

Burger King India

Rating: Subscribe | Price Band: Rs59-60

November 30, 2020

IPO Note

IPO Fact Sheet

| | |
|--------------------|-------------------------------------------------------------------------------------|
| Opening Date: | December 02, 2020 |
| Closing Date: | December 04, 2020 |
| BRLMs: | Kotak Mahindra Cap, JM Financial, Edelweiss Financial Services, CLSA India |
| Issue Size: | Rs 8.04 bn - Rs 8.1 bn |
| Numbers of Shares: | 13,62,71,18-13,50,00,000 |
| Face value: | Rs 10 |
| Bid lot: | 250 Shares |

Indicative Timetable

| Activity | Date |
|-------------------------------------|------------|
| Finalisation of Basis of Allotment: | 09/12/2020 |
| Refunds/Unblocking ASBA Fund | 10/12/2020 |
| Credit of equity shares to DP A/c | 11/12/2020 |
| Trading commences | 14/12/2020 |

Issue Structure

| | |
|--------|-----|
| QIB | 75% |
| NIB | 15% |
| Retail | 10% |

Issue Details

| | |
|---------------------------------|--------------|
| Pre-issue equity shares | 30,66,54,605 |
| Post-issue equity shares* | 38,16,54,605 |
| Post-issue Market Cap (Rs Crs)* | Rs 2,290 |
| Post-issue Market Cap (Rs Crs)# | Rs 2,259 |

* Upper Band / # Lower Band

Object of the Issue

Repayment or prepayment of borrowings obtained for setting up of new restaurants and Capital Expenditure for setting up restaurants

Shareholding Pattern

| (%) | Pre-Issue | Post-Issue |
|-----------|-----------|------------|
| Promoters | 94.34 | 60.8 |
| Public | 5.66 | 39.2 |

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Play for the long haul

We recommend subscribe to Burger King India Ltd (BKIL) IPO given the brand success with 260 stores in just 5 years and huge runaway for growth with a target of 700 stores by 2026. We believe Burger king has competitive advantages which make it well placed to capitalize on emerging opportunity with 1) exclusive pan India master franchise of Burger King, second largest Burger brand globally 2) flexibility in tailoring menu to Indian tastes and preferences as well as promotions and pricing offers 3) fixed royalty at 5% 4) cluster based approach with faster scalability and operating leverage 5) high sales/sq ft at Rs 31,093 and higher Average sales/capex at 1.87x 6) strong consumer proposition as a value brand with premium imagery globally and 7) targeting growing section of millennials given young population of India.

Despite Being Impacted by COVID-19, 249 out of 268 restaurants are operational with high standards of safety and hygiene protocols across its restaurants and has intensified focus on delivery, takeaways and drive thru. BKIL plans to utilize proceeds of IPO for store expansion and has plans to add 50/70/80 stores in coming three years which will give a huge head start with better/cheaper availability of retail space, and weaker competition in North and east markets of India (little investment by McDonald's in past few years) and rising scale in existing clusters.

We expect near term financials to remain under pressure as BKIL has suffered a loss of Rs1.18bn in 1H21. We expect Burger King to turnaround by FY23/24 led by post Covid recovery and benefits from rising economies of scale and new store openings. Burger King is offered at 2.9x FY20 EV/Sales in comparison to 8.4x for JUBI and 4.4x for WDL. Subscribe.

Key Investment Points

- Burger King operates in chain QSR market in India which is expected to grow at **22.8% CAGR to Rs524bn by FY25**
- **Strong brands with focus on** hygiene and safety issues will benefit organised QSR chains like Burger India gain market share
- Burger King has **exclusive rights to set up stores PAN India** which gives it an advantage as McDonald's north and east franchisee has underinvested in past few years
- Burger King follows **cluster approach** will enable faster absorption of overheads, scalability and higher profitability
- BKIL enjoys benefits such as **flexibility in tailoring menus** and flexibility in sourcing and developing its suppliers which provides it cost advantage.
- Burger King has **fixed royalty fee at 5%** which is very competitive unlike Westlife which will see royalty increase to 8% by FY25.
- BKIL's will leverage **investments in the "360° technology**, sourcing, distribution etc. which will play to its advantage in post covid environment.

Burger King - Amongst Fastest growing QSR chains

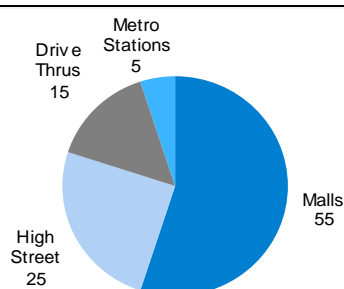
Burger King India is the national master franchisee of BURGER KING brand in India. It is the **second largest** burger brand globally with a network of over 18,675 restaurants in more than 100 countries. Burger King brand is owned by Burger King Corp, a subsidiary of Restaurant Brands International Inc., which holds a portfolio of fast food brands that include the Burger King, Popeye’s and Tim Hortons.

BKIL’s master franchisee arrangement provides exclusive rights to develop, establish, operate and franchise Burger King branded restaurants in India by leveraging the technical, marketing and operational expertise of Burger King.

BKIL is creating 1) people-centric culture and effective technology systems 2) Strong customer proposition focusing around value leadership 3) menu with variety and a wide range of vegetarian meal options and 4) use of flame grilling expertise to gain taste advantage over peers.

BKIL opened its first Burger King restaurant in November 2014, and has grown into a PAN-India QSR chain with 259 Company-owned and 9 Sub-Franchised restaurants. BKIL is using optimal mix of restaurant formats, which include high street locations, shopping mall, food courts, drive thru and transit locations.

Exhibit 1: Store mix favors malls



Source: Company, PL

Offer Details

Exhibit 2: Offer Details

| | |
|---------------|------------------------------------------------------------------------|
| Offer Period | Opens On: 2nd December, 2020 Closes On: 4th December, 2020 |
| Issue Details | Fresh Issue of Rs4.5bn and Offer for Sale Upto 60,00,000 equity shares |
| Issue Size | Rs~8.1bn |
| Price Band | Rs59 – 60 |
| Bid Lot | 250 Shares |
| QIB | Atleast 75% of net offer |
| NIB | Upto 15% of net offer |
| Retail | Upto 10% of net offer |
| BRLM | Kotak Mah Cap, JM Financial, Edelweiss Financial, CLSA India |
| Registrar | Link Intime |
| Listings | BSE & NSE |

Source: Company, PL

Exhibit 3: Details of equity shareholding of the major Shareholders

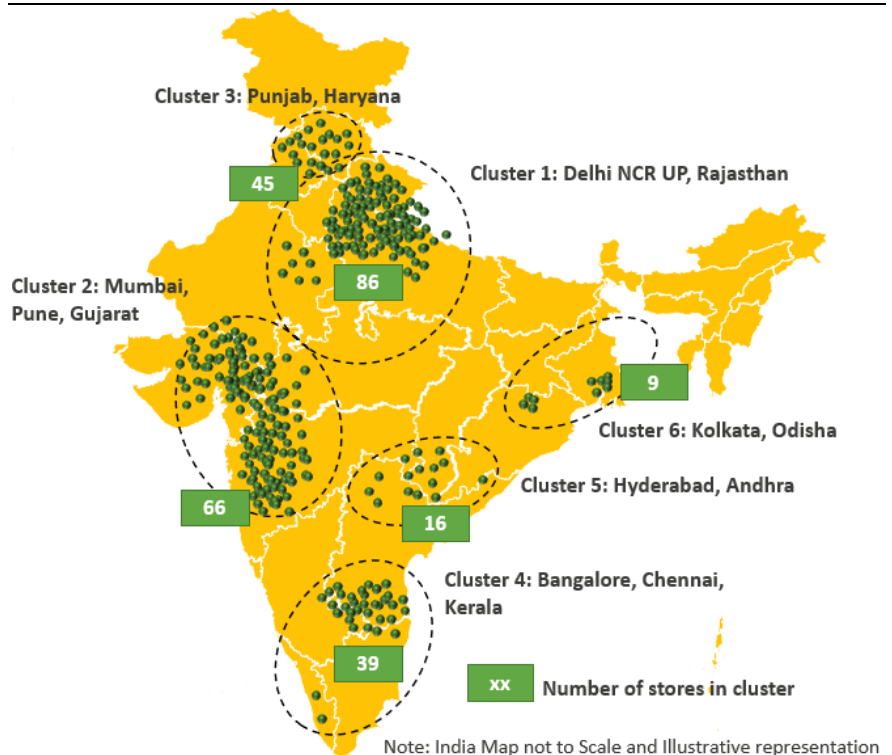
| Offer of Sale by: | Pre Offer | | | Post Offer | |
|--------------------------|---------------|---------------------------------------------|----------------|---------------|----------------------------------------------|
| | No. of Shares | % of the pre Offer Equity Share capital (%) | Offer for sale | No. of Shares | % of the Post Offer Equity Share capital (%) |
| QSR Asia Pte Ltd | 28,93,11,110 | 94.34 | 60,00,000 | 22,93,11,110 | 60.08 |
| AIL | 1,57,12,820 | 5.12 | - | 1,57,12,820 | 4.12 |
| Total | 30,50,23,930 | 99.5 | | 24,50,23,930 | 64.2 |
| Total shares outstanding | 30,66,54,605 | | | 38,16,54,605 | |

Source: Company, PL

Why we like Burger King India

- PAN India presence:** Burger King India being national master franchisee of the “BURGER KING” brand in India possesses exclusive rights to develop, establish, operate and franchise Burger King branded restaurants in India. It is using cluster based approach and has 6 clusters as of now. Cluster based approach will enable better utilization of infrastructure and overheads for achieving higher profitability. Unlike its peer Westlife Development which owns and operates a chain of McDonald’s restaurants in West and South India. Lack of investment by McDonald’s in the northern and eastern region allows BKIL to strengthen both, its presence in these states and positioning of its brand.

Exhibit 4: North and West remain strong zones for Burger King India



Source: Company, PL

- Brand positioned towards millennials:** Burger King has positioned its brand for millennials (age group from 15 to 34 years) who account for 60% of eating out population. Despite being a premium brand internationally, Burger King has positioned itself as a value brand in India. BKIL has strong focus on its value leadership program and strong entry level menu (attractive prices) which has helped the brand connect with millennials. Burger King’s marketing and advertising campaigns aim at improving connect with millennials whereas McDonalds’s is positioned towards children.
- Strong Customer Proposition:** BKIL’s flexibility in tailoring menu to Indian tastes and preferences, as well as promotions and pricing offers allows the brand to offer strong customer proposition. BKIL’s customer proposition focuses on value leadership by offering customers quality products at attractive values, offering variety through innovative food offerings which includes burgers, wraps, beverages, sides, snacks, shakes and desserts across

different day parts. It also offers a wide range of vegetarian meal which helps attract additional customers and BKIL are the only QSR brands in India to offer flame grilled patties which offers them taste advantage over competition.

Exhibit 5: Strong entry price menu to attract Customers



Source: Company, PL

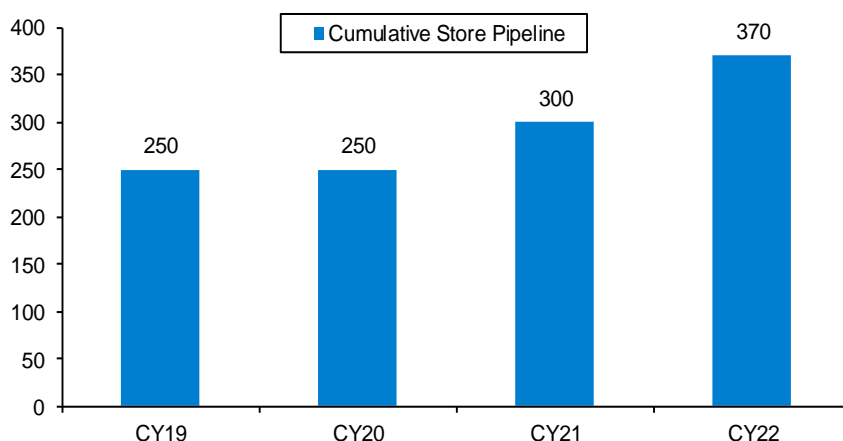
- Competitive Royalty fee:** BKIL is required to pay monthly royalty fee for Company-owned Burger King restaurants to BK Asia. Royalty fees of Burger King is fixed at 5% whereas the same for McDonald's will increase to 8% from FY25 (4-5% currently).
- Fast paced expansion with 200 stores rollout in next 3 years:** Burger King India is one of the fastest growing QSR in India and is the only company to open 200+stores in less than 5 years. It is aiming to open 700 stores by Dec-26 by opening 50/70/80 stores in CY21/CY22 and CY23. BKIL plans to open 70% stores in existing clusters and 30% in new clusters. This will provide a balanced approach and will enable enter new/less developed clusters and fast scale up in large existing clusters.
- Despite slowdown in ability to open new restaurants and expand restaurant on account of COVID-19, BKIL is looking at significantly accelerating the store opening program in coming years. BKIL continues to identify new locations in key metropolitan areas and cities across India to build out restaurants quickly, consistently and efficiently and capitalize on the growing market opportunity in India for QSR restaurants. Expansion of network will help achieve economies of scale through operational leverage and drive further cost efficiencies to expand margins and drive profitability

Exhibit 6: BKIL: Advantage North and East India given Tepid Investment by MCD in past few years

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | H1'21 |
|-------------------------------|-----------|-----------|-----------|------------|------------|------------|------------|
| 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 |
| Total | 12 | 49 | 88 | 129 | 187 | 260 | 261 |
| By Operating Structure | | | | | | | |
| Company Owned | 12 | 48 | 85 | 123 | 181 | 252 | 253 |
| Sub – Franchised | 0 | 1 | 3 | 6 | 6 | 8 | 8 |
| Total | 12 | 49 | 88 | 129 | 187 | 260 | 261 |

Source: Company, PL

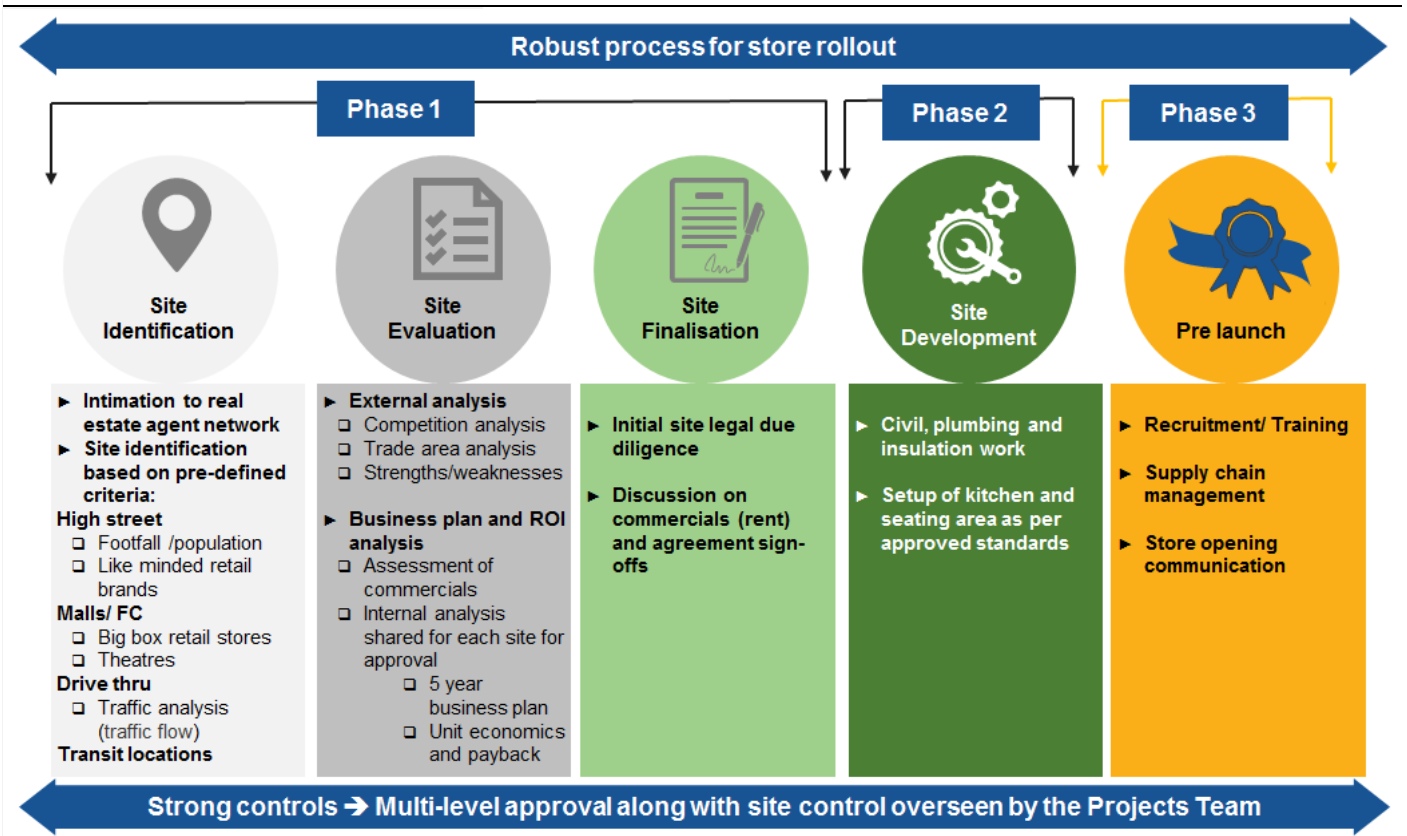
Exhibit 7: Aggressive store expansion pipeline upto CY23



Source: Company, PL

- **Well defined restaurant development process:** BKIL has a well-defined new-restaurant roll out process that enables it to identify locations and build out restaurants quickly, consistently and efficiently.
 - Burger King focuses on flagship locations in high traffic and high visibility locations in key metropolitan areas and cities.
 - BKIL uses cluster based approach which helps in efficiently managing the supply chain and drive down costs as it reduces the third party distribution, overheads and logistics costs.
 - New restaurant locations are selected based on 1) Trade area quality, demographics and business in surrounding areas of the location 2) Site quality, which focuses on site visibility, footfall generation, accessibility and parking 3) Feasibility of the site, which focuses on space availability for restaurant layout and operations at the site.
 - Each new restaurant location requires the approval of senior management and BK Asia, and roll-out process is managed by experienced development teams, well-defined restaurant layouts and standardized equipment, which allows the company to roll out efficiently and gives flexibility to tailor restaurants to different sized premises.

Exhibit 8: Robust store rollout process has enabled rapid store expansion



Source: Company, PL

- Ability to develop own Vendors:** Burger King India has a vertically managed and scalable supply chain model which gives its flexibility to individually negotiate with and manage suppliers of ingredients and packaging materials.
 - All the ingredients are purchased locally from known suppliers that comply with Burger King food quality standards, BKIL also receives the support of BK Asia through its globally defined and approval process for suppliers.
 - BKIL purchases its ingredients and packaging materials through a single third-party distributor ColdEX which in turn procures from the approved suppliers thereby enabling access to third-party distributor's multiple warehousing space and extensive logistics network across the country.
 - Ability to directly manage suppliers of ingredients and packaging materials helps to promote and maintain the quality of products and drive down the costs. Relationship with the third-party distributor reduces supply chain risk and reduces distribution costs.
- Focus on brand building and customer loyalty:** BKIL puts strong focus on brand awareness given huge opportunity to grow the brand with increasing penetration into existing and new markets. Despite marketing spends being capped at 5%, BKIL spent 5.8-14% of sales on marketing to strengthen the brand. It has followed an integrated marketing approach with frequent and inclusive messaging and engage consumers at multiple touch points with sustained investment in social media and mass media channels (TV commercials and big ticket/ high impact media properties). BKIL launched a loyalty program - BK Crown to engage with customers and drive loyalty.

- Strong Technology Backbone:** BKIL have invested significantly in “360° technology such as centrally controlled digital menu board, self-ordering kiosks, BK mobile app, handheld POS systems, integration of customer platforms with delivery aggregators and third-party distributor. The company intends to continue investing in technology to enhance customer experience through convenience and use of digital and social media platforms to draw customers to Burger King app and collect customer information and experience data, which will be utilized for continuous customer relationship management. Investment towards integration of systems with delivery aggregators, as well as own delivery and online presence will continue as BKIL aims to create an end-to-end online experience for customers.
- Favorable Operating Metrics versus Peers:** Despite entering Indian markets later than competition, BKIL has been able to achieve the high sales per sq ft at Rs. 31,093 amongst its peers. BKIL’s has average sales/capex of 1.86x which is higher than peers which indicates significant scope to increase profitability and gain from economies as it gains scale.

Exhibit 9: Burger King has the highest sales / sq ft amongst the pack.

| | Domino's | Westlife Development | KFC | Subway | Burger King | Pizza Hut |
|----------------------------|-----------|----------------------|-----------|----------|-------------|------------|
| | QSR | QSR | QSR | QSR | QSR | CDR |
| Outlet Count | 1,354 | 311 | 454 | 541 | 261 | 431 |
| APC (INR) | 200-225 | 225-250 | 200-225 | 175-200 | 200-225 | 400-450 |
| Avg Ticket Value (INR) | 500-550 | 550-600 | 500-550 | 250-300 | 500-550 | 1,450-1550 |
| COGS | 22-23% | 34-36% | 34-36% | 32-34% | 35-36% | 25-26% |
| Gross Margins | 77-78% | 64-66% | 64-66% | 66-68% | 64-65% | 74-75% |
| Advertisement | 4-5% | 5-6% | 6-7% | 4-5% | ~5% | 4-5% |
| Royalty | 3-4% | 4-5% | 7-8% | 7-8% | 4-5% | 7-8% |
| Store EBITDA | 21-23% | 13-15% | 14-16% | 20-22% | 12-14% | 17-19% |
| Capex per store (Rs Mn) | 15-20 | 35-40 | 30-35 | 04-05 | 20-25 | 20-25 |
| Avg Store Size (in sq.ft.) | 1400-1600 | 2600-3200 | 2500-3000 | 750-1000 | 1300-1400 | 2600-3200 |
| Avg sales /Day (Rs '000) | 75-80 | 120-130 | 120-130 | 30-35 | 110-120 | 70-80 |
| Sales Per Store (Rs Mn) | 28.3 | 45.6 | 45.6 | 11.9 | 42.0 | 27.4 |
| Sales Per sq ft (Rs '000) | 18.9 | 15.7 | 165.9 | 13.6 | 31.1 | 9.4 |
| Average Sales/Capex(x) | 1.616 | 1.217 | 1.404 | 2.636 | 1.866 | 1.217 |

Source: Company, PL

Exhibit 10: Comparing key metrics: Burger King Vs Westlife Development

| | Burger King | Westlife Development |
|---------------------------|-------------|----------------------|
| Geographical Presence | 57 Cities | 43 Cities |
| Royalty | 4-5% | 4-5%* |
| Outlet Count | 261 | 311 |
| Avg Store Size (sq.ft) | 1300-1400 | 2600-3200 |
| Capex Per Store (Rs mn) | 20-25 | 35-40 |
| Sales Per Store (Rs mn) | 42.0 | 45.6 |
| Sales Per Sq Ft (Rs '000) | 31.1 | 15.7 |
| Gross Margins | 64-65% | 64-66% |
| Store EBITDA | 12-14% | 13-15% |

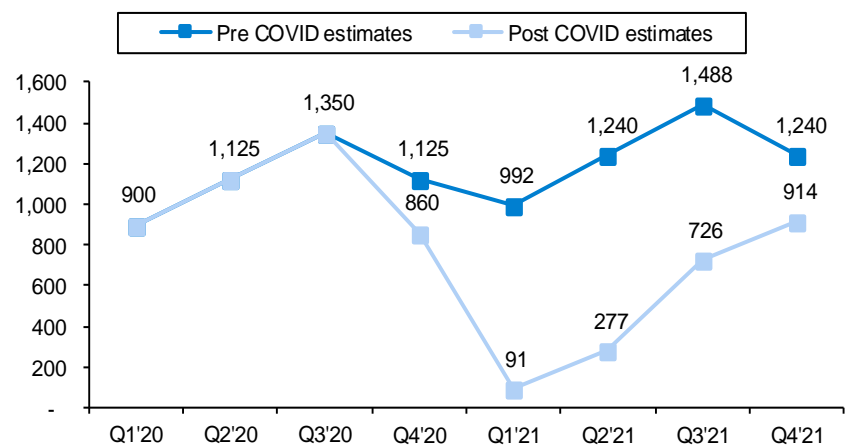
Source: Company, PL *Royalty fee of Westlife Development can contractually increase to 8% from Fiscal 2025

COVID-19 Impact - 70% market recovery by 4Q21

The impact of COVID-19 on the Food Services Market started in March 2020 as people started to refrain from eating out. Unorganized market was hit more as nationwide lockdown resulted in closure of all restaurants which resulted in a 31% decline in the size of the market. Restaurants reopened in April and May 2020 for delivery-only services and high quality cloud kitchens, QSR's and restaurants started delivery services from May/ June beginning.

- Chain QSRs, including Burger King, were able to adapt to the government restrictions swiftly as they had their delivery infrastructure in place and were able to maintain growth and revenues by enhancing their delivery services despite dine-in services being affected. Several food aggregators and cloud kitchens have already reached pre covid level sales.

Exhibit 11: Food Service Market severely impacted due to COVID-19



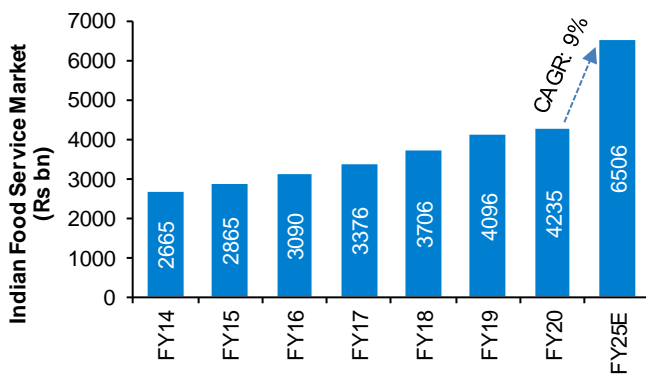
Source: Company, PL

- COVID-19 crisis had a significant impact on BKIL's operations at the end of FY20 and in H1FY21 resulting in revenue decline of 68% in H1FY21 to Rs1.35 bn from Rs4.22bn. Same-store sales which grew at 29.2% in FY19 and 6.1% in 9MFY20 decreased by 0.3% in FY20 and 56.9% H1FY21.
- As of now, 249 restaurants are operational as BKIL implemented high standards of safety and hygiene protocols covering guests, crew, sanitization, social distancing, temperature checks and safe deliveries.
- Focus on drive-thru, takeaway and delivery intensified and the company has also launched an improved version of its BK mobile app with features like 1) Omni Channel experience in ordering for dine-in, takeaway and delivery 2) BK Crown loyalty program and 3) exclusive offers through digital coupons.
- In light of the COVID-19 pandemic, the expansion of BKIL's restaurant network slowed significantly. Some new restaurant openings have been delayed although BKIL is now looking at adding 50/70/80 restaurants in coming 3 years. Technopack expects industry to achieve 70% of pre covid sales by the end of this year while full normalcy will take a few quarters.

Industry Snapshot

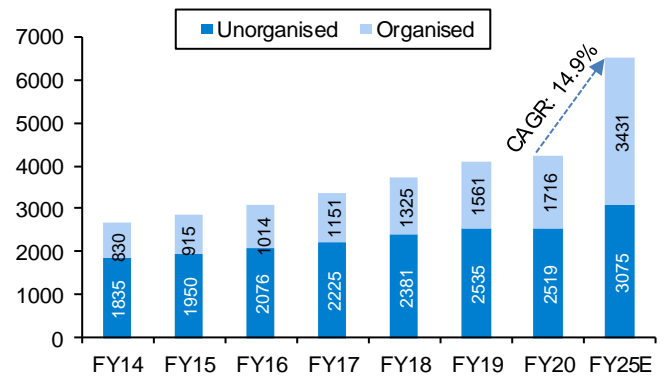
- Indian food services market has gained momentum** in the last decade due to changing consumption patterns that have seen an increase in a tendency to eat out that had not traditionally been a feature of Indians' lifestyle. Indian food service industry was estimated at Rs4236bn in FY20 is expected to grow at CAGR of 9% to Rs6,506bn by FY25. Organized market is expected to outpace industry with growth of 14.9% due to shift in consumer preference mainly on account of increased focus towards Hygienic brands.

Exhibit 12: Indian Food service market to grow at 9%



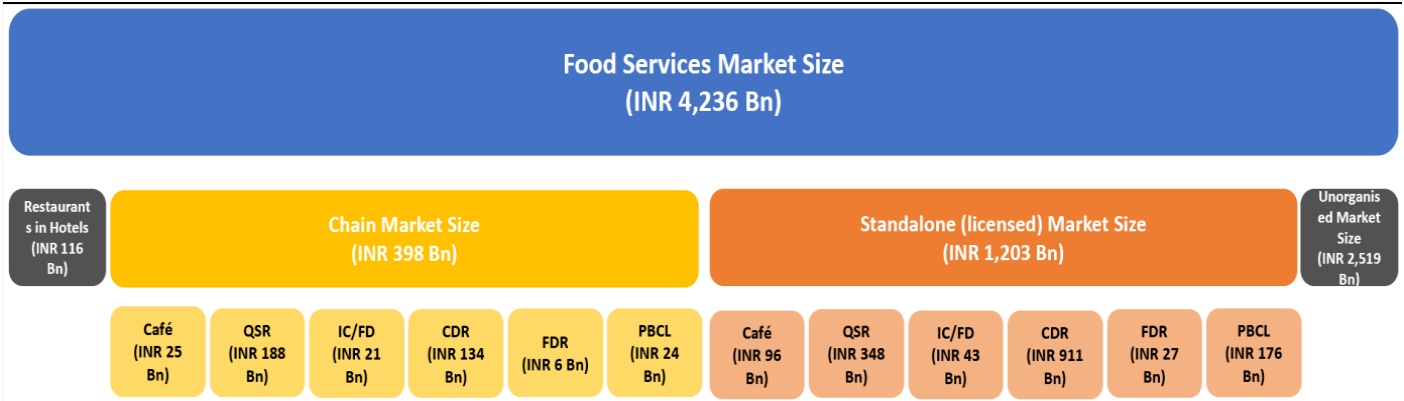
Source: Company,

Exhibit 13: Organized Markets to outpace industry growth



Source: Company, PL

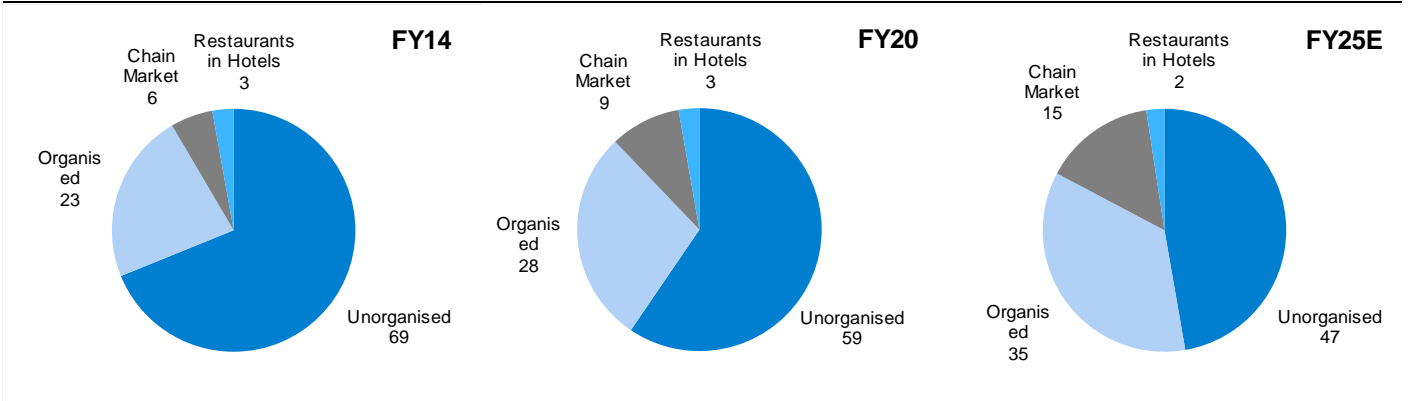
Exhibit 14: Components of Indian Food Service Market



Source: Company, PL

- Emergence of Organised chain markets:** Indian food service market comprises of several segments like Unorganized, organized standalone, Chain market and Restaurants in Hotels. Unorganised segment has been losing market share over the years to chain markets and organized standalone segments with expected decline in market share from 59% in FY20 to 47% in FY25. Market Share for both organised standalone and chain markets segment is expected to rise significantly from 28%/9% in FY20 to 35%/15% in FY25.

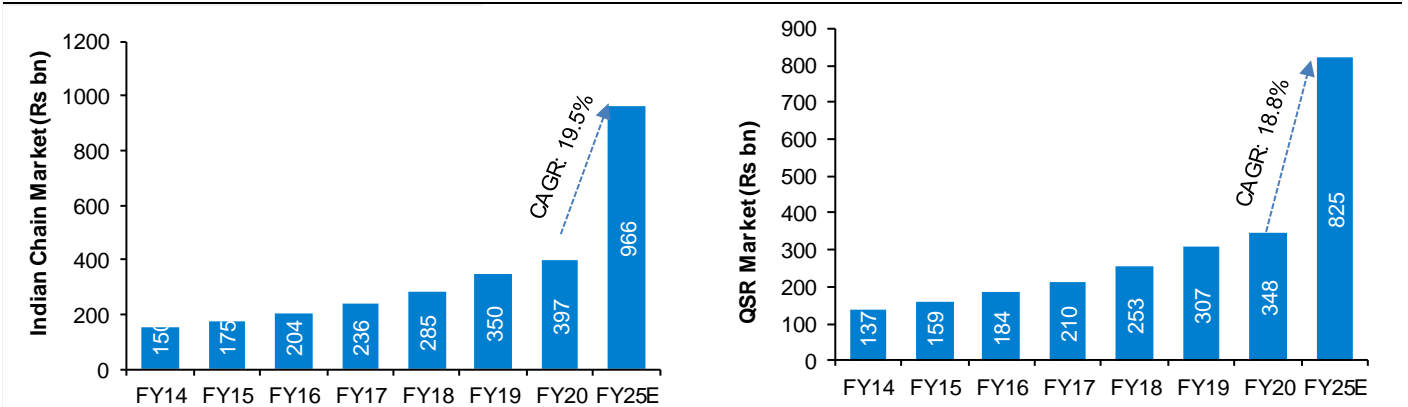
Exhibit 15: Chain Market segment share to grow significantly in FY25



Source: Company, PL

- Chain Markets to grow at 19.5%:** Chain market is expected to grow at CAGR of 19.5% to Rs966bn by FY25 led by increase in presence of international brands, strengthening of back end infrastructure, acceptance of new cuisines, changing lifestyles, rising aspirations and the emergence of new brands in these segments. QSR sub-segment is expected to grow at 18.8% driven by economic growth, demographic, cultural and lifestyle changes and increased penetration in Tier II and Tier III cities which have been growing faster than Metros, facilitated by improved supply chains, innovation and customisation in operating models and store sizes.

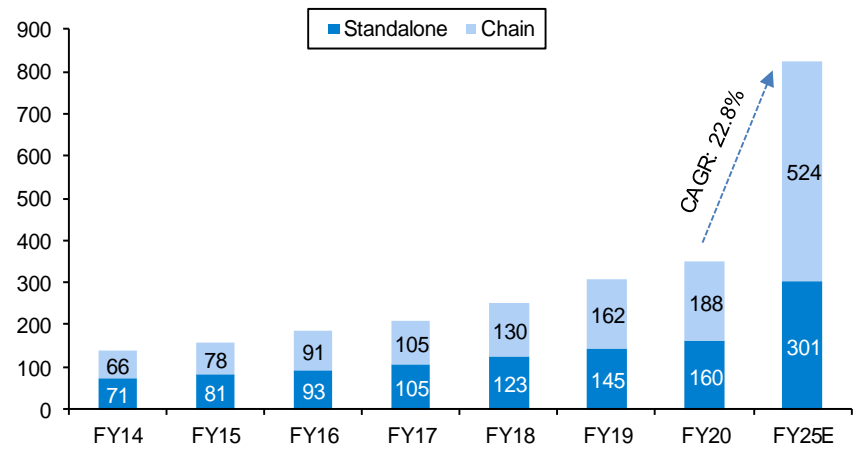
Exhibit 16: Indian Chain and QSR markets to grow 2x Industry growth



Source: Company, PL

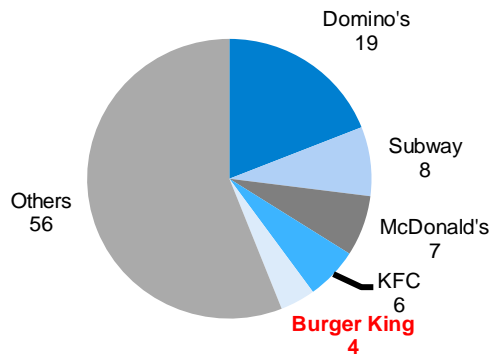
- Chain QSR segment expected to drive growth in QSR segment:** Growth in the QSR sub-segment is expected to be driven by the chain QSR market, which was approximately 54% of the total QSR sub-segment in FY20 and is estimated to be approximately 64% in FY25. The growth of chain QSR is primarily driven by international brands such as Domino's Pizza, McDonald's, Burger King, KFC and Subway, which account for ~45% of the total chain outlets in India. Due to COVID-19, consumers have become more cautious towards hygiene and safety issues, and the chain QSR's position themselves to meet all the heightened requirements in relation to food quality, service standards, processes and delivery capabilities to capture the opportunities that arise due to the consumers more cautious dining habits.

Exhibit 17: Chain QSR segment to record strong growth of 22.8%



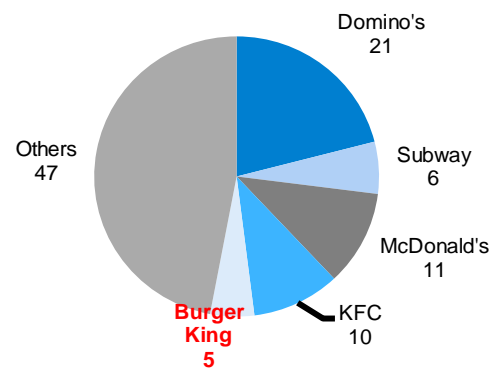
Source: Company, PL, Company

Exhibit 18: Market share in terms of outlets



Source: Company, PL

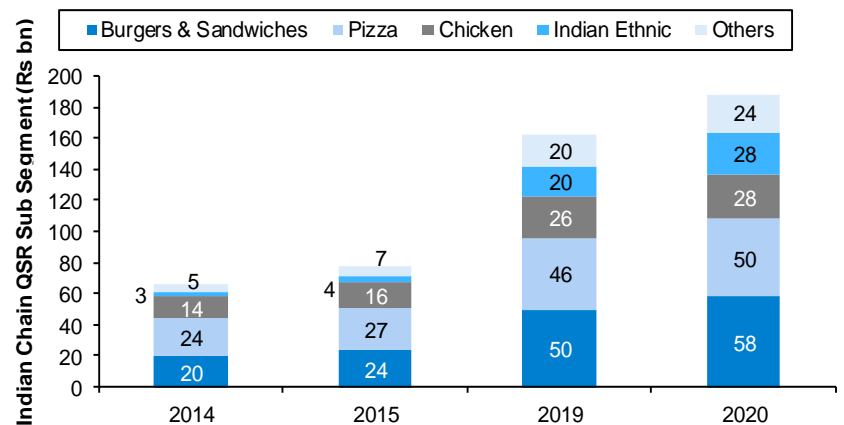
Exhibit 19: Market Share in terms of Revenue



Source: Company, PL

- Burgers and Sandwiches grew fastest in Chain QSR segment:** Within the chain QSR sub-segment, the burgers and sandwiches format grew at a CAGR of 19.4% between FY14-20, as against 13% for pizza, 12.2% chicken and Indian ethnic format grew at 45.1% on a small base.

Exhibit 20: Burgers & Sandwiches are fastest growing QSR segment



Source: Company, PL

Financials

Exhibit 21: Income Statement (Rs mn)

| Y/e March | 2017 | 2018 | 2019 | 2020 | H1FY20 | H1FY21 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Net Sales | 2,299 | 3,781 | 6,327 | 8,412 | 4,224 | 1,352 |
| <i>Change (%)</i> | | 64.4 | 67.3 | 33.0 | | -68.0 |
| Material Consumed | 922 | 1,439 | 2,301 | 3,015 | 1,510 | 492 |
| Gross Profit | 1,377 | 2,343 | 4,027 | 5,397 | 2,714 | 860 |
| <i>Gross Margin %</i> | 59.9 | 62.0 | 63.6 | 64.2 | 64.3 | 63.6 |
| Operating expenses | 1,416 | 2,262 | 3,237 | 4,357 | 2,143 | 1,148 |
| EBITDA | -39 | 81 | 790 | 1,040 | 571 | -287 |
| <i>Change (%)</i> | | -307.6 | 877.7 | 31.7 | | -150.3 |
| <i>Margin (%)</i> | -1.7 | 2.1 | 12.5 | 12.4 | 13.5 | -21.2 |
| Depreciation | 448 | 640 | 822 | 1,164 | 497 | 621 |
| Int. and Fin. Ch. | 274 | 369 | 465 | 655 | 278 | 424 |
| Other Non-recurring Inc. | 42 | 106 | 114 | 56 | 30 | 164 |
| PBT | -718 | -823 | -383 | -722 | -174 | -1,168 |
| <i>Change (%)</i> | | 14.5 | -53.5 | 88.7 | | 571.6 |
| <i>Margin (%)</i> | -31.2 | -21.8 | -6.0 | -8.6 | -4.1 | -86.4 |
| Tax | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Tax Rate (%)</i> | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted PAT | -718 | -823 | -383 | -722 | -174 | -1,168 |
| <i>Change (%)</i> | | 14.5 | -53.5 | 88.7 | | 571.6 |
| <i>Margin (%)</i> | -31.2 | -21.8 | -6.0 | -8.6 | -4.1 | -86.4 |
| Reported PAT | -718 | -823 | -383 | -722 | -174 | -1,168 |

Source: Company, PL

Exhibit 22: Balance Sheet (Rs mn)

| Y/e March | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|--------------|--------------|--------------|---------------|
| Property, Plant and Equipment | 1,869 | 2,402 | 3,475 | 4,742 |
| Right of Use Asset | 2,814 | 3,433 | 4,292 | 5,380 |
| Investment property | 0 | 0 | 0 | 0 |
| Intangible Assets | 63 | 88 | 158 | 245 |
| Capital work in progress | 105 | 103 | 202 | 476 |
| Financial Assets | | | | |
| Loans | 112 | 161 | 213 | 291 |
| Other | 1 | 0 | 1 | 1 |
| Other Non Current Assets | 12 | 19 | 39 | 33 |
| Assets for Current Tax | 2 | 6 | 8 | 10 |
| Current Assets | | | | |
| Inventories | 40 | 52 | 69 | 94 |
| Financial Assets | | | | |
| Investments | 1,773 | 869 | 384 | 186 |
| Trade receivables | 14 | 26 | 59 | 32 |
| Cash and cash equivalents | 124 | 72 | 159 | 41 |
| Other Bank Balances | 1 | 2 | 2 | 240 |
| Other Financial Assets | 8 | 13 | 30 | 12 |
| Other Current Assets | 47 | 57 | 114 | 194 |
| Total Assets | 6,985 | 7,304 | 9,205 | 11,977 |
| Equity | | | | |
| Equity share Capital | 2,650 | 2,650 | 2,650 | 2,777 |
| Other Equity | 1,026 | 221 | -154 | -23 |
| Total Networth | 3,676 | 2,871 | 2,496 | 2,754 |
| Non Current Liabilities | 2,829 | 3,563 | 4,568 | 7,649 |
| Financial Liabilities | 2,792 | 3,523 | 4,508 | 7,453 |
| Borrowings | 0 | 0 | 0 | 1,788 |
| Lease liabilities | 2,792 | 3,523 | 4,508 | 5,665 |
| Provision | 27 | 33 | 52 | 187 |
| Other non-current liabilities | 10 | 7 | 8 | 8 |
| Current Liabilities | 480 | 869 | 2,140 | 1,574 |
| Financial Liabilities | 419 | 769 | 2,063 | 1,479 |
| Borrowings | 0 | 0 | 1,000 | 197 |
| Trade and other Payables | 195 | 434 | 609 | 816 |
| Lease liabilities | 118 | 177 | 232 | 312 |
| Other Financial liabilities | 107 | 157 | 222 | 154 |
| Short term Provisions | 9 | 17 | 24 | 33 |
| Other Current liabilities | 53 | 83 | 53 | 62 |
| Total Equity and Liabilities | 6,985 | 7,304 | 9,205 | 11,977 |

Source: Company, PL

Exhibit 23: Cash Flow (Rs mn)

| Y/e March | 2018 | 2019 | 2020 |
|----------------------------------|---------------|---------------|---------------|
| OP/(loss) before Tax | -823 | -383 | -722 |
| Depreciation and Amort. | 640 | 822 | 1,164 |
| Interest Paid | 369 | 465 | 655 |
| Others | 2 | -7 | 86 |
| Direct Taxes Paid | 0 | 0 | 0 |
| Incr in WC | 1,254 | 1,633 | -430 |
| CF from Operations | 1,443 | 2,530 | 752 |
| Incr in FA | -1,196 | -2,065 | -2,791 |
| Change in Right of use of assets | -619 | -859 | -1,087 |
| Pur of Investments | | | |
| Others | -50 | -52 | -78 |
| CF from Invest. | -1,865 | -2,975 | -3,956 |
| Issue of Shares | 10 | 11 | 1,034 |
| Change in lease liabilities | 731 | 986 | 1,157 |
| Borrowings/(Repayments) | 0 | 0 | 1,788 |
| Interest paid | -369 | -465 | -655 |
| Dividend paid | 0 | 0 | 0 |
| Others | 1 | 0 | 0 |
| CF from Fin. Activity | 372 | 532 | 3,324 |
| Incr/Decr of Cash | -50 | 86 | 120 |
| Add: Opening Balance | 125 | 74 | 160 |
| Closing Balance | 74 | 160 | 280 |

Source: Company, PL

Exhibit 24: Key Ratios

| Y/e March | 2017 | 2018 | 2019 | 2020 |
|-------------------------------|--------|-------|------|------|
| Valuation (x) | | | | |
| EV/Sales | 6.1 | 4.0 | 2.4 | 2.0 |
| EV/EBITDA | -359.8 | 382.0 | 19.4 | 15.6 |
| Working Capital Ratios | | | | |
| Debtor (Days) | 2 | 2 | 4 | 2 |
| Inventory (Days) | 16 | 13 | 11 | 11 |
| Creditor (Days) | 154 | 134 | 119 | 112 |
| Asset Turnover (x) | 0.3 | 0.5 | 0.7 | 0.7 |
| Margins | | | | |
| Gross Margin (%) | 59.9 | 62.0 | 63.6 | 64.2 |
| EBITDA Margin (%) | -1.7 | 2.1 | 12.5 | 12.4 |

Source: Company, PL

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------------|------------|---------|------------------|
| 1 | Asian Paints | Hold | 2,000 | 2,100 |
| 2 | Avenue Supermarts | BUY | 2,316 | 1,988 |
| 3 | Bajaj Electricals | BUY | 605 | 505 |
| 4 | Britannia Industries | BUY | 4,301 | 3,553 |
| 5 | Colgate Palmolive | Hold | 1,445 | 1,427 |
| 6 | Crompton Greaves Consumer Electricals | BUY | 346 | 305 |
| 7 | Dabur India | Accumulate | 539 | 515 |
| 8 | Emami | BUY | 450 | 367 |
| 9 | GlaxoSmithKline Consumer Healthcare | Hold | 9,377 | 9,247 |
| 10 | Havells India | Hold | 700 | 725 |
| 11 | Hindustan Unilever | BUY | 2,502 | 2,173 |
| 12 | ITC | BUY | 254 | 174 |
| 13 | Jubilant FoodWorks | Hold | 2,290 | 2,355 |
| 14 | Kansai Nerolac Paints | BUY | 551 | 513 |
| 15 | Marico | Hold | 378 | 363 |
| 16 | Nestle India | Hold | 17,640 | 17,221 |
| 17 | Pidilite Industries | Hold | 1,518 | 1,595 |
| 18 | Titan Company | Accumulate | 1,352 | 1,217 |
| 19 | Voltas | Hold | 767 | 801 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : >15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

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