

# BURGER KING INDIA LIMITED

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IPO NOTE



# OVERVIEW

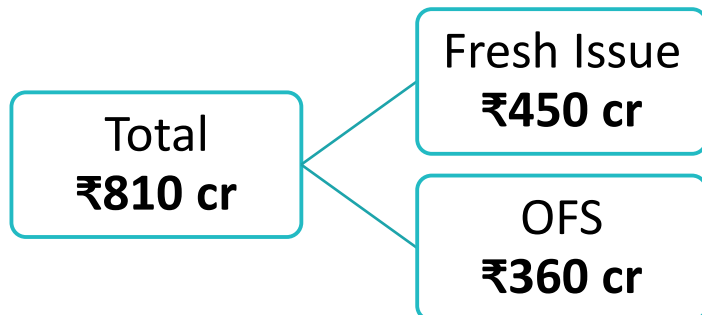
Burger King India Limited, a part of the **Quick Service Restaurant (QSR) Chain Market**, is the national master franchisee of the **BURGER KING** brand in India and has exclusive rights to develop, establish, operate and franchise Burger King branded restaurants in India. The master franchisee arrangement provides it with the ability to use Burger King's globally recognized brand name to grow its business in India, while leveraging the technical, marketing and operational expertise associated with the global Burger King brand. The profitability of the company is a concern, however, the valuation is fairly reasonable.

## FINANCIAL HIGHLIGHTS

	FY18	FY19	FY20
Revenue from Operations	378	633	841
EBITDA	8	79	104
Net Profit	(82)	(38)	(77)

₹ crore

## ISSUE SIZE



## ISSUE DETAILS

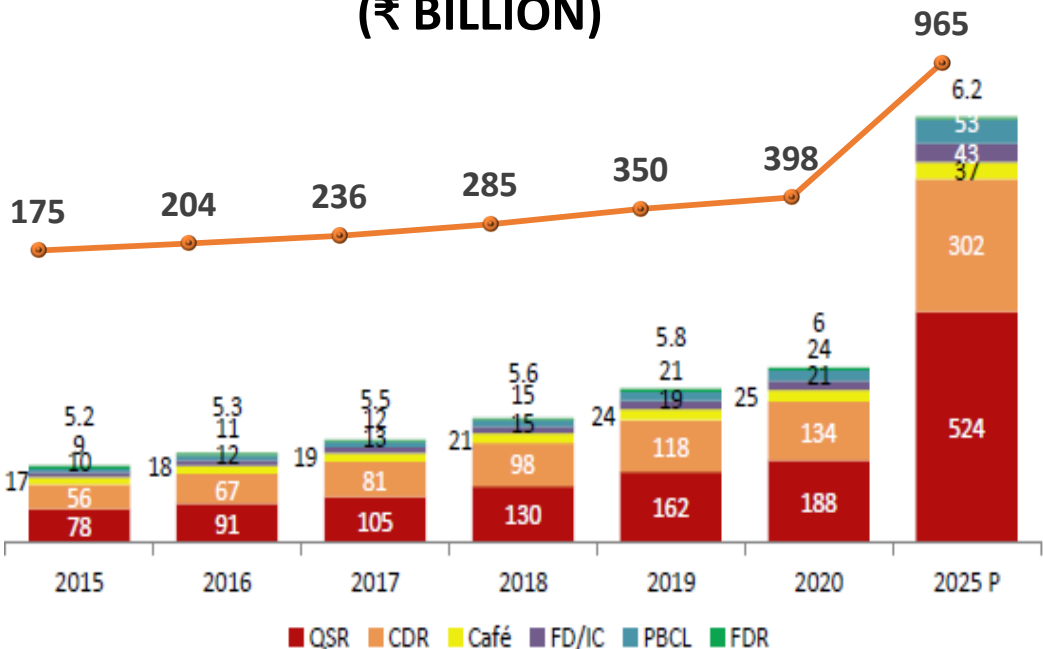
Issue Date	2 Dec'20 to 4 Dec'20
Price Band	₹59-₹60
Bid Lot	250 shares
Issue Size	₹810 cr
No. of Shares (Post Issue)	38.17 cr
Post-Issue Implied Market Cap*	₹2,290 cr
M Cap to Sales Ratio (FY20 earnings)*	~2.72x

\* At upper price band

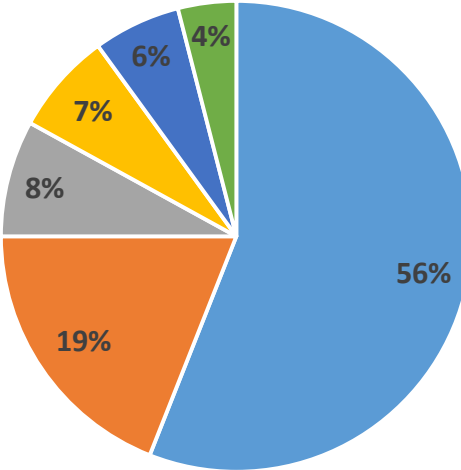
# QSR CHAIN MARKET

The organized chain market counts more than 100 brands with over 7,000 outlets spread across various cities in India. The international companies have been able to scale their operations across the country given their strong supply chain, established standard operating procedures, global best practices and product innovation and benefit from increased habits of eating out amongst the Indian consumers. The Indian chain QSR sub-segment is dominated by burgers and sandwiches, with a market share of 31% in Fiscal 2020, followed by pizza, with a market share of 26% in Fiscal 2020 and chicken, with a market share of 15% in Fiscal 2020.

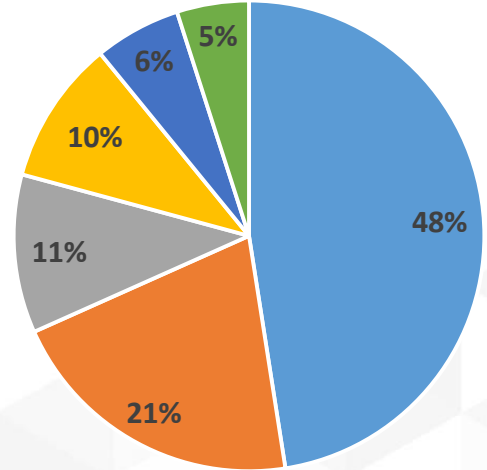
## GROWTH IN INDIAN QSR CHAIN MARKET (₹ BILLION)



## MARKET SHARE BY OUTLETS



## MARKET SHARE BY REVENUE



QSR- Quick Service Restaurants, CDR- Casual Dining Restaurant, FD/IC- Frozen Dessert/Ice Cream, PBCL-Pub Bar Café Lounge, FDR- Fine Dining Restaurant

# ABOUT THE COMPANY

The globally recognized Burger King brand, was founded in **1954** in the **United States** and is owned by **Burger King Corporation**, a subsidiary of **Restaurant Brands International Inc.**, which holds a portfolio of fast food brands that are recognized around the world that include **the BURGER KING, POPEYES and TIM HORTONS** brands. The Burger King brand is the **second largest fast food burger brand globally** as measured by the total number of restaurants, with a global network of **18,675** restaurants in more than 100 countries and U.S. territories as at September 30, 2020.

Burger King India Ltd., through its **268** Burger King restaurants comprising of 259 company owned restaurants and nine sub-franchised Burger King restaurants offers products like veg burgers, non veg burgers, rice, snacks, desserts and beverages.

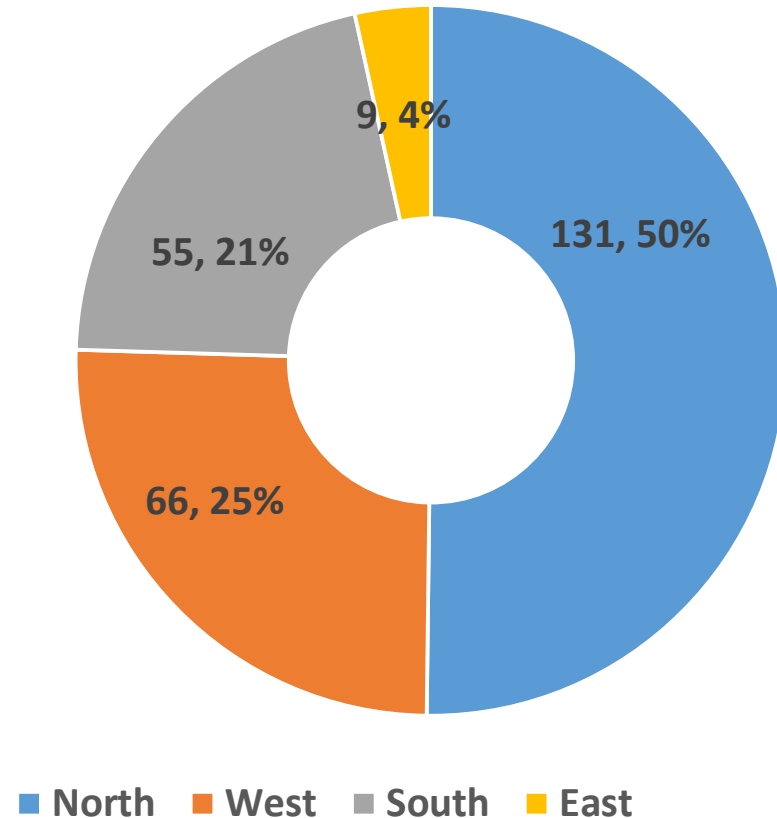
Their restaurants operate primarily in 4 different formats, which include high street locations, which typically have high impact and high visibility locations for brand awareness; shopping malls and food courts, which are both ready catchments to drive footfalls and transit locations.

## CORPORATE STRUCTURE OF BURGER KING

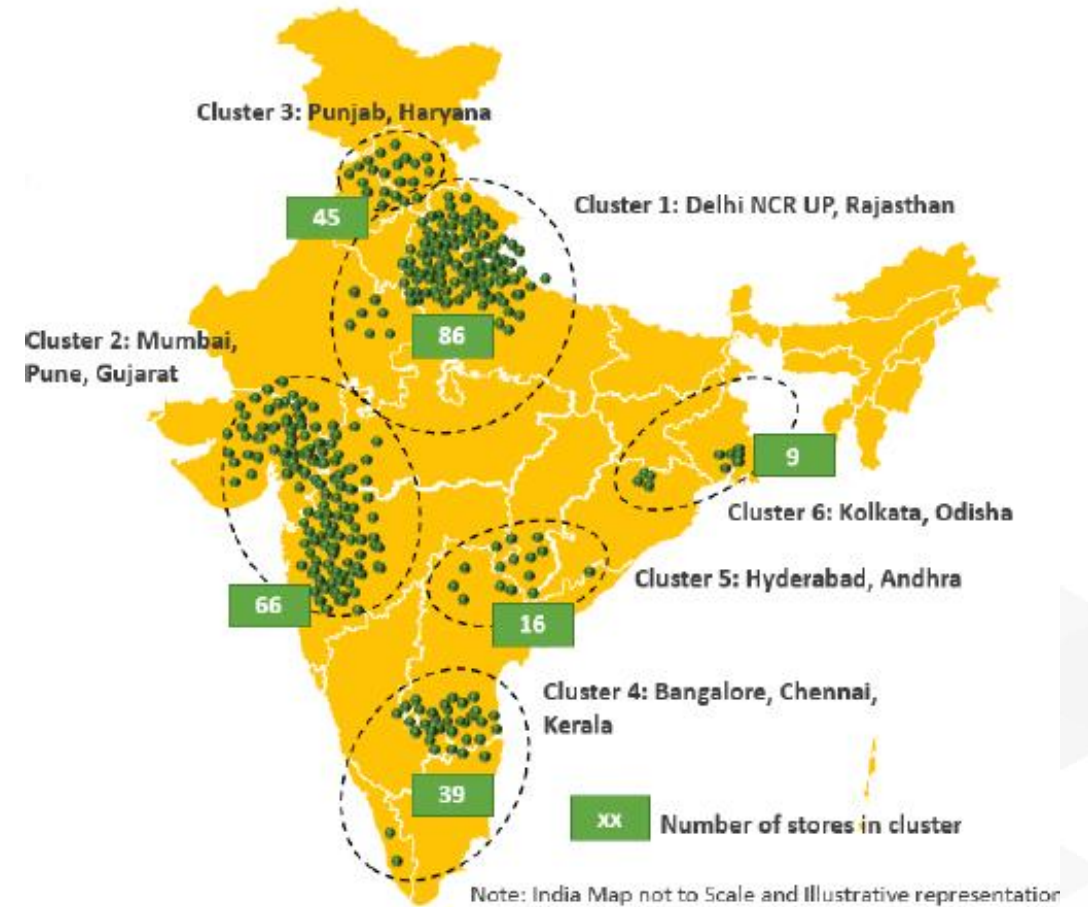


# ABOUT THE COMPANY

**NUMBER OF OUTLETS  
(AS ON 30<sup>TH</sup> SEPTEMBER, 2020)**



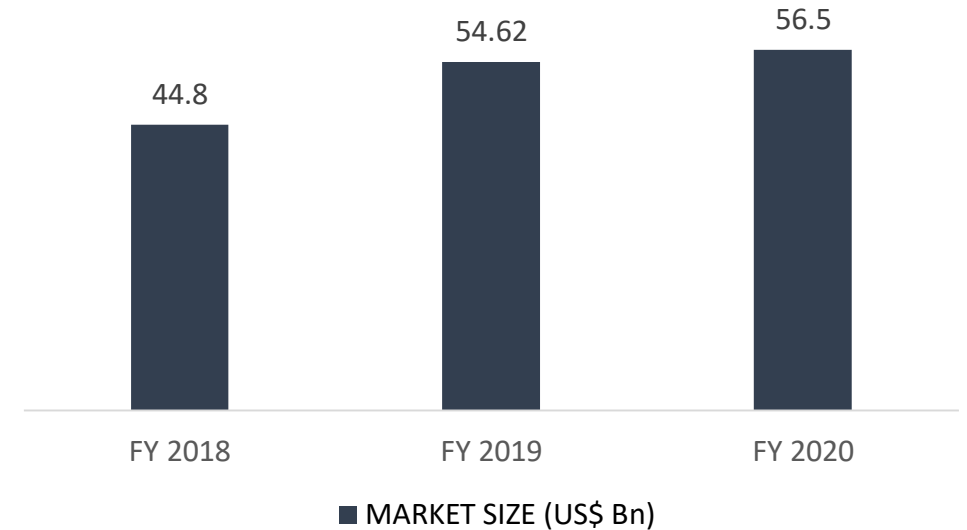
**CLUSTERS OF RESTAURANTS ACROSS INDIA  
(AS ON 30<sup>TH</sup> SEPTEMBER, 2020)**



# SECTOR OUTLOOK

- Food services is a key segment in the Indian economy, which accounted for approximately US\$56.5 billion in FY20, of which approximately US\$ 22.8 billion comes from the organized market (chain and organized standalone outlets).
- Changing consumer dynamics paired with increasing market proliferation of brands are expected to boost the food services sector's growth. It contributed 2.1% to GDP in FY20 with the share of Chain QSR to total food services market at 4%.
- India has one of the lowest per capita spend on eating out. This is primarily due to a higher rural population and a preference for eating at home over eating out. However, eating out frequency is expected to increase in the short term driven by growth of spending power and increased exposure to a variety of culinary customs from across the world.

## FOOD SERVICES INDUSTRY



### Food Services Market Size (INR 4,236 Bn)

Restaurants in Hotels  
(INR 116 Bn)

Chain Market Size  
(INR 398 Bn)

Standalone (licensed) Market Size  
(INR 1,203 Bn)

Unorganized Market Size  
(INR 2,519 Bn)

Café  
(INR 25 Bn)

QSR  
(INR 188 Bn)

IC/FD  
(INR 21 Bn)

CDR  
(INR 134 Bn)

FDR  
(INR 6 Bn)

PBCL  
(INR 24 Bn)

Café  
(INR 96 Bn)

QSR  
(INR 348 Bn)

IC/FD  
(INR 43 Bn)

CDR  
(INR 911 Bn)

FDR  
(INR 27 Bn)

PBCL  
(INR 176 Bn)

## PROMOTER BACKGROUND AND SHAREHOLDING

The promoter, QSR Asia Pte. Limited has 94.34% of the shareholding. AIL (Amansa Investments Limited) has 5.12% out of 5.66% public shareholding.

QSR Asia was incorporated on October 4, 2013 in Singapore. The principal activity of the Promoter is that of investment holding.

The company has undertaken pre-IPO placement by way of:

- (i) Rights issue of 1,32,00,000 Equity Shares to Promoter Selling Shareholder for cash at a price of ₹ 44 per Equity Share aggregating to ₹58.9 crore.
- (ii) Preferential allotment of 15,712,820 Equity Shares to AIL for cash at a price of ₹58.50 per Equity Share aggregating upto ₹91.9 crore .

Rajeev Varman is the Chief Executive Officer and Whole Time Director of the company.

Shareholding	Pre - IPO	Post – IPO
Promoter (QSR Asia Pte.)	94.34%	60.08%
Public	5.66%	39.92%
Total	100%	100%

	Share in Issue (₹ crore)	% of Issue
QIB	607.5	75%
NIB	121.5	15%
Retail	81	10%
Total	810	100%

# OBJECTS OF THE OFFER

The Net Proceeds from the Fresh Issue are proposed to be utilised in the following manner:

1. Funding roll out of new company-owned Burger King Restaurants by way of:
  - (i) Repayment of outstanding borrowings of the Company obtained for setting up of new Company-owned Burger King Restaurants; and
  - (ii) Capital expenditure incurred for setting up of new Company-owned Burger King Restaurants.
2. General corporate purposes.

The Net Proceeds for funding capital expenditure requirements includes purchase of production equipment, R&D equipment and warehouse equipment.

## EXPECTED DEPLOYMENT OF NET PROCEEDS

Particulars	Net Proceeds	Estimated Deployment		
		Fiscal 2021	Fiscal 2022	Fiscal 2023
Repayment of outstanding borrowings obtained for setting up new Restaurants	165	165	-	-
Capital expenditure incurred for setting up of new Burger King Restaurants	177	14	111	52
General Corporate Purposes	●	-	-	-

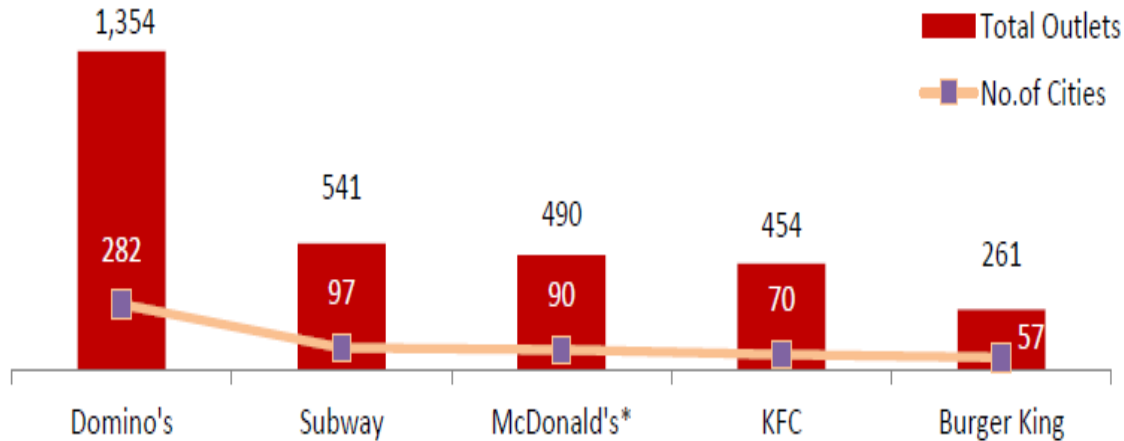
● To be determined

₹ crore

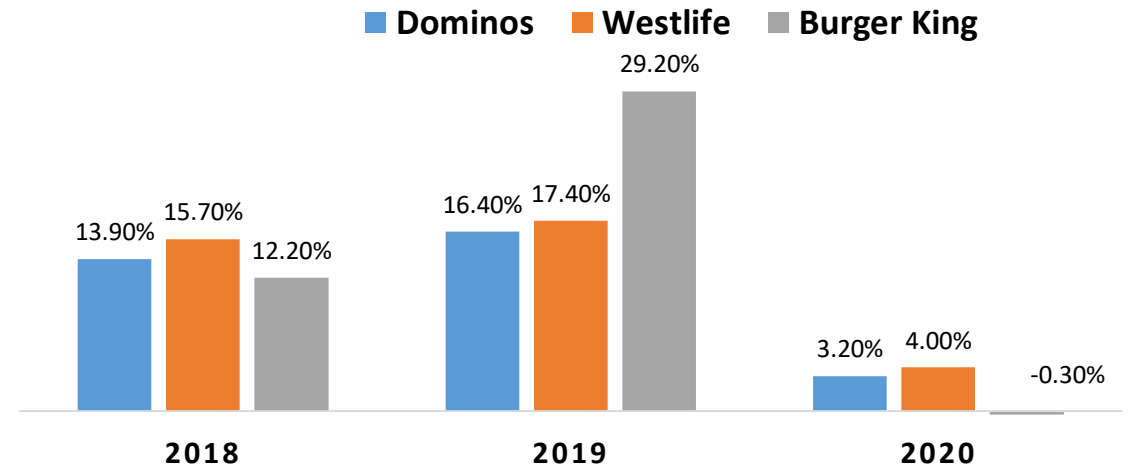


# COMPETITIVE LANDSCAPE

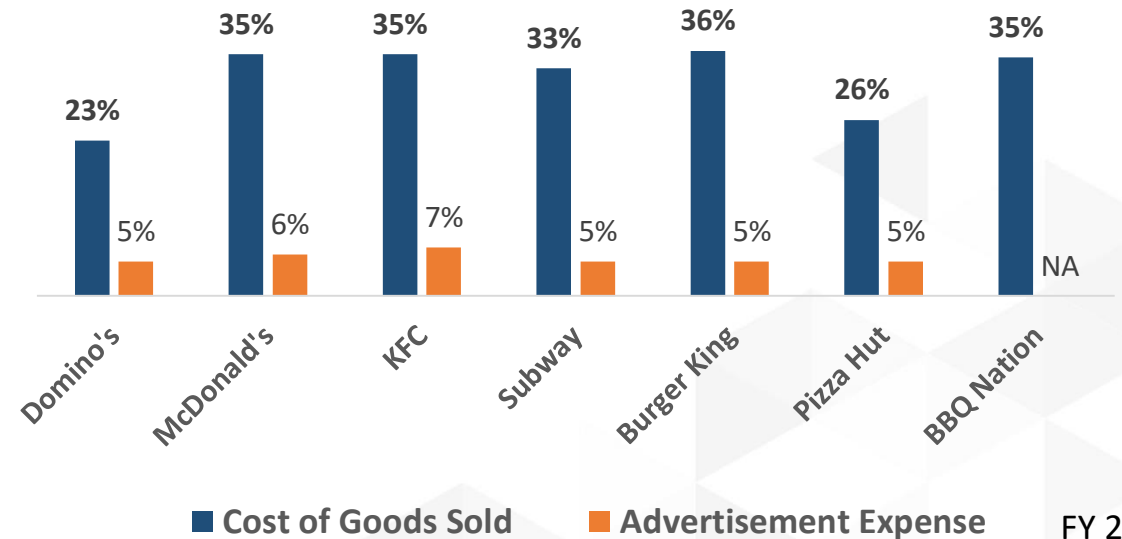
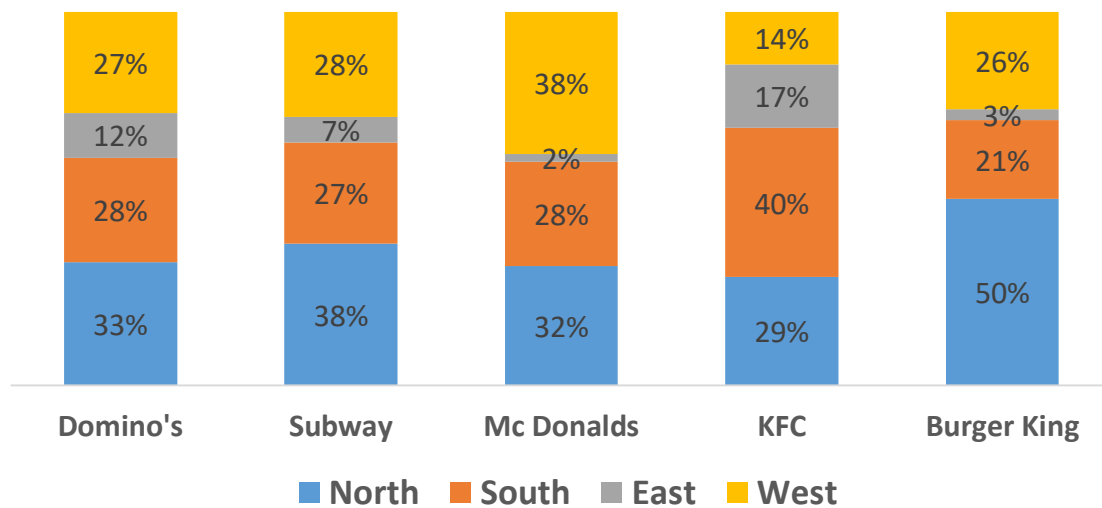
## OUTLET COUNT



## SAME STORE SALES GROWTH

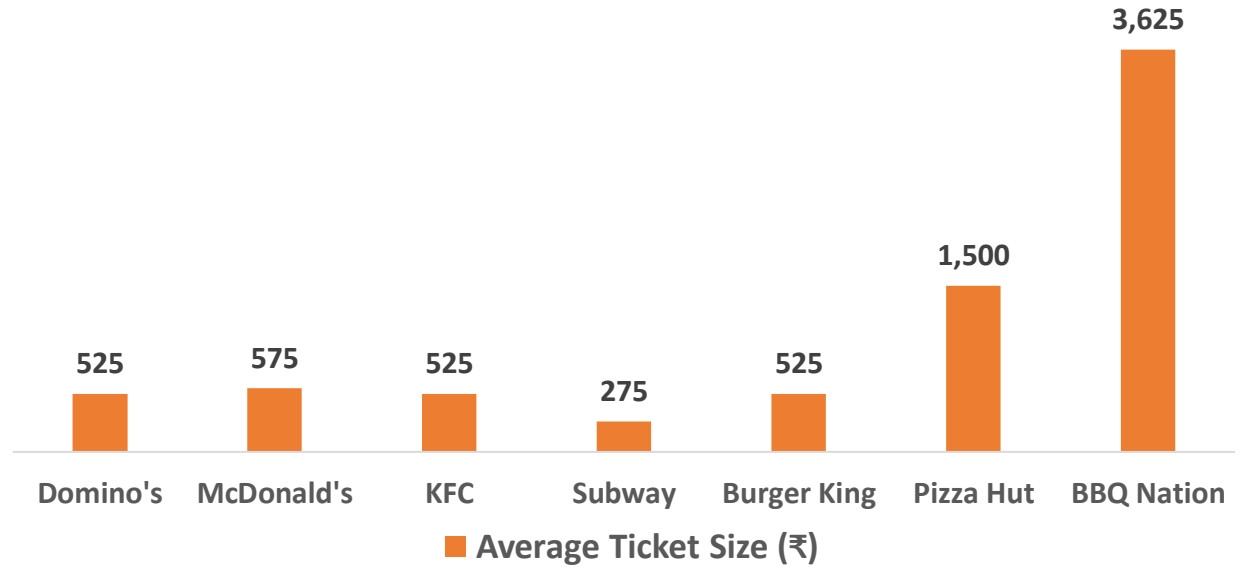


## GEOGRAPHICAL PENETRATION

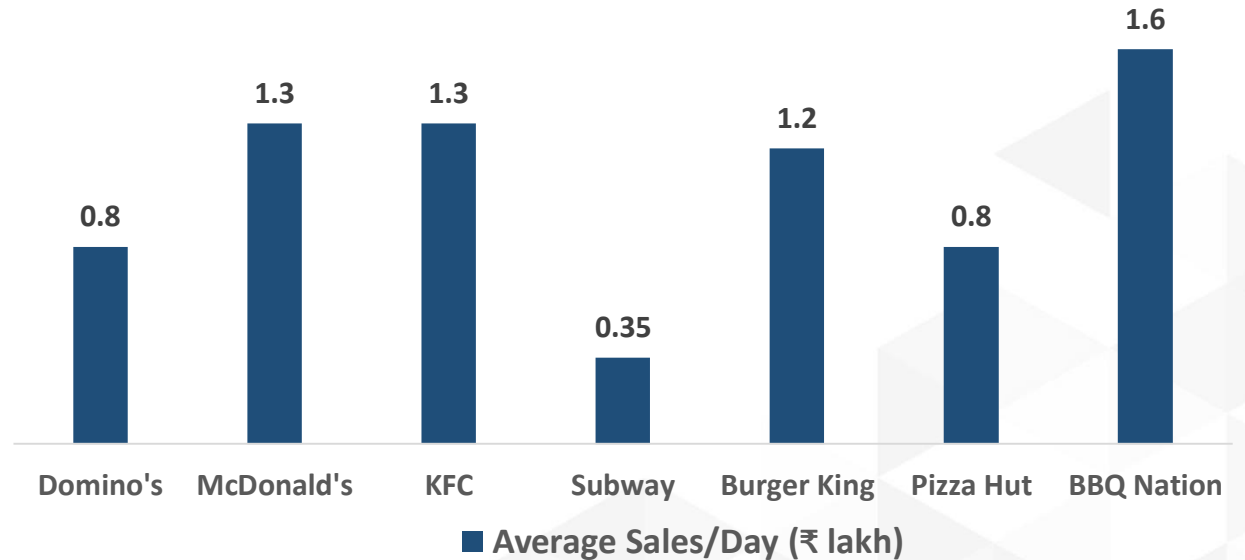


# COMPETITIVE LANDSCAPE

The average ticket size of Burger King is ₹525 which is in line with its competitor Domino's and slightly lower than that of McDonald's. The same is higher for Pizza Hut and BBQ Nation.



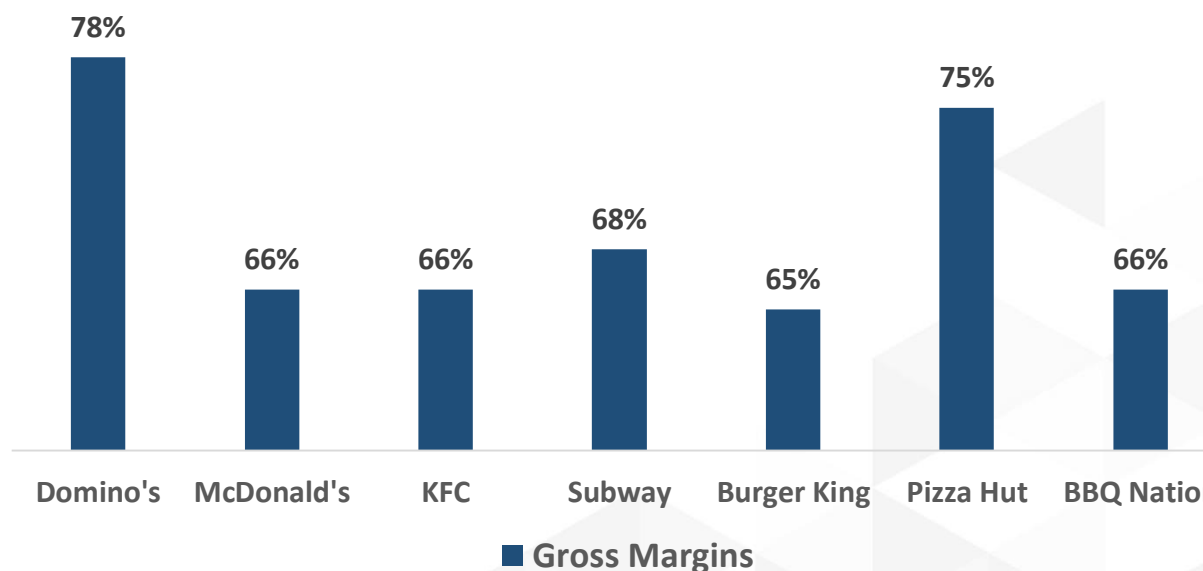
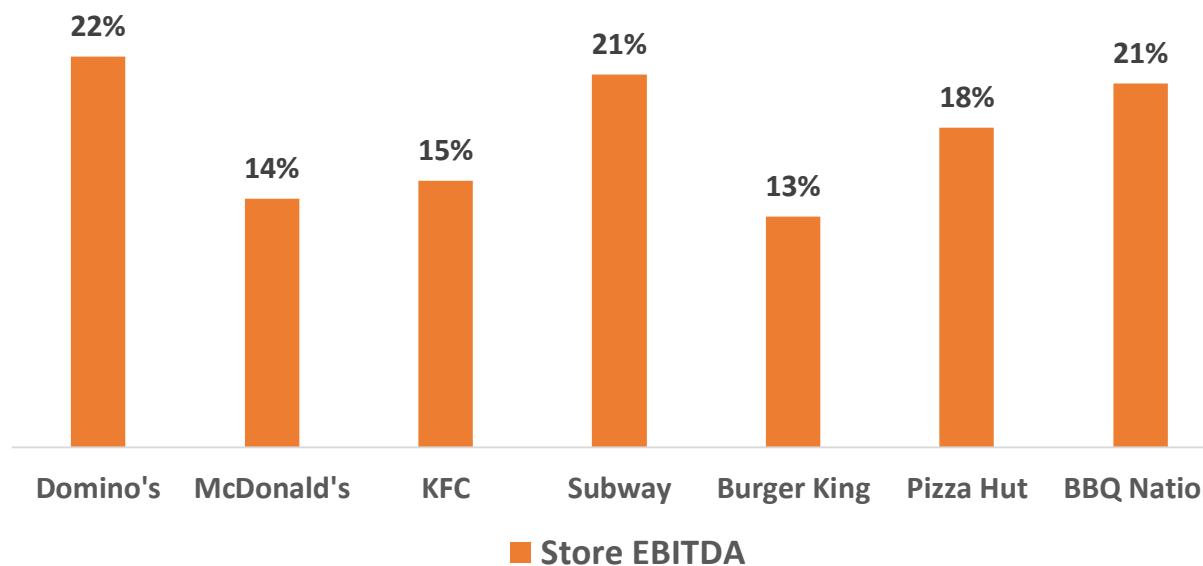
The average sales/day per store for Burger King is ₹1.2 lakh which is higher than the average of the major players at ₹1.05 lakh.



# COMPETITIVE LANDSCAPE

The store EBITDA for Burger King is comparatively lower at ~13% which is reflective of the fact that the operating expenses are high in relation to total revenue.

The gross margin stands at 65% while the average is ~69%. The gross margin of Burger King grew from ₹232.20 crore in FY18 to ₹536.80 crore in FY20. However, it decreased to ₹85.95 crore in the six months ended September 30, 2020 compared to ₹269.94 crore in the six months ended September 30, 2019.



## LISTED PEER COMPARISON



## BURGER KING

- Market Cap: ₹2,290 cr
- Revenue: ₹847 cr
- PAT: ₹(76.6) cr
- P/E: NA
- RONW: (27.8%)



## WESTLIFE DEVELOPMENT

- Market Cap: ₹6,779 cr
- Revenue: ₹1,561 cr
- PAT: ₹(7) cr
- P/E: NA
- RONW: (1.3%)



## JUBILANT FOODWORKS

- Market Cap: ₹32,962 cr
- Revenue: ₹3,997 cr
- PAT: ₹279 cr
- P/E: 240.54
- RONW: 24.9%

# RISK FACTORS

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- The outbreak of the Covid-19 pandemic as well as Government's measures to reduce the spread of Covid-19, have had a substantial impact on the restaurant operations across India since last week of March 2020. The timing of how long the COVID-19 pandemic and the related measures will last still remains uncertain. Any further interruption of operations of the sub-franchisees or third-party distributor or suppliers as a result could have a material adverse effect on the business.
- Due to the ongoing pandemic and its resultant effect on the scale of operations as well as the change in consumer preferences, the future cash flow in the near term may remain impacted.
- It relies on a single third party distributor, Coldex, for logistics services including the procurement of ingredients and packaging materials, primary logistics from supplier facilities to distribution centres, warehousing and inventory management and secondary logistics to the restaurants. Any unfavourable disruption in the services of Coldex will affect the operations of Burger King significantly.

## STATEMENT OF PROFIT AND LOSS

Particulars	Data as on 31 <sup>st</sup> March (₹ crore)				
	Sep'2019	Sep'2020	2018	2019	2020
<b>Revenue From Operations</b>	<b>422.33</b>	<b>135.21</b>	<b>378.12</b>	<b>632.74</b>	<b>841.24</b>
Other Income	3.04	16.44	10.62	11.40	5.59
<b>Total Income (I)</b>	<b>425.37</b>	<b>151.65</b>	<b>388.74</b>	<b>644.14</b>	<b>846.83</b>
Cost of Materials Consumed	150.98	49.19	143.84	230.08	301.49
Employee Benefits Expense	70.31	51.71	70.43	96.86	136.50
Depreciation and Amortization Expense	49.73	62.14	64.04	82.21	116.37
Other Expenses	171.78	105.43	192.65	273.26	364.69
<b>Total Expenses (II)</b>	<b>442.80</b>	<b>268.47</b>	<b>470.96</b>	<b>682.41</b>	<b>919.05</b>
Profit Before Tax (III) = (I-II)	(17.43)	(116.82)	(82.22)	(38.27)	(72.22)
Exceptional Items	-	(2.13)	-	-	(4.35)
Total Tax Expense (IV)	-	-	-	-	-
<b>Net Profit for the Period (III-IV)</b>	<b>(17.43)</b>	<b>(118.95)</b>	<b>(82.22)</b>	<b>(38.27)</b>	<b>(76.57)</b>

# STATEMENT OF ASSETS AND LIABILITIES

Particulars	Data as on 31 <sup>st</sup> March (₹ crore)				
	Sep'2019	Sep'2020	2018	2019	2020
Cash and Bank Balance	13.54	33.35	7.39	16.02	28.04
Other Current Financial Assets	18.37	35.23	90.81	47.28	23.03
Other Current Assets	18.83	27.81	10.87	18.25	28.85
Property, Plant And Equipment	395.67	459.12	240.16	347.54	474.23
Capital WIP And Right Of Use Assets	513.18	562.82	353.67	449.46	585.51
Intangible Assets	18.96	25.55	8.80	15.79	24.50
Other Non-Current Assets	46.66	33.24	18.66	26.13	33.54
<b>Total Assets</b>	<b>1,025.21</b>	<b>1,177.12</b>	<b>730.36</b>	<b>920.47</b>	<b>1,197.71</b>
Current Financial Liabilities	230.99	192.23	76.89	206.30	147.88
Other Current Liabilities	11.26	7.94	9.99	7.73	9.52
Non-Current Liabilities	545.53	758.06	356.34	456.80	764.88
Total Equity	237.42	218.89	287.13	249.65	275.43
<b>Total Liabilities and Equity</b>	<b>1,025.21</b>	<b>1,177.12</b>	<b>730.36</b>	<b>920.47</b>	<b>1,197.71</b>

## KEY METRICS

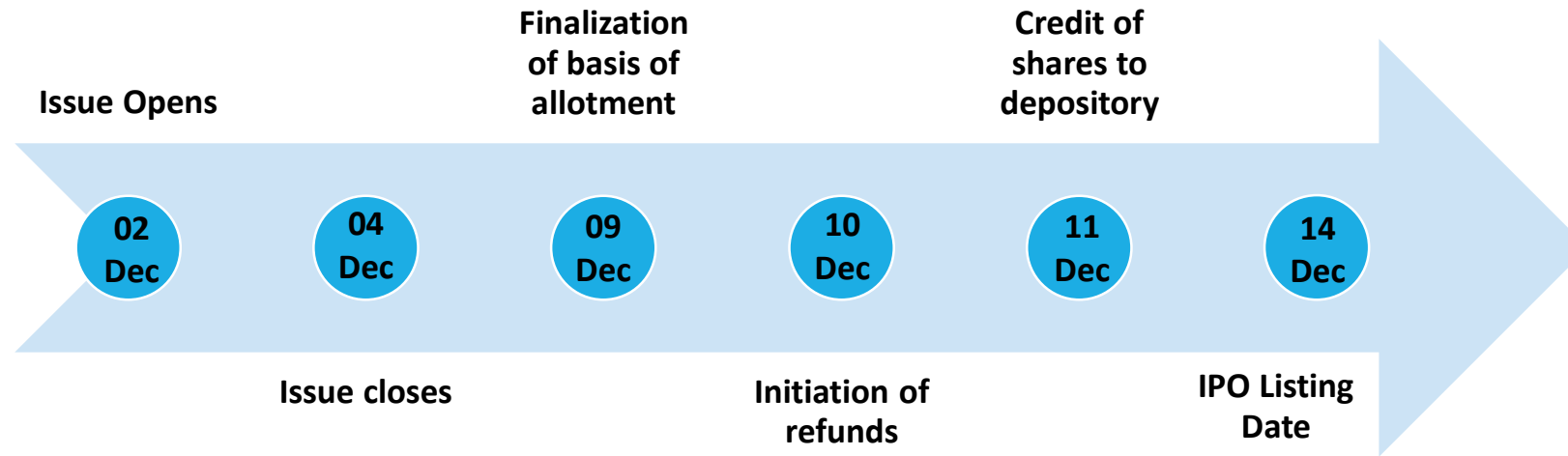
Particulars	Data as on 31 <sup>st</sup> March (₹ crore)				
	Sep'2020	Sep'2019	2020	2019	2018
Net Worth	218.89	237.42	275.43	249.65	287.13
EPS (Basic and Diluted)	(4.14)*	(0.66)*	(2.87)	(1.44)	(3.10)
Net Asset Value Per Share	7.62	8.93	10.31	9.42	10.84
Total Borrowings	198.34	138.53	198.52	100.00	-
Return on Net Worth (%)	(54.34)*	-	(27.80)	(15.33)	(28.64)

\*not annualised

The company had total cash outflows for leases of ₹24.79 crore in September, 2020 and ₹89.54 crore for the year ended 31 March, 2020. It also had non-cash additions to Rights-of-use (ROU) assets of ₹13.56 crore in September, 2020 and ₹167.27 crore in March, 2020. The non-cash addition to lease liabilities was ₹4.86 crore in September, 2020 and ₹154.73 crore in March, 2020. Difference between ROU assets and lease liabilities pertaining to new leases recorded on initial recognition represents initial direct costs and deferred component of security deposits given to lessors.



# TIMELINES



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