

**Background..**

Barbeque Nation Hospitality Limited was incorporated on October 13, 2006. The company owns and operates Barbeque Nation Restaurants, one of India's leading casual dining restaurant chains and International Barbeque Nation Restaurants. They also own and operate Toscano Restaurants and You and Barbeque ("UBQ") by Barbeque Nation. The first Barbeque Nation Restaurant was launched in 2006 by Sayaji Hotels Ltd. ("SHL"), one of their promoters. The Company launched its first Barbeque Nation Restaurant in 2008, and subsequently acquired five Barbeque Nation Restaurants owned by SHL in 2012. As of December 31, 2020, the company has 164 restaurants owned and operated by them which includes 147 Barbeque Nation Restaurants across 77 cities in India, 6 International Barbeque Nation Restaurants across 4 cities outside India and 11 Italian Restaurants across 3 metro cities in India of which 9 are operated under the brand name "Toscano" and 1 each under the brand names "La Terrace" and "Collage", respectively. International Barbeque Nation Restaurants are as 2 in Dubai, 2 in Abu Dhabi, 1 each in Kuala Lumpur and in Muscat. The company has integrated digital ecosystem of app, reservation system, delivery & loyalty program. They have managed risks due to Covid19 with consistent recovery. The company places a strong emphasis on customer reviews and feedback and use to obtain customer feedback in accordance with their internally devised and managed Guest Satisfaction Index ("GSI")

**Pioneered "over the table barbeque concept"..**

Through their Barbeque Nation Restaurants, the Company pioneered the format of 'over the table barbeque' concept in Indian restaurants. Their fixed price 'all you can eat' concept at their Barbeque Nation Restaurants offers their customers a varying spread of consistently delicious food at a value-oriented price in a pleasant and casual dining environment. One of their delivery products, "Barbeque-in-a-Box," that they launched in June 2020, provides a wide range of starters, main course and desserts. This is in addition to two other products, "Grills in a Box" and "Meals in our Box".

**COVID - 19 impact on business operations and on liquidity**

Company's restaurants in different states and regions in India have been disproportionately affected by COVID-19 and the measures implemented in each state have varied due to regional and regulatory differences in each state in India. As a result of COVID-19, the company has had to temporarily close a number of restaurants across India commencing from March 2020 and have experienced reduced store-level operations, including reduced operating hours and restaurant closures. During the initial stage of the COVID-19 crisis, footfalls and sales in their restaurants fell significantly due to the lockdown and other measures implemented by the GoI. Their footfalls and sales have since started to recover, although not yet to levels they saw prior to the COVID-19 crisis. As of the date, their restaurants in 77 cities across India have reopened, often with limited operations. The majority of their restaurants have opened for dine-in guests; however, the capacity may be limited, based on local regulations. In addition, the COVID- 19 pandemic has directly impacted their same-store sales in the restaurants. The reduction in the level of business activity due to the COVID-19 crisis has also led to write offs of food inventory and a reduction in orders with their suppliers since their inventory includes food items which are perishable in nature.

The financial impact of COVID-19 has had, and is expected to continue to have, an adverse effect on their liquidity, and they are seeking appropriate sources of liquidity in order to sustain their business throughout this crisis. This also led to temporary delays in compliance with their payment obligations to their lenders and payment of their statutory dues. The Company recently completed a private placement of Equity Shares for an aggregate consideration of Rs. 149.97 crore..

Issue date	March 24 - March 26, 2021
Listing date	March 25, 2021
Price Band	Rs. 498 - Rs. 500 (FV: Rs. 5 )
Bid lot	30 equity shares and in multiples thereof
Issue size & type	Fresh issue: Rs. 180 crores Offer for sale: Rs. 273 crores
Issue structure	QIB – 75%, NIB – 15%, Retail – 10%
Post issue shares	3.75 crore equity shares
Promoter holding	Pre issue: 47.80%/Post issue: 37.79%
Post issue market cap	Rs. 1,877 crores
BRLM	Axis Capital, IIFL Securities, Ambit Capital, SBI Capital Markets
Registrar to the issue	Link Intime India Pvt. Ltd.

Particulars (Rs. crores)	8MFY21	FY20	FY19	FY18
Topline	201	847	739	586
EBITDA	13	168	149	140
EBITDA (%)	5.32	19.75	20.12	23.77
Adjusted EBITDA	(52)	78	78	82
Adj. EBITDA (%)	(22.05)	9.20	10.47	13.95
Profit after tax	(101)	(33)	(38)	(6)
PAT margin (%)	(42.54)	(3.87)	(5.17)	(0.98)
Equity share cap.	14	14	14	13.80
Networth	(15)	6	132	145
Long term debt	136	165	109	85
Short term debt	38	41	16	19

Source: RHP,

**Investment recommendation and rationale**

**At the upper end of the price band of Rs. 500, the Company's IPO is valued at 2.5x at FY20 EV/Sales. We believe the issue is priced aggressively considering the tough times faced by Hospitality players in COVID-19 era. We recommend to "AVOID" the issue due to the following factors: a) COVID-19 era would continue to put pressure on business operations considering the recent spike in COVID-19 cases leading to localised restrictions, b) Company is loss making in 8MFY21 and last 3 years since FY18 which dents confidence on future earnings, c) no doubt the Pre-IPO placement and issue proceeds from IPO will help to meet the liquidity requirements; however, COVID-19 era is uncertain and there can be no assurance that additional liquidity from other sources will be available to the Company on favourable terms, or at all, especially the longer the COVID-19 pandemic lasts or if it were to worsen. While the Management cannot currently estimate the duration or the future negative financial impact of the COVID-19 pandemic on their business, the negative effects is expected to continue into the fourth quarter of FY21 and beyond considering resurgence of COVID-19 cases which leads to localised restrictions, c) Pre-IPO placement done at Rs. 252 in December 2020 and January 2021 against issue price of Rs. 500 at upper end of the price band does not provide comfort on the pricing front.**

## Objects of the issue

### Fresh issue: Rs. 180 crores

Utilisation of the net proceeds from the Fresh Issue	Amount (Rs. in crores)
Capital expenditure for expansion and opening of new restaurants by the Company	54.62
Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company on a consolidated basis; and	75.00
General Corporate Purposes	-

Source: RHP

### Offer for sale

Offer for sale by	Upto 5,457,470 Equity Shares
Sayaji Housekeeping Services Ltd ("SHKSL")– The Promoter Selling Shareholder	Up to 1,018,288 Equity Shares
Azhar Dhanani- The Promoter Group Selling Shareholder	Up to 339,430 Equity Shares
Sadiya Dhanani – The Promoter Group Selling Shareholder	Up to 339,430 Equity Shares
Sanya Dhanani– The Promoter Group Selling Shareholder	Up to 339,430 Equity Shares
Tamara Pvt. Ltd. ("TPL") - The Investor Selling Shareholder	Up to 3,323,106 Equity Shares
AAJV Investment Trust ("AAJVIT") - The Investor Selling Shareholder	Up to 71,186 Equity Shares
Menu Pvt. Ltd. ("MPL") - The Investor Selling Shareholder	Up to 26,600 Equity Shares
<b>Total</b>	<b>15,503,875</b>

### Pre-IPO placement

The company has undertaken a Pre-IPO Placement of 5,951,132 **Equity Shares** at a price of **Rs. 252/-** per share, aggregating to **Rs. 149.97** crore as under:

Name of the entity	No. of Equity Shares	Amount (Rs. crores)
Xponentia Opportunities Fund-I	1,587,302	40
Jubilant Foodworks Limited	3,650,794	92.00
Other Individual and Employee	713,036	17.97
<b>Total</b>	<b>15,503,875</b>	<b>149.97</b>

### Funds raised from anchor investors

The company has already raised Rs. 202.89 crore from anchor investors, including marquee investors Nomura Funds, Goldman Sachs, Fidelity, Eastspring Investments India, UPS Group Trust, SBI Mutual Fund, ICICI Prudential and Kotak Mutual Fund, on March 23, 2021.

### Background

The company was originally incorporated as Sanchi Hotels Private Limited on October 13, 2006 at Indore, Madhya Pradesh. Sayaji Hotels Ltd. ("SHL"), Sayaji Housekeeping Services Ltd., Kayum Dhanani, Raoof Dhanani and Suchitra Dhanani are the Promoters of the company.

Barbeque Nation Hospitality Limited owns and operates Barbeque Nation Restaurants, one of India's leading casual dining restaurant chains and International Barbeque Nation Restaurants. The Company also owns and operates Toscano Restaurants and UBQ by Barbeque Nation. The first Barbeque Nation Restaurant was launched in 2006 by Sayaji Hotels Ltd. ("SHL"), one of their promoters. They launched their 1st Barbeque Nation Restaurant in 2008, and subsequently acquired 5 Barbeque Nation Restaurants owned by SHL in 2012. The company has steadily grown their owned and operated Barbeque Nation Restaurant network from a single restaurant in Fiscal 2008 to 147 Barbeque Nation Restaurants (including opened, temporarily closed and under construction outlets) across 77 cities in India and 6 International Barbeque Nation Restaurants in 3 countries outside India as of December 31, 2020. The Company owns 61.35% of the equity share capital on a fully diluted basis of one of their Subsidiaries, Red Apple, which owns and operates 9 restaurants under the brand name, "Toscano", a casual dining Italian restaurant chain and operates 1 restaurant each under the brand names "La Terrace" and "Collage" respectively. The first Toscano Restaurant commenced operations in June 2008 and, as of December 31, 2020, they operated 11 Italian Restaurants, 9 of which are under the brand name "Toscano", in 3 cities in India. In November 2018, they launched UBQ by Barbeque Nation Restaurant to provide a la carte Indian cuisine in the value segment. At present, UBQ by Barbeque Nation Restaurant predominantly caters to the delivery segment.

### Promoter and management background..

Promoter Sayaji Housekeeping Services held 37.07 percent stake in Barbeque-Nation, Tamara (TPL) 17.85 percent shareholding, Jubilant Foodworks 10.72 percent and PPL 9.35 percent in the company as of March 18, 2021.

**Mr. T Narayanan Unni is the Chairman and a Non-Executive Director and Independent Director of the company.** He has been a Director of the company since February 9, 2009.



**Mr. Kayum Dhanani is the Managing Director** of the company. He has been a Director of the company since November 30, 2012. He has been associated with Sara Suole Pvt. Ltd. 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 the company.** He has been a Director of the company since December 31, 2020. He joined the company on July 24, 2017. Raof Dhanani is the Non-Executive Director of the company. He has been a Director of the company since July 1, 2015. He joined the management of SHL in 2013 and is currently involved in managing the operations of SHL.

**Suchitra Dhanani is the Non-Executive Director of the company.** She was a director of the company from November 2, 2006 until March 28, 2008. Thereafter she was appointed as a consultant from January 2012 to March 2012, and later as an employee of the company until March 2013, for interior decorating and housekeeping related activities. She was subsequently appointed as a Director of the company on July 1, 2015.

**Tarun Khanna is the Non-Executive, Nominee Director of the company appointed to the Board by their Shareholder, TPL.** He has been a Director of the company since April 12, 2013. He has worked with GE Capital Transportation Financial Services Ltd. in the past. He joined CX Advisors LLP in February 2009 in the capacity of an investment principal and was inducted as a partner of the firm from March 2013. He is currently a partner of CX Advisors LLP.

**Devinjit Singh is the Non-Executive Director of the company appointed to the Board by the Shareholder, Xponentia.** He has been a Director of the company since January 23, 2020. He was previously associated with Carlyle Group for over 9 years and with Citigroup N.A. and Citigroup Global Markets India Pvt. Ltd. He joined Xponentia Capital Partners in 2018 as the Founder and Managing Partner.

**Abhay Chaudhari is an Independent Director of the company.** He has been a Director of the company since February 28, 2017. He held the position of president and chief operating officer of SBI Capital Markets Ltd., Mumbai from October 21, 2013 until January 31, 2016, and was involved with management, merger and advisory, private equity, equity and debt markets and credit and project advisory during his tenure in SBI Capital Markets Ltd. Natarajan Ranganathan is the Independent Director of the company. He has been a Director of the company since December 31, 2020. He was previously associated with Helion Advisors Pvt. Ltd. and is currently a designated partner at Foundation Partners LLP and Schatz Consulting LLP.



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