



Grill Splendour Services Limited

IPO Note

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IPO Details			Company Background				
Opening Date	April 15, 2024		<ul style="list-style-type: none"> ○ Founded in 2019, Grill Splendour Services Limited has its registered office in Mumbai, Maharashtra, India. ○ The company is a chain of gourmet Bakery and Patisserie spread across Mumbai through 17 retail stores, a centralized production facility and multiple corporate clients. ○ Out of these 17 retail stores, 5 stores are running under the franchisee model (franchisee-owned, and company-operated) and the rest 12 stores are owned by the company. ○ The company offers fresh food products from traditional to 'made to order' as required by the Customers. ○ As of February 29, 2024, the company had a total of 77 employees on its payroll. 				
Closing Date	April 18, 2024						
Stock Exchange	NSE SME						
Lot Size	1,200 Shares						
Issue Price	₹120 per share						
Issue Size	Aggregating up to 16.47 Cr.						
Fresh Issue	Aggregating up to 16.47 Cr.						
Offer for Sale	-						
Application Amount	₹1,44,000						
IPO Objective			Market Capitalization (In Cr.)				
1. Repayment in full or in part, of certain outstanding borrowings.			Pre-Issue		Post-Issue		
2. To meet additional working capital requirements.			₹ 46		₹ 62		
3. General corporate purposes.			Financial Summary (In Lacs.)				
Pre-Issue Shareholding			For the Period Ended	Mar-21	Mar-22	Mar-23	Nov-23
Category	No. of Shares	% of Total Shares	Total Assets	265.98	290.59	764.02	2,211.54
Promoter & Promoter Group	19,08,190	49.75%	Net Assets	-1.77	1.69	200.79	494.98
Public	19,27,210	50.25%	Total Borrowing	97.32	134.52	300.23	1,494.06
Promoter of the Company			Total Revenue	825.22	1,152.27	1,531.62	885.64
1. Srinidhi V Rao			Profit After Tax	-3.63	3.46	199.10	61.65
2. Vandana Srinidhi Rao			Tentative Timeline				
3. Vivek Vijaykumar Sood			Opening Date	April 15, 2024			
Competitive Strengths			Closing Date	April 18, 2024			
1. Strong Brand recognition			Basis of Allotment	April 19, 2024			
2. Chain of Stores spread across Mumbai region.			Initiation of Refunds	April 22, 2024			
3. Experienced Promoter and management team with strong industry expertise.			Credit of Shares to Demat	April 22, 2024			
4. Strong B2B customer relationships.			Listing Date	April 23, 2024			



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Company Background and Analysis

Grill Splendour Services Limited was originally incorporated on November 29, 2019. Company is a chain of gourmet Bakery and Patisserie spread across Mumbai through 17 retail stores, a centralized production facility and multiple corporate clients. Out of these 17 retail stores, 5 stores are running under the franchisee model (franchisee owned, and company operated) and rest 12 stores are owned by the company. It offers fresh food products from traditional to 'made to order' as required by the Customers.

Franchisee owned stores and the owned stores revenue break up is set forth below:

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Nov-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Company operated	538.31	69.99	757.67	71.29	770.08	74.56	415.80	74.53
Franchise operated	230.77	30.01	305.14	28.71	262.73	25.44	142.10	25.47
Total	769.08	100.00	1,062.81	100.00	1,032.81	100.00	557.90	100.00

The brand Birdy's was originally set up as "Birdy's by Taj". Over a period, it was sold to WAH Restaurants Private Limited and from them the same was acquired by the company. The primary focus of the Company was to bring back the quality and sheen of the brands. The company did that over a period of last few years by a series of initiatives.

The company is engaged in the sale of following broad categories of products:

- Cakes & Pastries
- Food Sale
- Beverages
- Desert Sales

The company is in the process of acquiring the brand rights for popular brands under these categories and roll them out. These brands have had a proven track record and enjoy good brand recall. They have a format of being medium sized and easy to scale. These brands are.

- Pizzeria
- Roti
- China Joe
- Just Around the Corner
- Not Just Jazz by The Bay

To conclude, since the company was incorporated in 2019 it decent experience in the industry. The business segment in which the company is operating is not unique and also company's business is concentrated in Mumbai.



Business Strategies

1. Dual Business Model –

The company will focus on two models. One is a pure takeaway with a small real estate footprint. This will be focused on a high online business customer base. The second will be a café model that would include seating and have an experiential attraction to customers.

2. Multiple Brands –

The Company will look to acquire brands of different styles that are scalable. The company is in the process of acquiring the brand rights for popular brands such as Pizzeria, Roti, China Joe, Just Around the Corner, and Not Just Jazz by the Bay.

3. Leveraging the existing business/infrastructure –

The company plans to open more stores in the places which are right now not covered by the company. This will help them encash the brand image of Birdy's and will help them achieve growth in margins due to economies of scale. The company also plans to add more products like chocolates, packaged snacks, cereals and Indian sweets in the store to serve the varied needs of customers like breakfast, lunch, snacks and celebrations.

4. Supply to Institutional clients and Corporates –

As a marketing strategy, the Company has reached out and acquired B2B clients viz. Barista, Trent House Bandra, Café Coffee Day, IBIS Hotels, Compass India, Wagh Bakri and MARS restaurants etc. to supply them with various food products.

5. Migration to Experience Stores –

The company after the acquisition of Birdy's brand has renovated more than half the shops. These shops now boast of seating, music ambience, table service, free library and freshly made food and beverages. These cafes attract a new category of customers called dine-in- which was absent earlier.

6. Inorganic Growth –

The company intends to acquire a few more brands which are synergistic to the business. The company may also enter joint ventures in new geographies/verticals where considerable business opportunities would be available to grow the business.

Competitive Scenario and Peer Mapping

Competition

The segments of the industry in which the company operates are subject to intense competition. The company compete primarily on brand name recognition and reputation, customer satisfaction, quality of service etc. India has multiple companies in the business of bakery and confectionery. There are FMCG players like Britannia, Parle and ITC. There are retail businesses like Theobroma that are now pan India. However, the organized market is small compared to the unorganised market. The company has slightly lower entry barriers. The bargaining power with the customer is slightly low in the industry in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Grill Splendour Services Limited	Westlife Foodworld	Sapphire Foods	Jubilant Foodworks
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	13%	5%	10%	7%
EBITDA Margin	19%	17%	20%	23%
Return on Capital Employed	63%	43%	9%	16%
Return on Equity	99%	20%	19%	17%
EPS (INR)	13.19	7.16	36.72	5.35

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Grill Splendour Services Limited	Westlife Foodworld	Sapphire Foods	Jubilant Foodworks
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.30%	-	2.64%	9.47%
EBITDA Margin	2%	14%	19%	26%
Return on Capital Employed	9%	17%	8%	19%
Return on Equity	205%	0%	5%	22%
EPS (INR)	0.23	-0.11	7.99	6.37

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Grill Splendour Services Limited	Westlife Foodworld	Sapphire Foods	Jubilant Foodworks
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-	-	-	6.8%
EBITDA Margin	1%	9%	17%	24%
Return on Capital Employed	7%	-9%	-2%	16%
Return on Equity	205%	-20%	-20%	16%
EPS (INR)	-0.24	-6.38	-19.11	3.51

Industry Overview

Exhibit 1: VC/PE Investment Trend (Value of Deals in US\$ Million)

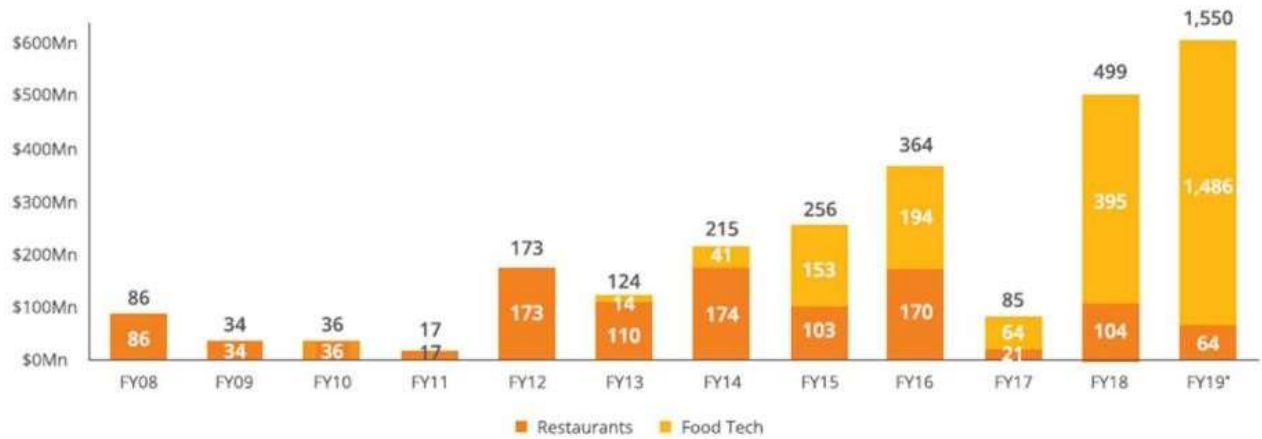


Exhibit 2: %Share of Chain and Standalone Restaurants in Organised QSR Food Service Segment 2018-19



(Source: ibef.org)

Indian Food Services Industry -

India's food service sector is one of the vibrantly growing segments, which has witnessed noticeable growth in past few years. The sector, including both organised and unorganized segments, stands at Rs. 4,23,865 crores in 2018-19. The sector is expected to reach to US\$ 79.65 billion by 2028, with a CAGR of 11.19%.

Factors accelerating the progress of the food services sector include changing demographics, increase in disposable income, growing urbanization, increasing internet penetration and proliferation of online services. Also, young affluent couples with penchant for eating out are adding to the growth further.

The food service industry is divided into the organised and unorganised segments. The organised sector is further divided into standalone and chain stores.

Unorganised segment: The unorganised segment comprises of small scale, unregistered and unlicensed players largely remaining out of the purview and control of the government regulatory authorities. Typically, roadside eateries like, dhabas, street side stalls, hawkers and small food establishments, low on investment and manpower requirements fall under this category.

Organised segment: The organised segment comprises of registered and unlicensed players that adhere to laid down legislation. Within the organised segments too, there is further bifurcation in to standalone and chain stores.

Standalone restaurants across all formats are those that have two or lesser outlets e.g. Indian Accent, Olive bar & kitchen etc. Chain segment includes players who across all formats have three or more outlets e.g. mcdonalds, domino's, Burger king etc.

Quick service restaurant (QSR) is a restaurant which offer certain food items that require minimal preparation time and are delivered through quick services. Typically, quick service restaurants or QSRs cater to fast food items over a limited menu as they can be cooked in lesser time with minimum possible variation.

QSR restaurants are known to have standardized, modular and efficient processes which help them in reducing the lead times to fulfil the orders but still maintain the quality expected by the customers. Preparation methodology and usage of technology are pillars of a Quick service restaurant (QSR).

Quick service restaurants have many varieties when it comes to the type of service they offer. There are also drive-through restaurants, which do not offer any tables or seats but rather collect the order and deliver it through a single counter. The orders are generally pre prepared and are highly standardized with no room for customization. These types of businesses don't rely on margin over their services rather rely on the frequency of footfall. A key strategy used by quick service restaurants is the bundle pricing. QSR combine their food items on the menu into a bundle of complementary meals for example McDonald's value meal of fries, a soft drink and a burger. Usually, customers prefer these meals over individual food items as the former creates a sense of value addition and diversity to their expenditure. For the retailers, they give attractive discounts over bundled meals and set a substantial profit margin to lure from these offerings.

(Source: ibef.org)



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Key Managerial Personnel

Srinidhi V Rao, aged 53 years, is one of the Promoters and Director of the Company. He has done Diploma in Hotel Management. Srinidhi has worked in the past with brands such as Taj Group of Hotels, Indage Hotels, Mayfair Banquets, Daman Hospitality, Smaaash Entertainment, and Barista Coffee in various positions. He has more than three decades of experience in operations, projects and training.

Vandana Srinidhi Rao, aged 52 years, is one of the Promoters and Director of the Company. She has done Diploma in Hotel Management. She has also passed Semester I for Diploma in Sales and Marketing Management. is a hospitality professional with a varied gamut of experience of over 30 years. She has worked in hotels, travel, sales, training and in the brand consulting sector.

Vivek Vijaykumar Sood, aged 58 years, is one of the Promoters and Non-Executive Director of the Company. He holds a degree in Bachelor of Commerce. He has also passed Group M-1 of Marketing & Sales Management. He has more than 3 decades of experience doing project-related work for infrastructure companies.

Ravi Ramesh Tharani, aged 51 years, is the Non-Executive Independent Director of the Company. He has done Diploma in Hotel Management. He is having 30 years of experience as a proprietor of M/s. Super Industries, Vadodara in the field of manufacturing of plastic packaging products viz. HDPE bags and PET bottles & jars.

Sunil Bhatia, aged 62 years, is the Non-Executive Independent Director of the Company. He has completed his Bachelor of Engineering (Civil Engineering Branch). He has more than 36 years of experience in the field of supply chain management in the oil & gas field with ONGC. He retired in 2021 as executive director of large oil & gas PSU.

Anil Kumar Safaya, aged 65 years, is the Independent Director of the Company. He has done his Bachelor of Engineering (the Civil Branch). He has experience of 35 years in executing various projects at ONGC Limited.

To conclude, the company has 3 promoters, and they have vast experience in the industry. The Remaining Directors of the company also have vast knowledge and experience in their respective fields which helps in the overall growth of the company.



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Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Nov-23
Revenue from Operations	824.54	1,150.49	1,529.35	883.64
Other Income	0.68	1.78	2.27	2.00
Total Income	825.22	1,152.27	1,531.62	885.64
Expenses				
Cost of Material Consumed	251.92	355.35	411.43	275.86
Employee benefits expense	199.44	253.74	293.76	154.30
Finance costs	9.88	10.86	23.04	21.00
Depreciation and Amortization expense	6.44	12.12	16.30	9.96
Other expenses	361.17	516.74	535.88	345.12
Total Expenses	828.85	1,148.81	1,280.41	806.24
Earnings Before Interest, Taxes, Depreciation & Amortization	12.01	24.66	288.28	108.36
EBITDA Margin	1%	2%	19%	12%
Profit/(Loss) before tax	-3.63	3.46	251.21	79.40
Tax Expense				
Current Tax	-	-	60.21	19.85
Deferred Tax	-	-	-8.10	-2.10
Total Tax Expense	-	-	52.11	17.75
Profit/(Loss) for the year	-3.63	3.46	199.10	61.65
Net Profit Margin	-0.44%	0.30%	13.00%	6.96%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Nov-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1.00	1.00	1.00	383.54
Reserves and surplus	-2.77	0.69	199.79	111.44
Total Equity	-1.77	1.69	200.79	494.98
2. Non-current liabilities				
Long Term Borrowings	64.96	116.30	201.69	1,414.18
Long Term Provisions	14.02	22.06	26.32	26.08
Total Non-current liabilities	78.98	138.36	228.01	1,440.26
3. Current liabilities				
Short-term borrowings	32.36	18.22	98.54	79.88
Trade payables	92.61	85.47	129.54	155.67
Other current liabilities	62.12	44.33	52.64	37.15
Short-term provisions	1.68	2.52	54.50	3.60
Total Current liabilities	188.77	150.54	335.22	276.30
Total Liabilities	267.75	288.90	563.23	1,716.56
Total Equity and Liabilities	265.98	290.59	764.02	2,211.54
ASSETS				
1. Non-current assets				
Fixed Assets				

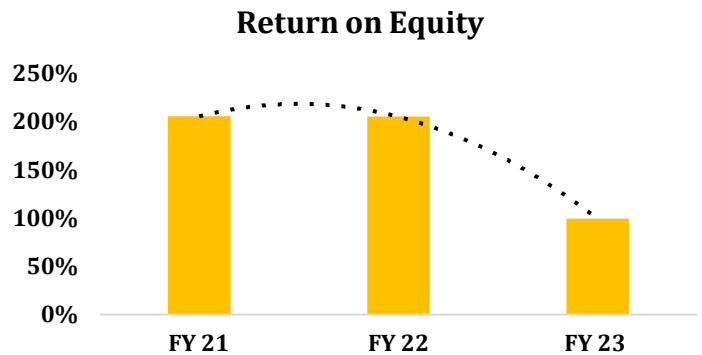
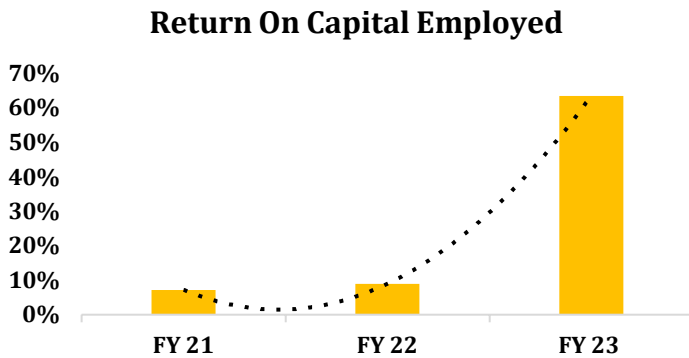
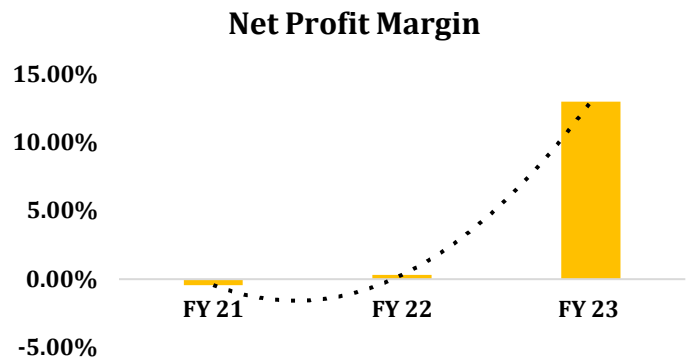
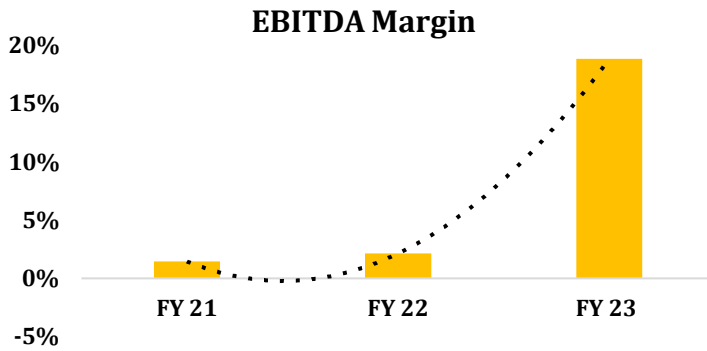
Balance Sheet					(In Lacs)
a) Tangible Assets	93.62	113.53	139.40	147.33	
b) Intangible Assets	1.10	1.01	0.92	0.63	
Long term Loans and Advances	41.06	47.80	290.62	1,636.90	
Deferred Tax Assets (Net)	-	-	8.10	10.20	
Total Non-Current assets	135.78	162.34	439.04	1,795.06	
2. Current assets					
Inventories	27.99	24.15	20.01	16.00	
Trade receivables	11.44	12.03	66.45	100.75	
Cash and cash equivalents	7.44	7.61	98.81	72.65	
Short-term loans and advances	83.33	79.29	132.87	205.19	
Other Current Assets	-	5.17	6.84	21.89	
Total Current assets	130.20	128.25	324.98	416.48	
Total Assets	265.98	290.59	764.02	2,211.54	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Nov-23	
Net Cash Flow from Operating Activities	31.57	2.69	226.90	-69.52	
Net Cash Flow from Investing Activities	-74.19	-28.86	-278.37	-1362.01	
Net Cash Flow from Financing Activities	40.22	26.34	142.67	1405.37	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Nov-23*
Per Share Data				
Diluted EPS	-0.24	0.23	13.19	1.71
BV per share	-0.03	0.03	3.86	41.66
Operating Ratios				
EBITDA Margins	1.46%	2.14%	18.85%	12.26%
PAT Margins	-0.44%	0.30%	13.00%	6.71%
Inventory days	12.39	7.66	4.78	4.42
Debtor days	5.06	3.82	15.86	27.82
Creditor days	125.31	88.75	116.09	139.72
Return Ratios				
RoCE	7%	9%	63%	7%
RoE	205%	205%	99%	4%
Valuation Ratios (x)				
EV/EBITDA	7.34	5.21	1.40	22.26
Market Cap / Sales	7.58	5.43	4.09	4.72
P/E	-	521.74	9.10	70.13
Price to Book Value	-	-	31.13	2.88
Solvency Ratios				
Debt / Equity	-54.98	79.60	1.50	3.02
Current Ratio	0.69	0.85	0.97	1.51
Quick Ratio	0.54	0.69	0.91	1.45
Asset Turnover	3.10	3.96	2.00	0.40
Interest Coverage Ratio	0.56	1.15	11.80	4.69

*Annualized Figures

Financial Charts



Key Risk Factors

1. The company's Purchases from the top 10 vendors constituted 26.07%, 54.78% and 59.69% of the Purchases for the period ended November 30, 2023, and financial years ending March 31, 2023, and March 31, 2022, respectively.
2. The company has had negative operating cash flows for the Period Ended November 2023.

Track Record of Lead Manager

The lead manager to the issue is Inventure Merchant Banker Services Private Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

Inventure Merchant Banker Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Innovatus Entertainment Networks Limited	7.74	50.00	August 04, 2023	36.09
2.	Vilin Bio Med Limited	12.00	30.00	June 30, 2023	19.00
3.	Maagh Advertising and Marketing Services Limited	9.12	60.00	October 13, 2022	14.06
4.	Silver Pearl Hospitality and Luxury Spaces Limited	9.00	18.00	June 17, 2022	9.05
5.	Brandbucket Media & Technology Limited	8.25	55.00	December 31, 2021	11.8
6.	Omnipotent Industries Limited	18.90	63.00	November 29, 2021	9.01
7.	AA Plus Tradelink Limited	6.48	18.00	July 22, 2021	13.00
8.	Navoday Enterprises Limited	4.61	20.00	June 25, 2021	9.00

The company has had 8 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 11th April 2023.

As per the offer document, from the above-mentioned mandates, 6 mandates have opened at discount and the remaining mandates has opened at a premium on the listing date.



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Recommendation

The company has been in the industry since 2019 and has decent experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 70.13 times which makes it highly priced by looking at the performance of the company and sector. The Sector P/E is 136 times.

The company operates in a competitive environment. The business model of the company is not unique. The company has had a loss during FY 21. The company has seen a sudden hike in profitability margins for FY23 which may or may not sustain going forward. The company's revenue is concentrated in Mumbai. The company is not utilising its net proceeds for anything unique. Thus, at the current P/E, we recommend **AVOID** applying to this IPO.



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