

August 16, 2023 ^(Revised)

Barbeque Nation Hospitality Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long-term Fund Based – Term Loan	15.50	15.50	[ICRA]A (Stable)
Short Term – Fund-based Working Capital	5.00	5.00	[ICRA]A2+
Total	20.50	20.50	

*Instrument details are provided in Annexure-I

Rationale

Material Event

Barbeque Nation Hospitality Limited (BNHL) has disclosed its Q1FY2024 financial results to the stock exchanges on August 7th, 2023. In Q1 FY2024, BNHL reported an operating income of Rs. 323.9 crore (YoY growth of 2.9%) with an operating profit margin (OPM) of 14.4%, as against 22.4% in Q1 FY2023. On a sequential basis, the revenue grew by 15.6% as compared to Rs 280.2 crore in Q4FY2023, while operating margin remained flat.

Impact of Material Event

ICRA has noted the weakening in the company's OPM during Q4FY2023 and Q1FY2024 as compared to earlier levels, which has led to net losses in both the quarters. ICRA has been engaging with the company to understand the reasons for the same as well as the outlook for the company. ICRA will continue to monitor the developments and assess the company's credit profile once additional clarity emerges. Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, and Rating sensitivities. [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	NA
Consolidation/Standalone	ICRA has considered the consolidated financials of BNHL, along with its subsidiaries for arriving at the ratings, given the common management and significant operational and financial linkages between them.

About the company

Barbeque Nation Hospitality Limited was incorporated in October 2006 as a wholly owned subsidiary of Sayaji Hotels Limited (SHL, rated [ICRA]BBB&). The company operates under the 'Barbeque Nation' brand, offering live on-the-grill experience across India. It went for an IPO in April 2021 and accordingly the promoter stake was reduced from 60.2% as on March 31, 2020 to 35.7% as on April 5, 2021. As on June 30th, 2023, the promoter group stake remained at 33.98%. The balance stakes are held by prominent players like Jubilant Foodworks Ltd., Xponentia Opportunities Fund, and Massachusetts Institute of Technology, among others. The company raised Rs. 430 crore from the IPO (includes pre-IPO) and also successfully concluded preferential issue of Rs. 100 crore in July 2021.

In FY2017, BNHL acquired Prime Gourmet Private Limited (PGPL), which owns and operates the fast food franchisees of Johnny Rockets, an international quick service restaurant (QSR) chain offering burgers, shakes and rolls at its outlets. However, the same was wound up in H1 FY2019 and the company wrote off its investment in it. In December 2019, BNHL purchased a 61.35% stake in Red Apple Kitchen Consultancy Private Limited (Red Apple) from Samar Retail Private Limited (promoter group company), which manages Toscano Restaurant & Wine Bar, a fine dining Italian restaurant with 15 outlets across India. The company has increased the stake to ~82% as on date. As of June 30, 2023, BNHL operated through 212 restaurants across India (including 15 Toscano restaurants) and 7 restaurants in the international market.

Key financial indicators (audited/unaudited)

BNHL Consolidated	FY2022	FY2023	Q1FY2024*
Operating income	860.6	1233.8	323.9
PAT	-25.2	19.1	-4.1
OPBDIT/OI	15.5%	18.7%	14.4%
PAT/OI	-2.9%	1.6%	-1.3%
Total outside liabilities/Tangible net worth (times)	1.8	2.0	-
Total debt/OPBDIT (times)	4.6	3.0	-
Interest coverage (times)	2.0	3.2	2.5

Source: Company, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. Crore, *Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & rating in FY2024	FY2023	FY2022	FY2021	
				Aug 16, 2023	Aug 23, 2022	Jul 12, 2021	Sep 01, 2020	Apr 20, 2020
1 Fund Based – Term Loan	Long-term	15.50	15.50	[ICRA]A(Stable)	[ICRA]A (Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Negative)	[ICRA]A-(Negative)
2 Fund-based Working Capital	Short-term	5.00	5.00	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2	[ICRA]A2+

Source: Company,

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based – Term Loan	Simple
Fund-based Working Capital	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based – Term Loan	FY2020/FY2021	NA	FY2025/FY2027	15.50	[ICRA]A(Stable)
NA	Fund-based Working Capital	-	NA	-	5.00	[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Barbeque Nation Hospitality Limited, Parent	-	Full consolidation
Barbeque Nation Mena Holding Limited	100.00%	Full consolidation
Barbeque-Nation Restaurant LLC	49.00%	Full consolidation
Barbeque Nation (Malaysia) Sdn Bhd	100.00%	Full consolidation
Barbeque Nation Holdings Pvt Ltd	100.00%	Full consolidation
Barbeque Nation International LLC	49.00%	Full consolidation
Red Apple Kitchen Consultancy Private Limited	82.43%	Full consolidation

Source: Company

Corrigendum

Rationale dated August 16, 2023 has been revised with following changes as below:

On page 2, PAT/OI has been corrected in the key financial indicators table for FY2023 from 2.4% to 1.6%. On page 2, in the KFI table, the name of the company has also been changed to BNHL Consolidated.

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