation Restaurants (including opened, temporarily closed and under construction outlets) across 77 cities in India and six International Barbeque Nation Restaurants in three countries outside India as of December 31, 2020.
- The company also recently acquired 61.35% of the equity share capital of one of their Subsidiaries, Red Apple, which owns and operates nine restaurants under the brand name, "Toscano", a casual dining Italian restaurant chain and operates a single restaurant under the brand name "La Terrace".
- In November 2018, they launched UBQ by Barbeque Nation to provide a la carte Indian cuisine in the value segment. At present, UBQ by Barbeque Nation predominantly caters to the delivery segment. Barbeque Nation have higher proportion of the total revenues from weekday sales and lunch covers as compared to the industry average.
- The Company was ranked amongst the top 10 retail companies to work for by Great Place to Work Institute in 2020 in collaboration with the Retailers Association of India and was ranked number 7 amongst India's best companies to work for in 2020 by the Great Place to Work Institute in collaboration with Economic Times.

Business Strength

- **Barbeque Nation is one of India's fastest growing and widely recognised restaurant brands in the rapidly growing CDR market.**

The company has steadily grown owned and operated Barbeque Nation Restaurant network from a single restaurant in 2008 to 147 Barbeque Nation Restaurants (including opened, temporarily closed and under construction outlets) across 77 cities in India and six International Barbeque Nation Restaurants in three countries outside India as of December 31, 2020. In addition, as of December 31, 2020, they had granted franchise rights in respect of one Barbeque Nation Restaurant.

One of the main contributors to the brand affinity of Barbeque Nation Restaurants has been referrals and recommendations by customers, which has enabled to retain a strong market position whilst steadily expanding across India in a fragmented and highly competitive industry. As of December 31, 2020, average rating of Barbeque Nation Restaurants on an online food aggregator was 4.38 out of 5.00. We also have a large social media following.

Year	Number of owned and operated Barbeque Nation Restaurants added ⁽¹⁾	Total owned and operated Barbeque Nation Restaurants ⁽¹⁾	Number of cities added in India ⁽¹⁾	Total cities in India ⁽¹⁾	Number of states added in India ⁽¹⁾	Total states in India ⁽¹⁾
Fiscal 2017	13 ⁽²⁾	79	11	40	4	19
Fiscal 2018	23 ⁽³⁾	102	20	60	3	22
Fiscal 2019	24 ⁽⁴⁾	126	8	68	1	23
Fiscal 2020	21 ⁽⁵⁾	150 ⁽⁷⁾	9	77	1	24
Fiscal 2021 (until December 31, 2020)	(3) ⁽⁶⁾	147 ⁽⁷⁾	1	77	-	24

- **Steady growth in covers and consistent APC with a relatively high proportion of total revenues from weekday sales and lunch covers**

The number of in-dining covers served at Barbeque Nation Restaurants in India increased from 6.86 million in Fiscal 2017 to 9.92 million in Fiscal 2020 at a 200 CAGR of 13.08%. In addition to consistent cover growth, the APC (excluding revenues from UBQ and taxes) for dine-in customers at Barbeque Nation Restaurants in India (excluding food delivery) has grown from ₹707 in Fiscal 2017 to ₹764 in Fiscal 2020 at a CAGR of 2.62%. Their APC from the Barbeque Nation Restaurants in India for the eight months ended November 30, 2020 was ₹762. They believe that ability to generate a relatively high proportion of total revenues from weekday and lunch covers arises because Barbeque Nation Restaurants are a popular choice for corporate lunches during the week and families during the weekends. Barbeque Nation Restaurants are located at close proximity to both commercial and residential areas and as a result they host business lunches as well as informal get-togethers, family celebrations and other events such as birthdays and social lunch get togethers.

- **Attractive offerings based on constant menu innovation and customer focus**

Barbeque Nation Restaurants, pioneered the format of 'over the table barbeque' concept in Indian restaurants. They also run popular food festivals at Barbeque Nation Restaurants such as Jewels of the Sea, Barbeque Nation Festival League and Mango Mania, thereby offering customers a range of Indian and international cuisines. Barbeque cuisine is distinctively attractive as compared with other dining options due to its DIY and cooked-at-the table nature and the flexibility and fun of mixing and matching a wide variety of meats, vegetables, sauces and condiments to create dishes according to each diner's individual tastes and preferences. In addition, fixed price dining is very popular amongst relatively larger groups, due to customers' perception of value for money and the comfort of certainty over the bill amount irrespective of varying individual appetites and consumption.

They have recently diversified into the Italian food segment pursuant to acquisition of 61.35% of the share capital of Red Apple, which operates 11 Italian Restaurants in three cities in India. Their acquisition of Red Apple has enabled them to diversify brand, cuisine and customer segment beyond their flagship 'over the table barbeque'.

- **Strong business processes and back-end systems leading to efficient operations**

They benefit from strong processes and systems that have been established over the past 14 years of Company's operation. They have been successful in opening Barbeque Nation Restaurants in popular business districts, neighbourhoods and local markets without typically paying high street premium rentals. rent (including lease rentals, common area maintenance charges and GST to the extent input credit was not allowed) was ₹624.53, ₹863.43, ₹1,059.94 and ₹432.02 million for Fiscals 2018, 2019, 2020 and for the eight months period ended November 30, 2020 respectively and rent to revenue ratio was 10.58%, 11.63%, 12.46% and 18.26% for Fiscals 2018, 2019, 2020 and for the eight months period ended November 30, 2020, respectively, on a consolidated basis.

They source ingredients from various suppliers and, in some cases, import them from outside India. They also conduct regular audits to check food quality and service standards. As of December 31, 2020, they also had two commissaries, one each in Delhi NCR and Mumbai, which serve a number of nearby Barbeque Nation Restaurants by preparing dishes on a volume basis and further realising economies of scale. They have significant online presence and we have witnessed increased reservations through online platforms. In Fiscal 2020 and the eight months ended November 30, 2020, over 46.7% and 60.8% of total reservations at Barbeque Nation Restaurants were made online. Also, as of December 31, 2020, BBQ App had registered over 2.2 million downloads.

- **Experienced staff and value-oriented business culture led by Promoters and senior management team bringing experience from well-known hospitality brands**

Some of the Promoters have several years of experience in the Indian hospitality industry. A number of the senior management team have knowledge of and experience in the Indian hospitality industry, coming from well-known food and beverage and hospitality brands in India. Their management team's experience provides with the skills required to implement corporate practices and growth strategies. The experience of Promoters and senior management team will also be pivotal in expansion of Toscano Restaurants to Metro and Tier I cities.

- **Proven track record of revenue growth**

Consolidated total revenue from continuing operations, EBITDA and Adjusted EBITDA have changed from ₹5,904.48 million, ₹1,403.68 million and ₹823.94 million, respectively, in Fiscal 2018 to ₹8,507.94 million, ₹1,680.39 million and ₹782.48 million, respectively, in Fiscal 2020, at a CAGR of 20.04%, 9.41% and (2.55%), respectively.

BUSINESS STRATEGY

- **Increase same store sales growth, revenue per store and profitability as the vintage of their Barbeque Nation Restaurants increases**

The company is increasing sales volume by introducing new and innovative dishes and "live counters" offering dishes customised to customers' preferences and their delivery business. They also periodically run popular food festivals at their Barbeque Nation Restaurants offering their guests a range of Indian, international and fusion cuisines. The company is improving purchasing and logistics cost control through centralized purchases and strategic stocking of inventories in third-party central warehouses. Also it is improving operational efficiencies by further consolidating food preparation processes into their central kitchens; and optimising restaurant-level staffing to maintain service quality and reduce labour costs.

- **Continue expansion in Indian cities**

The company wants to increase the penetration in existing cities with a greater number of restaurants which will enable them to access new catchment areas within these cities and optimise infrastructure usage. They will continue to further expand Barbeque Nation Restaurant network in Metro cities, Tier I, Tier II and Tier III cities in India. Toscano, as a brand, has demonstrated scalability in a single city, it has the potential to expand to Metro and Tier I cities.

For instance, they operate eight Italian Restaurants in Bengaluru where Barbeque Nation operates 13 Barbeque Nation Restaurants whereas Red Apple has no presence in other cities (other than two operational Toscano Restaurants in Chennai and one Toscano Restaurant in Pune as of December 31, 2020) where Barbeque Nation operates and where, in some of those cities, it operates in excess of five Barbeque Nation Restaurants each.

The key factor affecting the expansion of Barbeque Nation Restaurants is the selection of suitable locations at appropriate lease rentals. For example, they have made a deliberate choice to keep most of Barbeque Nation Restaurants away from premium locations such as premium shopping malls or other high street areas in Metro cities where lease rentals tend to be higher.

They currently own and operate all Barbeque Nation Restaurants (other than Barbeque Nation Restaurant in Kolhapur which is run on a franchise model), International Barbeque Nation Restaurants and Toscano Restaurants. They intend to continue following this model of owning and operating the restaurants but may also allow landlords to own restaurants run and operated by them located on their respective properties on a part rental part profit share or part revenue basis.

- **Preserve their customer and team-focused culture and values**

The company internally assess their employees to periodically identify competency gaps and use development inputs (such as training and job rotation) to address these gaps. They will continue to implement staff training policies and assessment procedures in a transparent and consistent manner as in the past and to continue investing in other resources that enhance employees' skills and productivity. They will continue to regularly review and update employee compensation plans and bonuses based on their individual performance so that their employees are suitably incentivised.

- **Expansion through owned & franchise formats in select international markets**

The company will prioritise expansion of restaurants in those markets where they can leverage their existing infrastructure and expertise. They currently operate two International Barbeque Nation Restaurants in Dubai, two International Barbeque Nation Restaurants in Abu Dhabi, one International Barbeque Nation Restaurant in Kuala Lumpur and one International Barbeque Nation Restaurant in Muscat. The level of operational involvement of franchisees will depend on their expertise and position in their target international markets.

- **Continue evaluating strategic brand acquisitions**

They plan to continue pursuing brand diversification to capture additional market segments, take advantage of a wider range of market opportunities and ultimately increase their overall market share by enlarging their customer base. They intend to structure brand portfolio to offer different price points and appeal to different clientele, with each brand maintaining a distinctive identity. A multi-brand strategy will allow them to (i) reduce exposure to risks in a specific market segment, and (ii) derive cost efficiency and synergy from sharing operations or functions, leveraging industry knowledge and experience, pooling negotiating powers with landlords and suppliers, and coordinating marketing and promotion initiatives across different brands and market segments.

❖ **Impact of COVID-19 on their business**

- **Sales Recovery**

Their sales have recovered month on month post lockdown and easing of various supply side restrictions like restrictions on operating hours, restrictions on operational capacity and restrictions on sales of liquor. While some of these restrictions have eased across a few states, they continue to face some restrictions across some cities. The recovery of their monthly sales has been driven both by an increase in dine-in sales and delivery sales.

	Monthly Sales* (₹ million) Fiscal 2020 (A)	Monthly Sales* (₹ million) Fiscal 2021 (B)	Fiscal 2021 Monthly Sales* as a % of Fiscal 2020 Monthly Sales* (B/ A)	Month-on-month growth (%) in Fiscal 2021	Number of restaurants operational for dine-in at the end of each month during Fiscal 2021 (C)	Average Daily Sales per restaurants (in ₹) (D = B / (C x N**))
April	646.90	4.99	0.8%	-98.6%	2	83,184
May	725.79	17.33	2.4%	247.2%	4	139,748
June	748.56	74.95	10.0%	332.5%	73	34,221
July	718.82	125.24	17.4%	67.1%	89	45,394
August	690.62	241.45	35.0%	92.8%	106	73,477
September	693.22	389.76	56.2%	61.4%	123	105,626
October	705.68	542.94	76.9%	39.3%	152	115,224
November	725.06	610.83	84.2%	12.5%	156	130,519
December	884.34					
January	823.18					
February	735.11					
March	356.06					

* Monthly Sales means the consolidated sales of food and beverages

**Where N for a particular month is equal to the number of days for that month.

RISK FACTORS

- **The Company has been issued a notice from the National Anti-Profiteering Authority under the Central Goods and Services Tax Act, 2017.**

Company has received a notice dated September 30, 2019 from the National Anti-Profiteering Authority (GST), Department of Revenue, Ministry of Finance, Government of India (“NAA”), forwarding the report of the Director General of Anti Profiteering (“DGAP”) which has alleged profiteering, amounting to ₹325.88 million against the Company under Section 171 of the GST Act. The matter was initiated to investigate whether GST reduction benefit from 18% to 5% was passed by the Company on to the end consumer. The matter is currently pending.

- **One of the Promoters and Directors, Raof Dhanani is involved in a criminal proceeding and in an insolvency proceeding.**

Raof Dhanani is involved in a criminal proceeding initiated by Videocon Leasing and Industrial Finance Limited (“Videocon”) before the Additional Criminal Judicial Magistrate, Ghaziabad under Sections 34, 415, 418 and 420 of the IPC and Section 200 of the Criminal Procedure Code in relation to dishonestly inducing Videocon to, inter alia, part with ₹160 million for issuance of non-convertible, redeemable debentures of Divya Chemicals Limited, which were not issued. The matter is currently pending.

- **Some of the Promoters and Directors operate or control entities engaged in a similar line of business.**

Some of the Promoters, SHL and Directors directly or indirectly operate or control entities which are engaged in similar line of business as their Company and Red Apple. Such companies are involved in the restaurant and hospitality business and may offer cuisines or menu items similar or identical to those offered in restaurants. One of the directors of the company Tarun Khanna, is a director on the board of Sapphire Foods India Private Limited and Thalappakatti Hotels Private Limited, which are engaged in businesses similar to that of the Company.

- **Subsidiary, PGPL, which operated Johnny Rockets restaurants had incurred losses.**

The company’s experience with Johnny Rockets restaurants may influence decision of other global brands to partner with them. Subsidiary, Prime Gourmet Private Limited (“PGPL”), which previously operated Johnny Rockets restaurants in India incurred losses since its acquisition in 2016. PGPL operated up to seven Johnny Rockets restaurants in India, however, all the Johnny Rockets restaurants were eventually closed due to commercial reasons and subsequent termination of the International Master Development Agreement dated January 25, 2013 (“IMDA”). Their experience with Johnny Rockets restaurants may influence the decision of other global brands to partner with them and this may affect any growth plans of the company.

- **Unable to acquire quality raw materials, ingredients or other necessary supplies and services in a timely manner or fail to pass on inflation in food costs to guests, business.**

Increases in the cost of important raw materials could significantly increase restaurant expenses. Expenses from materials (cost of food and beverage consumed) represented approximately 43.96%, 41.75%, 42.80% and 34.12% of Barbeque Nation Restaurants’ total expenses for Fiscals 2018, 2019 and 2020 and for the eight months ended November 30, 2020.

Any significant increase in energy costs could adversely affect the company through higher rates or imposition of fuel surcharges by their suppliers. This industry is also susceptible to power outages, which

could result in restaurant closures, business disruptions and/or substantial costs associated with reliance on auxiliary power sources.

➤ **Depend on third parties for a major portion of transportation needs.**

The company do not have an in-house transportation facility and rely on third party transportation and other logistic facilities at every stage of business activity including for procurement of products from vendors and for transportation from distribution centres to various restaurants. However, they have not entered into any definitive agreements with any third-party transport service providers and engage them on a need's basis. Additionally, availability of transportation solutions in the markets they operate in is typically fragmented. They rarely enter into written documentation in relation to the transportation services they hire which poses various additional risks including inability to claim insurance.

➤ **Prior to the filing of the Draft Red Herring Prospectus, one of Red Apple's lenders had not provided its consent to Company's acquisition of 61.35% of the equity share capital of Red Apple on a fully diluted basis.**

The Company did not obtain prior consent from its lenders in relation to the Company's acquisition of 61.35% of the equity share capital of Red Apple , but any failure to obtain consents in future may lead to the occurrence of an event of default and acceleration of all amounts outstanding under their loan facilities.

➤ **An outbreak of an epidemic or disease adversely affect supply chains, business, financial condition and results of operations.**

Outbreak of an epidemic or disease affecting supplies of poultry, fish products or other perishable food items could affect their ability to purchase such commodities, their operations and costs of doing business. The diseases that could affect the supplies are highly contagious diseases that may spread rapidly through the markets. For example, their markets have been affected by avian flu and bird flu. The impact of novel coronavirus on supply chains and business is presently unknown.

➤ **Downgrading of credit rating by a domestic or international credit rating agency may increase interest rates for future borrowings, which would increase the cost of borrowings.**

The rating committee of ICRA in a letter dated August 31, 2020 revised the long-term ratings of o Company to BBB+ from A-. The rating committee also revised Company's short-term ratings to A2 from A2+. According to ICRA, their outlook on the long-term rating continues to be 'negative'

OBJECTS OF THE OFFER

1. Capital expenditure for expansion and opening of new restaurants by the Company

- Company propose to utilise a portion of the Net Proceeds towards capital expenditure for expansion and opening of new restaurants by the Company.
- Company plan to leverage the brand equity of our brand, "Barbeque Nation", to expand within our existing markets and explore new markets with the intent to expand our footprint and further increase our market share. As per our growth plans, we plan to expand by setting-up new Barbeque Nation restaurants in metros, Tier I and Tier II cities in India in order to meet the growing demand of casual dining restaurants amongst consumers within these markets
- Company intend to utilise a portion of Net Proceeds aggregating to ₹546.19 million for setting up 26 new Barbeque Nation Restaurants during Fiscal 2022 and Fiscal 2023. The premises for the proposed new restaurants are expected to be leased.

- Company propose to open the following restaurants in Fiscal 2022 and Fiscal 2023 from the Net Proceeds

Year	Number of Barbeque Nation Restaurants to be opened using the Net Proceeds
Fiscal 2022	20
Fiscal 2023	6

2. Prepayment or repayment of all or a portion of certain outstanding borrowings availed on a consolidated basis

The Company and its Subsidiary, Barbeque Nation (MENA) Holding Limited, have entered into financing arrangements with banks and financial institutions including borrowings in the form of terms loans, and fund based and non-fund based working capital facilities. The Company intends to utilize ₹750 million of Net Proceeds towards repayment or prepayment of all or a portion of the principal amount on certain loans availed by Company and its Subsidiary, Barbeque Nation Holding Limited, and the accrued interest thereon.

MANAGEMENT

T Narayanan Unni is the Chairman and a Non-Executive Director and Independent Director of our Company. He has been a Director of our Company since February 9, 2009. He holds a bachelor's degree in commerce from Vikram University, Ujjain and a bachelor's degree in law from University of Indore. He is a member of the Institute of Chartered Accountants of India and he has been a practising chartered accountant since July 1, 1975. 244

Kayum Dhanani is the Managing Director of our Company. He has been a Director of our Company since November 30, 2012. He holds a diploma in sole making from the Central Leather Research Institute, Chennai. He has been associated with Sara Suole Private Limited since 2005, which is involved in the business of manufacturing, processing and selling leather goods including, soles, shoes and other leather accessories.

Rahul Agrawal is the Whole-time Director and Chief Executive Officer of our Company. He has been a Director of our Company since December 31, 2020. He holds a bachelor's degree in commerce (honors) 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 our Company, he was associated with Ernst & Young Private Limited and Beacon BVM Advisors Private Limited.

FINANCIALS

Particulars	2018	2019	2020	Est 2021
Income (Cr)	590.44	742.54	850.79	516
EBITDA (Cr)	140.36	149.38	168.03	61.92
EBITDA (%)	23.77	20.12	19.75	12
Net Profit (Cr)	-82.32	-38.27	76.57	-66
EPS (Rs)	-21.95	-10.21	20.42	-17.6
Book value (Rs)	38.66	35.10	2.97	65.33

❖ **Yearly Result :**

Financials 2020 M	Barbeque Nation @500	Specialty Restaurant @ 45	Jubilant Food @ 2897
Sales (Cr.)	850.79	368.00	3,996.89
EBITDA (Cr.)	168.03	36	945.22
EBITDA (%)	19.75	9.78	23.65
Net Profit (Cr.)	76.57	-38	278.8
Cash EPS(Rs)	44.81	7.68	71.66
EPS (Rs.)	20.42	-8.10	21.14
Book Value	65.33*(Post Issue)	123.03	85.97
Cash P/E Ratio	11.15	5.86	40.43
PE Ratio	24.48	-5.55	137.06
MP/BV	7.65	0.37	33.70
Debt/Equity Ratio	0.3*(Post Issue)	Debt free	1.47
Market Cap (Cr)	1875	211.05	38211.43

Future Price Projections:

FY 22 Mar Estimated CEPS Rs35.84* 15/20 CPE = Rs. 537/723

FY 23 Mar Estimated CEPS (GR 30 %) Rs46.59* 15/20 CPE = Rs. 698/931

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