

March 31, 2025

Restaurant Brands Asia Limited: Long-term ratings reaffirmed and assigned for enhanced amount; short-term rating of [ICRA]A2+ assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – term loans	150.00	200.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long-term – fund-based working facilities	-	81.20	[ICRA]A- (Stable); assigned
Long-term – fund-based – interchangeable limits	-	(80.00)	[ICRA]A- (Stable); assigned
Short-term – non-fund based – interchangeable limits	-	(25.00)	[ICRA]A2+; assigned
Long-term/ Short-term – unallocated limits	-	18.80	[ICRA]A- (Stable)/[ICRA]A2+; assigned
Total	150.00	300.00	

*Instrument details are provided in Annexure I

Rationale

The rating action on the bank limits of Restaurant Brand Asia Limited (RBAL) (erstwhile Burger King India Limited) reflects ICRA's expectation of stable growth in the company's revenues and earnings in the near to medium term, supported by its India operations. The company's revenue growth was modest at ~4.2% in 9M FY2025 (on a consolidated basis), owing to subdued performance in its Indonesian subsidiary and inflationary pressures in India, which led to weaker customer demand. The growth was also impacted by closures of stores in Indonesia and moderations in same store sales growth (SSSG) in the last few quarters for its India operations. Nevertheless, planned store additions, an expected revival in demand on the back of announced tax cuts and rate cuts, and enhanced focus on value-segment products are expected to result in healthy revenue growth and improvement in margins in FY2026.

The ratings continue to draw comfort from the improving product portfolio curated to meet the Indian consumer's taste and RBAL's entry into the café business in FY2022, leading to better product offerings. The ratings also continue to draw comfort from its well-experienced management team and healthy capitalisation, supported by regular infusion of funds by the promoter, QSR Asia Pte. Ltd., prior to its initial public offering (IPO), primary infusion of funds during the IPO and Qualified Institutional Placement (QIP) in February 2022. Further, the company has completed a fund-raising of ~Rs. 500 crore through the QIP route in March 2025, which will be largely utilised to fund capex for new store openings and for reducing the short-term working capital borrowings.

The ratings, however, remain constrained by the company's aggressive expansion plans over the medium term and its low return on capital employed (RoCE), along with continued losses at the net level, attributed to sizeable depreciation charge. However, the recent QIP is expected to partly fund the same and alleviate risks in this regard going forward. Further, the performance of the Indonesian subsidiaries was subdued with operating losses in FY2024 and 9M FY2025, attributed to challenges in scaling up the business due to geopolitical headwinds and changing consumer preferences. The continued losses in the Indonesian business has impacted the overall consolidated profile, and a concrete and a fast-track execution plan towards its turnaround remains the key challenge for the entity, as well as a major monitorable.

ICRA also notes that the company has aggressive expansion plans in terms of store additions in India as per compliance with the terms and conditions laid out in the master franchise development agreement (MFDA). ICRA, hence, will continue to monitor the store expansion plan closely for each of its markets, both from a funding as well as a scaling perspective, which

will remain key rating sensitivities. The ratings also consider RBAL's vulnerability of earnings to competitive pressures, given other established brands and local, unorganised players.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that RBAL will continue to benefit from the healthy growth prospects of the Quick Service Restaurant (QSR) industry, expected uptick in consumer spending in the near term, and RBAL's acceptability as a well-recognised burger brand with a wide range of offerings in India, which is expected to support earnings growth and improvement in debt metrics.

Key rating drivers and their description

Credit strengths

Well-recognised brand in QSR segment with multiple product offerings and geographically diversified presence – RBAL operates as the exclusive 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 restaurants. RBAL has a wide product portfolio of burgers, desserts and snacks designed as per the Indian consumer. It enjoys a pan-India presence through a chain of 510 restaurants (as on December 31, 2024). RBAL is also present in Indonesia through its subsidiary, PT Sari Burger Indonesia, which is the exclusive national franchise operator of the Burger King brand in Indonesia, thereby enhancing its geographical presence in Asia. Also, in FY2023, RBAL 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. As on December 31, 2024, there were 147 Burger King and 25 Popeyes stores in Indonesia. Thus, the aggregate store count across India and Indonesia stood at 682, as on December 31, 2024.

Established presence and strong management – RBAL's day-to-day operations are spearheaded by an experienced management team who have spent more than a decade in running similar businesses. The company is professionally managed and led by industry veteran, Mr. Rajeev Varman. It is promoted by QSR Asia Pte Ltd., which owned ~13.16% equity stake in RBAL as of December 2024.

Adequate liquidity profile – The company's net worth in FY2024, at a consolidated level, remained healthy at Rs. 627 crore. Though the net worth has declined due to losses in the business, the continuous infusion of equity from the promoter entity, the IPO in December 2020, and QIP in February 2022, have supported the same. Additionally, the QIP of Rs. 500 crore in March 2025 is expected to significantly strengthen the company's net worth by the end of FY2025 and shore-up its liquidity.

Credit challenges

Losses at net level and low ROCE; ability to ramp-up revenues and improve consolidated earnings remains critical – While the operating profitability improved in FY2024 for RBAL's Indian operations, other key operating metrics such as average daily sales (ADS) were subdued owing to muted consumer demand and inflationary pressures, which limited the scale up of operations. The Indonesian entity incurred losses at the operating level due to its inability to scale up operations. Further, the revenues and profitability in Indonesia remained affected by geopolitical issues and customer preferences for local brands. The ROCE at both standalone and consolidated levels has also been lower due to underabsorption of fixed costs, as stabilisation of the new stores remains a work-in-progress, given the rapid expansion. Going forward, RBAL's ability to quickly ramp-up the scale of operations and improve the consolidated earnings will be critical from the rating perspective and, hence, will remain a key monitorable.

Compliance with terms and conditions of MFDA remains critical for ongoing operations – RBAL holds exclusive rights to develop, establish, operate and franchise Burger King (BK) restaurants in India and Indonesia. As per the terms and conditions of the MFDA, RBAL must open around 60-80 store p.a. over the next few fiscals. The MFDA for the Indonesian Burger King is valid up to December 31, 2040. Apart from this, PT Sari Chicken Indonesia (subsidiary of PT Sari Burger, Indonesia) holds the exclusive rights to develop, establish, own, operate, and grant franchises of POPEYES® Restaurants in Indonesia for a period of 25 years. The company has been meeting the norms in terms of store counts as of CY2024 for its Indian and Indonesian

operations. The ability of the company to remain in compliance with the terms of the MFDA remains critical as the master franchisor has the option to terminate the development rights in case of any non-compliance of the terms and conditions of the MFDA. Accordingly, compliance with all terms and conditions in the MFDA remains critical for its ongoing operations.

Intense competition from organised and unorganised players; operations exposed to inherent industry risk of disease outbreaks – RBAL faces intense competition from unorganised as well as organised QSR players like McDonald's, KFC and Dominos. The company's ability to sustain its growth and improve its profit margin amid the intense competition will remain critical. Also, its sales are exposed to uncontrollable factors like disease outbreaks, such as the Avian Influenza (bird flu), which may impact both supply and consumption of chicken products.

Environmental and social risks

Environmental considerations: Non-compliance with the continuously evolving laws and regulations in the QSR industry related to environment protection would result in disruptions in business operations, increased cost and compliance risks. Currently, the company trains its employees to cultivate a culture of compliance and ethics, which ensures adherence to relevant laws and regulations and reduces environmental impact.

The QSR industry is exposed to environmental risks related to the use of plastics in packaging, electricity and gas for cooking, and other production functions. According to the company's annual report, the company sources 100% antibiotic residue-free chicken from sustainable sources for its products. It has also substantially reduced the use of plastics in delivery services by moving to sustainable and biodegradable products. Also, the company has a buyback policy for plastics used in its packaging, thereby eliminating single use plastic from all its stores. All its food products (excluding aerated/carbonated drinks) are free from the use of synthetic colours and artificial flavours.

Social considerations: Being a labour-intensive segment, shortage of skilled staff and high attrition can impact the operations, food and services of the company, which can damage its reputation and customer base. The company conducts in-house training to enhance the morale and career of its employees. It also motivates and retains employees with recognition and performance-based rewards. The industry is also exposed to significant risk related to health and safety of customers. While these risks have not resulted in any material implication so far, any breaches in food standards at its outlets could have cost implications for the company. The company regularly monitors and provides training to employees in food handling, customer service, and adherence to quality standards and norms issued by regulatory authorities. Periodic food safety and quality assessments at restaurants and vendors help ensure operational consistency.

Liquidity position: Adequate

The company's liquidity position remains adequate with cash and bank balances of Rs. 561.62 crore, at a standalone level, as of March 27, 2025, following the infusion of QIP proceeds. The company has also availed working capital limits of Rs. 80 crore in the current fiscal, which has provided some support to the liquidity. As of February 2025, the company had a buffer of Rs. 8 crore in working capital limits. Given the continued losses in the subsidiary company, the company has been continuously infusing funds in the subsidiary company. The company has carried out a QIP of Rs. 500 crore in March 2025, which has shored up its liquidity profile. The company's aggressive expansion plans for its India operations would be part-funded by Rs. 500 crore equity raised through QIP in March 2025.

Rating sensitivities

Positive factors – Healthy ramp-up in the company's scale of operations along with improvement in profitability levels, coupled with improvement in ROCE, and strengthening the overall credit metrics, at a consolidated level, will be key factors for any rating upgrade.

Negative factors – Any material decline in revenue growth, weakening of profit margins, delay in ramp-up in scale and earnings profile of its Indonesian subsidiary, or significant debt-funded capex, impacting the credit metrics or weakening its liquidity profile on a sustained basis, will be a negative rating trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. As on March 31, 2024, RBAL had a subsidiary and a step-down subsidiary, who are enlisted in Annexure II.

About the company

Restaurant Brands Asia Limited was incorporated on November 11, 2013, as Burger King India Private Limited. Later in December 2020, it was changed to a public limited company and renamed as Burger King India Limited. On February 02, 2022, the company changed its name once more from Burger King India Limited to Restaurant Brands Asia Limited.

At present, it is one of the fastest growing international QSR brands in India to reach 200 restaurants during the first five years of operations. As of December 31, 2024, RBAL had 510 restaurants, including five sub-franchised restaurants, across India. RBAL is the exclusive 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 restaurants. RBAL came out with an IPO in December 2020 and the funds raised from the IPO were utilised to repay the debt in the company's books and for future capex. Additionally, RBAL entered the Indonesia market in FY2022 through the acquisition of PT Sari Burger Indonesia, a national franchise operator of the Burger King brand in Indonesia. The company also entered an exclusive MFDA with PLK APAC Pte. Ltd., a subsidiary of Restaurant Brands International Inc., through its step-down subsidiary, PT Sari Chicken Indonesia, to develop, establish, own, operate, and grant franchises of Popeyes restaurants in Indonesia.

Key financial indicators (audited)

RBAL – Consolidated	FY2023	FY2024
Operating income	2,054.3	2,437.1
PAT	-242.2	-236.7
OPBDIT/OI	5.4%	10.1%
PAT/OI	-11.8%	-9.7%
Total outside liabilities/Tangible net worth (times)	1.9	3.3
Total debt/OPBDIT (times)	10.5	5.8
Interest coverage (times)	1.1	1.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

RBAL - Standalone	FY2023	FY2024
Operating income	1439.7	1760.9
PAT	-71.8	-68.9
OPBDIT/OI	11.5%	13.6%
PAT/OI	-5.0%	-3.9%
Total outside liabilities/Tangible net worth (times)	0.6	0.8
Total debt/OPBDIT (times)	5.7	4.9
Interest coverage (times)	1.8	2.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years							
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 31, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-Term	200.00	[ICRA]A-(Stable)	Apr 15, 2024	[ICRA]A-(Stable)	-	-	-	-	-	-
Fund based working facilities	Long-Term	81.20	[ICRA]A-(Stable)	-	-	-	-	-	-	-	-
Fund based - Interchangeable limits	Long-Term	(80.00)	[ICRA]A-(Stable)	-	-	-	-	-	-	-	-
Non fund based - Interchangeable limits	Short-Term	(25.00)	[ICRA]A2+	-	-	-	-	-	-	-	-
Unallocated Limits	Long-Term/Short-Term	18.80	[ICRA]A-(Stable)/[ICRA]A2+	Apr 15, 2024	[ICRA]A2+; Withdrawn	Jul 26, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Jul 28, 2022	[ICRA]A-(Stable)/[ICRA]A2+	Apr 05, 2021	[ICRA]A-(Stable)/[ICRA]A2+
								Aug 04, 2022	[ICRA]A-(Stable)/[ICRA]A2+	Sep 07, 2021	[ICRA]A-(Stable)/[ICRA]A2+
										Nov 25, 2021	[ICRA]A-(Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Term loans	Simple
Long term - fund based working facilities	Simple
Long Term - fund based - Interchangeable limits	Simple
Short Term - non fund based - Interchangeable limits	Very simple
Long term/ Short Term - Unallocated Limits	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: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long Term – Term loans	FY2024	NA	FY2030	200.00	[ICRA]A- (Stable)
NA	Long term - fund based working facilities	NA	NA	NA	81.20	[ICRA]A- (Stable)
NA	Long Term - fund based - Interchangeable limits	NA	NA	NA	(80.00)	[ICRA]A- (Stable)
NA	Short Term - non fund based - Interchangeable limits	NA	NA	NA	(25.00)	[ICRA]A2+
NA	Long term/ Short Term - Unallocated Limits	NA	NA	NA	18.80	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	RBAL ownership	Consolidation approach
PT Sari Burger Indonesia	88.80%	Full consolidation
PT Sari Chicken Indonesia- (Subsidiary of PT Sari Burger Indonesia)*	88.80%	Full consolidation

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

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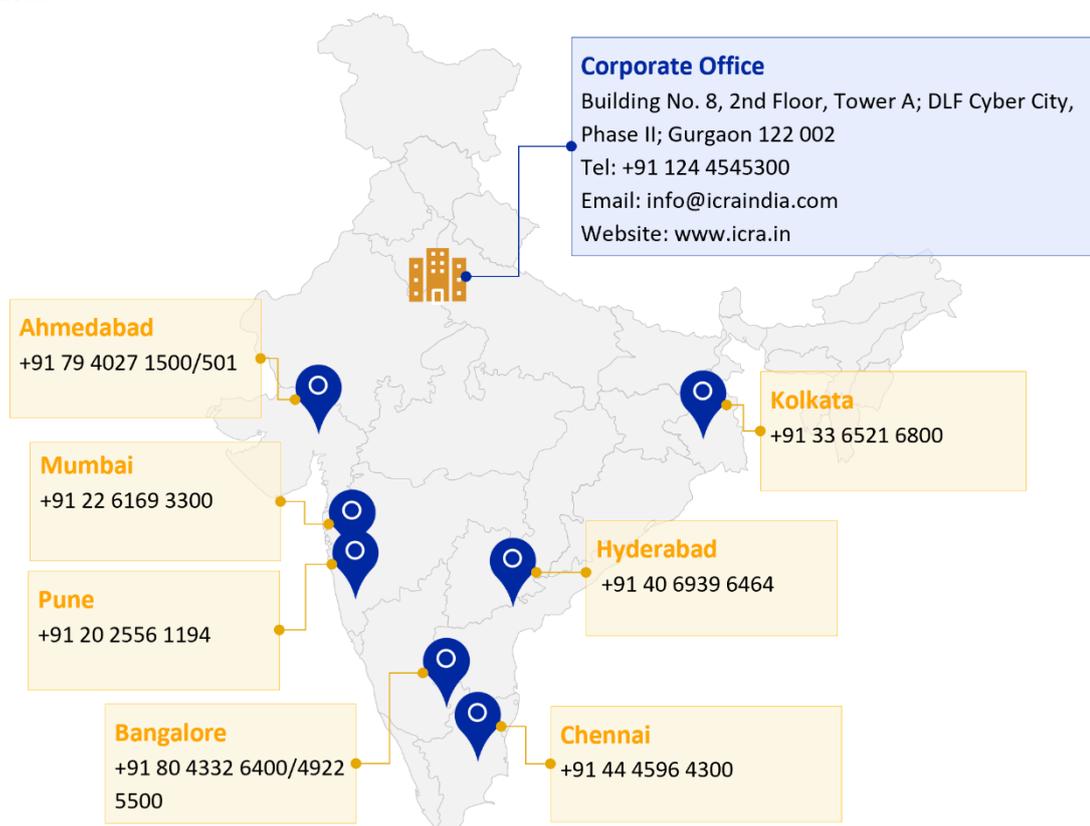
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