

Subscribe for Long Term

Issue Details

Price Band (Rs)	Rs. 59 - 60
Face Value (Rs)	10
Issue Size (Rs)	810 Cr
Issue Type	Book Building
Minimum lot	250
Issue Opens	December 02, 2020
Issue Closes	December 04, 2020
Listing on	BSE, NSE

Indicative Timeline

Indicative Timeline	On or before
Finalization of Basis of Allotment	December 09, 2020
Unblocking of Funds	December 10, 2020
Credit of shares to Demat Account	December 11, 2020
Listing on exchange	December 14, 2020

Other Detail

Book Running Lead Managers	Kotak Mahindra Capital Company Limited, CLSA India Private Limited, Edelweiss Financial Services Ltd, JM Financial Consultants Private Limited
Registrar	Link Intime India Private Limited

Burger King India Limited

Company Background

The company was incorporated on November 11, 2013 at Mumbai. QSR Asia is their holding company. The company is the national master franchisee of the Burger King brand in India, with exclusive rights to develop, establish, operate and franchise Burger King branded restaurants in India. Since opening its first restaurant in November 2014, BKIL has grown into a pan-India QSR chain with 260 restaurants, including 8 Sub-Franchised Burger King Restaurants, across 17 states and union territories and 57 cities across India as at September 30, 2019. Currently they had 259 Company-owned Burger King Restaurants and 9 Sub-Franchised Burger King Restaurants.

Issue Details :

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.450Cr and Offer for sale of up to 60,000,000 Equity Shares aggregating upto Rs.360Cr

Issue Objectives :

1. Repayment or prepayment of outstanding borrowings of the company obtained for setting up of new Restaurants.
2. To meet Capital Expenditure for setting up Restaurants.
3. To meet the general corporate purposes.

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.59	Number of Shares at Rs.60	Issue Size* (Rs.Cr)
QIB	75%	102,203,390	101,250,000	608
Non-Institutional	15%	20,440,678	20,250,000	122
Retail	10%	13,627,119	13,500,000	81
Total		136,271,186	135,000,000	810

* Issue Size at Upper price band.
Source: Company RHP, ACMIIL Research

Outlook and Valuations

Burger King India is a fast growing international quick service restaurant chain in India. The company has a well defined restaurant rollout plan to open 700 restaurants across geographies by 2026. Burger King has shown an impressive CAGR of 85% in new stores opening over the last 5 years and its revenues have also increased consistently. We believe Burger King growth trajectory will continue and its profitability will keep improving from rising economies of scale and new store openings. At the upper price band of Rs.60/-, stock is valued at 7.87x September 2020 Book Value. **We recommend to subscribe the issue from a long-term prospective.**

Investment Rationale

Exclusive national master franchise rights in India

The company is the national master franchisee of the Burger King brand in India, with exclusive rights to develop, establish, operate and franchise Burger King branded restaurants in India. The master franchisee arrangement, which expires on December 31, 2039, provides the company with the ability to use Burger King's globally recognised brand name to grow its business in India, while leveraging the technical, marketing and operational expertise associated with the global Burger King. Its master franchisee arrangement also provides it with flexibility to tailor its menu, promotions and pricing to the Indian tastes and preferences while meeting Burger King global quality assurance standards. It also provides them with flexibility over its vertically managed and scalable

Distribution Team

E: ipo@acm.co.in
D: +91 22 6132 5931

Associate

Karan Desai
E: karan.desai@acm.co.in
D: +91 22 2858 3221

supply chain, and they receive the support of BK AsiaPac through its supplier approval process in selecting each of their suppliers. The company also enjoys favourable royalty rates that are capped at 5% under its master franchisee arrangement, which together with the flexibility, they enjoy under its master franchise arrangement and their leveraging of the globally recognised Burger King brand, has helped them to grow its business quickly and drive sales and profitability in their restaurants.

Well defined restaurant development process

Burger King has a well-defined new-restaurant roll out process that enables them to identify locations and build out restaurants quickly, consistently and efficiently. Burger King builds its restaurant network using a cluster approach and penetration strategy with the objective to provide greater convenience and accessibility for the customers across relevant geographies. Their well-defined restaurant development has contributed to them becoming one of the fastest growing QSR brands to reach 200 restaurants among international QSR brands in India during the first 5 years of its operations.

Growth in company's Restaurants since March 31, 2015

	As at March 31,						As at Sep 30,
	2015	2016	2017	2018	2019	2020	2020
By Region							
North	6	21	37	55	86	129	131
West	6	14	29	40	55	68	66
South	0	14	22	34	43	54	55
East	0	0	0	0	3	9	9
By operating structure	12	49	88	129	187	260	261
Company owned	12	48	85	123	181	252	253
Sub-franchised		1	3	6	6	8	8
Total	12	49	88	129	187	260	261
New addition during the year/Period	12	37	39	41	58	73	1

Source: Company RHP, ACMIL Research

Currently it has 259 Company-owned Burger King Restaurants and 9 Sub-Franchised Burger King Restaurants. They currently plan to have approximately 300 restaurants, including Sub-Franchised Burger King Restaurants, open by December 31, 2021.

Vertically managed and scalable supply chain model

The exclusive national rights and flexibility that its master franchisee arrangement provides BKIL means that they have significant control over the purchasing of its ingredients and packaging materials. They also have multiple suppliers for most of its key ingredients, enabling them to generate competitiveness among its suppliers with the aim of obtaining the best procurement price. They also benefit from certain of its suppliers being global suppliers that source large volumes of ingredients and packaging materials, which helps them obtain more competitive pricing.

Brand positioned for millennials

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Strong customer proposition

Company's aim has not only been to offer quality products that are tailored to Indian taste and preferences, but also to provide substantial value at attractive price points. The key driver of this strategy has been its "two good menu with variety", "2 for" promotions, such as its 2 Crispy Veg burgers for just Rs.69 and its 2 Crispy Chicken burgers for just Rs.89, as well as its launch of King Deals which include "3 for Rs.99" and "3 for Rs.129" with varied option promotion combining the burgers/wraps with fries and Pepsi. Burger King has a wide variety of 18 different vegetarian and non-vegetarian burgers covering both value and premium offerings. Its menu items are developed and made in India to cater to the local Indian palate and include a wide range of vegetarian meal options.

Financials Snapshot

Particulars (Rs Mns)	FY18	FY19	FY20	Q2FY21
Equity share capital	2650	2650	2777	2909
Net worth	2871	2496	2754	2189
Net asset value per share	10.84	9.42	10.31	7.62
Revenue from Operations	3781	6327	8412	1352
EBITDA	81.26	790	1040	-287
EBITDA %	2.14	12.5	12.4	-21.22
Net Profit*	-822	-383	-722	-1168
Cash flows from operating activities	305	865	1127	96
ROE	-28.6	-15.3	-27.8	-54.3
ROCE	1.1	8.6	8.7	-2.4

Source: Company RHP, ACMIIL Research

*Since the company is a relatively new entrant in the Indian market and is in the expansion mode, it is yet to post net profit. The phase of net loss seems to be temporary given its pace of growth and healthy operating cash flow.

Comparison With Listed Peers

Company	Standalone/ Consolidated	Total Income (Mn)	EPS	NAV	P/B	ROE(%)
Burger King India Ltd	Restated	8,412	(2.87)	10.31	7.87	(27.8)
Jubilant Foodworks Ltd	Consolidated	39,969	21.22	85.02	29.4	24.85
Westlife Development Ltd	Consolidated	15,608	(0.47)	37.07	14	(1.27)

Source: Company RHP, ACMIIL Research

All the financial information for listed industry peers mentioned above is sourced from the annual reports of the respective company for the year ended March 31, 2020. P/B Ratio has been computed based on the Book value as on September 30, 2020 and closing market price of equity shares on NSE on November 27, 2020.

Risk and Concern :

- Localised lockdown to impact operations in medium term.
- Negative advertisement of junk food.
- Termination of master franchise.
- Competition risk.

ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum Calls
Equi-Tea	Positional Calls
Market Watch	Smart Delivery Calls
Investor First Magazine	Investment Ideas
IPO/NCD/ETF/OFS/BOND	Master Trades High Risk
Market Pulse	Master Trades Medium Risk
RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket
Rollover Analysis	

Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Email: retailresearch@acm.co.in

Research Analyst Registration Number:
INH000002483

CIN: U65990MH1993PLC075388

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