August 04, 2022

Restaurant Brands Asia Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term/ Short-term-Unallocated amount	100.00	100.00	[ICRA]A-(Stable)/[ICRA]A2+; outstanding
Total	**100.00**	**100.00**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA has noted the recent development wherein Restaurant Brands Asia Limited (RBAL) has entered into an exclusive master franchise and development agreement with PLK APAC Pte. Ltd., a subsidiary of Restaurant Brands International Inc. (RBI), through its step-down subsidiary, PT Sari Chicken Indonesia, to develop, establish, own, operate, and grant franchises of Popeyes Restaurants in Indonesia. Accordingly, as per the requirements under MFDA, PT Sari Burger Indonesia (BK Indonesia), a subsidiary of RBAL, has made its initial investment by infusing capital of IDR 75,07,00,00,000 (~Rs. 40 crore) on July 26, 2022, in PT Sari Chicken Indonesia, whereby 100% of its issued share capital is owned by BK Indonesia. In the initial phase of 10 years, PT Sari Chicken would open around 300 Popeyes Brand restaurants in Indonesia

ICRA has noted the above event, while the ratings and outlook remain unchanged at the earlier ratings at [ICRA]A- (pronounced ICRA A minus) with a Stable outlook and [ICRA]A2+ (pronounced ICRA A two plus) on the Rs. 100.00-crore bank facilities of RBAL.

ICRA does not expect any material impact on the debt metrics at the consolidated level in the near to medium term, since store expansions under the step-down subsidiary is expected to be undertaken by the on-book liquidity with nil borrowing for the same. ICRA, however, will continue to monitor the development regarding the scaling of the Popeyes business under its subsidiary and its impact on the credit risk profile of the company at the consolidated level, as and when the business reaches a meaningful scale and size.

Please refer to the following link for the previous detailed rationale that captures the company's key rating drivers and their description, its liquidity position, rating sensitivities, and key financial indicators: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Consolidation and Rating Approach
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. As on March 31, 2022, RBAL had one subsidiary and a step-down subsidiary, who are enlisted in Annexure 2.

About the company

Burger King India Private Limited was incorporated on November 11, 2013. In December 2020, it's constitution was changed to a public listed company and was renamed as Burger King India Limited (BKIL). On February 02, 2022, the company changed its name from 'Burger King India Limited' to 'Restaurant Brands Asia Limited' (RBAL).

At present, it is one of the fastest growing international quick service restaurants (QSR) brands in India, set to reach 200 restaurant outlets during the first five years of its operations. As of March 31, 2022, RBAL had 315 restaurants, including nine sub-franchised restaurants, across India. RBAL is the national master franchisee of the 'Burger King' brand in India, which is the second-largest fast food burger brand globally, based on the total number of restaurant outlets.

On March 09, 2022, the company has completed the purchase transaction of PT Sari Burger Indonesia. The transaction included purchase of 416,796 equity shares from the erstwhile promoters, QSR Indoburger Pte. Ltd. and PT Mitra Adiperkasa TBK at IDR 3,369,328.80 per equity share for an aggregate amount of ~IDR 1,404,322,766,525 (Rs. 750.1 crore) and subscribing to 184,346 fresh equity shares of BK Indo at IDR 3,369,328.80 per equity share, for an aggregate amount of ~IDR 621,122,286,965 (Rs. 332.4 crore). Consequently, BK Indonesia has now become a subsidiary of the company, with RBAL holding the controlling stake of 87.75% of the equity shares in BK Indonesia.

On March 29, 2022, a step-down subsidiary, PT Sari Chicken, was incorporated. It will be operating the national master franchise for Popeyes Brand in Indonesia. Popeyes Brand, owned by RBI, is among the world's largest chicken QSRs with over 3,500 restaurants in the US and around the world), operating in over 30 markets worldwide.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022			Date & Rating in FY2021	Date & Rating in FY2020
					Aug-04, 2022	July-28, 2022	Nov-25-2021	Sept-7-2021	Apr-5-2021	29-May-2020	5-Dec-2019
1	Unallocated amount	Long-term and Short-term	100.00	-	[ICRA]A-(Stable)/ [ICRA]A2+	[ICRA]A-(Stable)/ [ICRA]A2+	[ICRA]A-(Stable)/ [ICRA]A2+	[ICRA]A-(Stable)/ [ICRA]A2+	[ICRA]A-(Stable)/ [ICRA]A2+	-	-
2	Term Loan	Long-Term	-	-	-	-	-	-	-	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)
3	Bank Overdraft	Long-Term	-	-	-	-	-	-	-	[ICRA]BBB+ (Negative)	-
4	Bank Guarantee	Short-Term	-	-	-	-	-	-	-	[ICRA]A2	-
5	Unallocated Limits	Long-term	-	-	-	-	-	-	-	-	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term and short term -Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long-term and Short-term - Unallocated	-	-	-	100.00	[ICRA]A- (Stable) / [ICRA]A2+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
PT Sari Burger Indonesia	87.75%	Full Consolidation
PT Sari Chicken Indonesia- (Subsidiary of PT Sari Burger Indonesia)	100.0%*	Full Consolidation

Note: 100% ownership held by PT Sari Burger Indonesia*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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