

Bumper listing

Burger King India shares recorded the highest listing day gains seen for any initial public offering (IPO) this year.

| IPOs in 2020 | Listing date | Listing gains (in %) |
|------------------------------|--------------|----------------------|
| Burger King India | 14 Dec | 131 |
| Happiest Minds Tech | 17 Sep | 123 |
| Route Mobile | 21 Sep | 86 |
| Rossari Biotech | 23 Jul | 75 |
| Chemcon Speciality Chemicals | 01 Oct | 72 |

Source: BSE, NSE

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Burger King shares make whopper debut

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Burger King India Ltd's shares more than doubled on their trading debut on Monday in the biggest first-day rally in nearly three years.

The stock's 131% gain also puts it among the three biggest gainers on listing day in a decade. The two companies that delivered better returns are Salasar Techno Engineering Ltd, which surged 152% in July 2017; and Astron Paper and Board Mill Ltd, which gained 139% in December that year.

The company's shares opened at a premium of 92% to its issue price of ₹60 on BSE and touched a high of ₹138.40.

The maker of the popular Whopper burgers was the

fourth company this year to more than double on its trading debut, indicating the frenzy that has hit the market for newly listed stocks.

The Burger King India stock beat the first-day performances of Indian Railway Catering and Tourism Corp. Ltd, Happiest Minds Technologies Ltd and Avenue Supermarts Ltd that delivered 128%, 123% and 114% returns, respectively, according to Prime Database data.

So far this year, Chemcon Speciality Chemicals, Happiest Minds and Route Mobile have doubled the shareholder value on their listing day.

Burger King India's stellar debut follows its three-day initial share sale earlier this month, which was subscribed

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157 times. The portion reserved for retail investors was subscribed 69 times while that set aside for qualified institutional investors was subscribed 86 times and that of high net worth investors 357 times.

The fast-food chain, which operates 268 outlets spread across 17 states and Union territories and 57 cities, had fixed the IPO price band at ₹59-60 a share.

The company has an exclusive national master franchise rights in India till December 2039, with an obligation to open at least 700 restaurants by December 2026.

"At its current market price, Burger King is valued at 5.7 times FY20 price/sales and 17.3 times FY20 P/BV (price to book value), which fully captures its strong brand positioning, robust store expansion plans and the bright growth



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prospects of the quick-service restaurant industry in India. However, given its weak financials, the valuation seems a little stretched versus players such as Jubilant Food and Westlife Development," Motilal Oswal said in a note.

On a per store basis, the company's valuation (market capitalization/total stores) stands at ₹8.8 crore, compared with Jubilant FoodWorks ₹26.2 crore and Westlife ₹.8 crore, analysts said.

The company raised ₹450 crore from the ₹810 crore IPO,

which it plans to use to repay debt and to expand its network of outlets.

Existing shareholders private equity firm Everstone and its co-investors garnered ₹360 crore, selling part of their shareholding in the company through the IPO.

Burger King India had reported a revenue of ₹135.20 crore in the six months ended 30 September while for the year ended 31 March it reported revenue of ₹841.20 crore.

Although the company hasn't reported a profit yet, it has been able to record decent gross margin; earnings before interest, taxes and depreciation and amortization, or Ebitda; and a positive operating cash flow prior to covid.

The three worst debutants on the Indian bourses this year were SBI Cards, UTI AMC and Angel Broking. All of them declined more than 10% each on their listing day.