October 28, 2025

UNITED FOODBRANDS LIMITED (erstwhile Barbeque Nation Hospitality Limited): Ratings reaffirmed; outlook revised to Negative from Stable and rated amount enhanced

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	70.50	[ICRA]A (Negative); reaffirmed and assigned for enhanced amount; outlook revised to Negative from Stable.
Short-term – Fund-based Working Capital	15.00	15.00	[ICRA]A2+; reaffirmed
Short-term – Non-fund based – Letter of Credit	10.00	10.00	[ICRA]A2+; reaffirmed
Total	**70.50**	**95.50**	

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook on the long-term rating of United Foodbrands Limited (UFBL, erstwhile Barbeque Nation Hospitality Limited) to Negative factors in the company's weak performance in recent quarters, with consequent impact on its sales and earnings. Some of the factors affecting its performance include sluggish discretionary consumer spends, lower corporate demand, heightened competition in key markets, etc, resulting in lower store footfalls (3.8% contraction in same-store sales growth (SSSG) in FY2025 and 3.4% in Q1 FY2026). Nevertheless, UFBL's efforts towards cost control and store expansion strategies across domestic and international markets, and across its various operating segments (Barbeque Nation India, Barbeque Nation International and Premium CDR) is aimed at enhancing its market reach and sales growth over the near-to-medium term. UFBL's ability to achieve healthy scale up of operations and improve its profitability will be a key monitorable.

The rating continues to be constrained by high competition in the industry, with presence of a large number of players across both organised and unorganised segments, which limits pricing flexibility. Demand remains susceptible to discretionary consumer spending trends, inflationary pressures, and exogenous shocks.

The ratings, however, continue to favourably factor in the company's established brand presence in the restaurant business, with a network of 236 outlets as on June 30, 2025, including 32 outlets under the Toscano and SALT brands and 11 international outlets. Strong brand equity facilitates its entry into new markets at competitive rental terms, thereby supporting its revenue generation and operating margin profile.

Key rating drivers and their description

Credit strengths

Strong brand image with diversified presence – The company's strong brand equity in the restaurant sector continues to support its ability to enter new markets at competitive rental terms, thereby aiding revenue generation and operating margin sustainability. Its diversified product offerings, comprising a healthy mix of vegetarian and non-vegetarian dishes with a live on-the-grill experience, further enhance its customer appeal. As on June 30, 2025, the company operated 236 outlets, including 32 under the Toscano and SALT brands, and 11 international outlets, positioning it among the largest single-brand chains of barbeque-themed restaurants and a leading player in the casual dining segment with a geographically diversified presence.

UFBL's expansion in the restaurant network has been gradual over the past few years, and this trend is expected to continue over the medium term.

Stable margins – The company reported an operating income of Rs. 1,233.0 crore in FY2025, registering a year-on-year (YoY) decline of 1.7%, primarily attributable to the slowdown in discretionary consumer spending and UFBL's strategic consolidation of operations through the closure of select outlets as part of its cost optimisation initiatives. Despite the moderation in top line, the operating margin improved on a YoY basis to 17.1%, supported by measures to enhance unit-level economics and optimise fixed costs. However, it contracted to 15.5% in Q1 FY2026 and remains below the historical levels of 18–19% (excluding the Covid-19 impacted years of FY2021 and FY2022), owing to heightened competitive pressures. The company's ability to maintain and improve its margins and accruals amid heightened competition and weakened consumer spending through ongoing cost optimisation measures and closure of loss-making stores remains a key monitorable.

Low external borrowings; adequate liquidity position – The company's debt largely comprises only lease liabilities; of the total debt of Rs. 757.5 crore outstanding as on March 31, 2025, lease liabilities stood at Rs. 688.0 crore and only Rs. 69.5 crore constituted external borrowings. Its low external borrowings are on account of modest working capital requirements in business and absence of significant debt-funded capex in the last few years; and this trend is likely to continue going forward as well. UFBL's liquidity position is adequate supported by its cash flow from operations, unencumbered cash and bank balance of Rs. 19.5 crore, and undrawn working capital lines of Rs. 9.0 crore as on July 31, 2025. The company does not have debt-funded capex plans in the pipeline and its long-term repayment obligations include Rs. 19.2 crore in FY2026 and Rs. 11.6 crore in FY2027.

Credit challenges

High competitive intensity – The company's presence in a highly competitive market, with numerous regional and national players across both Quick Service Restaurant (QSR) chains and branded formats constrain its pricing flexibility to an extent. While the company undertakes annual price revisions in its food menu, it also resorts to discount schemes and promotional offers to stimulate demand. Nevertheless, supported by its established brand equity, strategic acquisitions of complementary brands, and the anticipated expansion in its store network, the company is expected to derive associated benefits over the medium term.

Exposure to exogenous shocks and slowdown in discretionary spending – The company's operating performance is exposed to macroeconomic cycles, exogenous shocks, and volatilities in discretionary consumer spending. The impact of subdued discretionary demand has been evident in recent quarters, with its SSSG declining over the last five quarters. Nonetheless, the risk to revenues is partially mitigated by the company's geographically diversified presence, which enables it to withstand demand volatility in any specific micro-market.

Environmental and social risks

Environmental risk: The restaurant industry is exposed to environmental risks with respect to appropriate usage and disposal of plastics in packaging and waste management. Non-compliance with continuously evolving laws and regulations related to environmental protection as well as food safety standards could result in disruptions in business operations, increased costs, reputational damage, and potential loss of customer goodwill.

Social risk: Akin to other players in the restaurant industry, the company remains exposed to evolving social dynamics, including shifting consumer preferences and emerging social trends, necessitating periodic adaptation of its offerings and service formats. Additionally, the business model is human capital-intensive and remains vulnerable to challenges arising from shortage of skilled personnel and high attrition levels, which may adversely impact operational efficiency and service delivery, thereby affecting the company's reputation and customer retention. The industry is also exposed to risks associated with customer health and safety.

Liquidity position: Adequate

The company's liquidity position remains adequate. UFBL had free cash and liquid investments of Rs. 19.5 crore as of March 31, 2025, which along with annual cash flow generation of more than Rs. 100 crore from operations and working capital limits of Rs. 15 crore, of which Rs. 7.0 crore remained unutilised as on March 2025, offers comfort to the liquidity position. With debt mainly comprising lease liabilities, the company's long-term repayment obligations are limited to Rs. 19.2 crore in FY2026 and Rs. 11.6 crore in FY2027. While it has plans to open 30-35 outlets in FY2026, which could entail capex of Rs. 90-100 crore, in addition to maintenance capex and IT related investments of Rs. 15-20 crore, these are likely to be mainly funded through incremental leases and internal accruals. Any significant debt-funded expansion/ capex would be evaluated on a case-to-case basis.

Rating sensitivities

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

Negative factors – Pressure on the company's ratings could arise due to deterioration in the operating metrics and/or a significant increase in debt levels for capex/inorganic investments leading to weakening of debt coverage indicators and/or a deterioration in its liquidity position. Specific metrics for a rating downgrade would be a Total Debt[1]/OPBDITA ratio of more than 3.8x on a sustained basis. Any material support to group companies, which would lead to a weakening of UFBL's credit profile, would be a credit negative as well.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has considered the consolidated financials of the company for arriving at the ratings.

About the company

United Foodbrands Limited (erstwhile Barbeque Nation Hospitality Limited), incorporated in October 2006 as a wholly-owned subsidiary of Sayaji Hotels Limited (SHL; rated [ICRA]BBB+ (Stable)), operates under the brand, 'Barbeque Nation', offering live on-the-grill experience across its restaurants. As on June 30, 2025, the company operated 236 outlets, including 32 under the Toscano and SALT brands, and 11 international outlets, making it the among the largest single-brand chains of barbeque-themed restaurants and a leading player in the casual dining restaurant (CDR) segment with a geographically diversified presence. Additionally, in February 2025, the company executed a Share Subscription Agreement and Shareholders' Agreement to acquire up to 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, with the acquisition completed in Q1 FY2026.

The company's ownership structure has evolved, with its promoters and promoter group holding 32.7% stakes in it as on June 30, 2025. The balance is held by public shareholders, including reputed institutional investors such as Jubilant Foodworks Ltd. (financial investment only), UTI, Old Bridge, and Alchemy Capital, reflecting a diversified and credible investor base. The company raised Rs. 430 crore from the initial public offering and concluded a preferential issue of Rs. 100 crore in FY2022. It was listed on the stock exchanges in FY2022.

[1] *Total debt, includes lease liabilities, with a tenor currently ranging at 9–15 years for the company.*

Key financial indicators (audited)

UFBL Consolidated	FY2024	FY2025
Operating income	1,254.5	1,233.0
PAT	-11.2	-27.1
OPBDIT/OI	16.9%	17.1%
PAT/OI	-0.9%	-2.2%
Total outside liabilities/Tangible net worth (times)	2.0	2.4
Total debt/OPBDIT (times)	3.2	3.6
Interest coverage (times)	2.8	2.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)					Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long-Term	70.50	Oct 28, 2025	[ICRA]A (Negative)	Mar 31, 2025	[ICRA]A (Stable)	Aug 16, 2023 Nov 28, 2023 Dec 27, 2023	[ICRA]A (Stable) [ICRA]A (Stable) [ICRA]A (Stable)	Aug 23, 2022	[ICRA]A (Stable)
Fund-based Working Capital	Short-Term	15.00	Oct 28, 2025	[ICRA]A2+	Mar 31, 2025	[ICRA]A2+	Aug 16, 2023 Nov 28, 2023 Dec 27, 2023	[ICRA]A2+ [ICRA]A2+ [ICRA]A2+	Aug 23, 2022	[ICRA]A2+
Non-Fund-based – Letter of Credit	Short-Term	10.00	Oct 28, 2025	[ICRA]A2+	Mar 31, 2025	[ICRA]A2+	Dec 27, 2023	[ICRA]A2+	Aug 23, 2022	-

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	70.50	[ICRA]A (Negative)
NA	Short Term – Fund-based Working Capital	NA	NA	NA	15.00	[ICRA]A2+
NA	Short-term – Non-Fund-based – Letter of Credit	NA	NA	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 Mena Holding Limited	100.00%	Full consolidation
Barbeque-Nation Restaurant LLC	100.00%	Full consolidation
Barbeque Nation (Malaysia) Sdn Bhd	100.00%	Full consolidation
Barbeque Nation Holdings Pvt Ltd	100.00%	Full consolidation
Barbeque Nation International LLC	100.00%	Full consolidation
Barbeque Nation Saudi Arabia Limited	100.00%	Full consolidation
Red Apple Kitchen Consultancy Private Limited	89.05%	Full consolidation
Barbeque Nation Bahrain W.L. L.	100.00%	Full consolidation
Barbeque Nation Lanka Pvt. Ltd.	100.00%	Full consolidation
Blue Planet Foods Private Limited	48.76%	Full consolidation
Willow Gourmet Private Limited*	42.36%	Equity method

Source: Company *Note: Ownership as on March 31, 2025 shown above* **Stake increased to 51% in Q1 FY2026, subsequent to which the entity is fully consolidated*

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