IPO Note

Devyani International Limited

JM FINANCIAL

Issue Details

Issue Size	Rs. 1,776 Crore – Rs. 1,838 Crore	**Price Band:**	Rs.86 – Rs.90
IPO Date:	04^{th} Aug 2021 to 06^{th} Aug 2021	**Offer Ratio:**	QIB:75%, HNI:15%, Retail: 10%
Bid Lot:	165 Equity Shares and in multiples thereof		

Company Profile

Devyani International Limited is the largest franchisee of Yum Brands in India and are among the largest operators of chain quick services restaurants ("QSR") in India (Source: Global Data Report), on a non-exclusive basis and operate 655 stores across 155 cities in India, as of March 31, 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. The 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 their own brands such as Vaango and Food Street ("Other Business").

In the company's core brand business, they had an extensive presence in 26 states and three union territories in India as of March 31, 2021. The company has been consistently expanding their store network over the years. Stores in the company's Core Brands Business grew at a CAGR of 13.58% from 469 stores as of March 31, 2019 to 605 stores as of March 31, 2021. The company is among the single largest QSR companies in India that is listed on the Swiggy platform, and are among the largest QSR companies in India listed on the Zomato platform in the calendar years 2019 and 2020. The company began their relationship with Yum in 1997, when they commenced operations of their first Pizza Hut store in Jaipur. Revenue from the company's core brands business, together with their International Business, represented 83.01%, 82.94% and 94.19% of their revenue from operations in Fiscals 2019, 2020 and 2021, respectively.

Following the onset of COVID-19, the company has increased their focus on safety by introduction of contactless delivery and takeaway, ensuring greater cleanliness of their stores, additional safety measures such as frequent sanitization and temperature checks. The company has subsequently continued to expand their operations with both KFC and Pizza Hut franchises, and as of March 31, 2021, operated 264 KFC stores and 297 Pizza Hut stores across India. Despite the ongoing COVID-19 pandemic, the company has continued to expand their store network and in the six months ended March 31, 2021, they opened 109 stores in their Core Brands Business.

Competitive Strengths

- Portfolio of highly recognized global brands catering to a range of customer preferences
- Multi-dimensional comprehensive QSR player
- Presence across key consumption markets with a cluster-based approach
- Cross brand synergies with operating leverage
- Disciplined financial approach with focus on cash flows and returns
- Distinguished Board and experienced senior management team

Object of the Offer

(₹ In Millions)

Particulars	Amount
Repayment/prepayment of all or certain of the company's borrowings	3,240.00
General corporate purposes [(1)]	[•]
Total	[•]

(1) To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the ROC. The amount utilised for general corporate purposes shall not exceed 25% of the Net Proceeds.

Financials (Restated Consolidated)

(₹ In Millions)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019
Equity Share Capital	1,153.63	1,061.67	1,061.67
Reserves	(15.90)	(2,952.68)	(1,764.05)
Net Worth	1,137.73	(1,891.01)	(702.38)
Total Borrowings	4,633.27	5,440.93	4,882.15
Revenue from Operations	11,348.38	15,163.86	13,105.98
EBITDA	2,269.28	2,554.84	2,789.62
Loss Before Tax	(823.92)	(769.11)	(579.88)
Loss for the year	(629.87)	(1,214.18)	(941.44)

Comparison with peers

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Devyani International Limited*	1	(0.50)	(48.52)	1.03	-
Listed Peers					
Jubliant FoodWorks Limited	10	17.55	16.16	108.12	179.21
Westlife Development Limited	2	(6.38)	(20.66)	30.89	NA^
Burger King India Limited	10	(5.47)	(25.82)	17.59	NA^

Source: Financial information for aforementioned listed peers are sourced from the consolidated financial statements for the fiscal year ended March 31, 2021 submitted to stock exchanges by such companies.
** Financial information for Devyani International Limited is derived from the Restated Consolidated Financial Statements for fiscal year 2021*
^ Not applicable since EPS is negative

Notes for listed peers:
(1) Basic EPS and Diluted EPS refer to the Basic EPS and Diluted EPS sourced from the financial statements of the respective company
(2) P/E Ratio has been computed based on the closing market price of the equity shares on NSE on July 16, 2021, divided by Diluted EPS
(3) Return on Net worth (RONW) is computed as profit after tax for the year attributable to equity holders of the Company divided by closing net worth attributable to equity holders of the Company. Net worth has been computed as sum of equity share capital, other equity (excluding non-controlling interests), as applicable
(4) Net asset value per share (NAV) is computed as the closing net worth divided by the equity shares outstanding as on March 31 of the respective year

Key Risk Factors

- The current and continuing impact of the ongoing COVID-19 pandemic on the company's business and operations has been significant. The impact of the pandemic on the company's operations in the future, including its effect on the ability or desire of customers to dine in stores, is uncertain and may be significant and continue to have an adverse effect on their business prospects, strategies, business, operations, their future financial performance and the price of their Equity Shares.
- The company relies on the Costa IDA with Costa for their Costa Coffee stores and a termination of or material modification to the existing terms of the Costa IDA will materially and adversely affect their ability to continue their Costa business and operations and their future financial performance.
- The company has incurred losses in Fiscals 2019, 2020 and 2021, resulting in erosion of their net worth. In the event net loss continues to increase, it may adversely affect their business and financial condition.
- The company's Statutory Auditors have included certain adverse remarks/ qualifications/ matters of emphasis in the company's Audited Consolidated Financial Statements.
- There are outstanding litigation proceedings against the Company, Subsidiaries, Directors, and Promoters. An adverse outcome in such proceedings may have an adverse impact on their reputation, business, financial condition, results of operations and cash flows.

- Certain of the company's Group Companies and Subsidiaries have incurred losses in the past, which may have an adverse effect on their reputation and business.
- The company relies on third-party logistics providers for transportation, supply and delivery of most of their ingredients, packaging materials as well as other necessary supplies and if they fail to deliver, there may be disruptions or delays in their services, which could have an adverse effect on their business, results of operations and financial condition.
- Increasing cost of raw materials and other costs could adversely affect the company's profitability.
- The company has certain contingent liabilities that have not been provided for in their financial statements, which if they materialize, may adversely affect their financial condition.
- The company is dependent on a number of key personnel, and the loss of or their inability to attract or retain such persons could adversely affect their business, results of operations and financial condition.
- There have been delays and defaults in payment of statutory dues of the company.
- Some of the company's Promoters as well as some Directors on the board and their relatives hold Equity Shares and are therefore interested in the company's performance in addition to their remuneration and reimbursement of expenses.
- The company had negative cash flows in the past and may have negative cash flows in future. Negative cash flows could adversely affect their cash flow requirements, their ability to operate business and implement their growth plans, thereby affecting its financial performance.
- The company has issued Equity Shares at prices that may be lower than the Offer Price in the last 12 months.
- The company has entered into, and may continue to enter into, related party transactions which may not always enable them to achieve the most favourable terms.
- The company will not receive the entire proceeds from the Offer. The company's Corporate Promoter, RJ Corp and their Shareholder, Dunearn are selling Equity Shares in the Offer and will receive proceeds as part of the Offer for Sale.
- The company faces foreign exchange risks that could adversely affect their results of operations and cash flows.
- The company is subject to a number of market, business, financial, legal and regulatory risks and uncertainties with respect to their international operations that could have a material impact on its business, financial condition or results of operations.

(Please read carefully the Risk Factors given in detail in section II (page 27 onwards) in RHP)

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Registration details:

JM Financial Services Ltd.
Stock Broker – Registration No. - INZ000195834
Corporate Identity Number: U67120MH1998PLC115415
Registered office Address: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.
Tel: (91 22) 6630 3030 |Fax: (91 22) 6630 3223
Corporate office Address: 5th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.
Tel: (91 22) 6704 3000/3024 3000 |Fax: (91 22) 6704 3139.