MOTILAL OSWAL
FINANCIAL SERVICES

13 November 2024
2QFY25 Results Update | Sector: Retail

Barbeque Nation Hospitality

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	BARBEQUE IN
Equity Shares (m)	39
M.Cap.(INRb)/(USDb)	32.8 / 0.4
52-Week Range (INR)	1440 / 815
1, 6, 12 Rel. Per (%)	-10/-28/-42
12M Avg Val (INR M)	185

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	12.8	14.7	16.6
Sales Gr. (%)	2.4	14.3	13.2
EBITDA	2.3	2.7	3.1
Margins (%)	17.6	18.3	18.4
Adj. PAT	0.0	0.1	0.2
Adj. EPS (INR)	-1.1	2.0	4.8
EPS Gr. (%)	N/M	L/P	144.0
BV/Sh.(INR)	99.5	101.4	106.2
Ratios			
RoE (%)	-1.1	1.9	4.5
RoCE (%)	5.0	6.7	7.5
Valuation			
P/E (x)	N/M	267.5	109.7
P/BV (x)	5.3	5.2	4.9
EV/EBITDA (x)	11.7	7.2	6.1
Pre-IND AS EV/ EBITDA (x)	20.6	16.3	12.7

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	33.6	33.7	33.8
DII	25.7	24.4	26.1
FII	15.2	16.5	17.1
Others	25.6	25.4	23.0

FII includes depository receipts

CMP: INR530 TP: INR600 (+13%) Neutral

Stable show; improvement in margin

- Barbeque Nation Hospitality (BARBEQUE) revenue grew 1.3% YoY, impacted by higher vegetarian days in 2Q and sluggish demand. SSSG remained weak and reported -2.5% YoY in 2QFY25 vs. -10.7% in 2QFY24 and -7.4% in 1QFY25. The company has seen MoM improvement in the SSSG trend. Dine-in revenue remained flat at INR2,598m while delivery was up 4% to INR459m.
- GM trajectory remained strong, expanding 210bp YoY to 68.1%. ROM was up 120bp YoY to 12.4%, cost control initiatives helped in margin expansion, which offset the negative OpLev pressure on margin. EBITDA margin expanded over 20bp YoY to 14.9% (est. 15%). The company posted a PBT loss of INR 100m vs. a loss of INR151m in YoY.
- The management is looking to add 25 stores in FY25. It has opened 8 stores in 1HFY25, with 3 new stores already opened in Oct'24, while 6 new stores are under construction. The company plans to open 100 stores over the next three years. BARBEQUE's current valuations at 19.1x FY25E and 15.5x FY26E pre-Ind AS EV/EBITDA are comfortably positioned. However, we are watchful of BARBEQUE's operating margin profile in FY25 amidst the challenging demand environment. We reiterate our Neutral rating on the stock with a TP of INR600, based on 17x Sep'26E Pre Ind-AS EV/EBITDA.

In-line performance; SSSG at -2.5%

- **Growth metrics gradually stabilizing**: BARBEQUE reported flat sales growth YoY at INR3.1b (est. INR 3.0b) in 2QFY25. Dine-in channel (85% of sales) remained flat YoY at INR2.59b. Delivery channel (15% of sales) was up 4% YoY to INR0.46b.
- **Digital KPIs:** Cumulative App download was 6.8m+ vs. 6.3m in 2QFY24. Own digital asset contribution was at 30% vs. 29.6% in 2QFY24.
- **Store addition:** The company has added four stores and closed one store, bringing the total store count to 222. Out of 222 stores, it has 187 Indian stores, 8 international stores, and 27 Toscano & Salt stores. Total metro and tier-1 accounted for 173 stores and tier 2/3 accounted for 49 stores in 2QFY25.
- **Improvement in margins**: Gross margin expanded 210bp YoY to 68.1%, while remaining flat QoQ. EBITDA grew 3% YoY to INR456m (est. INR456m). EBITDA margin expanded 20bp YoY to 14.9% (est. 15.0%). Pre-Ind AS EBITDA increased 24% YoY to INR166m in 2QFY25 and margin expanded 100bp YoY to 5.4%.
- **PBT loss sustains**: PBT loss has come at INR -100m vs -151m in 2QFY24. BARBEQUE reported a loss of INR71m vs INR 119m in 2QFY24.
- **In 1HFY25,** net sales declined 2% to INR6,114m while EBITDA expanded 6% to INR96m.

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Highlights from the management commentary

- Month-over-month improvement was observed in Same-Store Sales Growth (SSSG), with dine-in performance surpassing industry standards as the company focuses on driving growth in this channel.
- Premium dining experiences offered at Salt and Toscano enhance the culinary appeal and guest engagement, contributing positively to the brand.
- The company maintained flat pricing across the portfolio over the past year; however, it employed differentiated pricing on weekdays and weekends and adjusted prices regionally. With this, it delivered 2.5-3% price CAGR (excluding the COVID period).
- Management guided ~68% GP margins for FY25.
- The company plans to open 25 stores in FY25 and reach 240 stores. Currently, 185 stores are mature while the remaining 37 stores are new.
- The capex requirement for opening a new store is INR30m. The break-even and payback period of the new store is three years.

Valuation and view

- There is no material change in our EBITDA estimates for FY25E and FY26E.
- BARBEQUE PBT margin profile is weaker than that of QSR players. Hence, despite a comfortable position on valuation, we are watchful of operating margin delivery in FY25.
- **BARBEQUE's current valuations are at 19.1x FY25E and 15.5x FY26E pre-Ind AS EV/EBITDA. We reiterate our Neutral rating on the stock with a TP of INR600, based on 17x Sep'26E Pre Ind-AS EV/EBITDA.**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
SSSG (%)	-7.7	-10.7	-4.9	1.4	-7.4	-2.5	1.0	1.7	-6.5	-1.8	-1.0	
No. of stores	212	212	210	217	219	222	229	239	217	239	217	
Net Sales	3,239	3,017	3,309	2,981	3,057	3,057	3,513	3,221	12,545	12,847	3,037	0.7
YoY change (%)	2.9	-2.8	0.8	6.4	-5.6	1.3	6.2	8.1	1.7	2.4	0.7	
Gross Profit	2,073	1,990	2,245	2,053	2,081	2,081	2,382	2,193	8,361	8,736	2,010	3.5
Margin (%)	64.0	65.9	67.9	68.9	68.1	68.1	67.8	68.1	66.6	68.0	66.2	
EBITDA	468	444	663	547	509	456	703	594	2,122	2,261	456	0.1
EBITDA growth %	-33.6	-23.9	7.0	37.3	8.8	2.7	6.0	8.5	-8.0	6.6	2.7	
Margin (%)	14.4	14.7	20.0	18.4	16.6	14.9	20.0	18.4	16.9	17.6	15.0	
Depreciation	375	443	414	447	405	409	415	436	1,679	1,665	456	
Interest	187	195	190	186	186	189	209	211	759	795	211	
Other Income	40	43	16	77	27	43	33	38	176	140	30	
PBT	-55	-151	75	-9	-55	-100	111	-16	-140	-59	-181	
Tax	-14	-32	27	-9	-11	-28	28	-4	-28	-15	-46	
Rate (%)	26.1	21.3	35.5	95.9	20.9	28.4	25.2	25.2	20.3	25.2	25.2	
Adjusted PAT	-41	-119	48	0	-43	-71	83	-12	-112	-44	-136	
YoY change (%)	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY24				FY25	
	1Q	2Q	3Q	4Q	1Q	2Q
Channel mix (%)						
Dine-in	85.3	85.5	85.7	84.2	85.0	85.0
Delivery	14.7	14.5	14.3	15.8	15.0	15.0
2Y average growth (%)						
Sales	2.9	103.0	20.7	10.4	-1.4	-0.8
EBITDA	-33.6	-23.9	24.1	15.8	-12.4	-10.6
PAT	-	-	-	-	-	-
% of Sales						
COGS	36.0	34.1	32.1	31.1	31.9	31.9
Operating Expenses	49.6	51.2	47.8	50.5	51.4	53.1
Depreciation	11.6	14.7	12.5	15.0	13.2	13.4
YoY change (%)						
COGS	11.5	-2.5	-2.7	-3.3	-16.3	-5.0
Operating Expenses	14.8	5.3	0.9	4.3	-2.1	5.1
Other Income	33.5	167.3	38.2	241.1	-33.1	0.1
EBIT	-73.7	-99.6	4.6	211.9	12.7	NA

CONFERENCE CALL

Key takeaways from the management interaction

Business environment

- Historically, 2Q is seasonally the weakest due to higher vegetarian days compared to 1Q; however, sequential revenue remained flat this year.
- Month-over-month improvement was observed in SSSG, with dine-in performance surpassing industry standards as the company focuses on driving growth in this channel.
- Premium dining experiences offered at Salt and Toscano enhance the culinary appeal and guest engagement, contributing positively to the brand.
- Regional performance varied, with North and East India showing positive SSSG, while South India lagged, posting a negative SSSG.
- The company maintained flat pricing across the portfolio over the past year; however, it employed differentiated pricing on weekdays and weekends and adjusted prices regionally. With this, it delivered 2.5-3% price CAGR (excluding the COVID period).
- Gross debt reached INR100m in 1HFY25 due to an increased stake in the Toscano business. This was supported by a borrowing of INR40m taken in 2Q.
- In 1HFY25, capex was INR400m, in which INR250m was used for new sites, INR70m for relocation and renovation of existing sites, and the remaining INR80m was used for regular maintenance activities.

Cost and margins

- Gross margin expanded 210bp YoY, primarily driven by the efficient management of input costs and strategic reclassification of costs. The GP expansion of 70bp was due to the reclassification of cost.
- Operating margin expansions were achieved through gross margin expansion combined with targeted cost control initiatives.
- Margins in the premium Casual Dining Restaurant (CDR) segment were impacted slightly by the addition of new stores. In contrast, both BBQ India and BBQ International saw margin expansion during the period.
- BBQ India, which has a presence in Tier-2 and Tier-3 cities, reflects slightly lower margins relative to the premium CDR segment.
- RoM (Pre-Ind as) for mature stores stood at 14% in 2QFY25, with management expecting to reach 17-18% as market conditions improve and SSG trends recover.
- RoM (Pre-Ind as) for new stores stood at 6% in 2QFY25.
- Management guided ~68% GP margins for FY25.

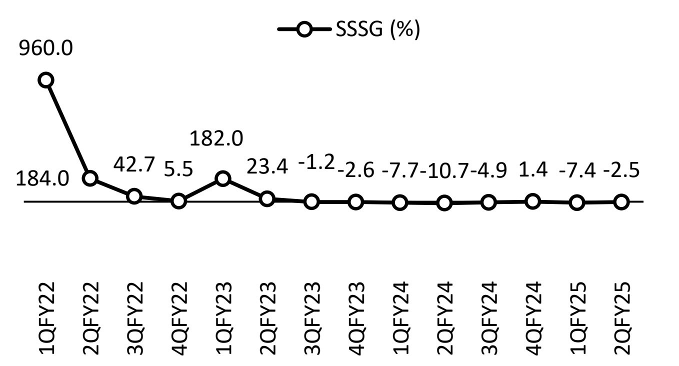
Store expansion

- In 2Q, four new restaurants were opened, while one restaurant was closed.
- Currently, the company has 222 stores across 85 cities. (187 BBQ India, 18 Toscano, 9 Salt, and 8 in BBQ international).
- Currently, 185 stores are mature while the remaining 37 stores are new.
- The company plans to open 25 stores in FY25 and reach 240 stores.
- Expansion plans include adding three international stores in 2HFY25—two in the Middle East and one in Sri Lanka.

- In Oct'24, three additional restaurants were launched and six more are under construction, expected to open in 2HFY25.
- Management anticipates the potential closure of two stores in 2HFY25
- Its goal is to open 100 new stores (10 in BBQ International, 40 stores in Premium CDR (Toscano and Salt), and 50 in BBQ India) over the next three years and reach 325 stores by FY27.
- Capex requirement for opening a new store is INR30m. The break-even and payback period of the new store is three years.
- Store expansion is financed through the company's internal funds.
- Currently, 25% of the stores are located in Tier-2 and Tier-3 cities, which experience lower throughput and gross margins but are offset by reduced labor and rental costs.

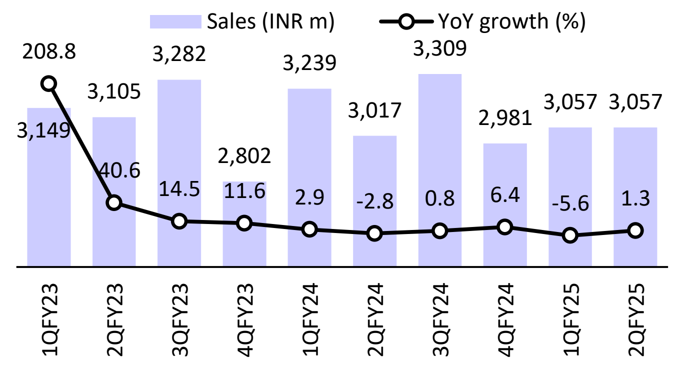
Key Exhibits

Exhibit 1: SSSG stood at -2.5% YoY in 2QFY25



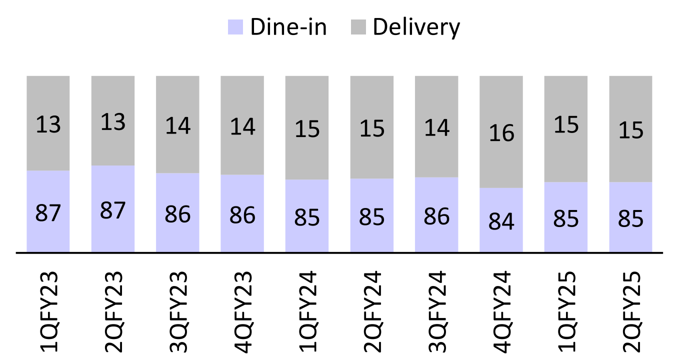
Source: Company, MOFSL

Exhibit 2: Net sales remained flat YoY at INR3.1b in 2QFY25



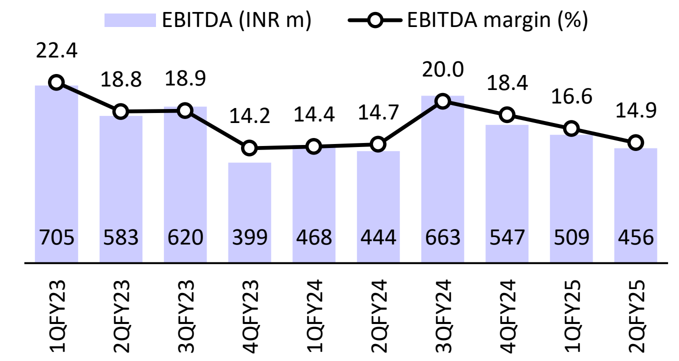
Source: Company, MOFSL

Exhibit 3: Dine-in contribution stood at 85% in 2QFY25



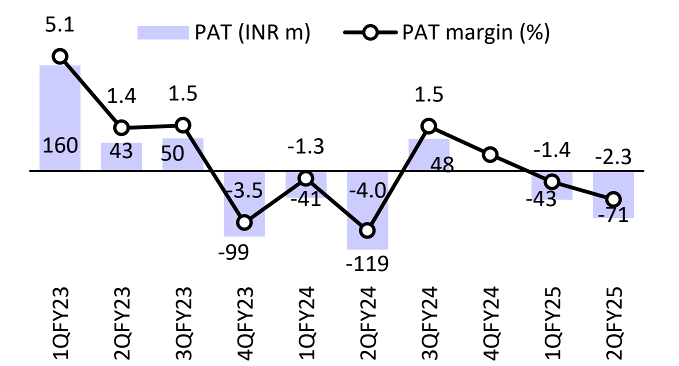
Source: Company, MOFSL

Exhibit 4: EBITDA margin came in at 14.9% in 2QFY25



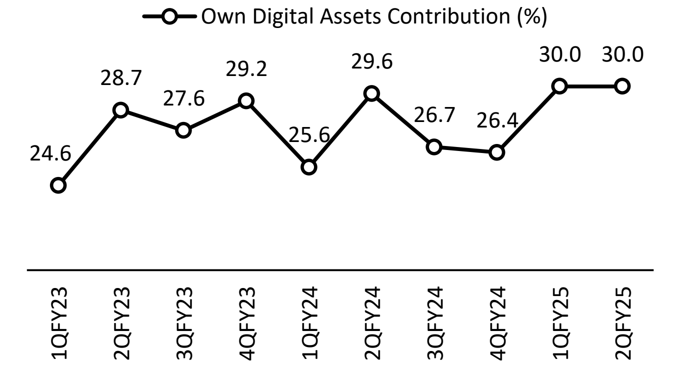
Source: Company, MOFSL

Exhibit 5: Adjusted PAT loss came in at INR71m in 2QFY25



Source: Company, MOFSL

Exhibit 6: Contribution from its own digital assets stood at 30% in 2QFY25



Source: Company, MOFSL

Valuation and view

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- BARBEQUE's PBT margin profile is weaker than that of QSR players. Hence, despite a comfortable position on valuation, we are watchful of operating margin delivery in FY25.
- **BARBEQUE's current valuations are at 19.1x FY25E and 15.5x FY26E pre-Ind AS EV/EBITDA. We reiterate our Neutral rating on the stock with a TP of INR600, based on 17x Sep'26E Pre Ind-AS EV/EBITDA.**

Exhibit 7: No material change in our EBITDA for FY25 and FY26

INR m	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	12,847	14,690	12,926	14,836	-0.6%	-1.0%
EBITDA	2,261	2,688	2,288	2,760	-1.2%	-2.6%
PAT	-44	76	-93	49	NA	NA

Source: Company, MOFSL

Financials and valuations

Income Statement									(INR m)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Net Sales	**7,390**	**8,470**	**5,071**	**8,606**	**12,338**	**12,545**	**12,847**	**14,690**	**16,627**
Change (%)	26.0	14.6	-40.1	69.7	43.4	1.7	2.4	14.3	13.2
Material Consumed	2,476	2,922	1,782	3,047	4,152	4,184	4,111	4,774	5,404
Gross Profit	**4,914**	**5,548**	**3,288**	**5,558**	**8,186**	**8,361**	**8,736**	**9,915**	**11,223**
Gross Margin %	66.5	65.5	64.8	64.6	66.3	66.6	68.0	67.5	67.5
Operating expenses	3,455	3,906	2,825	4,221	5,880	6,239	6,475	7,227	8,164
EBITDA	**1,459**	**1,642**	**464**	**1,337**	**2,306**	**2,122**	**2,261**	**2,688**	**3,059**
Change (%)	7.0	12.6	-71.8	188.3	72.4	-8.0	6.6	18.9	13.8
Margin (%)	19.7	19.4	9.1	15.5	18.7	16.9	17.6	18.3	18.4
Depreciation	895	1,340	1,212	1,273	1,450	1,679	1,665	1,836	2,031
Int. and Fin. Ch.	564	756	849	653	717	759	795	915	960
Other Non-recurring Inc.	35	38	460	263	80	176	140	165	180
PBT	**35**	**-415**	**-1,136**	**-326**	**219**	**-140**	**-59**	**102**	**249**
Change (%)	-79.1	P/L	-	-	L/P	-164.0	-	L/P	144.0
Margin (%)	0.5	-4.9	-22.4	-3.8	1.8	-1.1	-0.5	0.7	1.5
Tax	144	78	-197	-69	66	-28	-15	26	63
Tax Rate (%)	416.8	-18.8	17.3	21.1	30.1	20.3	25.2	25.2	25.2
Adjusted PAT	**-109**	**-493**	**-940**	**-257**	**153**	**-112**	**-44**	**76**	**186**
Change (%)	P/L	-	-	-	L/P	-172.9	-	L/P	144.0
Margin (%)	-1.5	-5.8	-18.5	-3.0	1.2	-0.9	-0.3	0.5	1.1
Non-rec. (Exp)/Inc.	-275	164	21	5	38	0	0	0	0
Minority interest	0	-5	-14	4	21	22	22	0	0
Reported PAT	**-384**	**-324**	**-905**	**-256**	**170**	**-134**	**-66**	**76**	**186**

Balance Sheet									(INR m)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Share Capital	140	140	170	195	195	195	195	195	195
Reserves	1,176	-81	2,269	3,665	3,816	3,734	3,690	3,767	3,953
Net Worth	**1,316**	**59**	**2,439**	**3,860**	**4,011**	**3,930**	**3,886**	**3,962**	**4,148**
Loans	1,579	2,450	1,528	218	196	397	397	397	397
Lease Liabilities	4,200	4,816	4,498	5,887	6,649	6,459	6,569	7,184	7,754
Others	0	52	38	93	82	110	108	108	108
Capital Employed	**7,095**	**7,377**	**8,503**	**10,057**	**10,939**	**10,896**	**10,959**	**11,651**	**12,407**
Gross Block	9,619	11,910	12,049	14,411	16,749	18,098	19,752	21,968	24,184
Less: Accum. Depn.	2,986	4,507	5,456	6,410	7,356	9,035	10,700	12,536	14,567
Net Fixed Assets	**6,634**	**7,404**	**6,593**	**8,000**	**9,393**	**9,460**	**9,052**	**9,432**	**9,617**
RTU	3,546	4,015	3,617	4,878	5,556	5,334	5,359	5,164	4,969
Capital WIP	159	109	60	212	273	47	47	47	47
Goodwill	190	723	723	723	723	897	897	897	897
Curr. Assets, L&A	**1,209**	**1,319**	**4,002**	**2,478**	**2,200**	**2,368**	**2,908**	**3,416**	**4,191**
Inventory	193	149	202	358	421	387	422	483	547
Account Receivables	49	22	26	57	74	267	70	80	91
Cash and Bank Balance	120	147	2,455	853	426	360	1,033	1,443	2,115
Others	847	1,001	1,319	1,210	1,280	1,355	1,382	1,410	1,438
Curr. Liab. and Prov.	**1,057**	**2,167**	**2,855**	**1,356**	**1,647**	**1,783**	**1,852**	**2,047**	**2,252**
Other Current Liabilities	141	894	1,237	199	227	390	402	414	426
Creditors	768	1,125	1,468	988	1,235	1,181	1,232	1,409	1,594
Provisions	148	148	150	168	185	212	218	225	232
Net Curr. Assets	**152**	**-848**	**1,147**	**1,122**	**553**	**586**	**1,056**	**1,369**	**1,939**
Current tax liabilities	-40	-11	-20	0	-4	-94	-94	-94	-94
Appl. of Funds	**7,095**	**7,377**	**8,503**	**10,057**	**10,939**	**10,896**	**10,959**	**11,651**	**12,407**

E: MOFSL Estimates

Financials and valuations

Ratios									
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Basic (INR)									
EPS	**-3.9**	**-17.6**	**-27.7**	**-6.6**	**3.9**	**-2.9**	**-1.1**	**2.0**	**4.8**
BV/Share	47.0	2.1	71.9	99.2	102.9	100.6	99.5	101.4	106.2
Valuation (x)									
P/E	N/M	N/M	N/M	N/M	133.0	N/M	N/M	267.5	109.7
EV/Sales	2.7	2.6	4.2	3.0	2.2	2.1	2.1	1.3	1.1
EV/EBITDA	13.9	13.2	46.0	19.1	11.6	12.7	11.7	7.2	6.1
P/BV	11.1	247.5	7.3	5.3	5.1	5.2	5.3	5.2	4.9
Return Ratios (%)									
RoE	-8.3	-833.5	-38.5	-6.7	3.8	-2.8	-1.1	1.9	4.5
RoCE	-28.5	5.6	-3.0	2.8	6.2	4.5	5.0	6.7	7.5
RoIC	-28.7	5.2	-9.4	0.7	6.2	3.4	4.4	6.4	7.5
Working Capital Ratios									
Debtor (Days)	2	1	2	2	2	8	2	2	2
Inventory (Days)	10	6	15	15	12	11	12	12	12
Creditor (Days)	38	48	106	42	37	34	35	35	35
Asset Turnover (x)	1.0	1.1	0.6	0.9	1.1	1.2	1.2	1.3	1.3
Leverage Ratio									
Debt/Equity (x)	1.2	41.4	0.6	0.1	0.0	0.1	0.1	0.1	0.1

Cash Flow Statement									(INR m)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
OP/(loss) before Tax	-295	-251	-1,115	-321	257	-140	-59	102	249
Int./Div. Received	207	-149	-412	-137	28	7	-140	-165	-180
Depreciation & Amort.	1,022	1,340	1,212	1,273	1,450	1,679	1,665	1,836	2,031
Interest Paid	-488	-659	-739	-500	-559	-597	-795	-915	-960
Direct Taxes Paid	143	78	-12	31	57	-29	-15	26	63
Inc/(Dec) in WC	57	-291	-244	686	-38	-35	-203	-97	-102
CF from Operations	**1,223**	**1,811**	**679**	**598**	**2,276**	**2,206**	**2,479**	**2,759**	**3,099**
Inc/(Dec) in FA	-1,299	-840	-143	-932	-1,459	-874	-774	-1,015	-1,016
Free Cash Flow	**-76**	**971**	**536**	**-334**	**817**	**1,331**	**1,704**	**1,744**	**2,083**
Others	7	-678	71	30	-59	-185	469	165	180
Pur of Investments	0	0	0	0	0	0	0	0	0
CF from Invest.	**-1,292**	**-1,518**	**-72**	**-902**	**-1,518**	**-1,059**	**-305**	**-850**	**-836**
Issue of Shares	320	1	1,495	1,844	15	22	0	0	0
Incr in Debt	302	876	73	-1,310	-22	177	0	0	0
Dividend Paid	-34	-34	0	0	0	0	0	0	0
Others	-836	-1,109	133	-1,832	-1,179	-1,410	-1,304	-1,500	-1,590
CF from Fin. Activity	**-247**	**-265**	**1,700**	**-1,298**	**-1,186**	**-1,211**	**-1,304**	**-1,500**	**-1,590**
Incr/Decr of Cash	**-316**	**27**	**2,308**	**-1,602**	**-428**	**-65**	**870**	**409**	**673**
Add: Opening Balance	436	120	147	2,455	853	426	361	1,231	1,640
Closing Balance	**120**	**147**	**2,455**	**853**	**426**	**361**	**1,231**	**1,640**	**2,313**

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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