

January 29, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>HOLD</b>		<b>HOLD</b>	
<b>Target Price</b>	<b>76</b>		<b>100</b>	
Sales (Rs. m)	23,624	28,444	24,822	29,892
% Chng.	(4.8)	(4.8)		
EBITDA (Rs. m)	3,687	4,652	3,985	5,075
% Chng.	(7.5)	(8.3)		
EPS (Rs.)	(1.1)	(0.6)	(0.5)	0.2
% Chng.	104.6	(412.5)		

### Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	17,601	19,716	23,624	28,444
EBITDA (Rs. m)	2,377	2,758	3,687	4,652
Margin (%)	13.5	14.0	15.6	16.4
PAT (Rs. m)	(689)	(997)	(541)	(299)
EPS (Rs.)	(1.4)	(2.0)	(1.1)	(0.6)
Gr. (%)	(4.3)	44.6	(45.8)	(44.6)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	(3.7)	(5.6)	(3.2)	(1.8)
RoCE (%)	1.4	1.2	4.4	7.0
EV/Sales (x)	2.0	1.9	1.6	1.4
EV/EBITDA (x)	14.6	13.4	10.3	8.3
PE (x)	(51.8)	(35.8)	(66.1)	(119.4)
P/BV (x)	1.9	2.1	2.1	2.2

### Key Data

RESR.BO | RBA IN

52-W High / Low	Rs.121 / Rs.70
Sensex / Nifty	76,533 / 23,163
Market Cap	Rs.36bn / \$ 415m
Shares Outstanding	499m
3M Avg. Daily Value	Rs.123.73m

### Shareholding Pattern (%)

Promoter's	13.16
Foreign	15.34
Domestic Institution	38.84
Public & Others	32.66
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(10.4)	(34.6)	(37.0)
Relative	(7.9)	(30.5)	(40.7)

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## Poor visibility of any potential turnaround

### Quick Pointers:

- BK India ADS at Rs114k, SSG at -0.5% as slack demand conditions continue.
- Indonesia sees some green shoots as war comes to halt, focus on cost control with no store openings for the time being

**Restaurant Brands Asia (RBA) posted -0.5% SSG in a subdued demand environment with ADS of 114 and Adj loss at Rs186mn. Indonesia business reported 9.5% decline in sales, green shoots in demand recovery with stabilizing geopolitical scenario and closure of non-performing stores. RBA's India strategy is centered around 1) Value focus with combos (2 veg Burgers at Rs79, Chicken at Rs99) and value meals at Rs99 to drive in store traffic 2) digital driven ordering 3) cost reduction in delivery business and 4) control over overheads. Indonesia strategy is focusing on 1) zero store openings 2) lowering of overheads (35% cut already achieved) 3) menu innovations in chicken and driving efficiencies in procurement by leveraging size of Indian operations.**

**We started FY25 with hopes of India business turning PAT positive by FY27, however it has got shifted to FY29 (our estimates). RBA is looking at raising another Rs5bn to fund for expansion and losses (Consol loss at Rs6.5bn+ in the last 3 YTD). Near term outlook looks hazy impending clarity on FY26 expansion in India, tepid demand scenario and sustained pressure in Indonesia business. We cut our SOTP based target price from Rs100 to Rs76. We retain Hold but avoid further entry till a clear turnaround is visible in Indian operations.**

**India Business** - Revenues grew by 11.2% YoY to Rs5bn (PLe: Rs5.03bn) Gross margins expanded by 72bps YoY to 67.8% (PLe: 66.8%) EBITDA grew by 9.7% YoY to Rs776.1mn (PLe:Rs785mn); Margins contracted by 22bps YoY to 15.7% (PLe:15.6%) Adj. PAT declined by 190.7% YoY to Rs-186.3mn (PLe:Rs-177mn). SSG came at -0.5% (PLe:0%) with ADS at Rs114k. RBA added 46 store QoQ taking total store count to 510. Bk café count increased to 433, adding 68 café this quarter. RBA reported pre Ind AS restaurant/company EBITDA of Rs596mn/Rs309mn.

RBA plans to focus on driving traffic in stores, value-based offerings, enhancing delivery profitability and control in SGA costs (up 83% since FY22 and 38% since FY23 even as it is flattish as a % of sales since FY23).

**Indonesia** Revenues declined by 9.5% YoY to Rs1.4bn. Gross margins expanded by 109bps YoY to 57.8% EBITDA declined by 236.1% YoY to Rs-80.5mn; Margins contracted by 409bps YoY to -5.6% Adj PAT declined by 7.6% YoY to Rs-360.8mn BK SSG came at -4.1%. Footfalls have improved with improved geopolitical situation in middle east. BK does not plan to add any stores and is looking at increasing throughput and cost cutting to reduce losses (Overheads reduced from Rs139mn/Qtr. to Rs 105mn).

**Concall Takeaways:** 1) 3Q SSSG was -0.5% as demand remained subdued, however SSTG was positively driven by continuous traction in value offerings. 2) ADS came at 114k flat YoY as 80-90 new stores drag overall ADS 3) Focus on digital journey to continue with all stores to be digitalized by Q4FY25 4) Gross margins continue to remain stable led by supply side initiative and efficiencies. 5) Innovations & strengthening existing portfolio continue to drive additional traffic with new launches like pizza puff chicken in Q2. 6) Traffic growth is expected to grow led by focus on value proposition, innovation & digital first experience. 7) BK India is on track to reach 510+ stores by Q4FY25 8) Indonesia business continue to face headwinds as geopolitical issues continue to affect stores. However green shoots are being observed as war halts 9) BK Indonesia's new spicy chicken sees good traction and will contribute 50% towards overall chicken portfolio going forward 10) No further capex to be expected in Indonesia as company and company will focus on profitability of existing stores 11) BK Indonesia could see more store optimization of non-performing store in coming quarters.

**Exhibit 1: 3QFY25 Results – India Net sales up 11.2%, Gross margins expand by 71bps YoY**

(Rs mn)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	9MFY25	9MFY24	YoY gr. (%)
<b>Net Sales</b>	<b>4,954</b>	<b>4,454</b>	<b>11.2</b>	<b>4,921</b>	<b>14,780</b>	<b>13,210</b>	<b>11.9</b>
Gross Profit	3,361	2,990	12.4	3,322	10,001	8,827	13.3
% of NS	67.8	67.1	0.7	67.5	67.7	66.8	0.8
<b>EBITDA</b>	<b>776.1</b>	<b>707.5</b>	<b>9.7</b>	<b>699.7</b>	<b>2,100.9</b>	<b>1,826.4</b>	<b>15.0</b>
Margins %	15.7	15.9	(0.2)	14	14	14	0.4
Depreciation	632	522	21.0	611	1,876	1,524	23.1
Interest	364	281	29.5	326	1,008	818	23.3
Other Income	34	32	6.4	71	162	137	18.4
<b>PBT</b>	<b>(186)</b>	<b>(64)</b>	<b>(190.7)</b>	<b>(166)</b>	<b>(622)</b>	<b>(379)</b>	<b>(64.0)</b>
Tax	0.0	0.0		0.0	0.0	0.0	
Tax rate %	0	0	0.0	0	0	0	0.0
<b>Adjusted PAT</b>	<b>(186)</b>	<b>(64)</b>	<b>-191</b>	<b>-166</b>	<b>-622</b>	<b>-379</b>	<b>-64</b>

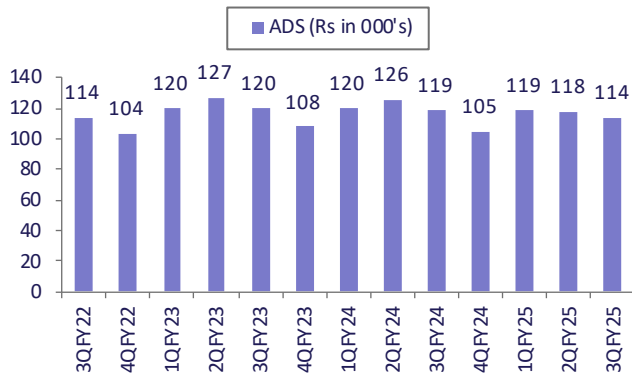
Source: Company, PL

**Exhibit 2: 2QFY25 Results – Indonesia Net Sales decline by 9.5%, EBITDA Margins continue to remain under pressure**

(Rs mn)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	9MFY25	9MFY24	YoY gr. (%)
<b>Net Sales</b>	<b>1,437</b>	<b>1,588</b>	<b>(9.5)</b>	<b>1,403</b>	<b>4,401.9</b>	<b>5,189</b>	<b>(15)</b>
Gross Profit	830	900	(7.8)	783	2,465.9	2,988	(17)
% of NS	57.8	56.7	1.1	55.8	56.0	57.6	(1.6)
<b>EBITDA</b>	<b>(80)</b>	<b>(24)</b>	<b>(236.1)</b>	<b>(67)</b>	<b>(141.4)</b>	<b>(97)</b>	<b>45</b>
Margins %	-5.6	(2)	(4.1)	(5)	(3.2)	(2)	(1)
Depreciation	301	279	8	297	881	851	4
Interest	33	36	(8)	55	144	122	18
Other Income	54	3	1,501.2	(70)	64.4	2	2,640
<b>PBT</b>	<b>(361)</b>	<b>(335)</b>	<b>(7.6)</b>	<b>(489)</b>	<b>(1,102.0)</b>	<b>(1,067)</b>	<b>3</b>
Tax	0	0		0	0.0	0	
Tax rate %	0	0	0.0	0	0.0	0	0
<b>Adjusted PAT</b>	<b>(361)</b>	<b>(335)</b>	<b>(8)</b>	<b>(489)</b>	<b>(1,102)</b>	<b>(1,067)</b>	<b>3</b>

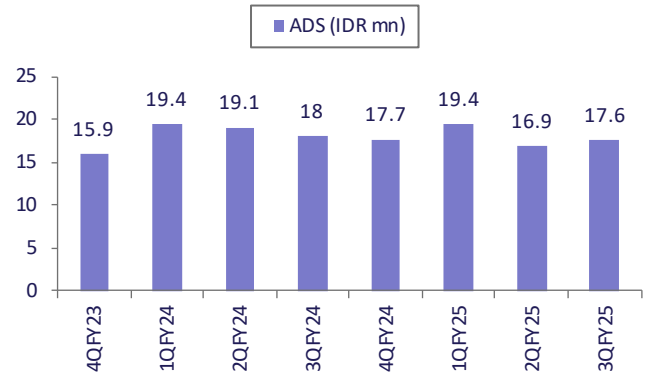
Source: Company, PL

Exhibit 3: India ADS down 4.2% YoY



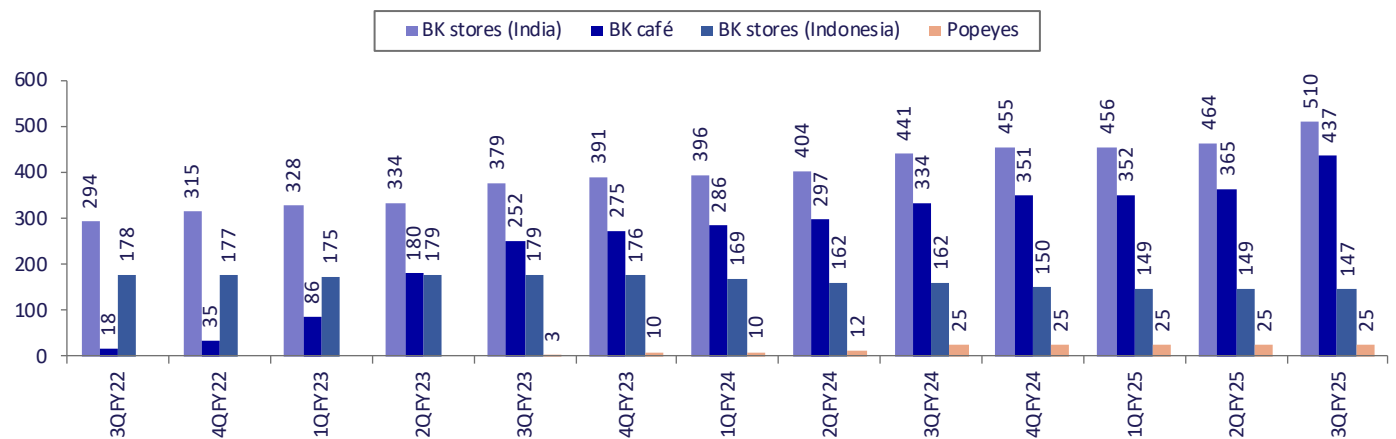
Source: Company, PL

Exhibit 4: Indonesia ADS down 2.2% YoY



Source: Company, PL

Exhibit 5: India store count at 510 in 3QFY25;



Source: PL, Company

Exhibit 6: Portfolio expansion continues through focus on snacking options



Source: PL, Company

Exhibit 7: RBA continues to drive innovation across formats



Source: PL, Company

Exhibit 8: We assign SOTP based target price of Rs76

SOTP	Basis	Value/Share
India	DCF	55
Indonesia	BV	21
<b>Total Value/share</b>		<b>76</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>17,601</b>	<b>19,716</b>	<b>23,624</b>	<b>28,444</b>
YoY gr. (%)	22.3	12.0	19.8	20.4
Cost of Goods Sold	5,802	6,356	7,510	8,985
Gross Profit	11,798	13,360	16,114	19,459
Margin (%)	67.0	67.8	68.2	68.4
Employee Cost	2,650	3,121	3,612	4,225
Other Expenses	859	963	1,177	1,446
<b>EBITDA</b>	<b>2,377</b>	<b>2,758</b>	<b>3,687</b>	<b>4,652</b>
YoY gr. (%)	43.7	16.0	33.7	26.1
Margin (%)	13.5	14.0	15.6	16.4
Depreciation and Amortization	2,110	2,539	2,833	3,252
<b>EBIT</b>	<b>267</b>	<b>220</b>	<b>855</b>	<b>1,399</b>
Margin (%)	1.5	1.1	3.6	4.9
Net Interest	1,141	1,390	1,603	1,832
Other Income	185	173	28	34
<b>Profit Before Tax</b>	<b>(689)</b>	<b>(997)</b>	<b>(721)</b>	<b>(399)</b>
Margin (%)	(3.9)	(5.1)	(3.1)	(1.4)
Total Tax	-	-	(180)	(100)
Effective tax rate (%)	-	-	25.0	25.0
<b>Profit after tax</b>	<b>(689)</b>	<b>(997)</b>	<b>(541)</b>	<b>(299)</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>(689)</b>	<b>(997)</b>	<b>(541)</b>	<b>(299)</b>
YoY gr. (%)	(4.0)	44.6	(45.8)	(44.6)
Margin (%)	(3.9)	(5.1)	(2.3)	(1.1)
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(689)</b>	<b>(997)</b>	<b>(541)</b>	<b>(299)</b>
YoY gr. (%)	(4.0)	44.6	(45.8)	(44.6)
Margin (%)	(3.9)	(5.1)	(2.3)	(1.1)
Other Comprehensive Income	(8)	-	-	-
Total Comprehensive Income	(698)	(997)	(541)	(299)
<b>Equity Shares O/s (m)</b>	<b>496</b>	<b>496</b>	<b>496</b>	<b>496</b>
<b>EPS (Rs)</b>	<b>(1.4)</b>	<b>(2.0)</b>	<b>(1.1)</b>	<b>(0.6)</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>27,747</b>	<b>32,521</b>	<b>37,863</b>	<b>43,740</b>
Tangibles	26,763	31,438	36,673	42,430
Intangibles	984	1,082	1,191	1,310
<b>Acc: Dep / Amortization</b>	<b>9,176</b>	<b>11,714</b>	<b>14,547</b>	<b>17,799</b>
Tangibles	8,996	11,475	14,244	17,427
Intangibles	180	239	302	372
<b>Net fixed assets</b>	<b>18,572</b>	<b>20,807</b>	<b>23,317</b>	<b>25,940</b>
Tangibles	17,768	19,963	22,428	25,002
Intangibles	804	843	888	938
Capital Work In Progress	420	413	457	495
Goodwill	-	-	-	-
Non-Current Investments	12,792	13,074	13,149	13,234
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	354	390	423	455
<b>Current Assets</b>				
Investments	830	300	500	500
Inventories	212	261	309	369
Trade receivables	169	135	162	273
Cash & Bank Balance	225	124	159	203
Other Current Assets	191	236	282	340
<b>Total Assets</b>	<b>33,833</b>	<b>35,816</b>	<b>38,841</b>	<b>41,902</b>
<b>Equity</b>				
Equity Share Capital	4,964	4,964	4,964	4,964
Other Equity	13,532	12,305	11,765	11,465
<b>Total Network</b>	<b>18,496</b>	<b>17,269</b>	<b>16,728</b>	<b>16,429</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	800	1,400	1,900
Provisions	335	425	502	590
Other non current liabilities	483	5	5	6
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	850	1,500	1,750
Trade payables	1,553	2,165	2,469	2,937
Other current liabilities	1,841	2,152	2,432	2,660
<b>Total Equity &amp; Liabilities</b>	<b>33,833</b>	<b>35,816</b>	<b>38,841</b>	<b>41,902</b>

Source: Company Data, PL Research




**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	(689)	(997)	(721)	(399)
Add. Depreciation	2,110	2,539	2,833	3,252
Add. Interest	1,141	1,390	1,603	1,832
Less Financial Other Income	185	173	28	34
Add. Other	456	(425)	45	56
Op. profit before WC changes	3,018	2,506	3,760	4,741
Net Changes-WC	577	856	455	459
Direct tax	-	-	180	100
<b>Net cash from Op. activities</b>	<b>3,596</b>	<b>3,362</b>	<b>4,396</b>	<b>5,300</b>
Capital expenditures	(5,391)	(4,987)	(5,386)	(5,915)
Interest / Dividend Income	-	-	-	-
Others	585	468	(275)	(85)
<b>Net Cash from Invt. activities</b>	<b>(4,806)</b>	<b>(4,519)</b>	<b>(5,661)</b>	<b>(6,000)</b>
Issue of share cap. / premium	248	(229)	-	-
Debt changes	2,183	2,676	2,904	2,575
Dividend paid	-	-	-	-
Interest paid	(1,141)	(1,390)	(1,603)	(1,832)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>1,289</b>	<b>1,057</b>	<b>1,301</b>	<b>743</b>
<b>Net change in cash</b>	<b>79</b>	<b>(100)</b>	<b>35</b>	<b>44</b>
Free Cash Flow	(1,795)	(1,626)	(991)	(615)

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	(1.4)	(2.0)	(1.1)	(0.6)
CEPS	2.9	3.1	4.6	5.9
BVPS	37.3	34.8	33.7	33.1
FCF	(3.6)	(3.3)	(2.0)	(1.2)
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	1.4	1.2	4.4	7.0
ROIC	0.8	0.6	2.2	3.4
RoE	(3.7)	(5.6)	(3.2)	(1.8)
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	0.1	0.1	0.2
Net Working Capital (Days)	(24)	(33)	(31)	(29)
<b>Valuation(x)</b>				
PER	(51.8)	(35.8)	(66.1)	(119.4)
P/B	1.9	2.1	2.1	2.2
P/CEPS	25.2	23.2	15.6	12.1
EV/EBITDA	14.6	13.4	10.3	8.3
EV/Sales	2.0	1.9	1.6	1.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

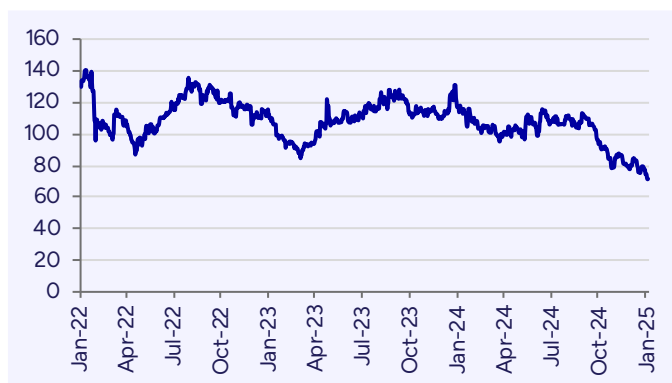
**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>4,392</b>	<b>4,906</b>	<b>4,922</b>	<b>4,956</b>
YoY gr. (%)	20.4	16.2	33.1	11.3
Raw Material Expenses	1,419	1,587	1,599	1,593
Gross Profit	2,972	3,319	3,323	3,363
Margin (%)	67.7	67.6	67.5	67.9
<b>EBITDA</b>	<b>552</b>	<b>626</b>	<b>701</b>	<b>778</b>
YoY gr. (%)	30.6	29.2	46.4	10.0
Margin (%)	12.6	12.8	14.2	15.7
Depreciation / Depletion	586	633	611	632
<b>EBIT</b>	<b>(34)</b>	<b>(7)</b>	<b>90</b>	<b>146</b>
Margin (%)	(0.8)	(0.1)	1.8	2.9
Net Interest	324	319	326	364
Other Income	48	57	71	34
<b>Profit before Tax</b>	<b>(309)</b>	<b>(268)</b>	<b>(165)</b>	<b>(184)</b>
Margin (%)	(7.0)	(5.5)	(3.3)	(3.7)
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
<b>Profit after Tax</b>	<b>(309)</b>	<b>(268)</b>	<b>(165)</b>	<b>(184)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(309)</b>	<b>(268)</b>	<b>(165)</b>	<b>(184)</b>
YoY gr. (%)	25.8	21.2	47.1	187.6
Margin (%)	(7.0)	(5.5)	(3.3)	(3.7)
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(309)</b>	<b>(268)</b>	<b>(165)</b>	<b>(184)</b>
YoY gr. (%)	25.8	21.2	47.1	187.6
Margin (%)	(7.0)	(5.5)	(3.3)	(3.7)
Other Comprehensive Income	(2)	-	-	(2)
<b>Total Comprehensive Income</b>	<b>(312)</b>	<b>(268)</b>	<b>(165)</b>	<b>(186)</b>
Avg. Shares O/s (m)	-	-	-	-
<b>EPS (Rs)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Hold	100	80
2	29-Oct-24	Hold	109	92
3	07-Oct-24	Accumulate	129	110
4	30-Jul-24	Accumulate	134	110
5	09-Jul-24	Accumulate	134	114
6	18-May-24	Accumulate	134	106
7	09-Apr-24	Accumulate	137	101
8	30-Jan-24	Accumulate	151	114

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,230	2,334
2	Avenue Supermarts	Hold	3,964	3,686
3	Britannia Industries	BUY	5,815	4,860
4	Colgate Palmolive	Hold	2,801	2,679
5	Dabur India	Hold	561	514
6	Emami	Accumulate	716	554
7	Hindustan Unilever	Accumulate	2,691	2,343
8	ITC	Accumulate	536	450
9	Jubilant FoodWorks	Hold	719	750
10	Kansai Nerolac Paints	Reduce	274	257
11	Marico	Accumulate	675	638
12	Metro Brands	Hold	1,177	1,199
13	Mold-tekk Packaging	Accumulate	709	628
14	Nestle India	Accumulate	2,689	2,220
15	Pidilite Industries	Accumulate	3,318	2,910
16	Restaurant Brands Asia	Hold	100	80
17	Titan Company	BUY	3,882	3,484
18	Westlife Foodworld	Hold	817	823

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

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