

Burger King India Ltd

Burger is one of the fastest growing international QSR chains in India during the first five years of their operations based on the number of restaurants. (Source: Technopak). As the national master franchisee of the BURGER KING® brand in India, the company has exclusive rights to develop, establish, operate and franchise Burger King branded restaurants in India.

Positives: (1) Exclusive national master franchise rights in India with favorable royalty fees (capped at 5% of sales) (2) Brand positioned for large and growing population in India - The Millennials (3) Vertically managed and scalable supply chain (4) India tailored menu with focus on value leadership (5) Well defined and standardized processes.

Investment concerns: (1) The outbreak of Covid-19 had a substantial impact on the restaurant operations (2) The termination of the master franchise and development agreement would have a material adverse effect on the business (3) Demand for the products may decrease due to changes in consumer preferences and food habits.

Outlook & Valuation: In the last ~6 years of operations in India, the company has opened 268 stores. Looking at the run rate, we believe management will be able to achieve the target of 700 stores by Dec'26. As the store count will increase, operating leverage will kick in and the company will be able to report profit. We believe there is ample scope available for the company to increase its business in India. On FY20 basis, company peers such as Jubilant FoodWorks (Domino's Pizza) and Westlife Development (McDonald) are trading at 8.6x and 5.0x respectively on EV/sales multiple. At the upper end of the price band, the company will trade at an EV/sales multiple of 2.2x on FY20 basis, which we believe is quite reasonable. We believe that there is a good possibility of listing gains given lower valuations as compared to other listed peers. We are also positive on the long term growth prospects of the Industry and the company, and hence **recommend to "Subscribe" to the issue for long term as well as for listing gains.**

Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20
Net Sales	378.1	632.7	841.2
% chg	-	67.3	33.0
Net Profit	-82.2	-38.3	-76.6
% chg	-	53.4	-100.0
EBITDA (%)	2.1	12.5	12.4
EPS (Rs)	(3.1)	(1.4)	(2.8)
P/BV (x)	2.1	2.4	2.2
RoCE (%)	NA	2.3	NA
EV/EBITDA	184.7	20.7	17.5
EV/Sales	4.0	2.6	2.2

Source: Company, Angel Research (Valuation done at the upper price band)

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Issue Open: December 02, 2020

Issue Close: December 04, 2020

Present Eq. Paid up Capital: ₹306.7cr

Offer for Sale: 6 cr Shares

Fresh issue: ₹450 cr

Post Eq. Paid up Capital: ₹381.7 cr

Issue size (amt): *₹804-**₹810cr

Price Band: ₹59-60

Lot Size: 250 shares and in multiple thereafter

Post-issue implied mkt. cap: **₹2,290cr

Promoters holding Pre-Issue: 94.3%

Promoters holding Post-Issue: 60.1%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post Issue Shareholding Pattern

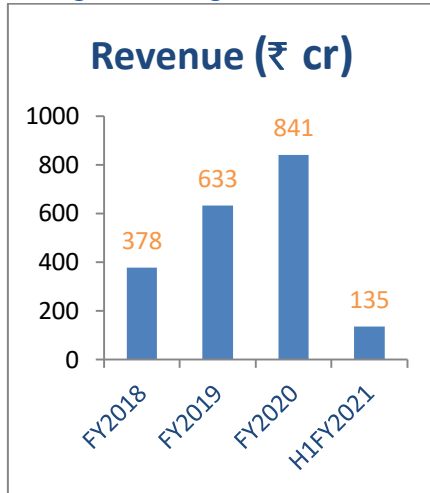
Promoters	94%
Others	60%

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Strong revenue growth



Source: Company, Angel Research

Company background

Company opened its first restaurant in November 2014, they have used their well defined restaurant roll out and development process with the aim of growing quickly, consistently and efficiently into a pan-India QSR chain and capitalizing on the growing market opportunity in India for QSR restaurants. As at September 30, 2020, the company had 261 restaurants, including eight Sub-Franchised Burger King Restaurants, across 17 states and union territories and 57 cities across India. As at the date of this Red Herring Prospectus, the company had 259 company-owned Burger King Restaurants and nine Sub-Franchised Burger King Restaurants.

Issue Details

Company is raising ₹450cr through fresh issue and ₹360cr (at higher price band) through offer for sale.

Pre & Post IPO Shareholding

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	289,311,111	94.3	229,311,111	60.1
Public	17,343,494	5.7	152,343,494	39.9
Total	306,654,605	100.0	381,654,605	100.0

Source: Company, Angel Research (RHP)

Calculated at higher price band

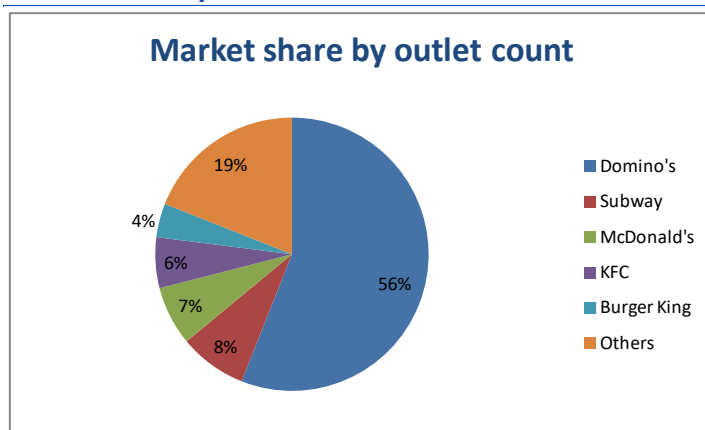
Objects of the offer

Objects of the Fresh Issue ₹450cr

Particulars	Amt in ₹ cr
(A) Funding roll out of new outlets	342
(i) Repayment of borrowings	165
(ii) Capital Expenditure	177
(B) General corporate purposes	[·]
Total	[·]

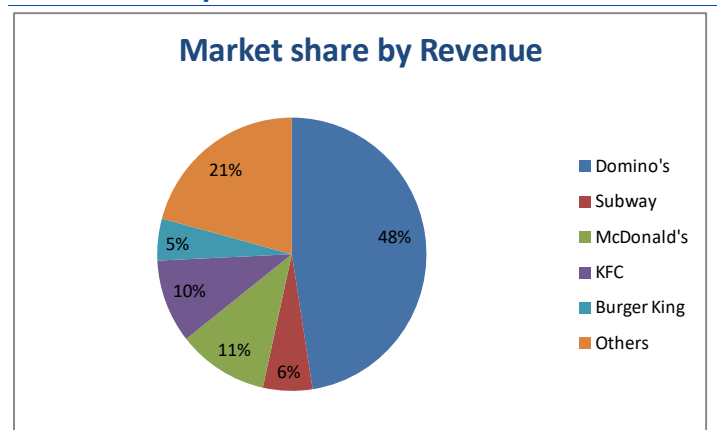
Source: Company, Angel Research (RHP)

Market share by outlet count



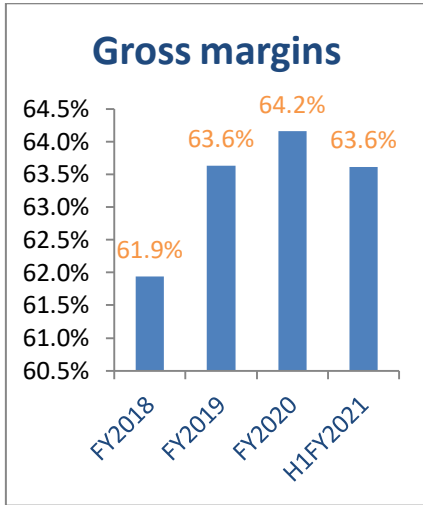
Source: Technopak Research & Analysis

Market share by revenue



Source: Technopak Research & Analysis

Improving gross margins



Source: Company, Angel Research

Key Management Personnel

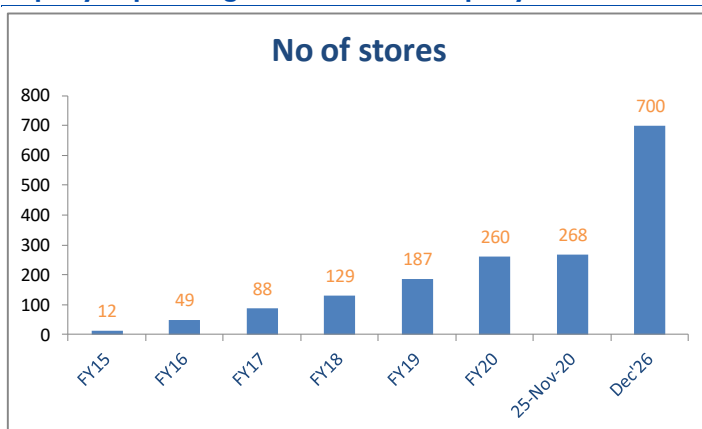
Rajeev Varman is the Chief Executive Officer and Whole Time Director of the company. He was appointed as the Chief Executive Officer and Whole Time Director of the company on February 27, 2014. He holds a bachelor's degree in mechanical engineering from the Bangalore University and a master's degree of business administration in marketing from the Golden Gate University. He is responsible for management and running of business of the company both at strategic and operational level and overview innovation in the company across all areas including operations and production. He has over 20 years of work experience in the food and beverage industry.

Shivakumar Pullaya Dega is Chairman and Independent Director of the company. He was appointed as an Independent Director of the company on October 14, 2019. He studied at Indian Institute of Technology, Madras. He is also an alumnus of Indian Institute of Management, Calcutta. He joined the Aditya Birla Group in January 2018 and is currently serving as the Group Executive President for corporate strategy and business development of Aditya Birla Management Corporation Private Limited. He previously served as the Chairman and Chief Executive Officer (India region) of PepsiCo India Holdings Private Limited and as a Managing Director of Nokia India Private Limited.

Key Points

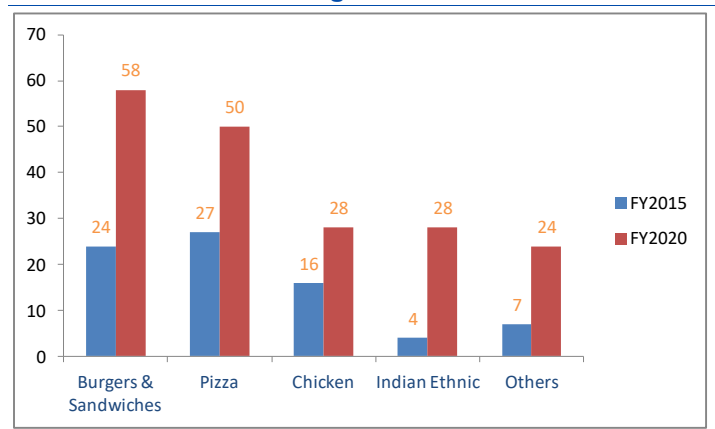
- Due to Covid-19, currently 249 stores out of 268 stores are operational as of November 25, 2020. Footfalls and sales are gradually recovering.
- Company has raised ₹58 crore from promoter through a rights issue in May'20 and ₹92 crore from Amansa by preferential allotment in Nov'20.
- Company has negotiated revised commercial terms with certain service providers in the changed scenario of Covid-19.

Rapidly expanding stores of the company



Source: Company, Angel Research

Indian Chain QSR sub-segment size in ₹ billion



Source: Technopak Research & Analysis

Note: Pizza & Indian Ethnic does not include companies operating in CDR and other segments.

Profit & Loss Statement

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
Total operating income	378.1	632.7	841.2	135.2
% chg	-	67.3	33.0	
Total Expenditure	370.0	553.8	737.3	163.9
Cost of material consumed	143.9	230.1	301.5	49.2
Employee benefit expense	70.4	96.9	136.6	51.7
Other Expenses	155.7	226.8	299.2	63.0
EBITDA	8.1	78.9	103.9	-28.7
% chg	-	874.1	31.7	
(% of Net Sales)	2.1	12.5	12.4	-21.2
Depreciation & Amortisation	64.0	82.2	116.3	62.1
EBIT	-55.9	-3.3	-12.4	-90.8
% chg	-	94.1	-275.8	
(% of Net Sales)	-14.8	-0.5	-1.5	-67.2
Interest & other Charges	36.9	46.4	65.4	42.4
Other Income	10.6	11.4	5.6	16.4
(% of Sales)	2.8	1.8	0.7	12.1
Recurring PBT	-82.2	-38.3	-72.2	-116.8
% chg	-	53.4	-88.5	
Exceptional item	-	-	-4.4	-2.1
Tax	-	-	-	-
PAT (reported)	-82.2	-38.3	-76.6	-118.9
% chg	-	53.4	-100.0	
(% of Net Sales)	-21.7	-6.1	-9.1	-87.9
Basic & Fully Diluted EPS (Rs)	-3.1	-1.4	-2.8	-
% chg	-	53.4	-90.8	

Source: Company, Angel Research

Balance Sheet

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
SOURCES OF FUNDS				
Equity Share Capital	265.0	265.0	277.7	290.9
Other equity	22.1	-15.4	-2.3	-72.1
Shareholders Funds	287.1	249.6	275.4	218.9
Total Loans	-	100.0	198.5	195.8
Other liabilities	356.3	456.8	586.1	582.1
Total Liabilities	643.5	806.4	1,060.0	996.7
APPLICATION OF FUNDS				
Property, plant & equipment	240.2	347.5	474.2	459.1
Right-of-use Assets	343.3	429.2	538.0	521.7
Capital work-in-progress	10.3	20.2	47.6	41.1
Intangible assets	8.8	15.8	24.5	25.5
Current Assets	109.1	81.5	79.9	96.4
Inventories	5.2	6.9	9.4	8.1
Investments	86.9	38.4	18.6	28.0
Sundry Debtors	2.6	5.9	3.2	6.7
Cash & Bank Balance	7.4	16.0	28.0	33.4
Other Assets	7.0	14.4	20.6	20.2
Current liabilities	86.9	114.0	137.7	180.4
Net Current Assets	22.2	-32.5	-57.8	-84.0
Other Non Current Asset	18.7	26.1	33.5	33.2
Total Assets	643.5	806.4	1060.0	996.7

Source: Company, Angel Research

Cash Flow Statement

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
Loss before tax	(81.4)	(38.6)	(77.6)	(119.0)
Depreciation	64.0	82.2	116.4	62.1
Change in Working Capital	20.1	6.6	10.8	44.7
Interest Expense	36.9	46.5	65.5	42.4
Direct Tax Paid	(0.4)	(0.2)	(0.2)	0.8
Others	(8.8)	(10.0)	(2.1)	(21.5)
Cash Flow from Operations	30.5	86.5	112.7	9.6
(Inc.)/ Dec. in Fixed Assets	(86.6)	(165.4)	(227.5)	(19.1)
Changes in investment	99.3	51.5	(2.9)	(8.7)
Cash Flow from Investing	12.8	(114.0)	(230.4)	(27.8)
Payment of lease liabilities	(48.4)	(63.9)	(89.5)	(24.8)
Changes in Borrowings	-	-	200.7	0.0
Proceeds from equity shares	-	100.0	-	58.1
Interest paid	-	-	(5.3)	(10.0)
Cash Flow from Financing	(48.4)	36.1	105.9	23.3
Inc./ (Dec.) in Cash	(5.2)	8.7	(11.8)	5.1
Opening Cash balances	12.4	7.2	15.9	4.1
Closing Cash balances	7.2	15.9	4.1	9.2

Source: Company, Angel Research

Key Ratios

Y/E March	FY18	FY19	FY20
Valuation Ratio (x)			
P/CEPS	NA	36.2	42.0
P/BV	2.1	2.4	2.2
EV/Sales	4.0	2.6	2.2
EV/EBITDA	184.7	20.7	17.5
Per Share Data (Rs)			
EPS (Basic)	(3.1)	(1.4)	(2.8)
EPS (fully diluted)	(3.1)	(1.4)	(2.8)
Cash EPS	(0.7)	1.7	1.4
Book Value	28.7	25.0	27.5
Returns (%)			
ROCE	NA	2.3	NA
Turnover ratios (x)			
Receivables (days)	2.5	3.4	1.4
Inventory (days)	5.0	4.0	4.1
Payables (days)	45.0	36.8	37.8
Working capital cycle (days)	(37.5)	(29.4)	(32.3)

Source: Company, Angel Research (Valuation done at the upper price band)

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