

March 31, 2025

## Barbeque Nation Hospitality Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loan	45.50	45.50	[ICRA]A (Stable); reaffirmed
Short-term – Fund-based – Others	15.00	15.00	[ICRA]A2+; reaffirmed
Short-term – Non-Fund-based – Letter of Credit	10.00	10.00	[ICRA]A2+; reaffirmed
<b>Total</b>	<b>70.50</b>	<b>70.50</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of ratings for the bank lines of Barbeque Nation Hospitality Limited (BNHL/The company) considers ICRA's expectations of a stable improvement in the company's financial performance in the near to medium term, supported by its strong brand image, diversified presence, healthy margins/accruals and adequate liquidity. The company has a strong brand image in the restaurant segment and has diverse product offerings with a healthy mix of vegetarian as well as non-vegetarian dishes, offering a live on-the-grill experience. As on December 31, 2024, the company had 226 restaurants, which included 190 Barbeque Nation India outlets, 28 in the premium segment (SALT and Toscano) and 8 international outlets, making it the among the largest single-brand chain of barbeque-themed restaurants and a leading player in the fine dining segment, with a geographically diversified presence.

The company reported an operating income of Rs. 940.3 crore of revenue during 9M FY2025, a YoY decline of 1.7%. This largely stemmed from slowdown in discretionary spending and the company consolidating its operations with closure of some outlets, as part of its cost optimisation strategy. As for operating margins, despite lower topline, the margins have not declined on YoY basis and stood at 16.8%, stemming from steps taken on unit economics and fixed cost optimisation. However, compared to historic levels of 18-19% (barring Covid-19 years of FY2021 and FY2022), there is a margin drop because of competitive pressure and consequent inability to pass on cost inflation. Pre-IndAS 116 adjustments, the operating margins stood at 7.6% for 9M FY2025 (7.1% in 9M FY2024), lower than historic levels. The accruals were also healthy at Rs. 112.8 crore in 9M FY2025. ICRA expects the margins and accruals to improve going forward with cost-optimisation measures undertaken and benefits from operating leverage, as topline improves. The company's debt largely comprises only lease liabilities; of the total debt of Rs. 712.9 crore outstanding as on December 31, 2024, Rs. 657.4 crore was lease liabilities and only Rs. 55.5 crore was bank borrowings. The relatively low bank borrowings are likely on account of the modest working capital requirements in business and absence of significant debt-funded capex in the last few years, and this is likely to continue going forward as well. BNHL's liquidity position also remains adequate.

While the interest coverage was 2.8x for 9M FY2025 and the negative trigger has been met, ICRA understands that BNHL's coverage metrics are likely to improve, aided by anticipated improvement in operating margins from operating leverage benefits and cost optimisation measures undertaken, and absence of debt-funded capex plans over the medium term. The improvement in coverage metrics, with interest coverage improving above 3.5 times on a sustained basis, would be a key monitorable.

The ratings are constrained by the high competitive intensity, which restricts its pricing flexibility to a certain extent. Also, BNHL's operating performance remains vulnerable to macro-economic cycles, exogenous shocks (terrorist attacks, disease outbreaks, etc) and slowdown in discretionary spending. The latter impacted the company's revenues in 9M FY2025, with same store sales growth declining over the last three quarters. Nonetheless, the risk to revenues is partially mitigated by

BNHL's geographically diversified presence, which allows it to withstand demand vulnerability related to any specific micro-market.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by its strong brand image, cash accruals and adequate liquidity position.

## Key rating drivers and their description

### Credit strengths

**Strong brand image with diversified presence** – The company has a strong brand image in the restaurant segment, which facilitates its entry into new markets at competitive rentals, supporting its revenues and operating margins. BNHL has diverse product offerings with a healthy mix of vegetarian as well as non-vegetarian dishes, offering a live on-the-grill experience. As on December 31, 2024, the company had 226 restaurants, which included 190 Barbeque Nation India outlets, 28 in the premium segment (SALT and Toscano) and 8 international outlets, making it the among the largest single-brand chain of barbeque-themed restaurants and a leading player in the fine dining segment with a geographically diversified presence. The growth in restaurant network has been relatively gradual over the last few years, and this trend is expected to continue going forward as well.

**Healthy margins and accruals** – The company reported an operating income of Rs. 940.3 crore of revenue during 9M FY2025, a YoY decline of 1.7%. This largely stemmed from slowdown in discretionary spending and the company consolidating its operations with closure of some outlets, as part of its cost optimisation strategy. As for operating margins, despite lower topline, the margins have not declined on YoY basis and stood at 16.8%, stemming from steps taken on unit economics and fixed cost optimisation. However, compared to historic levels of 18-19% (barring Covid-19 years of FY2021 and FY2022), there is a margin drop because of competitive pressure and consequent inability to pass on cost inflation. Pre-IndAS 116 adjustments, the operating margins stood at 7.6% for 9M FY2025 (7.1% in 9M FY2024), lower than historic levels. The accruals were also healthy at Rs. 112.8 crore in 9M FY2025. ICRA expects the margins and accruals to improve going forward with cost-optimisation measures undertaken and benefits from operating leverage, as topline improves.

**Relatively low bank borrowings; adequate liquidity position** – The company's debt largely comprises only lease liabilities; of the total debt of Rs. 712.9 crore outstanding as on December 31, 2024, Rs. 657.4 crore was lease liabilities and only Rs. 55.5 crore was bank borrowings. The relatively low bank borrowings are likely on account of the modest working capital requirements in business and absence of significant debt-funded capex in the last few years, and this is likely to continue going forward as well. BNHL's liquidity position is also adequate with healthy anticipated cash flow from operations, unencumbered cash and bank balance of Rs. 37.7 crore and undrawn working capital lines of Rs. 15.0 crore as on December 31, 2024. The company does not have debt-funded capex plans in the pipeline and its repayment obligations for its existing term loans are low as a proportion of anticipated accruals, at Rs. 13.5 crore for FY2026 and Rs. 9.6 crore for FY2027.

### Credit challenges

**High competitive intensity** – BNHL's presence in a highly competitive market restricts its pricing flexibility to a certain extent. It faces competition from regional and national players (Quick Service Restaurant (QSR) chains and brands). While the company undertakes annual price hikes in its food menu, it also runs discount schemes and promotions to improve demand. Nevertheless, with an established brand name, acquisition of other brands under its network and expected growth in number of stores, the company is expected to reap associated benefits over the medium term.

**Exposure to exogenous shocks and slowdown in discretionary spending** – BNHL's operating performance remains vulnerable to macro-economic cycles, exogenous shocks (terrorist attacks, disease outbreaks, etc) and slowdown in discretionary spending. The latter impacted the company's revenues in 9M FY2025, with same store sales growth declining over the last three quarters. Nonetheless, the risk to revenues is partially mitigated by BNHL's geographically diversified presence, which allows it to withstand demand vulnerability related to any specific micro-market.

## Environmental and social risks

**Environmental considerations** – The restaurant industry is exposed to environmental protection and food safety, among other regulations. Non-adherences to any of these would result in disruption in business operations and increase costs and compliance-related risks. The industry is also exposed to environmental risks given the use of plastics in packaging, electricity and gas for cooking, and other production functions. While these risks have not resulted in any material implication so far, any issues in the same could have cost implications for the company. The company has substantially reduced the use of single-use plastics by transitioning to sustainable and biodegradable packaging products. Further, the company trains its employees periodically to ensure adherence to relevant laws and regulations and reducing environmental impact. It has also taken many initiatives and has a continuous monitoring and review process for food safety, energy conservation, waste management and safety procedures.

**Social considerations** – Akin to other restaurants, the company would need to adapt to the evolving social fabric (including changing consumer preferences and social trends) from time to time and relies heavily on human capital. Hence, there is moderate exposure to social risk. The company has reasonable gender diversity with healthy ratio of women in its managerial staff and Board of Directors; over 20% of its directors are women.

## Liquidity position: Adequate

BNHL's liquidity position is also adequate with healthy anticipated cash flow from operations, unencumbered cash and bank balance of Rs. 37.7 crore and undrawn working capital lines of Rs. 15.0 crore as on December 31, 2024. As against these sources of cash, the company has repayment obligations of Rs. 13.5 crore for FY2026 and Rs. 9.6 crore for FY2027 for its existing term loans. The capex for new store openings is likely to be lower than accruals generated and thus, company does not have debt-funded capex plans in the pipeline over the medium term.

## Rating sensitivities

**Positive factors** – ICRA could upgrade BNHL's rating, if it demonstrates sustained and healthy revenue and profitability growth, while maintaining its liquidity and improving coverage metrics.

**Negative factors** – Pressure on BNHL's ratings could arise due to deterioration in the operating margin or a significant increase in the debt levels for capex/inorganic investments leading to weakening of debt coverage indicators or a deterioration in liquidity position. Specific metric for a rating downgrade would be interest coverage ratio less than 3.5x on a sustained basis. Any material support to group companies, which would lead to the weakening of BNHL's credit profile, would be a credit negative as well.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has considered the consolidated financials of BNHL for arriving at the ratings.

## About the company

Barbeque Nation Hospitality Limited operates under the brand, 'Barbeque Nation', offering live on-the-grill experience across its restaurants. As on December 31, 2024, the company had 226 restaurants, which included 190 Barbeque Nation India outlets, 28 in the premium segment (SALT and Toscano) and 8 international outlets, making it the among the largest single-

brand chain of barbeque-themed restaurants and a leading player in the fine dining segment with a geographically diversified presence.

In February 2025, the company executed a Share Subscription Agreement and Shareholders' Agreement to acquire upto 51% of equity share capital of Willow Gourmet Private Limited, which operates an ice-cream brand 'Omm Nom Nomm' through the delivery channel, for Rs. 17.0 crore. The acquisition is likely to be completed in Q1 FY2026.

BNHL was incorporated in October 2006 as a wholly-owned subsidiary of Sayaji Hotels Limited (SHL; rated [ICRA]BBB+ (Stable)). The company raised Rs. 430 crore from the IPO (including pre-IPO proceeds) and also successfully concluded preferential issue of Rs. 100 crore in FY2022. It was listed on the stock exchanges in FY2022 and, consequently, the promoter stake reduced from 60.2% as on March 31, 2020, to 35.7% as on April 5, 2021. As on December 31, 2024, the promoter group stake was 33.6%. The balance stakes are held by prominent players like Jubilant Foodworks Ltd., UTI Mutual Fund, Tata Mutual Fund, ICICI Prudential and Massachusetts Institute of Technology, among others.

### Key financial indicators (audited)

BNHL Consolidated	FY2023	FY2024
<b>Operating income</b>	1,233.8	1,254.5
<b>PAT</b>	19.1	-11.2
<b>OPBDIT/OI</b>	18.7%	16.9%
<b>PAT/OI</b>	1.6%	-0.9%
<b>Total outside liabilities/Tangible net worth (times)</b>	2.0	2.0
<b>Total debt/OPBDIT (times)</b>	3.0	3.2
<b>Interest coverage (times)</b>	3.2	2.8

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore Note: Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Mar-31-2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	45.50	[ICRA]A (Stable)	Dec-27-23	[ICRA]A (Stable)	Aug-23-22	[ICRA]A (Stable)	Jul-12-21	[ICRA]A- (Stable)
				Nov-28-23	[ICRA]A (Stable)	-	-	-	-
				Aug-16-23	[ICRA]A (Stable)	-	-	-	-
Fund Based-Working Capital	Short term	15.00	[ICRA]A2+	Dec-27-23	[ICRA]A2+	Aug-23-22	[ICRA]A2+	Jul-12-21	[ICRA]A2+
				Nov-28-23	[ICRA]A2+	-	-	-	-
				Aug-16-23	[ICRA]A2+	-	-	-	-
Non-Fund Based-Letter of Credit	Short term	10.00	[ICRA]A2+	Dec-27-23	[ICRA]A2+	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term-Fund Based-Term Loan	Simple
Short Term-Fund Based-Working Capital	Simple
Short Term-Non-Fund Based-Letter of Credit	Very 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	Long Term-Fund Based-Term Loan	FY2021	NA	FY2027	45.50	[ICRA]A (Stable)
NA	Short Term-Fund Based-Working Capital	-	NA	-	15.00	[ICRA]A2+
NA	Short Term-Non-Fund Based-Letter of Credit	-	NA	-	10.00	[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, as on December 31, 2024

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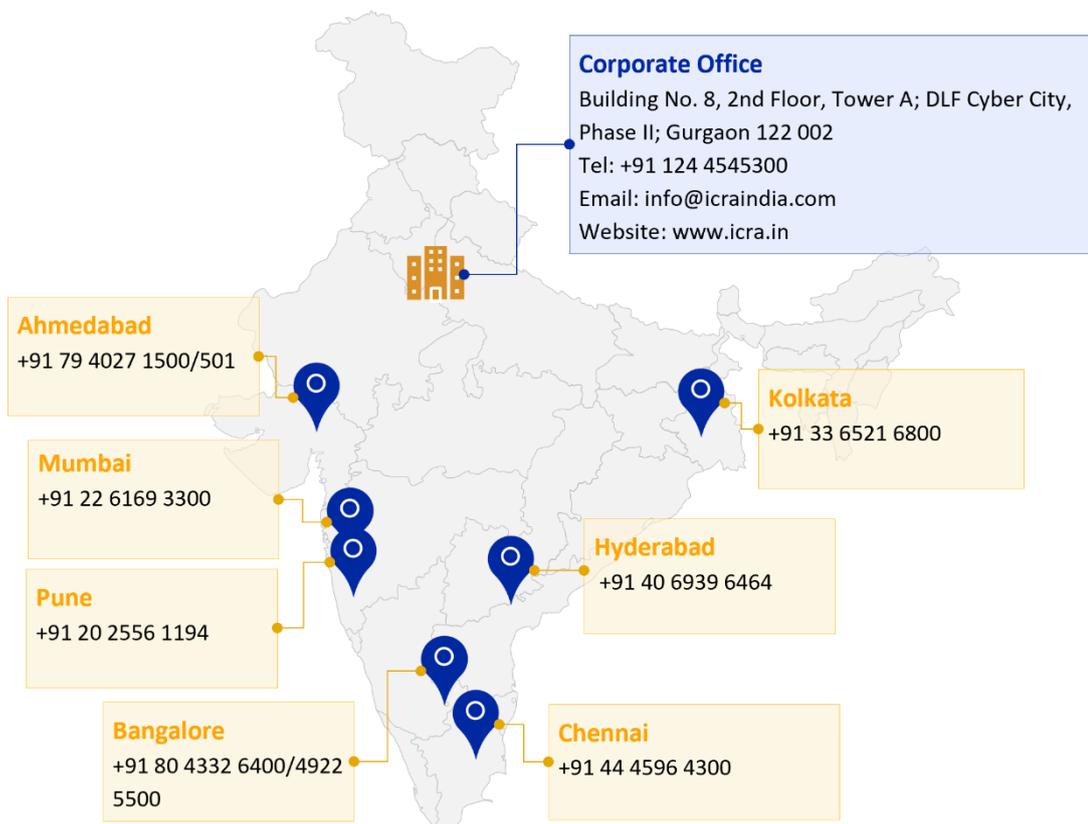
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### Branches



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