



<b>Company Incorporate:</b>	<b>13 Dec 1991</b>
<b>Reg. Office</b>	<b>New Delhi</b>
<b>Website</b>	<b>www.dil-rjcorp.com</b>
<b>Industry: Quick Service Restaurant</b>	
<b>Offered Shares</b>	<b>20.42 Cr</b>
<b>Offer Size</b>	<b>Rs.1838 Cr</b>
<b>Offer Price</b>	<b>Rs.86 To Rs.90</b>
<b>Retailer Discount</b>	<b>Nil</b>
<b>Issue Open Date</b>	<b>4 Aug 2021</b>
<b>Issue Close Date</b>	<b>6 Aug 2021</b>
<b>Retail Quota</b>	<b>10% (183.80 Cr.)</b>
<b>Face Value</b>	<b>Rs.1</b>
<b>1 Lot Size</b>	<b>165 Equity Shares</b>
<b>1 Lot Value- @ Cap Price</b>	<b>14850 (90*165)</b>
<b>Apply For</b>	<b>1 Lot Per Family Member A/C</b>

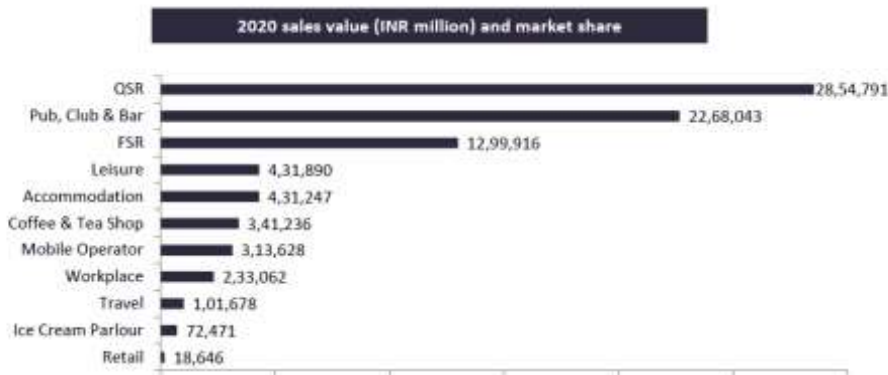
## INDUSTRY OVERVIEW

### ➤ INDIA FOOD SERVICES

The food service profit sector in India is expected to register a robust growth in coming years, on the back of growing delivery ecosystem

Measure	2015	2020	2025	CAGR 2015-2020	CAGR 2020-2025
Value INR (million) (US\$ million)	7,601,363 (118,490)	8,366,607 (117,458)	17,220,267 (219,391)	1.9% (-0.2%)	15.5% (13.3%)
Transactions (million)	96,908	109,125	152,340	2.4%	6.9%
Outlets	3,417,225	3,660,188	4,553,680	1.4%	4.5%

- ❖ The number of outlets is expected to grow at a CAGR of 4.5% in the period between 2020 and 2025. Growth in the quick service restaurant (“QSR”) channel, supported by urbanization and increasing exposure of the youth to these food types, is expected to play a key role in the overall growth of the foodservice industry.



❖ **India Food Services Profit Sector: Value Growth by Channel**

- All channels are expected to grow at robust rates in coming years, owing to the post pandemic economic rebound



❖ **Adapting to Evolving Consumer Preference**

An overview of some of the key players are as follows:

❖ **Yum’s Contactless Ordering**

- KFC, in May 2020, introduced contactless takeaways from its restaurants. Consumers have been able to place an order that is prepaid on the KFC application, mSite, and website and walk in. In June 2020, Pizza Hut adopted contactless dine-ins in its stores. Consumers began accessing menus using QR codes, along with making payments digitally.

❖ **Domino’s Vegan Launch**

- In December 2020, Domino’s introduced ‘The Unthinkable Pizza’, a plant-protein based Pizza. According to the company, the pizza is 100% vegetarian but mimics the sensory properties of chicken. This launch is in line with the company’s attempt to cater to evolving trends across the world. Though veganism is still niche, with just 6% of Indian respondents following this diet, 59% of respondents stated that they find plant-based alternatives for poultry to be very/ somewhat appealing. Moreover, as many as 60% of survey respondents specified that they would be encouraged to follow a plant-based alternatives for ‘health’ factors.

❖ **Barbeque Nation’s Meal-in-box**

- In 2020, adapting to the new normal, Barbeque nation launched “Barbeque in a Box”, by partnering with Swiggy and Zomato to deliver a specially curated meal box at doorstep or takeaway from any outlet

❖ **Chai Point's Vending Machines**

- Chai Point announced the launch of its contactless vending machine business as the need for hygiene and social distancing takes center stage amid the pandemic. Chai Point intends to cover both beverages and packaged snacks through its vending business

❖ **Social's DIY Meal Kits**

- Restaurants are aiming to provide consumers at home an experience that is closer to dining at a restaurant. By offering DIY kits, which contain food ingredients and cooking instructions, restaurants are enabling consumers to recreate their signature dishes at home. These offerings are aimed at attracting consumers who seek a change from eating food from home-delivered plastic/ cardboard packages. Several operators, such as, Rebel Food, Smoke House Deli, ITC Hotels, O Pedro, 1441 Pizzeria, The Sassy Spoon, SOCIAL, Sequel, Le15, Impresario Handmade Restaurants, in India have adopted this strategy.

❖ **Cloud Kitchen**

- With the growing demand of online orders for food, India has been witnessing a rise in kitchens that are designed for processing deliveries only, without any separate dine-in space. Amid the pandemic, when people are refraining from dining in and are increasingly preferring home delivery of food, cloud kitchens' demand has been accelerating.

❖ **Foodservice COVID-19 strategies**

Short-term strategies

- Focus on menu items that are made of ingredients with higher nutritional value and immunity boosting properties. Attracting consumers who have turned more health conscious is the key.
- Enhance take-away and drive-thru capabilities. Consumers are likely to stay reluctant to dine-in over the next few months.
- Reduce the number of tables to ensure social distancing. Long-term strategies
- Explore new dine-in experiences. Masque, a fine-dining restaurant in Mumbai, launched an initiative called 'tailgate experience', wherein consumers can book slots through WhatsApp and the food is served while they remain seated in their cars safely
- Aim at opening dark/cloud kitchens to expand footprint at a lower cost. Many operators including, The Speciality Kitchen, The biriyani House are planning to enter the cloud kitchen model.
- Partnerships with food-delivery providers. Food-delivery providers, such as Swiggy and Zomato, will play an even more important role in the future, as a large share of consumers will continue to prefer the convenience of home deliveries

❖ **INDIA FOOD SERVICES PROFIT SECTOR - QUICK SERVICE RESTAURANTS Growth Dynamics:**

QSR chains have witnessed significant growth in the recent times.

Measure	2015	2020	2025	CAGR 2015-2020	CAGR 2020-2025
Value INR (millions)	2,189,238	2,854,791	5,130,616	5.5%	12.4%
(US\$ millions)	(34,126)	(40,078)	(65,365)	(3.3%)	(10.3%)
Transactions (millions)	49,789	60,018	83,781	3.8%	6.9%
Average transaction INR	43.97	47.57	61.24	1.6%	5.2%
(US\$)	(0.69)	(0.67)	(0.78)	(-0.5%)	(3.2%)

❖ **QSR: Key Players**

- Domino's Pizza Inc., Yum! Brands, Inc., McDonald's Corporation, Doctor's Associates Inc., Restaurant Brands International are the key players in the Indian QSR industry.

## ❖ COFFEE & TEA SHOPS

- Coffee and tea shops may serve a mix of food and drink, but the focus and core offering is the provision of coffee or tea for immediate consumption. They will often have seating available for customers, but may also operate from kiosks or mobile units.

Measure	2015	2020	2025	CAGR 2015-2020	CAGR 2020-2025
Value INR (millions) (US\$ millions)	370,932 (5,782)	341,236 (4,791)	687,442 (8,758)	-1.7% (-3.7%)	15.0% (12.8%)
Transactions (millions)	9,302	8,919	11,863	-0.8%	5.9%
Average transaction INR (US\$)	39.88 (0.62)	38.26 (0.54)	57.95 (0.74)	-0.8% (-2.9%)	8.7% (6.6%)
Outlets	215,908	217,003	232,122	0.1%	1.4%

## ❖ Key Players

- Key players in this segment include Costa Coffee, Chai Point, Barista, Starbucks and Café Coffee Day.

## BUSINESS OVERVIEW

- Company is the largest franchisee of Yum Brands in India and are among the largest operators of chain quick service restaurants (“QSR”) in India on a non-exclusive basis, and operate 655 stores across 155 cities in India, as of March 31, 2021, and 696 stores across 166 cities in India, as of June 30, 2021.
  - Yum! Brands Inc. operates brands such as KFC, Pizza Hut and Taco Bell brands and has presence globally with more than 50,000 restaurants in over 150 countries, as of December 31, 2020
  - Company is also franchisee for the Costa Coffee brand and stores in India.
  - Company’s business is broadly classified into three verticals that includes stores of KFC, Pizza Hut and Costa Coffee operated in India (KFC, Pizza Hut and Costa Coffee referred to as “**Core Brands**”, and such business in India referred to as the “**Core Brands Business**”); stores operated outside India primarily comprising KFC and Pizza Hut stores operated in Nepal and Nigeria (“**International Business**”); and certain other operations in the F&B industry, including stores of Company’s own brands such as Vaango and Food Street (“**Other Business**”).
- The following table sets forth certain key performance indicators for Company’s Core Brands Business in India for the periods indicated

Particulars <sup>(1)</sup>	As of / for the year ended March 31,			As of / for the three months ended	
	2019	2020	2021	December 31, 2020	March 31, 2021
	(₹ million except percentages and number of stores)				
<b>Same Store Sales Growth (“SSSG”)<sup>(2)</sup></b>					
- KFC	4.65%	3.15%	(33.69)%	(13.00)%	19.62%
- Pizza Hut	4.67%	(3.68)%	(30.25)%	(11.01)%	13.40%
- Costa Coffee	2.72%	(4.38)%	(61.64)%	(55.92)%	(24.89)%
<b>Stores<sup>(3)</sup></b>					
- KFC	134	172	264	240	264
- Pizza Hut	268	269	297	273	297
- Costa Coffee	67	63	44	45	44
<b>Total Stores – Core Brands Business</b>	<b>469</b>	<b>504</b>	<b>605</b>	<b>558</b>	<b>605</b>
<b>Revenue from operations</b>					
- KFC	4,641.14	6,091.34	6,442.64	2,210.53	2,540.30
- Pizza Hut	4,232.88	4,174.27	2,879.09	951.19	1,035.90
- Costa Coffee	902.04	819.62	213.95	76.07	85.25
<b>Total Revenue from Operations – Core Brands Business</b>	<b>9,776.06</b>	<b>11,085.23</b>	<b>9,535.69</b>	<b>3,237.79</b>	<b>3,661.46</b>
<b>Gross Margin<sup>(4)</sup></b>					
- KFC	3,064.27	3,949.68	4,360.18	1,483.96	1,768.96
- Pizza Hut	3,131.39	3,125.59	2,134.53	703.64	789.42
- Costa Coffee	693.59	633.95	167.98	58.50	67.75

## Business Strength

### ➤ **Portfolio of highly recognized global brands catering to a range of customer preferences**

- Company operate franchises of several highly recognized global QSR brands and are the largest franchise partner for Yum in India. Company's Core Brands include: (i) KFC, a global chicken restaurant brand with over 25,000 restaurants in over 140 countries, as of December 31, 2020.
- Costa Coffee, a global coffee shop chain with over 3,400 coffee shops in 31 countries. Company is the non-exclusive sole franchisee for KFC and Pizza Hut in Nepal, and for KFC in Nigeria. They are also a franchisee for Costa Coffee in India. In addition, they own and operate stores of certain other brands that include Vaango, Food Street, Masala Twist, Ile Bar, Amreli, and Ckrussh Juice Bar. Company's Core Brands Business as well as its Other Business offers a range of full and limited-service dining experiences not only in terms of cuisine, that includes a variety of offerings such as burgers, pizza, south-Indian food and street food, but also in terms of the format of offerings including dine-in, cafés, take-away, delivery, and drive-thrus. The KFC brand is associated with its vibrant, contemporary store designs, and signature menu items. This has enabled it to grow into an aspirational brand in India with new store and product launches garnering significant attention and interest. Pizza Hut's constant menu innovations and affordable pizza offerings make it a strong competitor in the Indian QSR industry, driving consumption of pizza as a regular meal rather than an occasional/ celebratory meal opportunity.

### ➤ **Multi-dimensional comprehensive QSR player**

Company is a multi-dimensional comprehensive QSR player. Company's close association with Yum together with its technical, marketing and operational expertise has enabled them to establish themselves as a comprehensive player in the QSR industry in India with expertise and control in all areas of operations. The QSR channel has been rapidly growing in popularity in India, owing to factors such as rise in literacy, exposure to media, increase in disposable incomes, easier and greater availability and proliferation of internet.

### ➤ **Presence across key consumption markets with a cluster-based approach**

- Company operated 655 stores across all brands and were present in 26 states and three union territories across 155 cities in India, as of March 31, 2021. They operated 696 stores across all brands and were present in 26 states and three union territories across 166 cities in India, as of June 30, 2021. Company have a strong presence in key metro regions of Delhi NCR (comprising Faridabad, Ghaziabad, Gurgaon, Delhi and Noida), Bengaluru, Kolkata, Mumbai and Hyderabad. As of March 31, 2021 and June 30, 2021, They had 304 stores and 323 stores, respectively, of Company's Core Brands located in these five major metros in India.
- Company's portfolio of brands in its Other Business also helps them scale up their store network. Company consider guest traffic and distance from existing stores under the same brand to minimize sales transfer that may occur from existing stores. Other factors they consider as part of their cluster based approach include retail presence at a particular location and the brand recognition and recall value of Company's Core Brands. In assessing the expansion of Company's store network, they target an optimal mix across different formats, including dine-in, delivery, take-away and drive-thrus. Company's cluster-based approach allows them to optimize and manage Company's supply chain and associated costs. For example, company look to open new stores for KFC and Pizza Hut in close proximity to one another that allows them to reduce capital costs incurred during construction of the stores and logistics costs towards supply of raw materials to both stores. More stores in a particular area allows them to capitalize on economies of scale and results in lower operating costs per store and thereby ensuring higher unit-level profitability. In the cities in India that Company currently operate KFC stores, they are the only franchisee of Yum to operate KFC stores, with the exception of captive markets (i.e. airports, railway stations) within the cities.

### ➤ **Cross brand synergies with operating leverage**

- Company believe that with its multiple brands taking space in specific locations, this allows them to negotiate competitive lease rentals for their stores. Company have an internal review committee comprising members of its senior management that meets frequently to review all new store proposals

including aspects such as store location, population in the proposed location, presence of competition, expected sales, expected brand contribution-store level and payback period.

- With Company's wide portfolio of brands and offerings, they are able to launch and operate smaller brands such as Vaango as they benefit from operating leverages derived from operating a wider brand portfolio. Company believe they are able to negotiate competitive commercial terms for the locations of stores, leverage the supply chain and warehousing network of their Core Brands. Company is also able to obtain competitive rates for raw materials given that they tap a common pool of suppliers and ensure consistency in service and delivery standards that Company have gained from operating stores of it's Core Brands.

#### ➤ **Distinguished Board and experienced senior management team**

- Company's Board comprises individuals from various fields of finance and business with varied and diverse experience. Ravi Kant Jaipuria, one of their Promoters and Non-Executive Director on Company's Board, has over three decades of experience in conceptualizing, executing, developing and expanding food, beverages and dairy business in South Asia and Africa. He also has an established reputation as an entrepreneur and business leader and was awarded with the 'Distinguished Entrepreneurship Award' at the PHD Chamber Annual Awards for Excellence 2018.
- Company's management team is led by their Whole-time Director (President & CEO), Virag Joshi, who has been a key strategist in expansion of Pizza Hut, KFC, Costa Coffee stores from a small base of five restaurants in 2002 to over 600 stores in the last 19 years. Company's management team also comprises Manish Dawar, Whole time Director and Chief Financial Officer, Rajat Luthra, CEO – KFC and Amitabh Negi, CEO – Pizza Hut, who have extensive experience in various sectors including FMCG, F&B and hospitality.

## **BUSINESS STRATEGY**

#### ➤ **Strategically expand store network of company's Core Brands Business**

- Company intend to continue to seek additional franchise opportunities for it's Core Brands Business. In 2021, QSRs are expected to witness a better recovery compared to other channels, owing to their better suitability for takeaways. Investments of operators in expansion and technology will also drive the growth. Company intend to increase it's store network by implementing their defined new-store roll out process and Company's cluster approach and penetration strategy with respect to store location, while aiming to achieve an optimal mix across different types of restaurant formats in order to drive footfalls and compete effectively.

#### ➤ **KFC and Pizza Hut**

- Company's focus will continue to remain on increasing sales across the KFC and Pizza Hut brands by opening additional stores. There are significant opportunities to expand within India, and they intend to focus Company's efforts on increasing it's geographic footprint in both existing and new cities to capitalize on the growing market opportunity in India for QSR restaurants. In Fiscals 2019, 2020 and 2021, Company opened 60, 46 and 107 new stores of KFC and Pizza Hut. In addition, they acquired 13, 9, and 51 KFC stores from Yum across five states in India in Fiscals 2019, 2020 and 2021, respectively. Under the terms of arrangements entered into between Company and Yum, Company' is required to open certain additional number of KFC and Pizza Hut stores in India in the coming years. Company's focus for Pizza Hut will be to move toward smaller store formats with a focus on delivery.
- Subject to entering into a definitive agreement with Costa International Limited, company intend to develop stores across multi business formats and explore new store formats including different store designs or service models aimed at addressing the needs of different customers and less capital-intensive models. Company also intend to expand their stores in a manner that will ensure a better payback. These include developing smaller stores that are delivery and take-away focused.

#### ➤ **Continue to improve unit-level performance**

Company's endeavour will be to manage unit economics and achieve economies of scale. They believe that with further cost efficiencies Company will be able to expand it's store level profitability and Brand Contribution Margins. The growth of their stores will allow them to apportion fixed overheads costs such as brand building and administrative expenses across Company's store network which will improve it's

Brand Contribution Margins. In parallel, Company have been able to rationalize certain stores that were loss-making to improve it's overall store level profitability. Store rationalization will also help improve their margins going forward. Company's large store network coupled with it's supply chain infrastructure will allow them to improve Company's gross margins. Higher number of stores in a particular area will reduce the costs associated with transporting raw materials to their stores, there by improving store level unit contribution. Company believe these advantages will improve it's operational performance.

➤ **Focus on delivery channel for Core Brands**

- To facilitate Company's strategy, they intend to open additional stores for Pizza Hut and KFC that will be primarily focused on delivery. Company focus going forward will be to have limited dine-in capacity at it's delivery focused stores.
- Company intend to work with third-party delivery aggregators to increase the number of dedicated riders for KFC and Pizza Hut to allow for greater control over delivery quality and improve Company's ability to make timely deliveries. They also have the non-exclusive right to open and operate delivery-focused Pizza Hut stores in all of India (excluding Tamil Nadu), and they believe that this will enable them to grow their delivery business further.

➤ **Invest in technology and focus on company's digital capabilities**

Company plan to increase it's investment in end-to-end digitalization, automation, artificial intelligence and machine learning, to connect online traffic with it's offline assets effectively. For instance, company intend to work with Yum to introduce chat bots as part of the website and mobile application to enhance customer service. To improve company's operational efficiency, they will focus on connecting front-end, guest facing systems to back-end systems such as operations and supply chain. They are working with Yum to improve technology platform and further integrate Company's systems with Yum's platform to ensure greater operational efficiency.

- In addition to company's Core Brands Business and International Business, they operate stores of other brands such as Vaango, The Food Street, Ile Bar, AMRELI, Ckrussh Juice Bar, among others. They typically operate these in the form of outlets within larger food courts in malls and airports.

• **Vaango**

Company launched their own brand 'Vaango', a south Indian QSR chain in 2011. Our first Vaango outlet in India opened in 2011, at Noida. As of March 31, 2021, Company operated 26 Vaango outlets located in eight states and one union territory, across 15 cities in India.

Company's Vaango outlets are generally located in food courts in malls and shopping complexes. They believe that this enables them to compete effectively with other regional outlets in the QSR segment.

Company's Vaango stores have an extensive menu featuring staple South Indian snacks such as dosas, idlis and vadas.

➤ **Other**

Company also operate food courts, restaurants and bars for brands such as 'The Food Street', 'Ckrussh', 'Ile Bar', among others. Company operate these outlets across food courts at airports, malls, highways, and hospitals



## RISK FACTORS

### ➤ **The current and continuing impact of the ongoing COVID-19 pandemic on company's business and operations has been significant.**

The impact of the pandemic on company's business, operations and future financial performance have included and may continue to include the following:

- Temporary as well as permanent store closures and reduced store-level operations, including reduced operating hours and dining-room closures as mandated by regional regulatory bodies. For instance, company permanently closed 61 stores under its Core Brands Business in Fiscal 2021 due to significant decline in footfalls on account of COVID-19, including stores in certain airports such as Srinagar, Raipur and Trichy. As a result, concession agreements with the Airport Authority of India were terminated for stores at the three airports. In addition, the agreement with the Airport Authority of India in respect of operation of the stores at the Lucknow airport was terminated due to a change in the airport operator.
- Significant decline in in-store dining due to lockdowns and other restrictive government measures imposed by the central and state governments from time to time. As a result, revenue generated from in-store dining amounted to ₹5,415.93 million and represented 48.85% of company's revenue from operations of its Core Brands Business in Fiscal 2020, and declined to ₹2,842.00 million, representing 29.80% of its revenue from operations of company's Core Brands Business in Fiscal 2021. Revenue from operations also declined by 25.16% from ₹15,163.86 million in Fiscal 2020 to ₹11,348.38 million in Fiscal 2021. In particular, revenue from operations from company's Core Brands Business decreased by 13.98% from ₹ 11,085.23 million in Fiscal 2020 to ₹ 9,535.69 million in Fiscal 2021, revenue from operations from its International Business also decreased by 22.63% from ₹ 1,491.06 million in Fiscal 2020 to ₹ 1,153.58 million in Fiscal 2021, and revenue from operations from company's Other Business significantly decreased by 76.39% from ₹ 2,535.42 million in Fiscal 2020 to ₹ 598.73 million in Fiscal 2021. Company's footfalls and sales were also adversely impacted by the onset of the second wave of the pandemic in India during the first quarter of Fiscal 2022, resulting in temporary closure of a number of stores for several days as well as reduced footfalls and sales in company's stores as a result of the lockdowns and other pandemic related restrictions imposed by various regulatory authorities. As a result, its results of operations, including revenues from operations, in the first quarter of Fiscal 2022 was adversely impacted. A significant decline or fluctuation in the footfalls at company's stores may also affect its ability to manage inventory of products, resulting in significant write-offs of company's inventory, majority of which comprise perishable ingredients for immediate consumption. In the event that the pandemic related restrictions similarly continue to adversely impact its footfalls and sales or continued operation of their stores in the future, company's results of operations and financial condition may be further adversely impacted.
- Restrictive government measures including the standard operating procedures issued by the Government of India that limit utilization of restaurant capacity to 50%, prohibit large gatherings and direct handover of food items from delivery personnel to end-customers, among others. Further, stores located in containment zones, as demarcated by the Government of India from time to time, may have further restrictions imposed on their operations.
- Closure of company's offices, temporary decline in availability of workforce due to employees contracting the virus, and restrictions on certain of its employees from commuting to their places of work.
- Adverse impacts to company's sales, profitability and growth rates – particularly as operating expenses do not decrease at the same pace as revenue declines. Many of their expenses are less variable in nature and may not correlate to changes in revenues, such as lease expenses, depreciation, employee benefit expenses and other costs associated with operating and maintaining company's stores. Rental expenses and leave and license fees account for a significant portion of their cash outflows, as a result, company entered into renegotiations under various rental arrangements with mall developers, landlords and lessors during the onset of the COVID-19 pandemic in India. While they have re-negotiated certain of company's rental arrangements including by receiving certain waivers, there can be no assurance that they would agree to any complete or partial waiver or reduction of rent expenses for the remaining term of the relevant lease. There can also be no assurance that company will be able to obtain such waivers or successfully further renegotiate these arrangements in the future.



➤ **Company rely on it's arrangements with Yum for their KFC and Pizza Hut stores that comprise a significant majority of company's business**

Revenue from operations from company's KFC and Pizza Hut stores together amounted to ₹9,971.15 million, ₹11,750.36 million, and ₹0,472.26 million, and represented 76.08%, 77.49% and 92.28% of it's total revenue from operations, in Fiscals 2019, 2020 and 2021

➤ **Company rely on the Costa IDA with Costa for it's Costa Coffee stores**

- Pursuant to company's Costa IDA, they had been granted exclusive development rights in India that were contingent upon company's ability to meet certain development commitments set out therein. Owing to their inability to meet such development commitments and remedy company's breach within cure periods that were granted to them, company's exclusive development rights were subsequently terminated. As a result, while they have the right to operate their existing Costa Coffee stores for terms specified in the operational agreements with respect to such stores, company is refrained from opening any new stores in India unless they receive Costa's prior consent to do so, thereby limiting company's ability to grow it's Costa business.
- Additionally, Costa also has the right to unilaterally terminate the Costa IDA in the event company fail to pay sums due to Costa within timelines specified therein, have more than two operational agreements terminated by Costa, challenge the validity of trade mark owned by Costa or fail to comply with obligations under the Costa IDA or applicable laws. Costa may also terminate company's rights with respect to all Costa Coffee stores and the Costa IDA if circumstances arise which represent risk of causing material damage and goodwill of the trade name and Costa network at company's Costa Coffee stores, if company endanger health or safety of any customer, or if they fail to keep a store open for trading for two consecutive days (unless due to refurbishment or repair or due to a flood or fire). Company are also subject to certain indemnification obligations towards Costa

➤ **Company are exposed to all of the risks associated with leasing real estate, and any adverse developments could materially affect Company's business, results of operations and financial condition.**

- As a majority of company's stores operate on leased properties, they are exposed to the market conditions of the retail rental market. Company generally enter into lease agreements with initial terms of 5 to 20 years. Most of their lease agreements contain an early termination clause that permits them to terminate the lease agreement early for the reasons specified therein. While they have renewal options for certain of company's leases, they typically need to renegotiate the terms of renewal with the lessor, who may insist on a significant modification to the terms and conditions of the lease agreement.
- The rent under the majority of company's current store lease agreements is generally payable in one of three ways: (i) fixed rent; (ii) the higher of a fixed base rent or a percentage of the store's monthly sales revenue; or (iii) a percentage of the store's monthly sales revenue. In addition to increases in rent resulting from fluctuations in annual sales revenue, certain of company's lease agreements include provisions specifying fixed increases in rental payments over the respective terms of the lease agreements. While these provisions have been negotiated and are specified in the lease agreement, they will increase their costs of operation and therefore may materially and adversely affect company's results of operation if company is not able to pass on the increased costs to it's customers.

## OBJECTS OF THE OFFER

The Offer comprises a Fresh Issue by Company and Offer for Sale by the Selling Shareholders

The Net Proceeds are proposed to be utilised in accordance with the details provided in the following table:

Particulars	Amount (₹ in million)
Repayment/prepayment of all or certain of our borrowings	3,240.00

## MANAGEMENT

### ➤ Brief Biographies of Directors

- **Ravi Kant Jaipuria** is a Non-Executive Director and Chairman of the Board of Company. He is a promoter of Company and has over three decades of experience in conceptualizing, executing, developing and expanding food, beverages and dairy business in South Asia and Africa
- **Varun Jaipuria** is a Non-Executive Director of Company. He attended Millfield School, Somerset, England and attended a degree course in international business from the Regent's University, London. He has 12 years of experience in the soft drinks industry and has also completed a program for leadership development at the Harvard Business School. He has been a Director on Board since November 13, 2009
- **Virag Joshi** is the Whole-time Director (President & CEO) of Company. He holds a diploma course in hotel management and catering from the State Institute of Hotel Management and Catering, Lucknow, Uttar Pradesh. He has been a key strategist in expansion of Pizza Hut, KFC, Costa Coffee outlets from a small base of five restaurants in 2002 to 600 plus outlets in last 19 years. He has been earlier associated with Indian Hotels Company Limited, Domino's Pizza India Limited, Milkfood Limited, and Priya Village Roadshow Limited. He has been a Director on Board since November 10, 2004.
- **Manish Dawar** is the Whole-time Director and Chief Financial Officer of the Company. He holds a bachelor's degree in commerce with honors from the Panjab University, Chandigarh and is a Chartered Accountant and a member of the Institute of Company Secretaries of India. He has wide experience in various industry domains and across various geographies in the world. He has worked in various corporate setups including Reebok India, Reckitt Benckiser, Vedanta, DEN Networks Limited, and Vodafone India Limited. He has been a Director on Board since February 17, 2021.

## FINANCIALS

Particulars	2019	2020	2021
<b>Income (Cr)</b>	1323	1535	1198
<b>EBITDA (Cr)</b>	267.31	270.3	242.98
<b>EBITDA (%)</b>	20.20	17.61	20.28
<b>Net Profit (Cr)</b>	-94.14	-121.41	-62.98
<b>EPS (Rs)</b>	-0.78	-1.01	-0.52
<b>Book Value (Rs)</b>	-1.01	-1.90	4.26

## ❖ Peer Group Comparison :

Financials 2021 M	DEVYANI @ 90	JUBILANT FOOD @3783	BURGER KING @ 184	WESTLIFE @ 541
<b>Sales (Cr.)</b>	1198	3312	494	986.00
<b>EBITDA (Cr.)</b>	242.98	771	15	47
<b>EBITDA (%)</b>	20.28	23.28	3.04	4.77
<b>Net Profit (Cr.)</b>	-62.98	306	-174	-99
<b>Cash EPS(Rs)</b>	2.02	58.45	0.39	3.02
<b>EPS (Rs.)</b>	-0.52	23.20	-4.54	-6.35
<b>Book Value</b>	4.26*	108.19	17.55	30.87
<b>Cash P/E Ratio</b>	44.54	64.72	470.43	179.34
<b>PE Ratio</b>	-171.83	163.06	-40.55	-85.14
<b>MP/BV</b>	21.14*	34.97	10.48	17.52
<b>Debt/Equity Ratio</b>	0.1*	1.13	0.88	2.01
<b>Market Cap (Cr)</b>	10821	49897	7056	8428

\*Post Issue

### Future Price Projections:

**FY 21 Mar CEPS** Rs 2.02\*50/60 CPE = Rs 101/121

**FY 22 Mar Estimated CEPS (GR 35 %)** Rs 2.72\* 50/60 CPE = Rs 136/163

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