

**Issue Details**

Listing	BSE & NSE
Open Date	2 Dec 2020
Close Date	4 Dec 2020
Price Band	Rs.59-60
Market Lot	250 shares
Minimum Lot	1 Lot

**Issue Structure**

Offer for sale	56%
Fresh Issue	44%
Issue Size	Rs.810 cr
Total no of shares	135,000,000
QIB share (%)	≥ 75%
Non Inst share (%)	≤ 15%
Retail share (%)	≤ 10%

**Shareholding Pattern**

	Pre (%)	Post(%)
Promoters	94.34	60.08
Institutional	5.66	35.60
Public	0.00	4.32

**Burger King India Ltd is a QSR company which came into being on November 11<sup>th</sup> 2013. The brand has an international presence across 100 countries with more than 18,500 outlets. It is held by QSR Asia Holdings which has a 94% stake in the company. In India they currently have 261 restaurants operating in 6 clusters within the country and are winning consumers by tailoring their offerings, pricings and promotions according to Indian tastes and preferences. We believe that the capital being raised is rightly timed given the buoyancy of capital markets and the expected softness in real estate which will enable the company to lock in long term rentals at depressed prices. Listing in the stock exchanges will definitely boost awareness of the brand.**

**During FY18-20, Burger King's overall revenue grew at a CAGR of 49.2% to Rs.841 cr in FY20. During the same period, the EBITDA grew at a CAGR of 257.8% to Rs.104 cr in FY20 whereas net loss decreased from Rs.81 cr in FY18 to Rs.78 cr in FY20.**

**Key Investment Highlights:**

- **The Quick Service Restaurant (QSR) is a INR 307bn market and is expected to grow at a CAGR of 11% over FY19-24. The market is highly fragmented and presents a huge opportunity for the shift from unorganized to organized. The management of Burger King has been quick to galvanize on this opportunity by rolling out record number of stores in the first five years of its operations.**
- **Burger King is led by a strong management team with the CEO, Rajeev Verma having over 20 years of experience in the F&B industry. Further, the holding company, QSR Asia has a global network of 18,675 restaurants across 100 countries. Being the national master franchisee of the globally recognized brand in India, the company is in good hands.**

**Key Financials (in ₹ crores)**

	Sales	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/B (x)	EV/Sales (x)
<b>FY18</b>	378	8	-81	2.1	-21.5	-	7.5	-28.4	-19.5	8.0	3.7
<b>FY19</b>	633	79	-39	12.5	-6.1	-	6.5	-15.4	-0.9	9.2	2.9
<b>FY20</b>	841	104	-78	12.4	-9.2	-	7.2	-28.2	-2.6	8.3	3.5
<b>FY21E</b>	567	45	-149	8.0	-26.3	-	16.6	-23.5	-10.7	3.6	1.8
<b>FY22E</b>	1071	152	-58	14.2	-5.4	-	10.0	-10.0	2.9	6.0	1.5

\*All workings are as per IND AS 116

- **Strong growth visibility on the cards as the company plans to roll out 700 stores by FY26 from its current count of 261 stores. Revenues are expected to grow at a CAGR of 17% to INR 1,361 crores by FY23 driven by a 13% CAGR in number of outlets, improving footfalls and strong SSSG.**
- **Royalties and Ad expenses are capped at around 5% of sales. As a result, the current A&P spends which are at 9% of sales are expected to come down sharply. Further, listing of the stock on the NSE and BSE is expected to boost global awareness of the brand. All these measures should help improve the profitability.**
- **Part of the proceeds of the issue are towards total paring of the debt of INR 162.24 crores. This should boost EBIT significantly.**
- **Significant operating leverage exists given the business model of the company. We expect EBITDA to turn positive by FY22 at INR 2 cr (post IND AS 116 EBITDA will turn around in FY21 to be Rs.46 cr). EBITDA margin to grow from -1.0% to 2.7% (post IND AS 116 12.4% to 15.8%) over FY20-23. EBIT and PAT to turnaround by FY25 to touch INR 24 cr and INR 30 cr respectively (post IND AS 116 EBIT will turn positive in FY22 at Rs. 17 cr and PAT in FY25 at Rs.30 cr). While the net earnings are expected to turn profitable only by FY25, the accumulated losses before tax will provide the company with a tax break until FY27.**

**EBIT Margins are expected to improve from -8.4% to -4.3% and PAT margins to improve from -9.2% to -2.8% over FY20-23.**

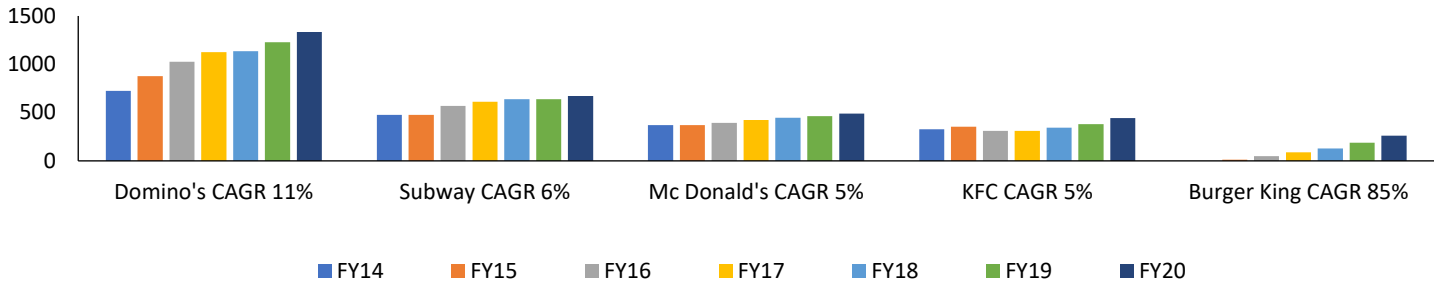
- **Burger King enjoys a negative working capital of 69 crores which is expected to improve to negative 246 crores. As a prudent measure Burger King will be maintaining a cash balance equal to the negative working capital on its books.**

#### **Valuation**

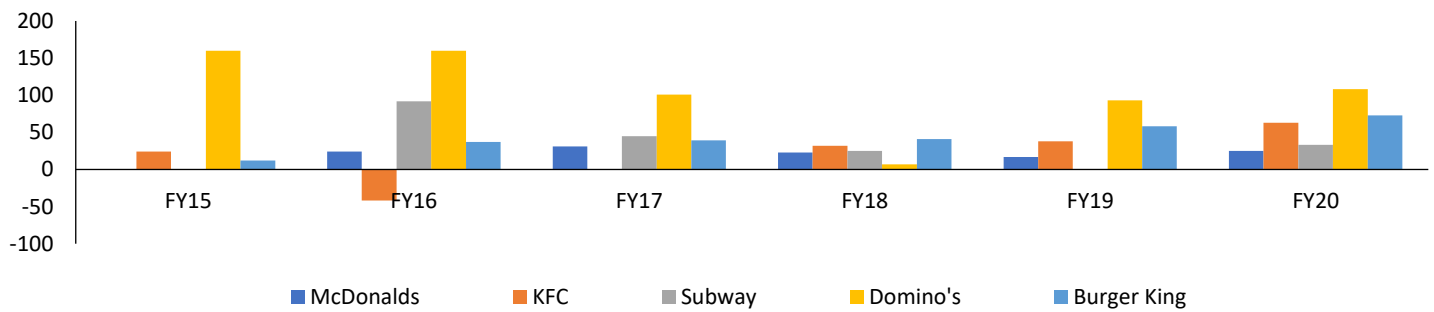
**At the CMP of Rs.60, Burger King is valued at 1.7X FY23 EV/Sales basis (on the fully diluted equity). This compares very favourably with the valuation of Jubilant FoodWorks (5.7X FY23 EV/Sales) and Westlife Development (3.5X FY23 EV/Sales).**

**We recommend a subscribe for both listing gains and long-term investing.**

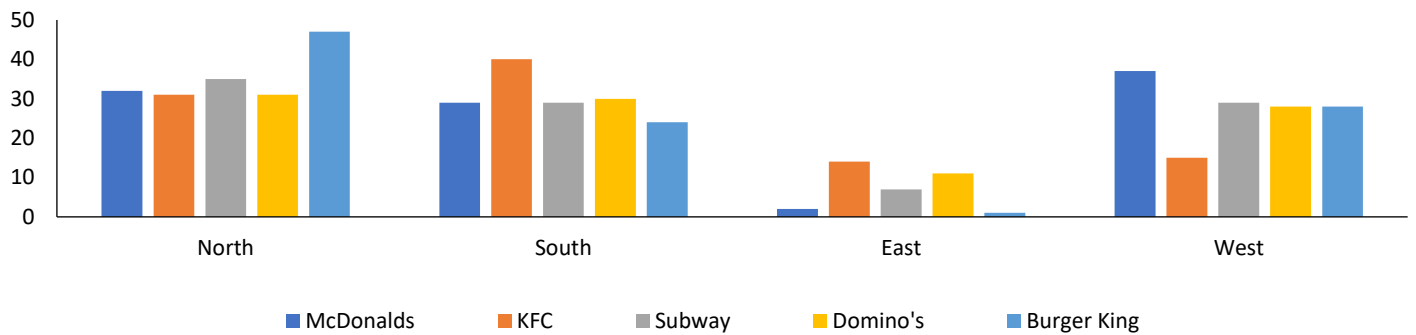
## Number of Outlets



## Number of Additional Outlets

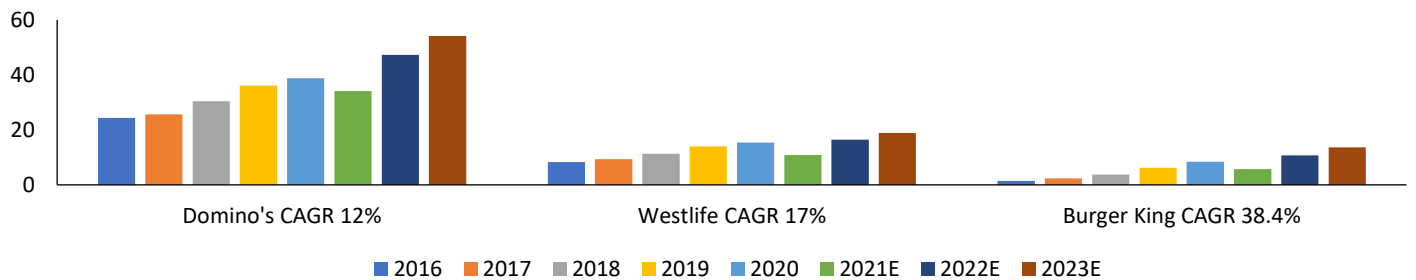


## Region wise percentage of total outlets



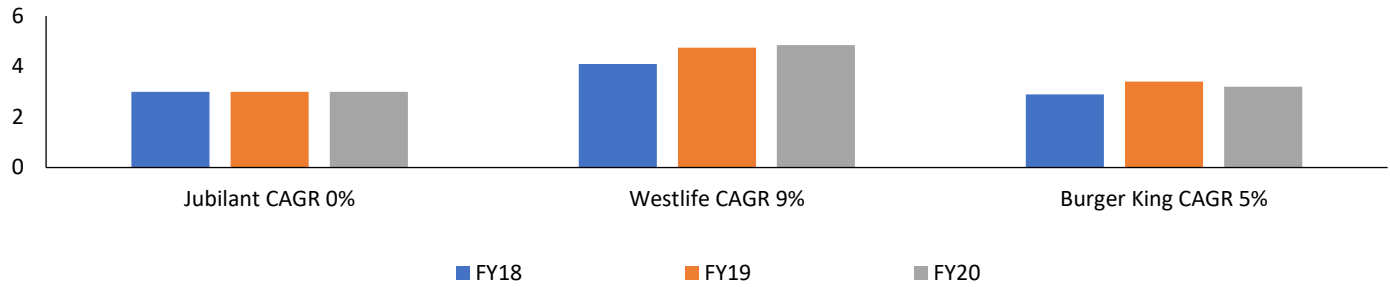
In Rs. cr

## Revenue

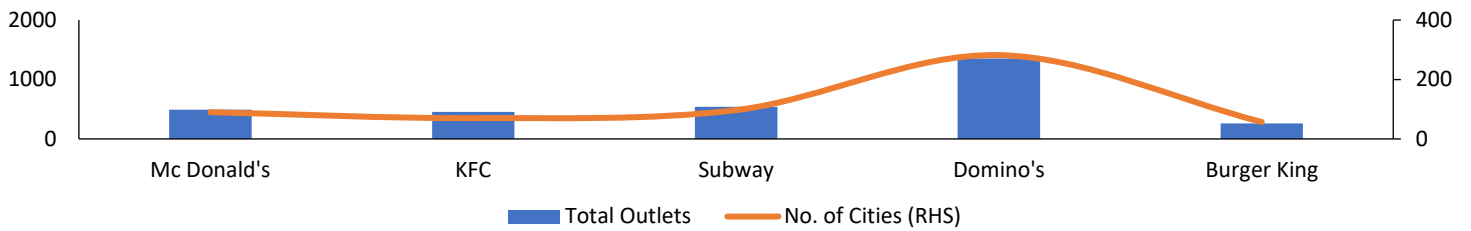


In Rs. cr

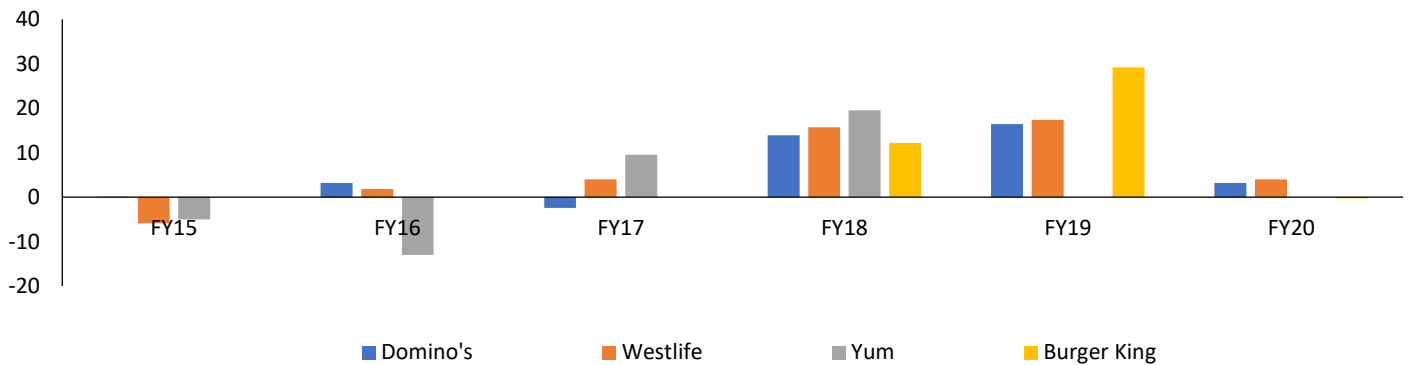
### Revenue/Store



### Presence of Key International Brands by Outlets in India as of September 30, 2020

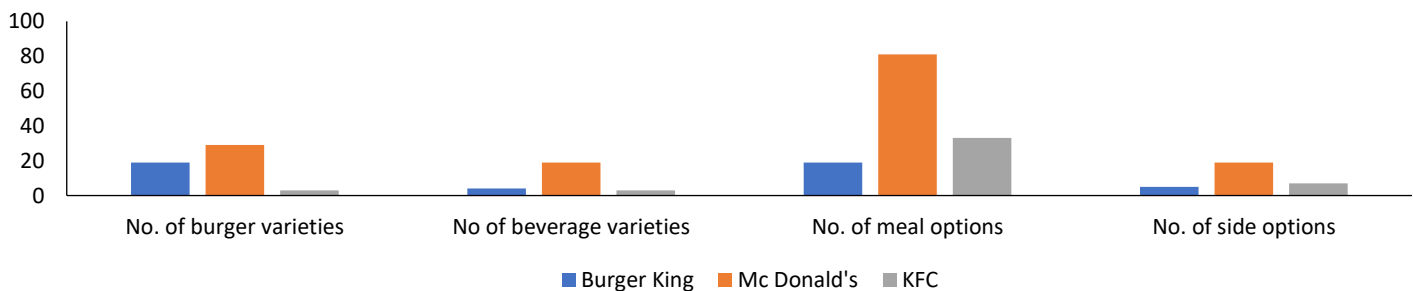


### Same Store Sales Growth (%)

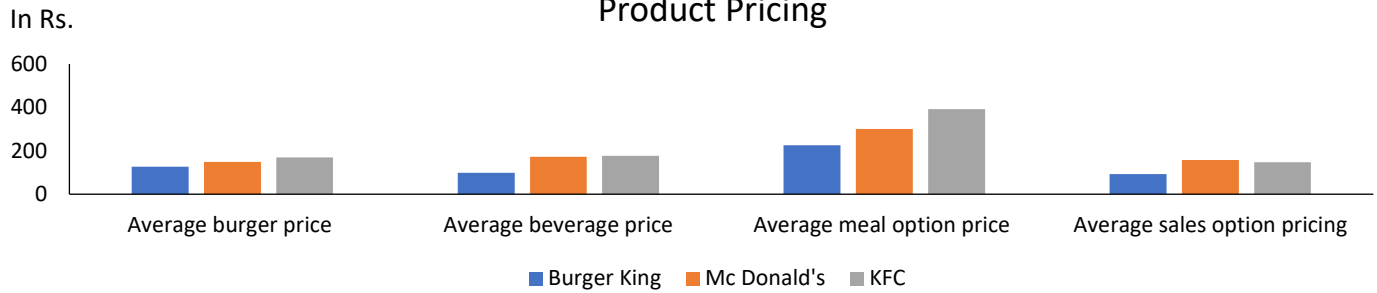


In nos

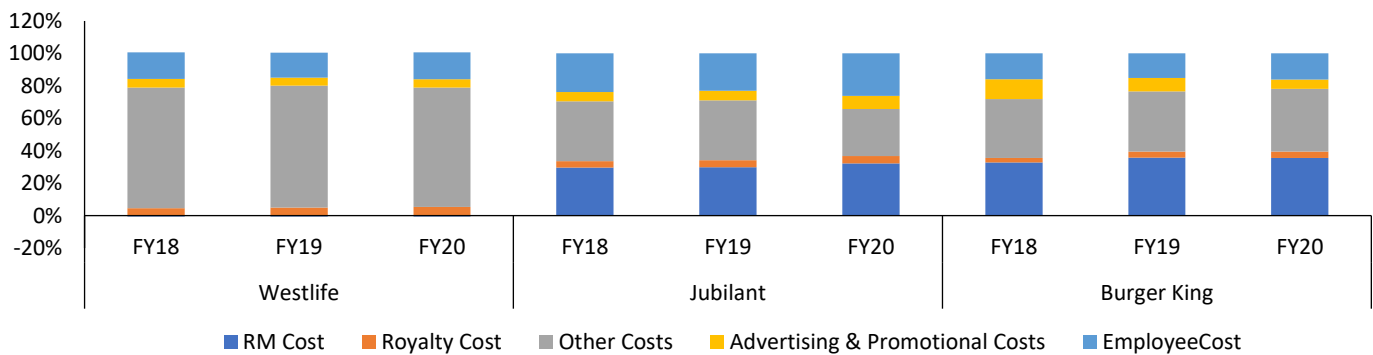
### Product Offerings



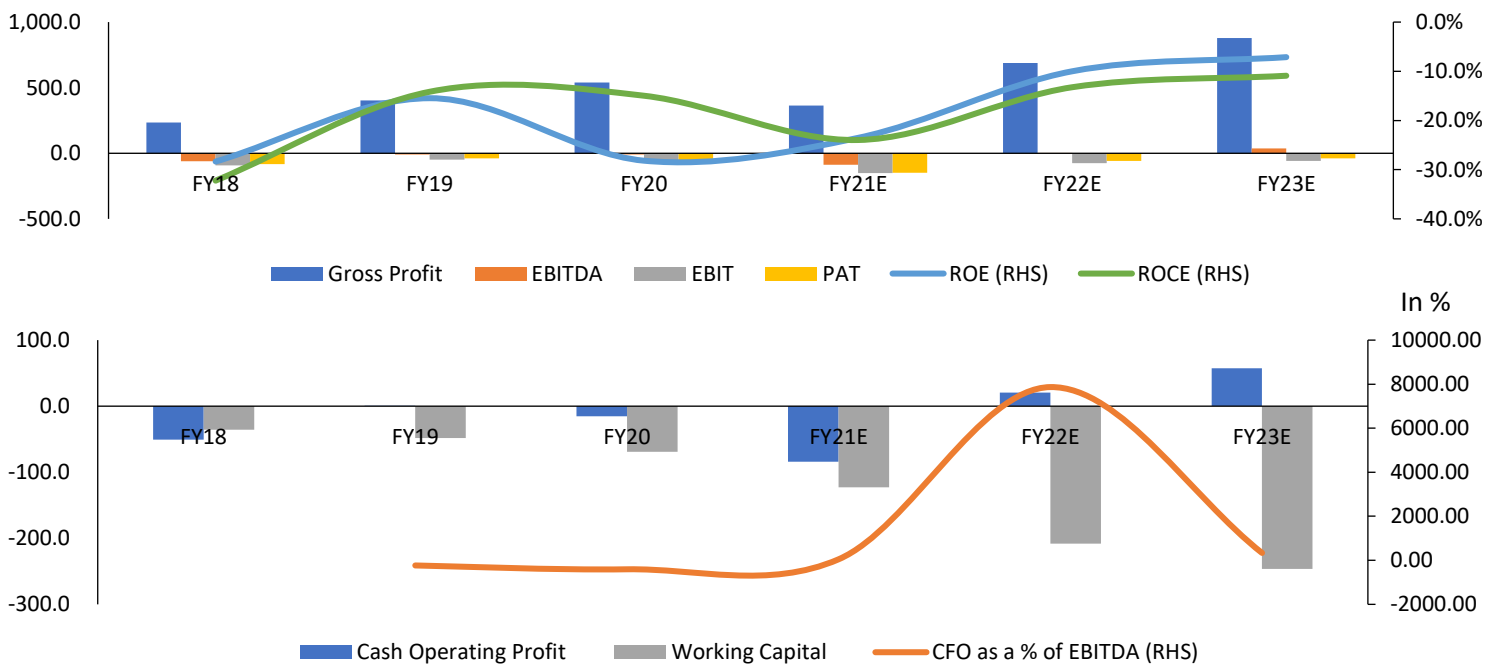
### Product Pricing



### Cost Break-Up



### Burger King Profitability Metrics



Source: Company Reports & Ventura Research

### Issue Structure and Offer Details

The proposed issue size of Burger King IPO is Rs.810 cr of which Rs 450 crores is in the form of an IPO and the balance is OFS. The fresh issue comprises of 75,000,000 shares at the upper price band of Rs.60. The offer for sale of upto 60,000,000 is by QSR Asia Pte Ltd. The price band for the issue is in the range of Rs.59-60 and the bid lot is 250 shares and multiples thereof capped at 3250 shares.

Issue Structure		
Category	No. of shares offered	No of shares Offered
QIB	Not less than 10,12,50,000	Not less than 75% of Issue
Non Institutional Bidders	Not more than 2,02,50,000	Not more than 15% of Issue
Retail	Not more than 1,35,00,000	Not more than 10% of Issue
<b>Total</b>	<b>13,50,00,000</b>	

\* No of shares based on higher price band of Rs.60

Source: Company Reports & SEBI

Objects of the offer	
Purpose	Amount
Repayments or prepayment of outstanding borrowings obtained for setting up of new company owned burger king resturants	162.24
Capital expenditure incurred for setting up of new company owned burger king resturants	270.00
General corporate purposes	(X)
Total	(X)

\*To be finalized upon determination of offer price

Source: Company Reports and SEBI

Shareholding Pattern		
Purpose	Pre IPO (%)	Post IPO (%)
Promoters	94.3	60.1
Public & Institutions	5.7	39.9

Source: Company Reports and SEBI

**Key Management Personnel**

Key Person	Designation	Past Experience
Rajeev Verman	CEO & Whole Time Director	20 yrs in F&B Industry, experience in Taco Bell, Lal enterprises and Burger King Corporation
Sumit Zaveri	Chief Financial Officer	Natures Basket, Tata Starbucks, Tata Global Beverages, Indian Hotels
Prashant Desai	Strategy and Investor Relations Officer	63 Moons Technology Ltd
Abhishek Gupta	Chief of Business Development & Operations Support Officer	Tata Starbucks, Tata Services, Indian Hotels, Career Forum, North Delhi Power
Namrata Tiwari	Chief People Officer	Kaya, Marico, Pfizer, Mahindra British Telecom, Toyo Engineering
Srinivas Adapa	Marketing Officer	Kellogg
Sandeep Dey	Supply Chain Officer	Yum! Resturants
Dr. Sudhir Tamme	Quality and Regulatory Officer	Yum! Resturants
Madhuri Shenoy	Training and Brand Standard Officer	Kaya
Cicily Thomas	Operations Officer	Reliance Brands

Source: Company Reports

### Financial Projections \*

Figures in Rs Cr	FY19	FY20	FY21E	FY22E	FY23E		FY19	FY20	FY21E	FY22E	FY23E
<b>Income Statement</b>						<b>Per Share Data &amp; Yields</b>					
Store Count	187	260	270	315	377	Adjusted EPS (Rs)	-1.0	-2.0	-3.9	-1.5	-1.0
Revenue per Store	3.4	3.2	2.1	3.4	3.6	Adj Cash EPS (Rs)	0.0	-0.4	-2.2	0.5	1.5
<b>Revenue</b>	<b>632.7</b>	<b>841.2</b>	<b>567.2</b>	<b>1,071.0</b>	<b>1,361.3</b>	Adj Book Value per share (Rs)	6.5	7.2	16.6	15.1	14.1
<i>YoY Growth (%)</i>	<i>67.3</i>	<i>33.0</i>	<i>-32.6</i>	<i>88.8</i>	<i>27.1</i>	CFO Yield (%)	1.0	1.5	-1.8	6.7	5.4
Raw Material Cost	230.1	301.5	204.2	382.9	483.3	FCF Yield (%)	-7.1	-9.6	-2.8	-1.9	-4.3
<i>YoY Growth (%)</i>	<i>59.9</i>	<i>31.0</i>	<i>-32.3</i>	<i>87.5</i>	<i>26.2</i>	<b>Solvency Ratios (X)</b>					
<b>Gross Profit</b>	<b>402.7</b>	<b>539.7</b>	<b>363.0</b>	<b>688.1</b>	<b>878.0</b>	Total Debt to Equity	0.4	0.7	0.0	0.0	0.0
Margin (%)	63.6	64.2	64.0	64.3	64.5	Net Debt to Equity	0.2	0.6	-0.5	-0.6	-0.6
Operating Expenses	412.7	548.4	449.8	686.2	841.0	Net Debt to EBITDA	-4.5	-17.6	3.6	-175.5	-8.1
<i>YoY Growth (%)</i>	<i>39.4</i>	<i>32.9</i>	<i>-18.0</i>	<i>52.6</i>	<i>22.6</i>	Interest Coverage Ratio	-198.8	-10.2	-10.1	0.0	0.0
<b>EBITDA</b>	<b>-10.0</b>	<b>-8.6</b>	<b>-86.8</b>	<b>2.0</b>	<b>37.0</b>	<b>Working Capital Ratios</b>					
<i>Margin (%)</i>	<i>-1.6</i>	<i>-1.0</i>	<i>-15.3</i>	<i>0.2</i>	<i>2.7</i>	Payable Days	35	35	83	75	70
Depreciation	39.5	62.3	65.3	78.3	95.7	Receivable Days	3	1	1	1	1
<i>Depreciation to Gross Block (%)</i>	<i>8.9</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	Inventory Days	4	4	3	3	3
<b>EBIT</b>	<b>-49.5</b>	<b>-70.9</b>	<b>-152.0</b>	<b>-76.4</b>	<b>-58.7</b>	Gross Working Capital Days	7	5	4	4	4
<i>Margin (%)</i>	<i>-7.8</i>	<i>-8.4</i>	<i>-26.8</i>	<i>-7.1</i>	<i>-4.3</i>	Net Working Capital Days	-28	-30	-79	-71	-66
Other Income	11.4	5.6	20.0	18.7	20.3	<b>Return Ratios (%)</b>					
Finance Cost	0.2	6.9	15.1	0.0	0.0	Return on Equity	-15.5	-28.2	-23.5	-10.0	-7.1
Exceptional Item	0.0	4.3	2.1	0.0	0.0	Return on Capital Employed	-14.2	-15.0	-24.0	-13.2	-10.9
<b>PBT</b>	<b>-38.3</b>	<b>-76.6</b>	<b>-149.3</b>	<b>-57.7</b>	<b>-38.4</b>	Return on Invested Capital	-16.8	-16.6	-47.1	-32.8	-24.6
<i>Margin (%)</i>	<i>-6.1</i>	<i>-9.1</i>	<i>-26.3</i>	<i>-5.4</i>	<i>-2.8</i>	<b>Valuation (X)</b>					
Reported Tax	0.3	1.0	0.0	0.0	0.0	P/BV	9.17	8.31	3.6	4.0	4.3
<b>PAT</b>	<b>-38.6</b>	<b>-77.6</b>	<b>-149.3</b>	<b>-57.7</b>	<b>-38.4</b>	EV/Sales	3.7	2.9	3.5	1.8	1.5
<i>Margin (%)</i>	<i>-6.1</i>	<i>-9.2</i>	<i>-26.3</i>	<i>-5.4</i>	<i>-2.8</i>	<b>Cash Flow Statement</b>					
<b>Balance Sheet</b>						Profit Before Tax	-38.3	-76.6	-149.3	-57.7	-38.4
Share Capital	265.0	277.7	381.7	381.7	381.7	Adjustments	49.5	92.0	54.4	126.3	124.4
Total Reserves	-15.4	-2.3	252.6	194.9	156.6	Change in Working Capital	12.5	20.8	53.8	85.6	37.8
<b>Shareholders' Fund</b>	<b>249.6</b>	<b>275.4</b>	<b>634.2</b>	<b>576.6</b>	<b>538.2</b>	Less: Tax Paid	-0.3	-1.0	0.0	0.0	0.0
Long Term Borrowings	0.0	178.8	0.0	0.0	0.0	<b>Cash Flow from Operations</b>	<b>23.4</b>	<b>35.2</b>	<b>-41.0</b>	<b>154.2</b>	<b>123.8</b>
Long Term Provisions	5.2	18.7	14.8	21.6	26.4	Capital Expenditure	-165.4	-227.5	-30.0	-130.5	-173.6
Other Long Term Liabilities	45.6	60.6	40.9	77.2	98.1	Change in Investments	-49.1	112.8	-140.4	9.2	105.3
<b>Total Liabilities</b>	<b>300.4</b>	<b>533.6</b>	<b>689.9</b>	<b>675.4</b>	<b>662.7</b>	<b>Cash Flow from Investing</b>	<b>-214.5</b>	<b>-114.7</b>	<b>-170.4</b>	<b>-121.3</b>	<b>-68.3</b>
Gross Block	441.7	622.7	652.7	783.2	956.8	Change in Borrowings	100.0	98.5	-198.5	0.0	0.0
Less: Accumulated Depreciation	94.4	148.5	213.7	292.0	387.7	Less: Finance Cost	-0.2	-6.9	-15.1	0.0	0.0
<b>Net Block</b>	<b>347.3</b>	<b>474.2</b>	<b>439.0</b>	<b>491.1</b>	<b>569.1</b>	Proceeds from Issue of Equity	100.0	0.0	508.1	0.0	0.0
Capital WIP	20.2	47.6	0.0	0.0	0.0	<b>Cash Flow from Financing</b>	<b>199.8</b>	<b>91.6</b>	<b>294.5</b>	<b>0.0</b>	<b>0.0</b>
Intangible Assets	15.8	24.5	25.5	25.5	25.5	<b>Net Cash Flow</b>	<b>8.6</b>	<b>12.0</b>	<b>83.1</b>	<b>32.9</b>	<b>55.5</b>
Loans & Advances	21.3	29.1	29.6	29.6	29.6	Opening Balance of Cash	7.4	16.0	28.0	111.1	144.0
Other Non Current Financial Assets	0.1	0.1	0.0	0.0	0.0	Closing Balance of Cash	16.0	28.0	111.1	144.0	199.5
Income Tax Assets	0.8	1.0	0.2	0.2	0.2						
Other Non Current Assets	3.9	3.3	3.3	3.3	3.3						
Net Current Assets	-109.1	-46.3	192.2	125.4	34.8						
<b>Total Assets</b>	<b>300.4</b>	<b>533.6</b>	<b>689.9</b>	<b>675.4</b>	<b>662.7</b>						

Source: Company Reports & Ventura Research

\*Calculations are done prior to implementation of IND AS 116



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