kamats®
Original Family Restaurant
Mumbaiwala Taste !

VIDLI RESTAURANTS LIMITED
(Formerly known as Vidli Restaurants Private Limited)
(Also formerly known as Vithal Kamats Restaurants Private Limited)
CIN No. L55101MH2007PLC173446

Date: 11th May, 2017

To,
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001.

Scrip Code: 539659
Scrip ID: VIDLI

Dear Sir/Madam,

Sub: **Disclosure pursuant to Regulation 30 read with Para A, Part A of Schedule – III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

This is to inform you that the Company has received an Independent Equity Research report on the Company from Value Ideas Investment Services Private Limited, SME Value Advisors. A copy of the said report is enclosed herewith.

Kindly take the same in your records.

Thanking You
For Vidli Restaurants Limited

Payal Barai
Company Secretary
Membership No: 42353
Encl: a/a

VIDLI RESTAURANTS LIMITED MUMBAI

SME Value Advisors
Business Solutions. Unleashed.

Value Ideas Investment Services Pvt. Ltd.

May 10, 2017

Ms. Payal Barai

The Company Secretary

Vidli Restaurant Ltd.

Mumbai

Dear Madam,

Sub: "Independent Equity Research" Report on Vidli Restaurants Ltd.

Greetings from SME Value Advisors….

It gives us immense pleasure to submit to you final "Independent Equity Research" report on Vidli Restaurants Limited. Hope, you find the work our team useful and value creating for your organization. You may like to place this report on your website under "Investors" section for consumption by investing community…. We would circulate this report to funds – PE and VC funds, MFs and PMS registered with SEBI, once you put this report on your website.

We would also like to place on record our heartfelt thanks for sparing so much of your valuable time to us for various conversations, while working on this project.

Sincere thanks for offering us this wonderful opportunity to work with you & your esteemed organization.

We look forward to further adding value to your organization….

M. K. Bansal.

Manish Bansal
Chief Executive Officer
Value Ideas Investment Services Pvt. Ltd.

Bajaj Bhavan, 111, 11th Floor Nariman Point Mumbai - 400 021, INDIA
www.SMEValueAdvisors.com

VIDLI RESTAURANTS LTD

INDIA'S FIRST & ONLY LISTED PURE VEG RESTAURANT CHAIN

INDEPENDENT EQUITY RESEARCH

Research and Analytics Division, Value Ideas Investment Services Pvt. Ltd., Mumbai

March 2017

VIDLI RESTAURANTS LTD

Industry: **Restaurants**	BSE: **539659**

CMP	INR 100
(BSE 29th Mar 17)	
Market Cap:	INR 434 Mn

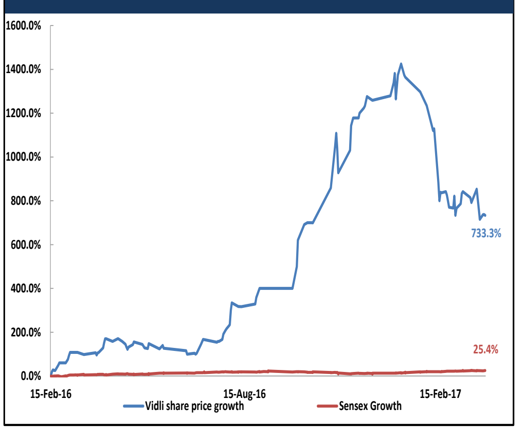
STOCK INFORMATION

Face value	10
52 week high/low	23.5/187
Free Float M cap	INR 187 Mn
Average Volume (1 month BSE average)	11,500

Ownership Distribution

Promoters	**58%**
Institutions	**0%**
Non Institutions	**42%**

STOCK PERFORMANCE



HIGHLIGHTS

Vidli Restaurant Limited (VRL) is engaged in the hospitality business and runs chains of restaurants either through own operated outlets or through franchise operated outlets. At presents, company operating 50 outlets (2 own, 4 employee managed and 44 franchise outlets) across geographies in quick service format (QSR) under the brand name "KAMATS" and "VITHAL KAMATS".

Uniquely positioned niche player with strong brand image

VRL has carved out a niche for itself by focusing on state and national highways with unique offering. "KAMATS" is very well known brand especially in Maharashtra region. We like the long term potential in the Food service industry and expect VRL to capitalize on the same given its uniquely positioning, compelling niche and well know brand with consistent expansion in domestic market.

Immense Operating Leverage 'In Store'

Company earns royalty and joining fee income from Franchisee operated outlets. Both these income streams provide very high operating leverage as after a point, increase in topline will largely flow to the bottom line. We expect revenue CAGR of 42% and Net Profit CAGR of 84% in next 3 years i.e. from 2018-20.

Key Risk:

VRL is using "VITHAL KAMATS" and "KAMATS" brands; which are owned by related parties Dr. Vithal kamat (Father-in-law of MD) and Kamat Holiday Resort Silvassa Limited (Group Company) respectively. It is giving royalty for using these brands. Also being in the foods space, any significant hygiene/ health incident could have an adverse impact on the growth prospects.

BUSINESS DESCRIPTION

Vidli Restaurant Limited (VRL), a Mumbai based Company, is a part of Kamat Group. Company was established in 2007 and started its business operations from November 2013 for undertaking activities in hospitality vertical.

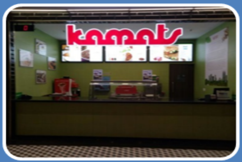
Company operates chain of restaurants serving hygienic standardized food items in a quick serve format at various outlets on national highways, state highways and cities. Currently, Company has more than 50 operating restaurants in western India having presences on major highways. Hygiene, quality and customer satisfaction are core concepts exercised by VRL at all outlets which distinguishes it from local restaurants. From 2013, VRL has started expanding its restaurant chain and concentrated on standardizing its products and services through centralized purchasing and training system.

Company largely targets affordable segment of the market through three categories in as family dining, Food Mall outlets and VIDLI Vada by Kamat's (Kiosk).

- **Family Dinning** are the large dining outlets with capacity for 80-100 persons. Currently 40 out of 50 running outlets are family dining outlets.
- **Food Mall outlets** are smaller outlets on busy streets with limited space and limited menu. Currently company is operating 10 Food Mall outlet outlets in Gujarat and Maharashtra and has aggressive expansion plans for the same.
- **VIDLI Vada by Kamats (Kiosk)** is latest format launched by the company specifically designed for space constraint to serve variety of piping hot Idli's and Vada's in each and every corner of heavy footfall zones in tier 1 and Tier 2 cities in a super Hygienic Kiosk at a very affordable price. VIDLI Vada by Kamats (Kiosk) offers large opportunities to company in near future.

Family Dinning

- This type of outlet is built on 1500 sq. ft. or more area space with seating space of 80 to 100 persons. Currently, Company has over 38 family dinning outlets in Maharashtra, Gujarat and north region of India.



Food Mall Outlets

- This form of outlet is favorable for high traffic moving streets of a city. It needs less than 500 sq. ft of area to set-up with standard and limited items on its menu. Company have 6 Food Mall outlets in Maharashtra, 3 in Gujarat and 1 in Delhi .

VIDLI Vada by Kamats (Kiosk)

- Latest launched specifically designed for space constraint to serve variety of food in at heavy footfall zones in tier 1 and Tier 2 cities in a super Hygienic Kiosk at a very affordable price. Size of the Kiosk will Range from 64 Sq. ft. to 100 Sq. ft.

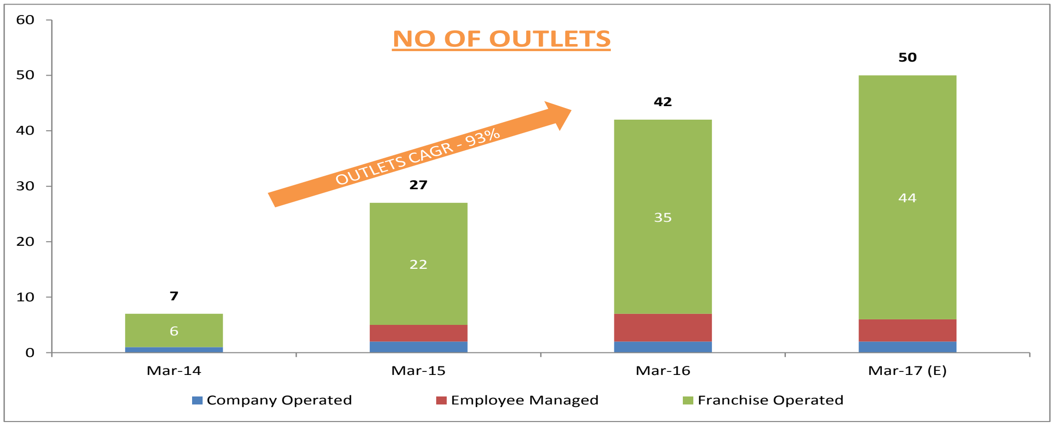
Company's focus on outlet expansion has led to strong increase in number of outlet from 7 in 2014 to 50 in 2017 (CAGR - 93%). Because of that its Revenue/EBITDA/PAT has grown at CAGR of 124/49/125% respectively with average net profit margin of 9%.

Key Financials

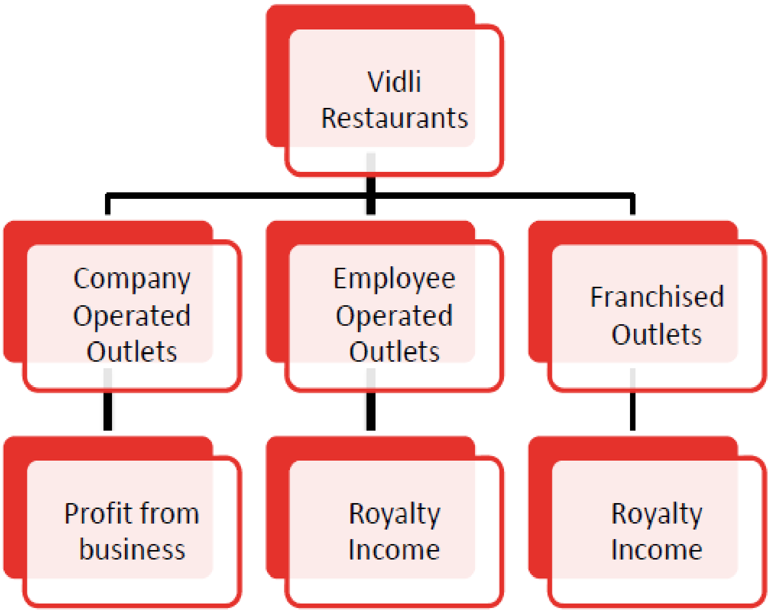
(In INR mln)	Mar-14	Mar-15	Mar-16	Mar-17 (E)	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
Revenue	4.6	24.5	38.6	52.1	64.9	98.5	149.1
YoY Growth (%)		431.3%	57.8%	34.9%	24.7%	51.7%	51.4%
No of Outlets	7	27	42	50	85	127	177
YoY Growth (%)		285.7%	55.6%	19.0%	70.0%	49.4%	39.4%
Franchisee Operated	6	22	35	44	77	117	163
As % of total	86%	81%	83%	88%	91%	92%	92%
EBITDA	0.5	0.4	1.2	1.6	10.6	21.8	37.1
Margins (%)	10.6%	1.6%	3.1%	3.1%	16.4%	22.2%	24.9%
YoY Growth (%)		-17.8%	196.8%	35.5%	560.5%	105.2%	70.0%
Net Income	0.4	1.1	4.4	5.0	12.1	20.5	31.6
Margins (%)	9.6%	4.5%	11.4%	9.7%	18.7%	20.8%	21.2%
YoY Growth (%)		148.3%	303.2%	14.1%	140.7%	68.7%	54.3%
ROCE	70.9%	0.7%	2.0%	2.3%	15.8%	25.2%	31.1%
ROE	93.2%	3.5%	9.9%	10.1%	19.6%	24.8%	27.7%

Source: *Value Ideas Investment Services Pvt. Ltd research;* ***Estimates are provided by company***

VRL has developed large network of outlets with in a very short span of time particularly franchisee operated outlets. At present 48 out of 50 outlets are franchisee operated.

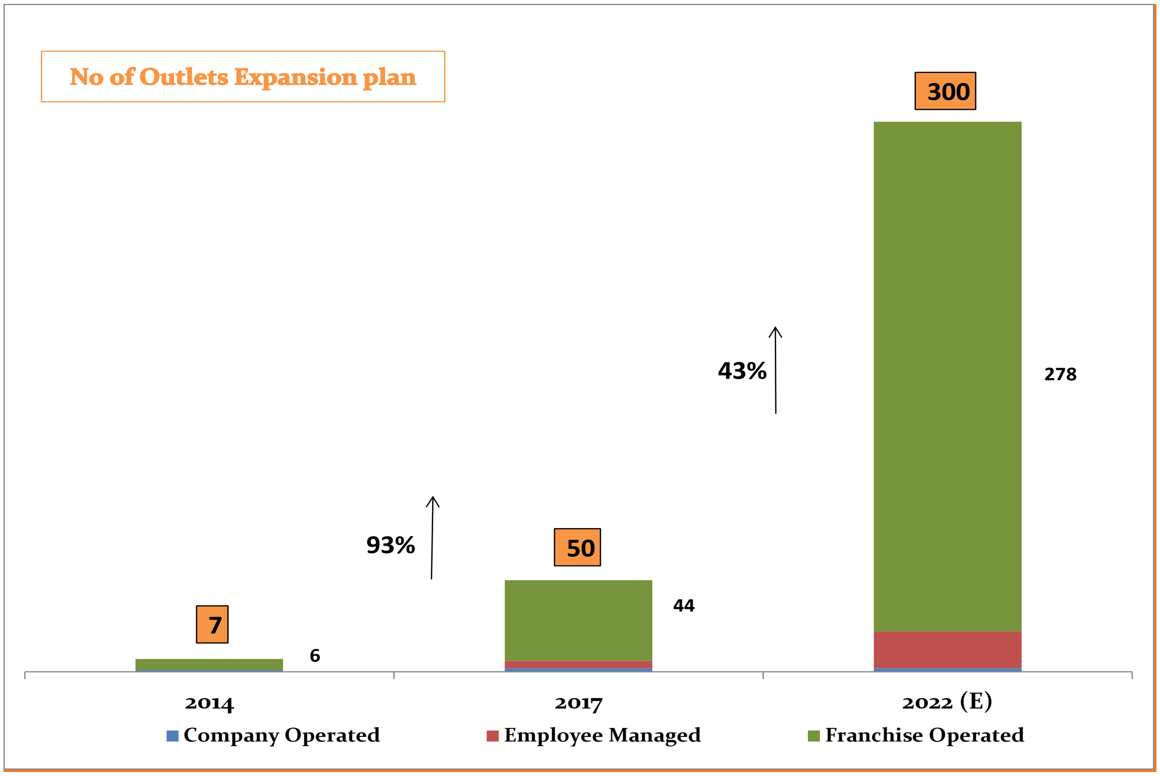


Franchisee Joining fees and Franchisee Royalty Income (consist 50% of revenue in 2016) are its principal source of revenue and profitability. The sale of traded goods (35% of revenue in 2016) is supply to its own franchisee at cost with very thin margins (ranging from 2-5%). The key objective of procuring and supplying the raw material is to get benefit of large scale purchases and controlling the quality and hygiene.



Over the period, company has made significant investments in sales promotion activities to build its brand image. Its hygienic and convenient locations, dedicated team efforts, quality of service and products are core strengths which helps it to work towards long term vision of being largest trusted & premium vegetarian family restaurants in India.

As per management, all strategies and investments made in past few years for building its brand image will exhibit superior results in coming years. Company management is confident about achieving milestone of more than 100 Outlets within 2 years i.e. year 2019 and above 300 outlets in next five years i.e. year 2022.



Asset light and high operating leverage business model

Company largely operates through the franchise model, wherein company provides the training, menu and men power and franchise owner provide the facility, capital and management. Franchise may choose to provide its owned facility or a leased facility.

Combination of High margin and very low capital investment; admirable business model.

VRL undertakes non-refundable franchisee joining fees and earns a royalty fees as percentage on net sales. Revenue from franchisee model has no variable cost attached and provides huge scope of operating leverage. Also company undertakes "Advance franchisee fee", which support its cash flows in expansion phase.

Financial Terms for Franchise		
Franchisee Fees	**Franchise fee Includes the following –** *Brand Name, Opening support, Architectural manual, Interior Guide, Access to bargain rates for purchase of equipment's, chairs tables etc. *One month opening food items Kit worth materials of INR 1 lakh. *Training for staff up to 7 people in Kamats Academy.	
Royalty as % of Net sales	For the First Year - **7 %,** For the Second Year - **8 %,** and From Third Year onwards - **9 %**	
Joining Fees	**Family Dinning**	**Food Mall Outlet**
	INR 1 mln	INR 0.5 mln
Franchisee Term	Initially for 10 years and renewable after 5 years	
Purchase of material	Only from Company approved suppliers to ensure high quality of material.	

Business viability for franchisee owner

To understand the financial dynamics from the point of view of franchise outlet owner, we attempted to evaluate how many number of customers would **require generating 30% ROI**. Our calculations suggest that outlet would need **90 customers** per day to generate desired ROI. In evaluation we have considered Family Dinning outlet which offers sitting capacity of 100 customers and offers full menu throughout a day.

We believe that getting 90 customers per day would not be challenging for Family dinning outlet considering its large menu varieties, Full day (breakfast, lunch snacks and dinner) meal availability and only one franchisee in one defined territory.

Financial Viability for Franchise owner		
Initial Capital expenditure		**In INR**
Franchisee Fee		10,00,000.0
Civil Work		25,00,000.0
Miscellaneous		5,00,000.0
Total Capex		**40,00,000.0**
Revenue to generate desired ROI		
Expected ROI per annum	30%	12,00,000.0
Operating Expenses p.a.	assume 1,50,000 per month	18,00,000.0
Gross Profit required to meet Opex and generate desired ROI		30,00,000.0
Average gross profit margin on food sold		61.0%
(As per management food cost is just 30% and 9% would be max Royalty)		
Total per annum sales required		49,18,032.8
Total per day sales required		13,474.1
Historical Average spending per customer in "KAMATS"		150.0
No of Customers required per day		90.00
We have done this calculation considering Family dinning format		

Our sensitivity analysis also indicates that an outlet would be at breakeven position even if that operates at 80 customers per day with average spend per customer of INR 100/- which is equivalent to ~40% lower revenue than above calculated.

Sensitivity Analysis of ROI (No of customers and average spend per customer)

		No of Customers				
		70	**80**	**90**	**100**	**110**
Average spend per customer	**100**	-6%	0%	5%	11%	16%
	125	4%	11%	18%	25%	32%
	150	13%	22%	**30%**	38%	47%
	175	23%	33%	43%	52%	62%
	200	33%	44%	55%	66%	77%

We believe that it would be feasible for franchisee owner to setup "KAMATS" franchisee outlet, considering its respectable return generation ability.

This result also substantiates VRL's target of doubling the number of outlets by the year 2019.

With keeping Core menu intact, VRL is expanding in new geographies and experimenting by adding items.

Expansion into new geographies

At present company's outlets are concentrated in the state of Maharashtra with 43 of the 50 outlets in Maharashtra. Company had lately expanded into Gujarat with 3 outlets and 4 Outlets in North India (One outlet in each state Rajasthan, Delhi, Utter Pradesh and Himachal Pradesh).

While western and central Maharashtra is fairly covered by the franchises, eastern Maharashtra and Other state in West - North region provide ample growth opportunity for the company. Company is aggressively targeting the state of Gujarat, Rajasthan, Madhya Pradesh, Uttar Pradesh, Haryana, Himachal Pradesh and Punjab for expansion.

While the company had kept the core menu intact, it is continuously experimenting with the menu in other states to add more items.

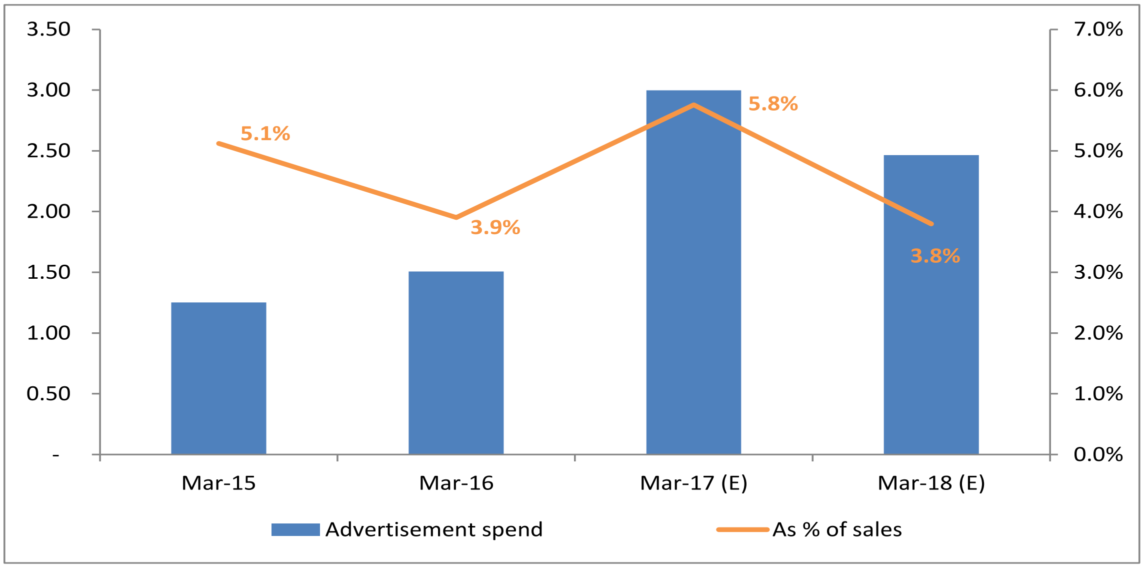
Outlets Distribution

	Family Dinning	Food Mall	Total
Maharashtra	37	6	43
Gujarat	0	3	3
North Region	3	1	4
Total	40	10	**50**

Niche Player with strong Brand

“KAMATS” and “VITHAL KAMATS” both brands are well known in Maharashtra and Gujarat as vegetarian QSR for many years now. After serving for more than 12 years on Indian highways, customer loyalty of “KAMATS” has improved extensively in last few years. The fact that company has increased franchisee royalty charges by 40% from base (i.e. from 5% in 2014 to min 7% in 2016) within 2 years with significant jump in franchisees substantiates the solid elevation in its brand image.

Company has spent average 5% of sales per annum into business promotion activities, which is similar to other listed QSR players cost in India like Jubilant foodworks.



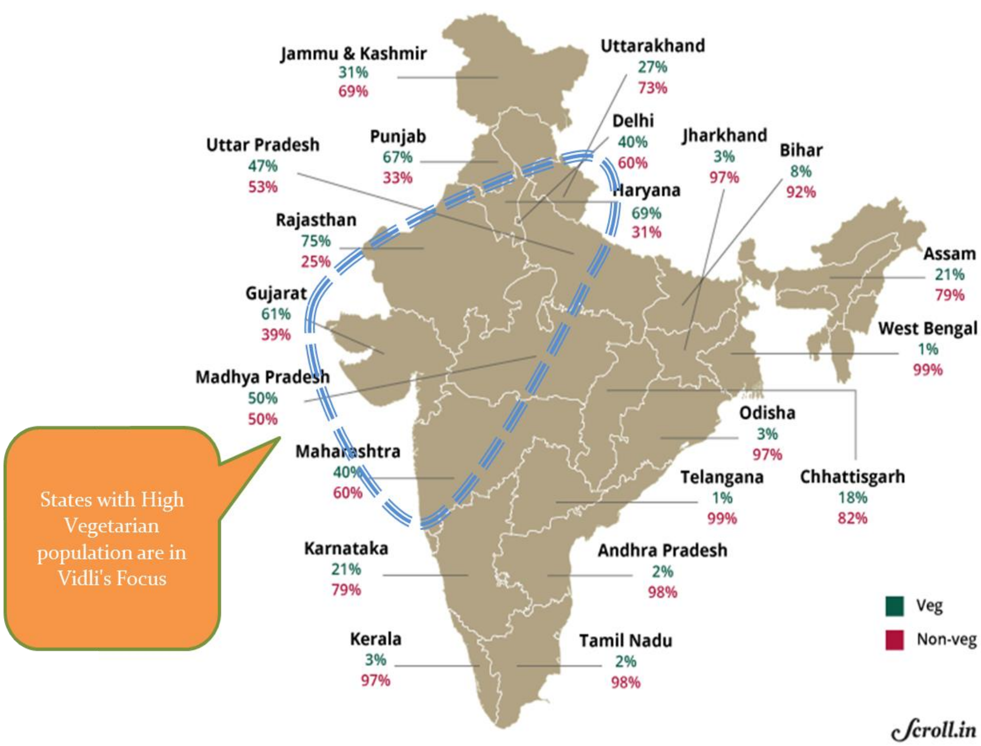
VRL unlike other QSRs has carved out a niche for itself by focusing on state and national highways. While the other QSR restaurants are focused on metros and tier I cities, VRL franchises are operating on prominent locations on state and national highways.

Unique All Vegetarian Menu

While the other successful QSR chains in India mainly serving the Continental or American fast food known for its negative impact on health, KAMATS is known brand with all vegetarian menu with domestic staple food for middle and upper middle class travelers. The other QSR chains like Mcdonalds and Dominos appeal mainly to youngster with trendy look and western menu.

Large part of the population on North West regions prefers vegetarian diet and even the majority of non-vegetarian population prefers vegetarian diet for large part of year. It is no surprise that even the chains like Dominos recently announced to switch nearly half of it's outlets to All-Vegetarian menu for coming festive season.

We strongly believe that market of all vegetarian QSR at affordable rates is far higher than western styled QSR serving western menu.



Introducing new format "**VIDLI Vada! *By Kamats***"

VRL has already geared up to launch a new format as "VIDLI Vada! *By Kamats*". Basic idea of this new format is:

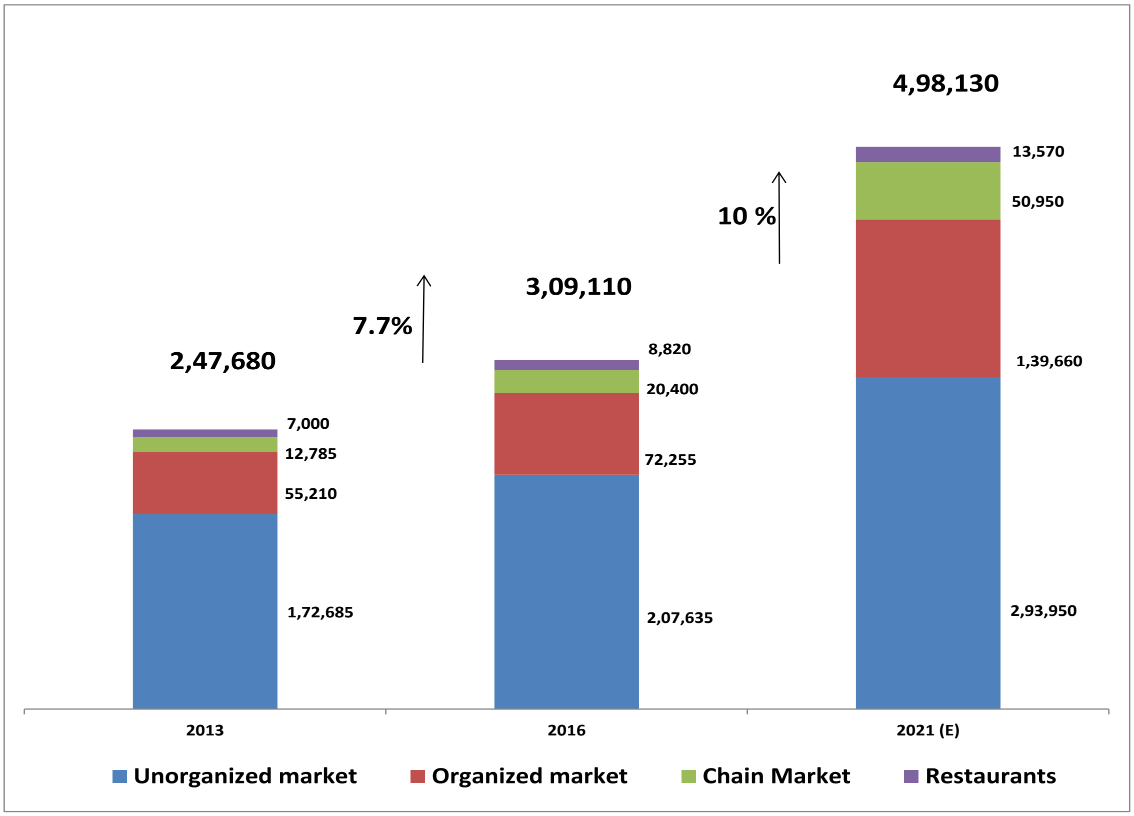
- To serve variety of piping hot Idlis and Vadas in each and every corner of heavy footfall zones in tier 1 and Tier 2 cities in a super Hygienic Kiosk at a very affordable price.
- Kiosks will be placed outside railway stations, outside metro station, near Bus stands, Outside Airport, opp. colleges, near Fruit & Veg. market, hypermarket, malls; Size of the Kiosk will Range from 64 Sq. ft. to 100 Sq. ft.
- Scalable franchise module;
- Standardization – Kiosk & Menu; Kiosk will be Running Fully on Electrical equipment's (No Open Flame Used Anywhere); Easy Plug & Play model;
- In this format instead of Franchisee Royalty, VRL will charge higher gross profit margins on raw materials and product supplies. (Management indicated there would be ~20% markup compare to current 3-4%).
- Cost effective, Fresh new approach; To eradicate Manpower issues faced by Owners
- Models of Kiosk will be of 2 Categories:

  1. Classic Kiosk 2. Premium Kiosk

FOOD SERVICES INDUSTRY

Overview:

According to FICCI report, the combined F&B service market is worth INR 309,110 crore in the year 2016, growing at compound annual growth rate (CAGR) of 10% and is expected to touch INR 498,130 crore by 2021. The sector is dominated primarily by the traditional segment. The brands and restaurant chains of both Indian origin and multinationals have not optimally penetrated the market so far.



The industry is largely dominated by unorganized sector and to some extent penetrated by a large number of foreign brands which represent QSR segment.

Quick Service restaurants (QSR) have continued to be a significant segment of the Indian food service industry, especially the organized market of India.

India's economic recovery continues. IMF continues to project 7.2% GDP growth rate for 2017-18 for India. The India's median age is 27 year, so follow-on income growth will lead to a rise in the number of middle class customers.

Indian Consumer food service: Growth underpinned by Franchise model

Though the chain food service market is smaller than standalone organized market, it holds higher potential for growth. The consumer & consumption centric environment is also fostering the entry of many domestic business chains besides encouraging international players.

Format	2016	CAGR	2021
Chained Market	INR 204.0 bn (7%)	---- 20.1%	INR 509.5 bn (10%)
Standalone Market	INR 810.8 bn (26%)	---- 13.6%	INR 1,532.3 bn (31%)
Unorganized Market	INR 2,076.4 bn (67%)	---- 7.2%	INR 2,939.5 bn (59%)
Total	INR 3,091.1 bn (100%)	---- 10.0%	INR 4981.3 bn (100%)

Chained Market projected to grow at 20% CAGR

Source: India Food Service Report 2016- National Restaurant Association of India

QSR Market Overview:

Quick Service Restaurants (QSRs) have been a key segment for the Indian Food Services market and have grown over the years thanks to their focus on affordable and competitive pricing clubbed with catering to such growing consumer need as convenience, increased appetite, and craving for international food. A number of international QSR chains have flocked to India over the past few years, with specific cuisines and product offerings, fuelling the market's growth.

The entry of a number of players into the QSR space has widened the chain market to an estimated size of INR 5,500 crore (USD 845 million) in 2013. Further, this is projected to grow at a CAGR of 21% to reach INR 24,665 crore (USD 3,795 million) by 2021. This segment is expected to witness increased activity via market expansion and entry by various players.

Format	2013	CAGR	2016	CAGR	2021
Café	INR 15.2 bn (12%)	---- 6%	INR 18.1 bn (9%)	---- 10%	INR 29.1 bn (6%)
Quick Service Restautant	INR 55.0 bn (43%)	---- 18%	INR 91.3 bn (45%)	---- 22%	INR 246.7 bn (48%)
Casual Dining Restautant	INR 39.5 bn (31%)	---- 19%	INR 67.2 bn (33%)	---- 21%	INR 172.5 bn (34%)
Fine Dining Restautant	INR 5 bn (4%)	---- 2%	INR 5.3 bn (3%)	---- 3%	INR 6.2 bn (1%)
Pubs & Bars	INR 5.4 bn (4%)	---- 25%	INR 10.7 bn (5%)	---- 22%	INR 28.8 bn (6%)
Frozen Dessert	INR 7.8 bn (6%)	---- 14%	INR 11.6 bn (6%)	---- 18%	INR 26.4 bn (5%)
Total	INR 127.9 bn (100%)	---- 17%	INR 204.0 bn (100%)	---- 20%	INR 509.5 bn (100%)

QSR Segment Is Projected To Grow At 22% Would Stand As 48% Of Total Chained Market

Source: India Food Service Report 2016- National Restaurant Association of India

Increasing travel by four wheelers

One side while India had seen massive increase in quality and length of highways in last 15 years leading to better roads and connectivity, on other side with increasing income level and vehicle ownership, the trend of driving owned car on the leisure and holiday trips are on steady rise.

In the country of million gods, people not only drive to their pilgrimage destinations periodically, but also increasingly driving their vehicles on leisure trips or holiday trips to home town. India had witnessed ~11% yearly increase in vehicle sales for past decade.

As per one report by Hindustan Times, people travelling by cars in on steady rise at 12-15% p.a. compared to slow increase in use of public transport and people are taking out their car for longer distances.

By latest estimates, India has 100,087 KM of National Highways and 154,522 KM of state highways connecting various destinations. While on drive, people need a break every few hours for food and rest and thus provide an opportunity for 1000 to 1500 such chain restaurants. Even limiting to the fewer states in North-West region, VRL has large unexplored market to expand.

Despite the second largest road network in world, India still lacks the proper infrastructure of highways and one priority of the government is to provide more and better highways to nation, which in turns will provide increasing opportunity for the chains like KAMATS.

Issues and challenges the industry is facing

Demand Side	Supply Side	Talent & Manpower	Supply Chain
• Health and hygiene concerns among buyers • Quick change of mind regarding taste and services • Local Competition • Entry Barriers	• Maintaining quality of service • Localization of Menu • Standardization of products across outlets • Reduction in service time – efficient assembly line	• Acquiring key talents • Managing high attrition rate amongst junior level employees	• Building a cost effective supply chain • Establishing a supply chain in new region • Monitoring quality of products procured from third parties

MANAGEMENT AND CORPORATE GOVERNANCE

Strong and professional management:

Kamats restaurants are aimed at providing Kamat Hospitality Experience to highway travelers and City dwellers. Kamats was started with Mahad outlet in Sep 2005.

Mrs. Vidhi V. Kamat, Managing Director

Ms. Vidhi Kamat is a Science graduate (BSc) with specialization in Hotel Management from the Institute of Hotel Management, Catering Technology and Applied Nutrition (IHMCTAN), Pune. She has worked in various Hotels Chains like Marriott etc.

Mr. Vikram Kamat, Chief Mentor

Mr. Vikram Kamat is Science graduate (BSc) and has completed his Hotel Management from the Institute of Hotel Management Catering Technology and Applied Nutrition (IHMCTAN), Mumbai.

Vikram Kamat has successfully listed the restaurant chain Kamats to deliver a 12X return including received the Award from BSE for best returns post listing on the SME exchange.

Mr. Ravindra Shinde, CFO

Mr. Ravindra Shinde is M.Com from University of Mumbai. He has experience and Expertise in Accounting, Banking and Investments.

Mr. Chandrakant Shetty, Senior Vice President Operations

He did Hotel Management from the Institute of Hotel Management Catering Technology and Applied Nutrition (IHMCTAN), Mumbai. Seasoned hospitality expert has managed chain of over 30 hotels at peak.

Mr. Amit Mehta, Vice President Finance

B.Com, Chartered Accountant, Diploma in Treasury and Forex Management has keen eye on costs and very cost conscious. Yet while understanding the importance and sources of revenue within hotels and restaurants. Has helped with the structuring and financing of numerous hotels.

Ms. Payal Barai, Company Secretary & Compliance Officer

Ms. Payal Barai is a member of the Institute of the Company Secretary of India and Commerce graduate from University of Mumbai.

Mr. Milind Harkulkar, G.M. Operations

Post Graduate Diploma in Hospitality Management, Diploma in Hospitality and Catering Management. He has strong educational background in hotel management and over 12 years of experience in hospitality industry.

Mr. Kketan P Gohil, Senior Logistic Manager

B Com & Diploma in Business Management, Having experience of 22 years and have handled profiles from Purchase, Warehouse Management, Distribution and Logistics. He is currently working as Sr. Manager-Logistics and handling Production planning and Distribution.

Mr. Sushil Rane, Manager - Purchase

B.COM, 11 Years of Experiance in the area of Purchase, Inventory Managment & Logistics Operation. Expertise in Vendor Development, Commercial Negotiation, Sceduling and Procurment of material from Global Sources and Contact Managment.

Mr. Sanjay namdeo shetkar, I T Manager

B.com, Diploma in Computer Networking, Microsoft MCSA Global certified, CCNA Certified. 10 Years experience in Information Technology.

Mr. Raju Bawane, Corporate Chef

HMCT DIPLOMA, More than 10 years in multi-cuisine food/ south Indian, product development and implementation of the same in unit.

VRL's board consists of four directors, of whom three are independent. We believe that the competence set and size of the board are appropriate in relation to the current size of the company and its planned progress.

As VRL is structured on asset light business model with service centric approach, promoters and key managerial personnel are essential pillars of the business. "KAMATS" has also developed various training programs and tools to impart the knowledge necessary to operate restaurants with highest standards. One of key programs of company is Sadhak Chalak Malak, where it develops owners out of its own staff, by first training them to become managers.

RISKS/CONCERNS

Both Brands "VITHAL KAMATS" and "KAMATS" are not owned by the company:

VRL is using 2 brands i.e. "KAMATS" and "VITHAL KAMATS".

"KAMATS" is owned by Kamat Holiday Resorts (Silvasa) Ltd. and Mr. Vikram V. Kamat, Director of Kamat Holiday Resorts (Silvasa) Ltd. is relative (husband) of Ms. Vidhi V. Kamat, MD of the Company. VRL is paying 0.75% of the Turnover towards "KAMATS" trademark. We should note that VRL also provided INR 33 mln loan to Kamat Holiday Resorts (Silvasa) Ltd at interest rate of 10% p.a. in the year 2016. This loan accounts from ~36% of total assets and ~74% of net worth of 2016.

"VITHAL KAMATS" is owned by Dr. Vithal Kamat (father in law of MD). Company is paying 1% of the gross turnover towards using "VITHAL KAMATS" brand.

Company is relying significantly on its agreement of 15 years duration for use of copy right mark / trade mark with Dr. Vithal Kamat and Kamats Holiday Resorts Silvassa Limited.

Labour intensive model:

Hospitality business at large and Restaurants business in particular are labour intensive by nature and few activities remains very much skilled personnel dependent like cooks. Customer experience is a key to success of QSR.

While the company had standard menu and doing modernization of many processes, availability and retention of skilled labour is critical. Company with its unique approach of "Sadhak-Chalak-Malak", motivates people to evolve and progress in-house and help retain them. Further company have developed in-house training academy to ensure maintenance of quality and uniformity of services.

Competition Risk:

Entry barriers are relatively low in domestic F&B industry. Consequently, industry is fragmented with several small and regional players. VRL competes with various national and international players.

As till now VRL is more region specific player in highly competitive industry, it needs to continuously do experimenting with the menu as it is planning to expand in other states. Competition is further intensifying as more global players are entering the Indian market with international cuisine options.

Incident involving product quality:

While we are given to understand that VRL follows high quality standards, being in the foods space, any significant incident could have an adverse impact on the growth prospects.

Health factor:

Outside food is considered to be relatively less healthy, but consumption of QSR/ eating out is extremely low in India. Any government regulations against the QSR segment, while highly unlikely, could affect the segment's growth.

Huge aggression in store expansion:

A material part of our margin expansion forecast is led by Outlets expansion expectation. If the recovery doesn't sparks aggressive store expansion as we expect, then overall margins will take a longer time to improve.

Economic Risk:

Consumption of QSR products and eating of food not cooked at home in general, whether in restaurants or home is dependent on increase in disposable income as a result of economic growth.

FINANCIAL PERFORMANCE

In 2016, VRL has registered Revenue / EBITDA /PAT growth of 58 / 197 / 303 %. In the year 2015-16 company has raised equity and expanded its outlets network tremendously. No of outlet has increased by 56% in 2016.

VRL generates its revenue from 4 categories:

Revenue Item	Description
F&B Revenue	Comprises sale of food and beverages at other then Franchisee Operated outlets.
Trading Products Revenue	Comprises sale of trading products limited to own Franchisee Operated outlets.
Franchisee Joining Revenue	For operation of restaurants by Franchisees is recognized on accrual basis in accordance with relevant agreement
Franchisee Royalty Revenue	Royalty Fees on a Turnover of franchisee. (Ranging from 7% to 9%)

F&B Revenue (14% of total sales 2016):

In this category company recognizes revenue from sale of food at company operated outlets. This segment comprises of 14% of total sales in 2016. Overall gross margins on this segment is very high with average of ~60% in past year years.

Trading Products Revenue (35% of total sales 2016):

In this vertical, company reports revenue from sale of trading products to its franchisees. The key objective of procuring and supplying the raw material is to get benefit of large scale purchases and controlling the quality and hygiene. Company operates at very thin margins in this vertical. It average gross margins in this vertical is ~4% in last 3 years.

Franchisee Joining Revenue (20% of total sales 2016):

VRL charge joining fees from all new franchisees and for which it provides centralized sales promotion like TV and Radio advertising, staff training etc.

Joining fees is based on category of outlet i.e. Family Dinning, Food Mall outlet or VIDLI Vada by Kamats (Kiosk).

	Family Dinning	Food Mall Outlet	VIDLI Vada by Kamats (Kiosk)
Joining Fees	INR 1 mln	INR 0.5 mln	INR 0.8 mln (Incl Equipments)

This Joining fees is non-refundable and recognized on accrual basis in accordance with relevant agreement with franchisee.

This revenue vertical provides 2 important benefits to that company:

1. Long term financing and that too without any interest burden.
2. Large operating leverage potential.

Franchisee Royalty Revenue (29% of total sales 2016):

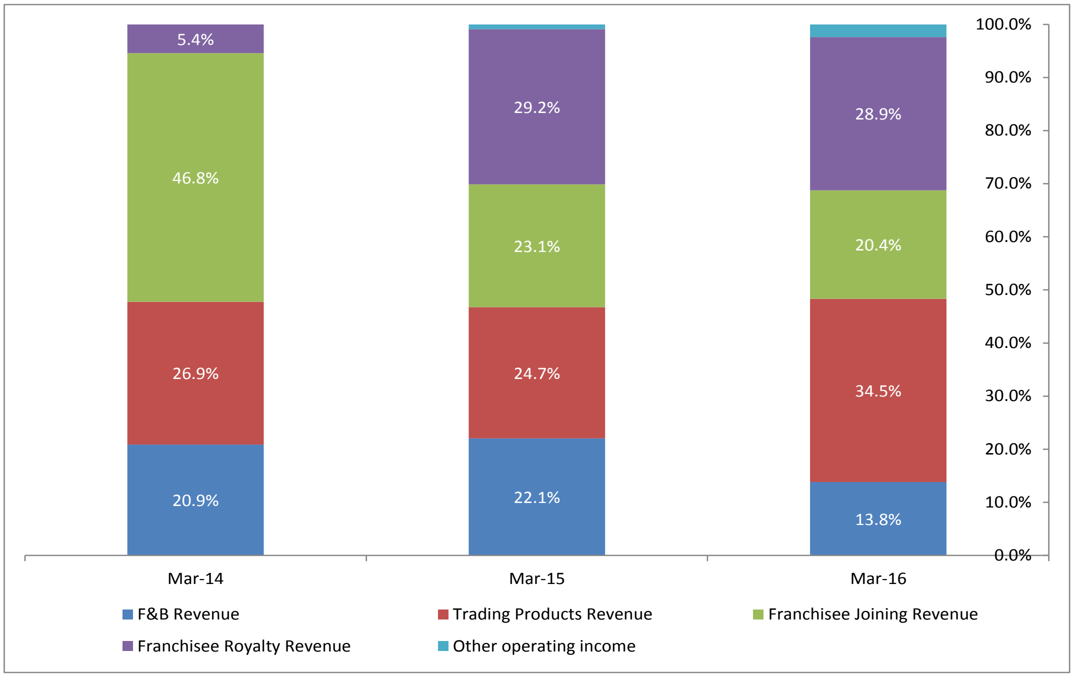
We consider this revenue vertical to be the most value generative for the company in long term. Company started with royalty as 5% of net sales in the initial years and gradually shifted to min 7% Royalty rate. Current Royalty rates are as follow:

Royalty as % of Net sales	For the First Year -	**7 %,**
	For the Second Year -	**8 %,** and
	From Third Year onwards -	**9 %**

This is vertical also provide significant operating leverage possibility to the company.

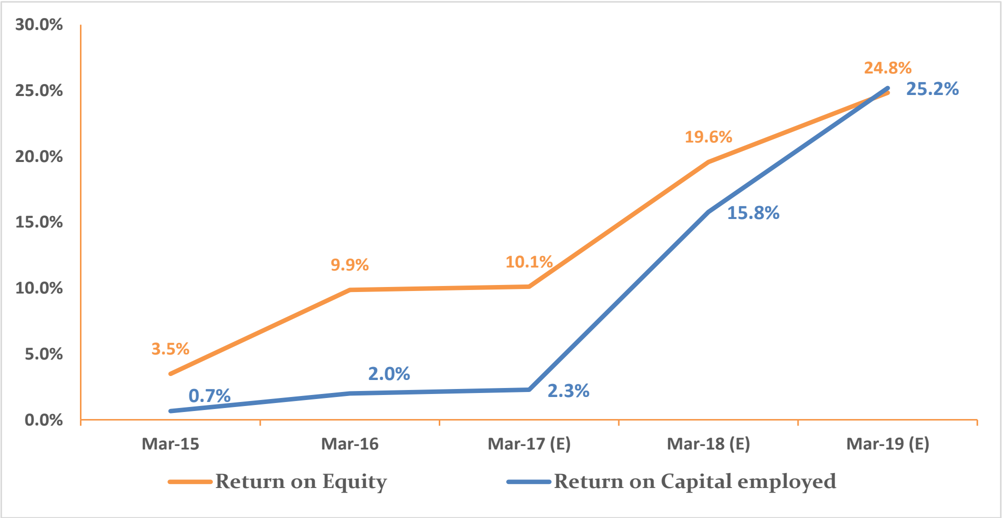
Other Operating Revenue (2% of total sales 2016):

Other operating income comprises of feasibility study fees from franchisee, Franchise Staff Training Income and Rental income.



EBITDA and PAT grew at CAGR of 49% and 125% respectively in last 3 years. VRL is cash rich company with cash & cash equivalent in balance sheet is INR ~54 mln (~58% of total assets) in the year 2016. Interest income on financial assets is the reason for high growth in other non-operating Income. Other non-operating revenue is ~14% of total revenue and 80% of PBT for the year 2016.

VRL has raised equity in the year 2015-16. It's ROE and ROCE has improved from 3.5% and 0.7% in 2015 to 9.9% and 2% in 2016 respectively. Considering business potential, we estimate its ROE and ROCE at 19.6% and 15.8% in the year 2018. However, it should be noted that large part of its net worth is allocated into cash and cash equivalent which damper its ROE and ROCE.



Source and application of Fund:

Franchisee joining fee is one of the prime source of fund apart from Shareholders Equity. In the year 2016, 43% of total asset was funded through Advance Franchisee fees.

In this business model VRL does not require any major investments in either fixed assets or working capital. In the year 2016, almost 80% of total assets of VRL are comprises of financial assets, which are generating Interest income.

One important thing to note that 36% of total assets is in the form of Loans & Advances given to Group Company at 10% p.a. interest rate.

Capital Allocation Analysis : Common size Balance sheet

	Mar-14	Mar-15	Mar-16
Shareholders Funds	4%	55%	48%
Advance Franchisee Fees	79%	39%	43%
Trade Payables	7%	3%	5%
Other Liabilities	11%	3%	3%
Source of Funds	**100%**	**100%**	**100%**

Fixed assets	4%	4%	3%
Inventory	1%	1%	0%
Trade Receivables	1%	2%	5%
Loans & Advances to Group company	0%	17%	36%
Investment in Debt Mutual funds	57%	5%	27%
Fixed deposit with banks	0%	51%	0%
Cash and Bank Balance	31%	12%	16%
Other Assets	5%	7%	13%
Application of Funds	**100%**	**100%**	**100%**

Total allocation to financial assets is around ~80% of total assets in 2015 and 2016.

Shareholding Pattern

Promoters hold about 58.01% equity stake in the company. Promoters have recently raises their holdings from 57.09% in Mar16 to 58.01% Sep16.

Particulars (%)	Sep-16	Mar-16	Feb-16
Promoter & Promoter Group	58.01	57.09	57.09
Institutions	0.00	0.00	0.00
Non-Institutions	41.99	42.91	42.91
Public	41.99	42.91	42.91
Non Promoter-Non Public	0.00	0.00	0.00
Total	100.00	100.00	100.00

COMPETITIVE POSITION

The F&B industry is highly fragmented. There are a number of small regional and large pan-India players as this industry have very low entry barriers.

We believe none of the listed companies in India are focused exclusively on the segment in which VRL operate. Primary source of revenue and value creator for VRL is income from franchisees (Joining fees as well as royalty income) whereas other listed players in Indian F&B space are predominantly generating there revenue from Food sale. However for broad comparison Jubilant Foodworks Limited and Speciality Restaurants Limited has been taken as Industry composite.

Particulars	Vidli Mar-16	Jubilant foodworks Mar-16	Speciality Restaurants Mar-16
(In INR mln)			
Revenue	38.6	24,102.1	3,213.5
EBITDA	1.2	2,851.5	171.5
PAT	4.4	1,145.6	2.6
EBITDA margins	3.1%	11.8%	5.3%
PAT margins	11.4%	4.8%	0.1%
Debt to Equity	-	-	-
ROE	9.9%	15.9%	0.1%
ROCE	2.0%	23.2%	-0.9%
Asset Turnover	0.42	1.92	0.86
Debtor days	45	2	4
Current Market cap (INR mln	433.0	72,524.2	4,221.5
P/E	98.1	63.3	1,623.7
P/B	9.7	9.4	1.4
EV/EBITDA	333.4	25.3	24.3

Source: Company Research

FINANCIAL OUTLOOK & VALUATION

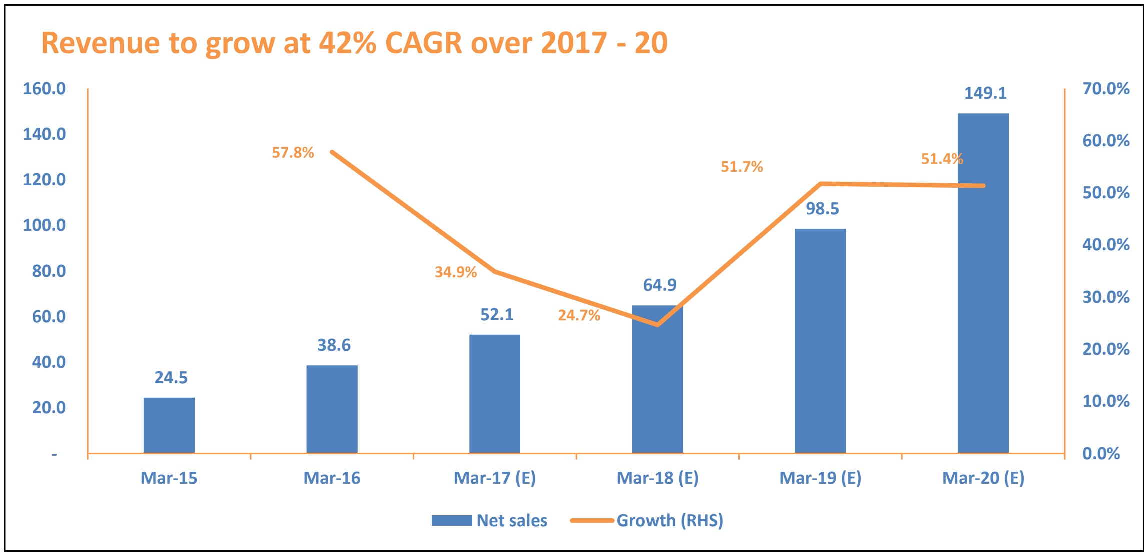
Increased exposure to new domestic geographies through large expansion in network of Franchisees to drive 42% revenue CAGR over FY18-20

We expect VRL revenues to grow to INR 149.1 mln in FY20 at a three-year CAGR of 42%. Revenue growth will be driven by Franchisee outlet network expansion better in the new geographies along with improvement in the macroeconomic outlook.

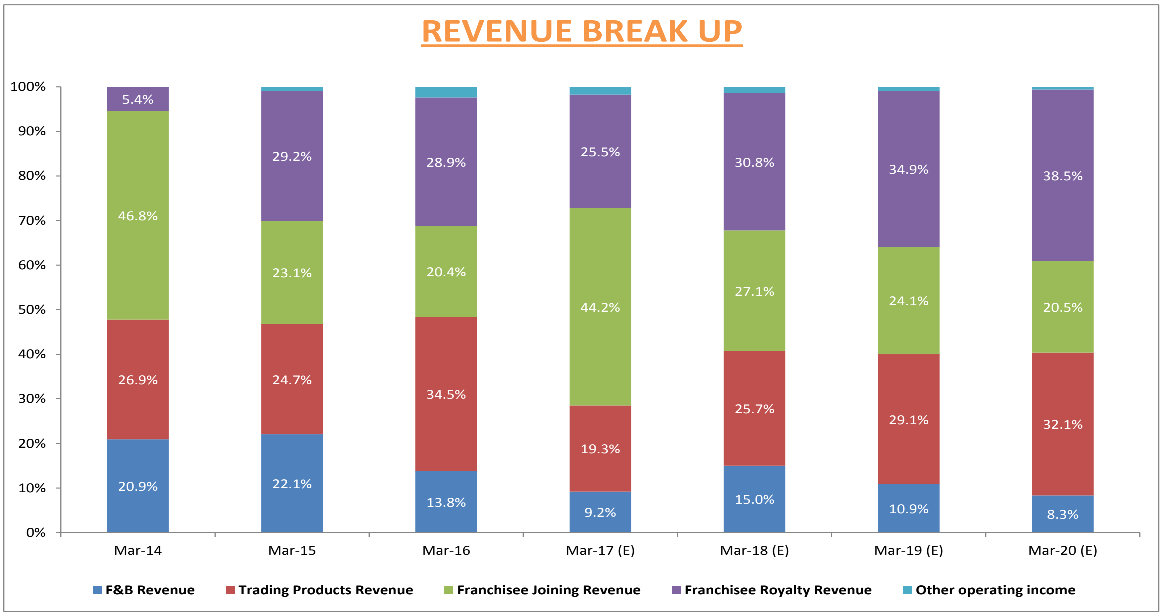
While company has aggressive plans to grow the family dinning outlets across highways, it is also looking at expanding into the Cities and large towns with expansion of Food Mall Outlets and VIDLI Vada by Kamats (Kiosk) outlets. These will provide the standard and hygienic food options to people in busy lifestyles.

Company is planning to open more than 75 outlets in next two years through franchise route and looking aggressively for the franchisee tie ups.

Also, the increasing highway infrastructure along with rise in the people travelling by cars should provide the sustainable long-term growth opportunities to the company in domestic market.



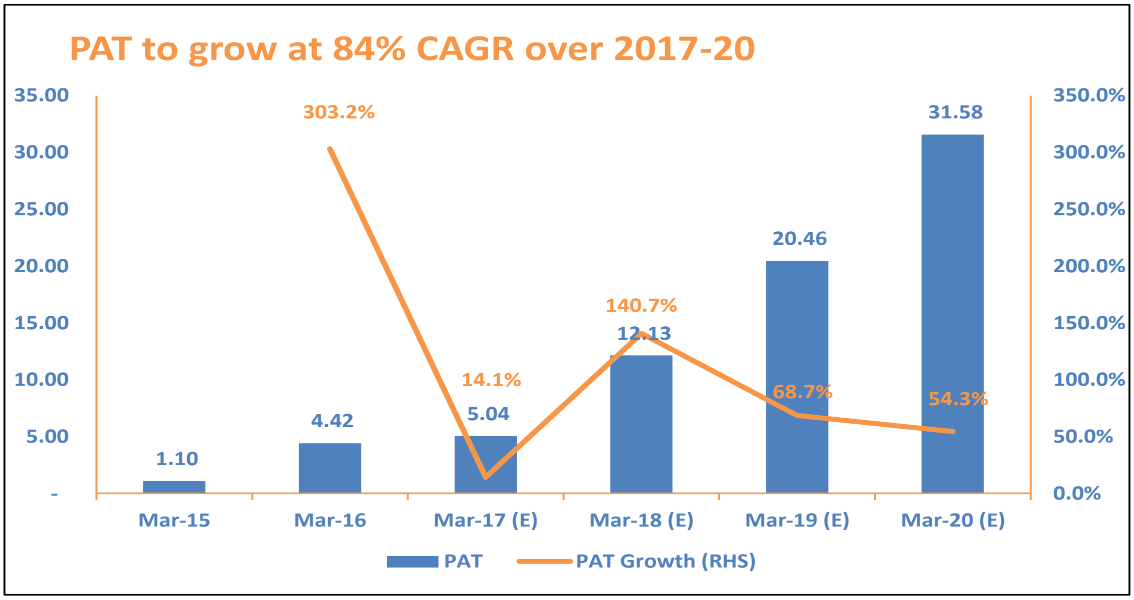
Source: Value Ideas Investment Services Pvt. Ltd research; Estimates provided by the company



Source: Value Ideas Investment Services Pvt. Ltd research; Estimates provided by the company

PAT CAGR of 84% over FY18-20; immense operating leverage in play

We expect adjusted PAT to grow to INR 31.5 mln in FY20 at three-year CAGR of 84% owing to strong revenue growth and improvement in EBITDA margin from 3.1% in 2016 to 25% in 2020. VRL is an extraordinarily impressive business likely to embark on a phenomenal earnings growth spree over FY18E-FY20E, leading to 5x jump of EPS in these three years.



Source: Value Ideas Investment Services Pvt. Ltd research; Estimates provided by the company

VALUATIONS:

At the current market price of INR 100/- the company is trading at 36x its FY18E EPS of INR 2.8 and 21x its FY19E consolidated EPS of INR 4.7.

Valuation

	Sales (INR mln)	Growth %	EPS	Growth %	P/E	EV/EBITDA	RONW	ROCE
FY16	38.6	57.8%	1.4				9.9%	2.0%
FY17 E	52.1	34.9%	1.2	-15.7%	86	254	10.1%	2.3%
FY18 E	64.9	24.7%	2.8	140.7%	36	36	19.6%	15.8%
FY19 E	98.5	51.7%	4.7	68.7%	21	16	24.8%	25.2%
FY20 E	149.1	51.4%	7.3	54.3%	14	8	27.7%	31.1%

Source: *Value Ideas Investment Services Pvt. Ltd research;* ***Estimates are provided by company***

Company got listed on BSE SME platform in Feb 2016. With improving fundamentals, focused management and strong growth potential, company's corresponding valuation multiples have drifted upward. Company's share prices have risen more than 700% till date from the listing date.

DISCOUNTED CASH FLOW

We have used Discounted Cash Flow method of valuation to value VRL. We are getting price of INR 107/- per share.

We have modeled VRL using 12.5% long term market return, 5% risk-free rate, 12% interest on debt and 27% tax rate; we have modeled the Cost of Equity at 14% and Cost of Debt at 8.8%, which reflects Weighted Average Cost of Capital (WACC) as 14%, which is fair enough for a company dealing in the QSR segment.

Weighted Average cost of capital (WACC)				
Capital structure	**Value Type**	**Current Market price**	**Total Value**	**Weight**
Debt	Book Value	NA	-	0.0%
Equity	Market Value	100	433.00	100.0%

Cost of Equity (COE)		Cost of Debt (COD)	
Total return	12.50%	LT Interest Rate	12.0%
Risk Free rate	5.00%	Tax Rate	27.04%
Beta	1.20		
CAPM - (COE)	**14.00%**	**COD**	**8.76%**
WACC	**14.00%**		

Present value of Cash Flows:

We expected terminal growth in cash flows would be at 8% p.a.

DCF	(Amount in INR)								
	FY2014A	FY2015A	FY2016A	FY2017E	FY2018E	FY2019E	FY2020E	FY2021E	Terminal Value
FCFF	11.34	5.84	9.38	(22.18)	15.11	26.49	37.68	39.83	716.9
PV Factor				0.88	0.77	0.67	0.59	0.52	0.52
PV of FCF				(19.46)	11.63	17.88	22.31	20.69	372.3

Valuations	
In INR mln	
PV of Free Cash Flow (17E-21E)	53.0
Add: Terminal Value	372.3
Enterprise Value	425.4
Less: Net Debt/(Cash)	(36.7)
Equity Value	462.1
Shares outstaning	4.3
Value per Share	**107.0**

We arrived at value of INR 107/- per share of VRL which is at around 23x P/E on FY19 basis.

At the expected terminal value growth of 8% and the WACC of 14%, our sensitivity analysis on the price movements at different stages are as under:

Sensitivity Analysis						
		WACC (%)				
		12.0%	13.0%	14.0%	15.0%	16.0%
Term. Growth (%)	6.0%	114.0	97.0	84.0	74.0	66.0
	7.0%	133.0	110.0	94.0	81.0	72.0
	8.0%	163.0	129.0	**107.0**	91.0	79.0
	9.0%	211.0	157.0	125.0	103.0	88.0
	10.0%	309.0	204.0	152.0	121.0	100.0

CONCLUSION:

Vidli Restaurants Ltd is having a distinctive business model with higher focus on franchisee operated outlets. This model has a huge scope of operating leverage as topline will directly flow to bottom line without incurring high expenditure. Icing on the cake is "Advance franchisee fee" undertaken by the company, which offers sizeable source of funds even in high expansion phase.

We like the long term potential in the Food service industry and expect VRL to capitalize on the same given its uniquely positioning, compelling niche and well know brand with consistent expansion in domestic market.

FINANCIALS

INCOME STATEMENT

(In INR mln)	Mar-14	Mar-15	Mar-16	Mar-17 (E)	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
Revenue	4.6	24.5	38.6	52.1	64.9	98.5	149.1
EBITDA	0.5	0.4	1.2	1.6	10.6	21.8	37.1
EBITDA Margins (%)	10.6%	1.6%	3.1%	3.1%	16.4%	22.2%	24.9%
Depreciation	0.0	0.2	0.3	0.5	0.7	0.8	1.3
EBIT	0.5	0.2	0.9	1.2	9.9	21.0	35.9
EBIT Margins (%)	10.5%	0.9%	2.3%	2.2%	15.2%	21.3%	24.0%
PBT	0.7	1.6	6.4	7.5	16.6	28.1	43.4
PBT Margins (%)	14.8%	6.7%	16.7%	14.4%	25.6%	28.5%	29.1%
Tax provision	0.2	0.6	2.0	2.5	4.5	7.6	11.8
Net Income	0.4	1.1	4.4	5.0	12.1	20.5	31.6
PAT Margins (%)	9.6%	4.5%	11.4%	9.7%	18.7%	20.8%	21.2%

Source: *Value Ideas Investment Services Pvt. Ltd research;* ***Estimates are provided by company***

Ratios

(In INR mln)	Mar-14	Mar-15	Mar-16	Mar-17 (E)	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
Growth (%)							
Revenue		431.3%	57.8%	34.9%	24.7%	51.7%	51.4%
EBITDA		-17.8%	196.8%	35.5%	560.5%	105.2%	70.0%
EBIT		-56.1%	326.8%	28.0%	753.3%	112.0%	70.9%
PBT		142.9%	289.9%	17.0%	121.0%	69.0%	54.4%
PAT		148.3%	303.2%	14.1%	140.7%	68.7%	54.3%
EPS		-74.0%	-88.0%	-15.7%	140.7%	68.7%	54.3%
Profitability (%)							
EBITDA Margins	10.6%	1.6%	3.1%	3.1%	16.4%	22.2%	24.9%
PAT Margins	9.6%	4.5%	11.4%	9.7%	18.7%	20.8%	21.2%
ROE	93.2%	3.5%	9.9%	10.1%	19.6%	24.8%	27.7%
ROCE	70.9%	0.7%	2.0%	2.3%	15.8%	25.2%	31.1%
B/S Ratios							
Inventory days	19	30	8	24	18	14	10
Debtors days	14	18	45	48	45	40	37
Creditors days	82	25	47	46	46	46	46
Working capital days	(67)	(7)	(2)	3	(1)	(6)	(9)
Total assets turnover	0.4	0.4	0.4	0.6	0.6	0.7	0.7
Current ratios	2.54	5.98	3.93	2.92	4.25	5.20	5.81
Net Debt-Equity	(17.7)	(0.8)	(0.8)	(0.5)	(0.8)	(1.1)	(1.2)

Source: *Value Ideas Investment Services Pvt. Ltd research;* ***Estimates are provided by company***

BALANCE SHEET

(In INR mln)	Mar-14	Mar-15	Mar-16	Mar-17 (E)	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
Liabilities							
Net worth	0.5	31.3	44.8	49.8	62.0	82.4	114.0
Total debt	0.2	0.6	0.5	0.6	0.8	0.9	1.1
Current liabilities	3.6	4.9	12.4	13.8	16.0	21.0	28.2
Creditors	0.9	1.6	4.9	6.3	6.8	9.6	14.0
Non Current liabilities	8.8	19.7	35.3	18.9	29.9	43.3	58.9
Total liabilities	13.1	56.5	93.0	83.2	108.6	147.7	202.3
Assets							
Net fixed assets	0.6	2.0	2.5	5.3	7.0	8.6	12.7
Current assets	9.2	29.2	48.8	40.2	68.0	109.4	164.0
Cash & Eqv	4.1	25.9	15.2	2.4	4.3	3.9	4.1
Non Current assets	3.3	25.3	41.7	37.7	33.7	29.7	25.7
Total Assets	13.1	56.5	93.0	83.2	108.6	147.7	202.3

Source: *Value Ideas Investment Services Pvt. Ltd research;* ***Estimates are provided by company***

PER SHARE DATA

	Mar-14	Mar-15	Mar-16	Mar-17 (E)	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
EPS	44.1	11.5	1.4	1.2	2.8	4.7	7.3
Book Value	47.30	10.37	10.34	11.51	14.31	19.04	26.33
Dividend	1.8	0.1	1.0	1.0	1.0	1.0	1.0
Shares O/S (mln)	0.01	3.02	4.33	4.33	4.33	4.33	4.33

Source: *Value Ideas Investment Services Pvt. Ltd research;* ***Estimates are provided by company***

Valuation Multiples

	Mar-14	Mar-15	Mar-16	Mar-17 (E)	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
Price to Earnings			18.1	85.9	35.7	21.2	13.7
Price to Book			2.42	8.69	6.99	5.25	3.80
EV/EBITDA			60.2	253.5	36.0	15.8	8.0

Source: *Value Ideas Investment Services Pvt. Ltd research;* ***Estimates are provided by company***

Abbreviations :

CAGR	Compound Annual Growth Rate
EBITDA	Earnings Before Interest, Tax, Depreciation And Amortization
EPS	Earnings Per Share
EV	Enterprise Value
IPO	Initial Public Offer
P/B	Price To Book
P/E	Price To Earnings
PAT	Profit After Tax
ROCE	Return On Capital Employed
ROE	Return On Equity

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Analyst Disclosure

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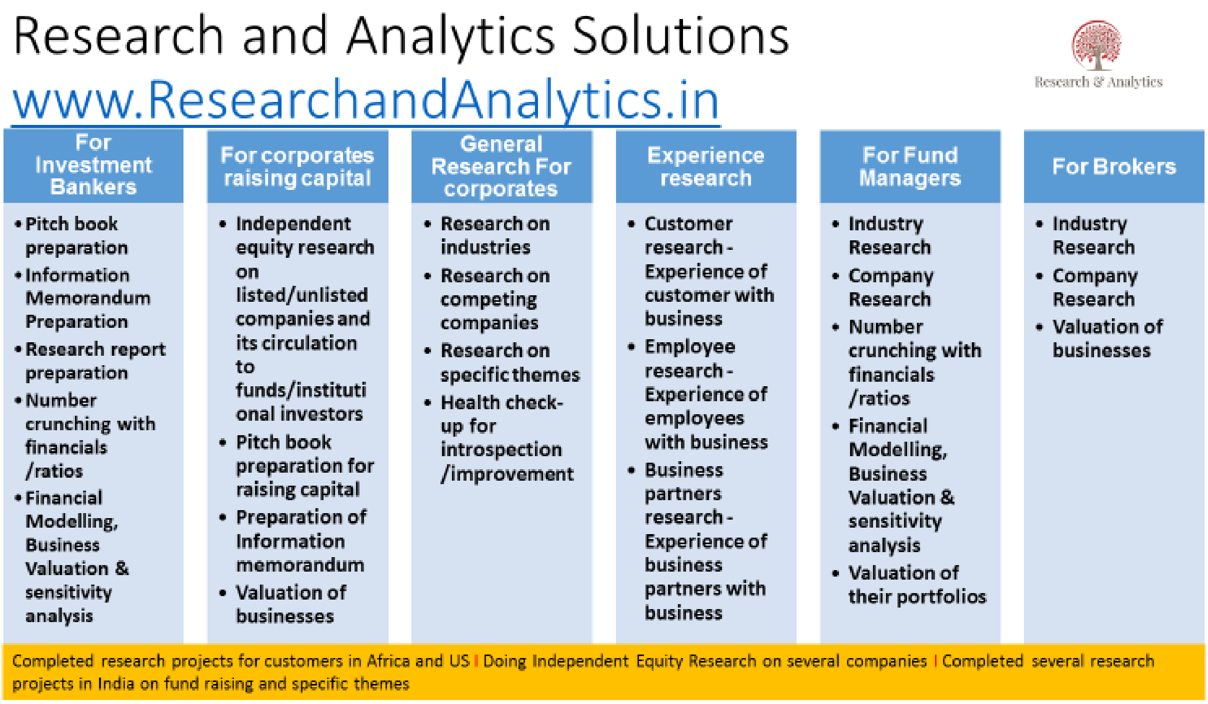
A glimpse of our capabilities



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