FUNDAMENTAL ANALYSIS OF QUICK SERVICE RESTAURANTS (QSR) SECTOR IN INDIA

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ABSTRACT

The purpose of this study is to understand the risks, leverages along with issues and challenges that are being faced by the industry. The same has been done with the help of Comparative Financial Analysis amongst the four prominent players of the industry. The author has adopted CAPM analysis, Vertical and horizontal analysis of financial statements followed by ratio analysis on financial statements of selected QSR. It is concluded that QSR industry as a whole has been in turmoil in the past couple of years which is clearly evident in the performance of all the firms that are taken up for the purpose of though few indicators have indicated towards the prosperous future of the industry. This paper analyses many factors that affect the QSR industry from financial perspective and the suggestive measures to overcome the same.

Keywords: Quick Service Restaurants, QSR, Financial Analysis, Food Industry

INDUSTRY OVERVIEW

Table 1: GDP Contribution of Food Industry

Year	FS Market Size ('00 Crore)	FS Growth	GDP Growth (CAGR %)	% Contribution to GDP
2013	2479	-	-	2.30%
2017 E	3350	8%	7%	2.30%
2022 P	5494	10%	8%	2.60%

Source: (Shukla, Reetesh; Yadav, Ravindra; Sharma, Vidul, 2014)

Quick Service Restaurants (QSR) is a subset of Food and Beverages industry or Food service industry. The industry comprises of QSR chains, Casual Dining restaurant, cafes, Top notch restaurants, street vendors, take away restaurant, fast food joints, highway dhabas, pubs, lounges and cultural dining setup. The Food Services part is required to have created coordinate direct employment for 5.5-6 million individuals in FY16, or, in other words, increment to 8.5-9 million by FY21.

Sustenance Services rise as a key section in the Indian economy. Indian Food Services showcase in India (sorted out and disorderly) is assessed at INR 3,37,500 crore in 2017 and is anticipated to develop at a CAGR of 10% throughout the following 5 years to achieve INR 5,52,000 crore by 2022. Two metros, Mumbai and Delhi NCR add to 22% of the general Food Services market (11% each) trailed by six small metros (Pune, Ahmedabad, Bengaluru, Chennai, Hyderabad, and Kolkata) containing 20% share in the Food Services market. High level of the youthful and working populace which is all around voyaged have twofold incomes and is experimental alongside being technically knowledgeable, is eating out more than their forerunners, driving the development of the Food Services market. Accessibility of organised retail space is helping in the steady development of Indian and International brands crosswise over various formats. The QSR is a booming business in India due to increased customer demand for fast food. There are various external and internal factors affecting the business of the QSRs (Nero, 2018).

1. Engine of Growth

The Indian F&B industry is set to develop as every one of the indicators are calling attention towards that direction only, with the expansion in footfall the development will be there in the wake of two difficult years for the business as an entirety.

The extent of the Indian Food Services market in India (organised and unorganised) is assessed at INR 3,37,500 crore in 2017 and is anticipated to develop at a CAGR of 10% next 5 years to achieve INR 5,52,000 crore by 2022 (See Figure 1).

The strength of unorganised will likewise tend to diminish with organised sector attempts to get, yet the gap will, in any

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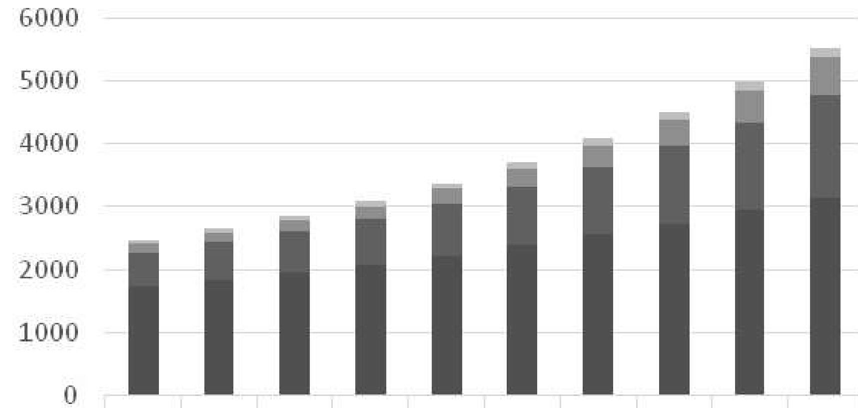
case, be large and both developing all the while (See Figure 2).



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Restaurants in Hotels	70	75	80	88	95	105	115	125	135	145
Chain Market	128	150	175	204	235	285	350	420	510	620
Organized Standalone	550	605	660	722	820	935	1065	1220	1400	1605
Unorganized Market	1730	1835	1950	2076	2225	2385	2560	2740	2940	3150

Figure 2: Market breakup of QSR Industry

Source: (Shukla, Reetesh; Yadav, Ravindra; Sharma, Vidul, 2014)

Table 2: Market share of organised and unorganised sector

	Market Share (2013)	Market Share (2017)	Market Share (2022)	CAGR (2013-2017)	CAGR (2017-2022)
Unorganized Sector	70%	66%	57%	6%	7%
Organized Sector	30%	34%	43%	11%	16%

Source: (Shukla, Reetesh; Yadav, Ravindra; Sharma, Vidul, 2014)

The unorganised share of market has reduced from 70% in 2013 to 66% in 2016 and is further estimated to reduce to 57% in 2022 as many unorganised sector players are planning to move towards organised sector (See Table 2). Along with growth, many failures have also been noticed in the industry. Many are closing, some are struggling and a good number is trying to establish them. Apart from that, except few most of them have not been able to grow at national level (Sinha, 2012). Moreover, Quick-Service Industry is a cutthroat business where profits are slim and competition is high, 'survival' is a daily struggle (Krishna, 2014). Thus, staying relevant in the QSR is an extremely tough task.

2. Large Share of young population

India is a country with 1.25 billion populations out of which 45% are below the age of 25 years, the country has the youngest mean out of the most of major global economies making it perfect market to grow for the F&B industry to grow (See Figure 4). For long-term success, quick-service restaurants must generate positive relationships with consumers. More specifically, quick-service restaurants need to produce satisfied consumers that ultimately lead to loyalty behaviours towards the restaurant (See Mason, Jones, Benefield & Walton, 2016).

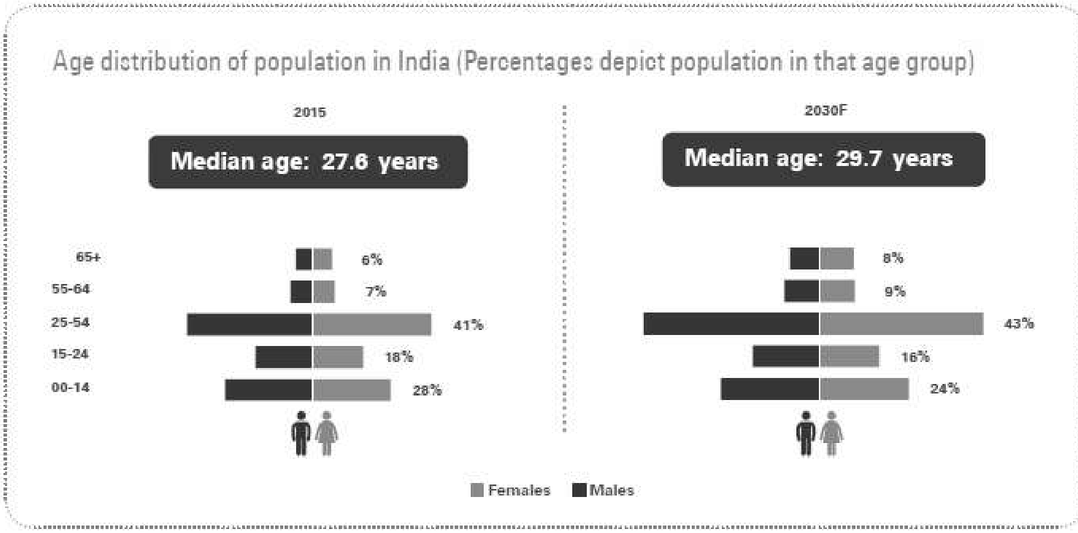


Figure 4: Age distribution

Source: (KPMG, 2015-16)

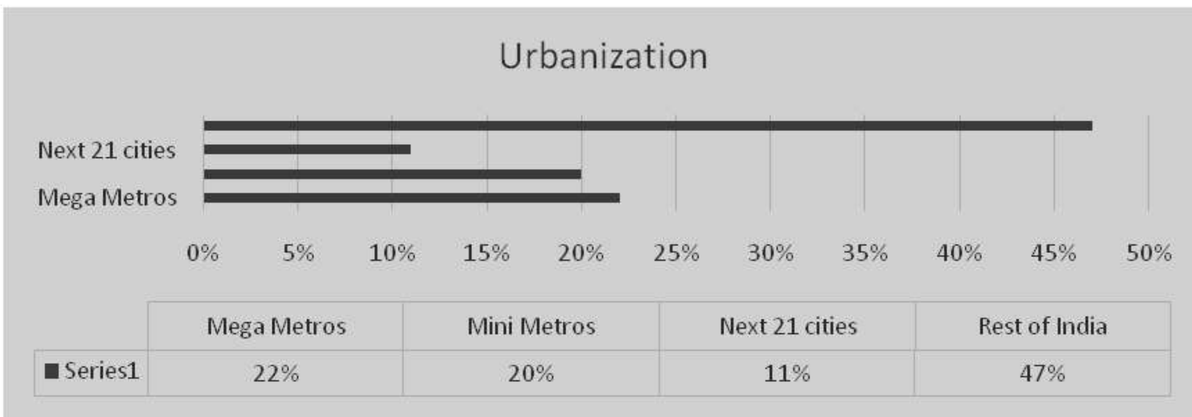


Figure 5: Trend of urbanization

Source: (Shukla, Reetesh; Yadav, Ravindra; Sharma, Vidul, 2014)

With country that young it is bound to increase the market coverage of the industry.

3. Increasing disposable income levels

According to Economist Intelligence Unit (EIU) India's personal disposable income is expected to increase from INR86.5 trillion to INR142.1 trillion by 2020, growing at a CAGR of approximately 10.5% during 2015-2020, same goes for country's median household income which is also expected to grow at CAGR of 7.3% during the period 2015-2020 which will allow the people to spend more on luxurious eating thus increasing sales of the industry.

4. Changing consumer lifestyle

With more people being attracted towards trying new culinary experience, including both Indian and international, busier lifestyle increases dependency on food outlets for meeting food requirement, availability of healthier food options, growing internet penetrations, mouthwatering offers, discounts and cash-backs all these compositely will result in an increase of sale in the food industry.

5. The Trend of Urbanization.

As per Figure 5& 6, more population of India is moving towards urbanization either due to influence of western culture or due to the spirit of becoming in par with global level, the people are moving from rural areas to tier I, II with an estimation that by 2020, 35% of Indian population will live in urban cities[1] and will account for 70-75% of countries population which provides a golden opportunity for the firms to grow at an exceptional rate.

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[1] Mega metro cities: Delhi-NCR and Mumbai Mini Metro cities: Ahmedabad, Pune, Chennai, Kolkata Bangalore, Hyderabad 21 Cities: Jaipur, Lucknow, Surat, Nagpur, Indore, Patna, Chandigarh, Kochi, Coimbatore, Vadodara, Ludhiana, Nashik, Varanasi, Madurai, Vishakhapatnam, Bhopal, Amritsar, Rajkot, Goa, Trivandrum

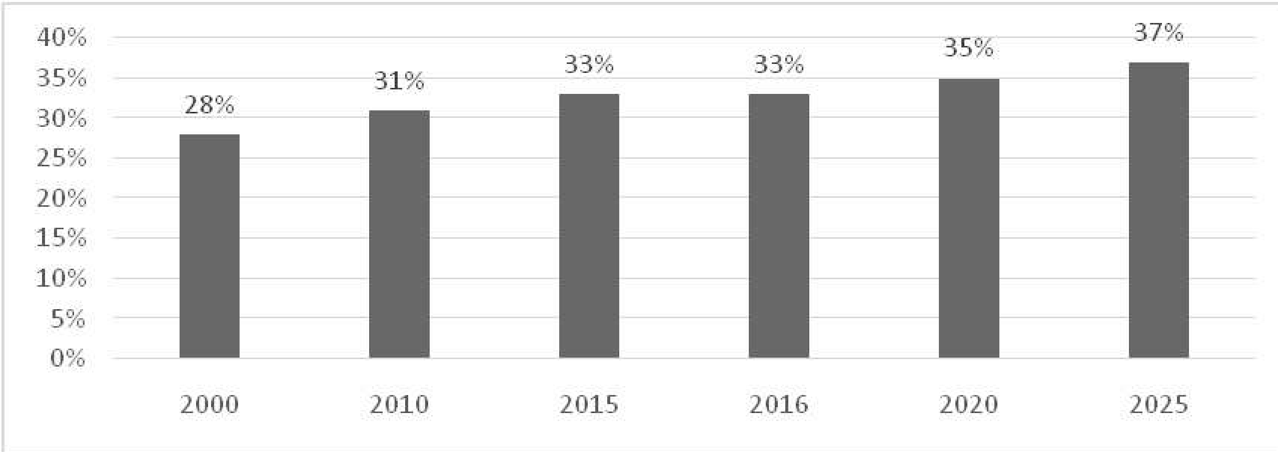

Figure 6: Percentage of Urban Population (% of total population)

Source:(Shukla, Reetesh; Yadav, Ravindra; Sharma, Vidul, 2014)

LITERATURE REVIEW

Viswanadham (2006) in his study discussed whether India can become the biggest food supplier in the world or not. He supported the argument with the fact that India is a fertile and cultivable land that allows for production of all varieties of fruits and vegetables in all seasons. It's the supply chain that needs to be improved, building and promoting cold chain infrastructure and food processing industry.

Goyal & Singh (2007) studied the factors impacting the choice of fast food outlets by young consumers of India. The research revealed some interesting facts like preference for youngsters towards homemade food, value for taste and nutritional factor along with hygiene and ambience.

Anand (2011) in the study of determinants impacting consumer's food choice with reference to the fast food consumption in India studied the factors impacting the fast food choice of consumers in India. The survey revealed the factors like passion for eating out, socialize, ambience and taste for school and college goers and convenience affecting the food choice of consumers.

Ali & Nath (2013) studied the factors influencing the preferences of consumers of eating out in a restaurant. Majority of the respondents primarily dined with friends or family members on holidays or special occasions. The study revealed that dining out is more common among youngsters with age less than 30 belonging to high income group or having more than on earning member.

Kashyap, Kashyap & Sarda (2013) analyse the new marketing practices adopted by QSR and its influence on consumer's buying habits concerning Nagpur city. As per the study, it is analysed that consumers in today's market are more fascinated with western culture and increase in the facilities offered by fast food services driving the growth of the industry. The frequency of visiting fast food outlets relates to the ages of the consumers as well as the income affects the spending habits of an individual.

Selvakumar (2013) in the study dimensions of Integrated Marketing Communication (IMC) and the impact in Creating Brand Equity in the Quick Service Restaurant (QSR) Industry in Coimbatore City analysed that Brand Equity plays a major role in the highly competitive Quick Service Restaurants (QSR) industry in India. The findings suggest that marketers should focus on building a favourable opinion of the brand amongst customers and take care regarding the news publisher of the brand since it affects brand image. Moreover, it was also found out that making people aware of the brand and the perceived quality of the brand play a major role in creating brand equity more than other factors.

Krishna (2014) in his study analysing Competition in the Quick Service Restaurant Industry that companies must maintain their strong standardised organisational design to make a profit through high volume while realising and accepting the fact that the QSR Industry is one of the fastest evolving industries in the world.

Kotni (2015) in his study on Attributes of Customer Patronage toward Choosing a Fast Food Retail Outlet analysed the attributes of customer patronage for choosing a particular fast food outlet for fast food consumption. The study also offers recommendations to fast food retailers based on the most expected attributes by fast food consumers.

Rao & Parekh (2016) in their study on the impact of Quick Service Restaurants (QSR) such as McDonalds, KFC on smaller Indian eatery joints such as Udipi highlighted that 35% of India's population will be in urban centres by 2020 totaling to 53 crores compared to the current urban population of 32 crores. Consumer markets are being driven by the country's youth population. Be it college goers or the young working class, exposure to the international environment and culture has created a demand for world-class products at affordable prices. This has led to the rise of Quick Service Restaurants (QSRs) in India, the fastest growing segment in the eating out market.

Simi & Matusitz (2017) in their study Glocalisation of Subway in India: How a US giant has adapted in the Asian subcontinent analysed 4 important themes of glocalisation (1) adjustment of restaurant ambience; (2) adoption of Jain values; (3) adjustment of advertising practices; and (4) adjustment of the use of social media. An important conclusion is that, although India is embracing modernity, Subway has honoured many religious and cultural views in that nation.

Sudhagar (2017) in his study explored the food quality of fast food outlets in India particularly in Chennai city. Fast Food outlets customers from KFC, McDonalds, Pizza Hut, SUBWAY were used for data collection. The research indicated factors like hygiene, nutritional value, ambience, pricing of menu and taste as primary reasons in selecting the food outlet.

Pradhan (2018) in the case McDonald's India – plotting winning strategy details the growth story of American fast food chain McDonalds in West and South India markets. Westlife Development Limited (WDL) operates McDonald's chain of quick service restaurants (QSR) in these markets. The increased competition from both the national and international QSR brands and the new segment of competition from "techie" food aggregators challenges their prospects to maintain a number one position in these markets.

OBJECTIVES OF THE STUDY

The primary objectives that seek to be achieved by this study are as follows.

- To perform Comparative Financial Analysis of the industry amongst the four prominent players of the industry so that a basic outline for the industry can be crafted out.
- To understand the risks, leverages along with issues and challenges that are being faced by the industry.

RESEARCH METHODOLOGY

Data ranging from 02/05/2013 to 30/04/2018 has been taken on daily basis for the listed companies and Sensex for calculating beta factor. For Coffee day data has been taken from 02/11/2015 as it was listed in that year only.

Horizontal analysis of financial statements is done for analysing and evaluating the trends either on the basis of year over year or quarter over quarter. It has been done in percentage comparisons in the study, also known as base year analysis.

Vertical analysis of financial statements is done for analysing and evaluating the financial statements by expressing all amounts as a percentage, a total amount.

The companies considered in analysis are as follows:

S.R = Speciality Restaurants.

W. D= Westlife Development.

DIL= Devyani International Limited

J. F= Jubilant FoodWorks

DATA ANALYSIS & INTERPRETATION

Data analysis is performed as per the parameters defined in research methodology.

Vertical Analysis of Profit and Loss Account

Vertical analysis is done to find out the performance of various components of the profit and loss account and tracking the changes on YoY basis (See Table 1).

1. All companies maintain a healthy gross profit percentage which ranges from 58%-79% which is a good sign.
2. The cost of sales or cost of the product constitutes around 21%-40% of the total selling price.
3. The major chunk of expenses is operating expenses that eat up most of the part of gross profit.
4. Depreciation and Amortization revolve around 6-10%.
5. EBIT (Earnings before interest and tax) or operating profit of some turned negative while the EBIT of Devyani for all the years is negative.
6. Interest paid expenses in the industry revolves around at 0%-1.6% with Jubilant FoodWorks having no debt while on the contrary, Devyani International Limited interest expenses constitute around 4.5%-8.2% which is almost 4-8 times of its peers.
7. EBT (earnings before tax) is negative for Devyani international for all years from 2014-2017 due to a heavy amount of interest they need to pay on the debt they had taken.
8. EAT (earnings after tax) of Jubilant FoodWorks, Speciality restaurant remain positive while Westlife Development is positive on an alternative year basis (See Figure 7). EAT of Devyani international limited remain negative for all the years due to high interest payment cost and high depreciation cost that dried up the majority of the profit and turned the company into a loss-making entity.
9. Jubilant FoodWorks outperformed every other company in the industry as it succeeded to maintain profit in all the years from 2014-2017 while on the other hand, Devyani International is the worst performer in terms of profit making capacity as it continues to generate losses.

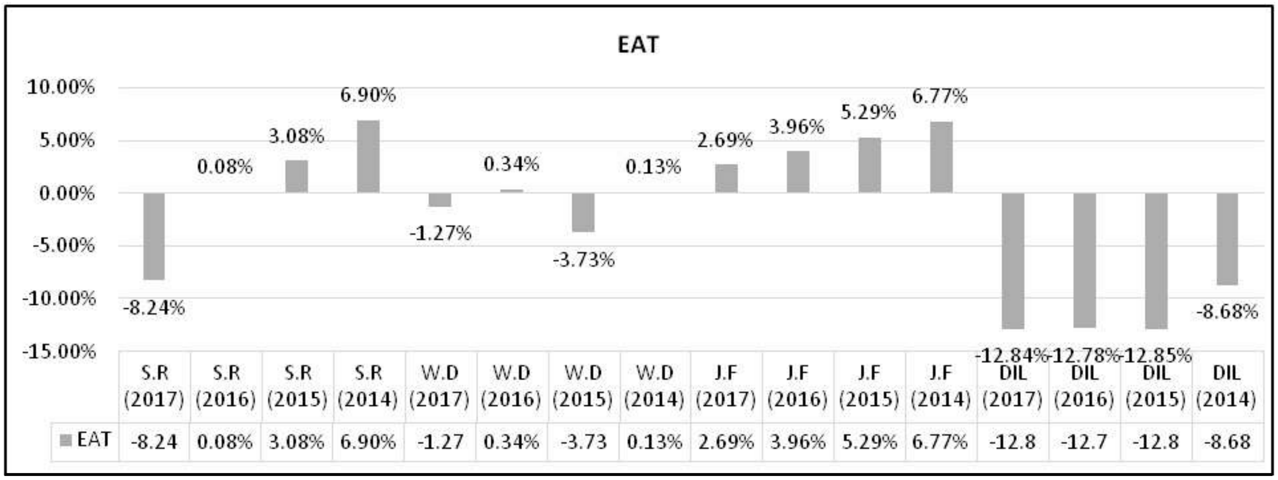

Figure 7: Earning after tax

Source: Self computed based on financial statements of respective companies' data

Table 3: Vertical Analysis of P & L (Percentage Comparisons)

Vertical Analysis	S.R (2017)	S.R (2016)	S.R (2015)	S.R (2014)	W.D (2017)	W.D (2016)	W.D (2015)	W.D (2014)	J.F (2017)	J.F (2016)	J.F (2015)	J.F (2014)	DIL (2017)	DIL (2016)	DIL (2015)	DIL (2014)
Gross Revenue (%)	100	100	100	100	100	100	100.	100	10	100	100	100	100%	100%	100%	100%
Cost of sales	31.7%	32.0%	30.%	27.%	38.1%	39.9%	40.9%	42.0%	21.%	20.%	21.%	22.%	30.5%	30.6%	31.3%	31.1%
Gross profit	68.2%	68.0%	69.%	72.%	61.4%	60.5%	59.3%	57.9%	78.%	79.%	78.%	77.%	69.4%	69.4%	68.6%	68.8%
Operating Expenses	67.1%	60.2%	57.%	56.%	54.4%	54.3%	55.2%	51.4%	68.%	68.%	65.%	63.%	66.6%	69.6%	69.2%	64.9%
EBITDA	1.06%	7.72%	11.%	16.%	7.04%	6.21%	4.05%	6.54%	9.8%	11.%	12.%	14.%	2.77%	-0.28%	-0.62%	3.90%
Depreciation and Amortization	10.5%	8.59%	8.2%	6.9%	6.70%	6.84%	6.46%	5.83%	5.9%	5.2%	4.8%	4.5%	7.35%	8.42%	8.22%	8.19%
EBIT/Operating Profit	-9.48%	-0.87%	3.7%	9%	0.34%	-0.63%	-2.41%	0.71%	3.8%	6.0%	7.6%	10.%	-4.58%	-8.70%	-8.84%	-4.29%
Interest Paid	0.01%	0.01%	0.0%	0.0%	1.62%	1.78%	1.31%	0.62%	0.0%	0.0%	0.0%	0.0%	8.07%	4.02%	4.00%	4.38%
EBT	-9.49%	-0.89%	3.7%	9.0%	-1.27%	-2.41%	-3.72%	0.09%	3.8%	6.0%	7.6%	10.%	-12.65%	-12.72%	-12.84%	-8.67%
Exceptional Items	0.00%	0.00%	0.0%	0.0%	0.00%	2.78%	0.00%	0.00%	0.0%	0.0%	0.0%	0.0%	0.05%	0.00%	0.00%	0.00%
Tax	-1.25%	-0.97%	0.6%	2.1%	0.00%	0.03%	0.01%	-0.04%	1.1%	2.0%	2.4%	3.5%	0.13%	0.06%	0.00%	0.01%
EAT	-8.24%	0.08%	3.0%	6.9%	-1.27%	0.34%	-3.73%	0.13%	2.6%	3.9%	5.2%	6.7%	-12.84%	-12.78%	-12.85%	-8.68%

Source: Self computed based on financial statements of respective companies' data

Table 4: Trend analysis

Trend Analysis	S.R (2017)	S.R (2016)	S.R (2015)	S.R (2014)	W.D (2017)	W.D (2016)	W.D (2015)	W.D (2014)	J.F (2017)	J.F (2016)	J.F (2015)	J.F (2014)	DIL (2017)	DIL (2016)	DIL (2015)	DIL (2014)
Sales (Rs.)	3,201.21	3,296.45	3,070.91	2,736.83	9,508.14	8,431.34	7,808.01	7,460.07	25,981.31	24,495.47	21,002.85	17,457.04	10,545.91	10,145.32	7,939.64	6,978.21
Net Profit (Rs.)	(263.78)	2.63	94.52	188.94	(121.20)	28.33	(291.10)	9.53	699.45	968.90	1,110.83	1,182.42	(1,353.7)	(1,296.9)	(1,019.8)	(605.99)
Sales	116.97%	120.45%	112.21%	100.00%	127.45%	113.02%	104.66%	100.00%	148.83%	140.32%	120.31%	100.00%	151.13%	145.39%	113.78%	100.00%
Net Profit	-139.61%	1.39%	50.03%	100.00%	-1271.7%	297.27%	-3054.6%	100.00%	59.15%	81.94%	93.95%	100.00%	223.40%	214.02%	168.30%	100.00%

Source: Self computed based on financial statements of respective companies' data

S.R = Speciality Restaurants.

W. D= Westlife Development.

DIL= Devyani International Limited

J. F= Jubilant FoodWorks

Each line item in income statement has been stated as a percentage of gross sales, thus sales have been taken as base value of 100.

Trend Analysis on the Basis of Profit And Loss Account

The trend analysis is done to analyse the changes in Sales and Net Profit on year on year basis. Trend analysis is useful in knowing the direction in which the company is going and to compare it with the other players of the same industry. Here, Trend analysis has been performed by taking Sales and Net Profit of 2014 as a base i.e. 100% (See Table 3).

Major conclusions of Trend analysis are as follows:

1. Sales of almost all the companies are increasing at a positive rate for all years. Increase in sales is a positive sign as it is a major source of revenue. It further signifies that the demand for the F&B industry is increasing which is a good sign.
2. Percentage wise major increase is noted in sales of Devyani International followed by Jubilant FoodWorks.
3. In absolute terms, the highest increase in sales is of Jubilant FoodWorks where sales have increased from 17.457(2014) to 25,981(2017) followed by Devyani International Limited whose sale has increased from 6978 (2014) to 10,545 (2017).
4. Net Profit of all the companies in the industry has been declining at a faster pace; the profit of every company is declining with some turning into losses.
5. Profits of Speciality restaurant declined at a greater pace and ultimately turned into losses in the year 2017.
6. Jubilant FoodWorks is the only company that ended up in profits for the year 2017.
7. Devyani international limited was in losses from the year 2014 which has increased at a greater pace by the end of the year 2017.
8. It can be interpreted from the above table that the ability to make profits in F&B industry has become a serious challenge for the companies as majority of them are turning into losses and others losing a huge chunk of profit share they had earlier.
9. The prominent reason for such a scenario is due to heavy competition from the local players, change in governmental policies and change in preferences of the consumer from fast food joints to more healthy sources of energy.
10. Increase in rental cost is also a major reason for the decline in profit.

Horizontal Analysis of Profit And Loss Account

Horizontal Analysisis done using financial statements of two or more years for gaining a comparative view (See Table 5).

Table 5: Horizontal Analysis of Profit And Loss Account

Horizontal Analysis	S.R (2017)	S.R (2016)	S.R (2015)	W.B (2017)	W.B (2016)	W.B (2015)	J.B (2017)	J.B (2016)	J.B (2015)	DIL (2017)	DIL (2016)	DIL (2015)
Gross Revenue	-2.89%	7.34%	12.21%	12.77%	7.98%	4.66%	6.07%	16.63%	20.31%	3.95%	27.78%	13.78%
Cost of sales	-3.62%	12.14%	23.94%	9.95%	4.81%	1.25%	9.33%	11.02%	17.22%	3.80%	24.56%	14.52%
Gross profit	-2.55%	5.23%	7.71%	14.61%	10.16%	7.14%	5.22%	18.17%	21.19%	4.01%	29.25%	13.44%
Operating Expenses	8.23%	12.78%	14.42%	13.09%	6.11%	12.53%	7.24%	20.70%	25.85%	-0.54%	28.61%	21.34%
EBITDA	-86.72%	-30.92%	-15.91%	27.98%	65.44%	-35.16%	-7.04%	4.82%	1.40%	-1115.63%	-41.88%	-118.18%
Depreciation and Amortization	19.09%	12.28%	32.56%	10.53%	14.31%	15.94%	21.20%	26.83%	28.45%	-9.22%	30.87%	14.16%
EBIT/Operating Profit	953.23%	-124.83%	-53.15%	-161.18%	-71.71%	-455.66%	-31.68%	-8.96%	-10.41%	-45.23%	25.75%	134.22%
Interest Paid	-60.87%	-43.21%	9.46%	2.56%	46.68%	120.59%	0.00%	0.00%	0.00%	108.67%	28.31%	3.98%
EBT	937.30%	-125.41%	-53.33%	-40.33%	-30.02%	-4537.92%	-31.68%	-8.96%	-10.41%	3.40%	26.54%	68.46%
Exceptional Items	-	-	-	-100.00%	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax	25.16%	-254.01%	-64.28%	-100.00%	198.84%	-128.76%	-39.16%	-0.55%	-18.72%	109.44%	3357.8%	-72.06%
EAT	-10129.66%	-97.22%	-49.97%	-527.82%	-109.73%	-3154.56%	-27.81%	-12.78%	-6.05%	4.38%	27.16%	68.30%

Source: Self computed based on financial statements of respective companies' data

The first year is taken as base year and changes from there on are noted to find out in which direction the firm is going. The base year in this table is taken as 2014 and changes from thereon are mentioned in the table.

The **Horizontal Analysis** of companies can be concluded in the following points:

1. There are many boxes coloured yellow which signifies exceptional increase/decrease percentage because both they were marginally positive in the previous year and next year they turned negative & vice versa.
2. Gross revenue is increasing at a diminishing rate in most of the companies except for Westlife Development in which it is increasing at an increasing rate. This signifies that it has outperformed other players in terms of revenue generation.
3. Cost of sales for most of the firms is increasing at a decreasing rate which is a good sign as a reduction in cost will help the firms in making more profits. It also showcases the cost cutting and cost controlling capacity of the firms.
4. Cost of sales for Westlife Development is increasing at an increasing rate which is not good for the firm as the expenses of the company will increase which will dry out the profits of the company.
5. Operating expenses have been increasing at a decreasing rate which signifies that companies have been able to tackle the inflation, policy changes, and labour rates effectively and do not allow a sudden surge in the operating expenses.
6. Interest paid or finance cost for most of the firms is either decreasing at an increasing rate or increasing at a decreasing rate but on the contrary, for Devyani International Limited, it is increasing at a robust rate due to increase in the amount of loan/debt availed by the firm.
7. EBT has either been decreasing at an increasing rate or increasing at a marginal rate signifying that past two-three years have been hard on the industry in terms of earning profits.

BUSINESS RISK/ LEVERAGES

Based on Table 6, Operating and Financial Leverages of the firm is concluded in the following points.

Table 6: Business Risk

Business Risk	S.R (2017)	S.R (2016)	S.R (2015)	W.B (2017)	W.B (2016)	W.B (2015)	J.B (2017)	J.B (2016)	J.B (2015)	DIL (2017)	DIL (2016)	DIL (2015)
Sales	-2.89%	7.34%	12.21%	12.77%	7.98%	4.66%	6.07%	16.63%	20.31%	3.95%	27.78%	13.78%
Operating Profit (EBIT)	953.23%	-124.83%	-53.15%	-161.18%	-71.71%	-455.66%	-31.68%	-8.96%	-10.41%	-45.23%	25.75%	134.22%
Net Income	-10129.66%	-97.22%	-49.97%	-527.82%	-109.73%	-3154.56%	-27.81%	-12.78%	-6.05%	4.38%	27.16%	68.30%
Total Leverage	3506.08	-13.24	-4.09	-41.33	-13.75	-676.36	-4.58	-0.77	-0.30	1.11	0.98	4.96
Operating Leverage	-329.93	-17.00	-4.35	-12.62	-8.98	-97.70	-5.22	-0.54	-0.51	-11.46	0.93	9.74
Financial Leverage	-10.63	0.78	0.94	3.27	1.53	6.92	0.88	1.43	0.58	-0.10	1.06	0.51

Source: Self computed based on financial statements of respective companies' data

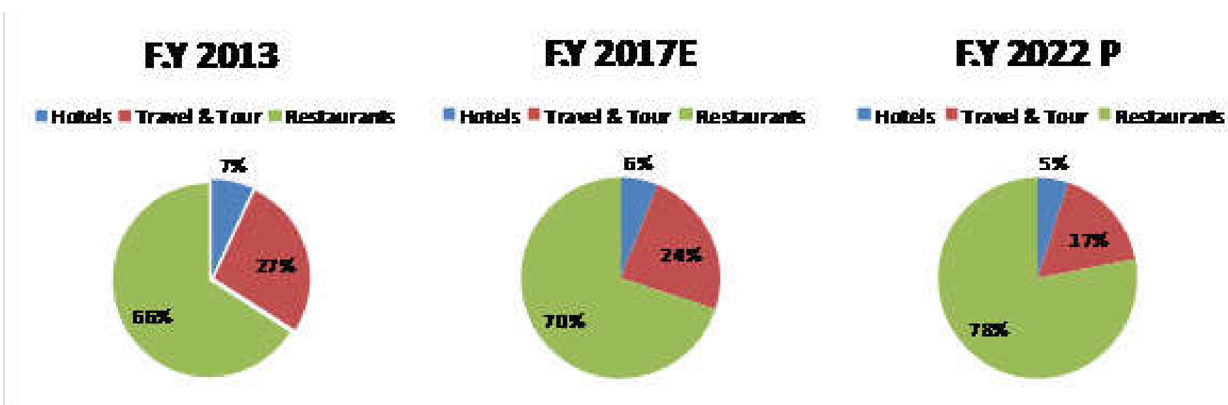

Figure8: Showing skilled manpower requirement

Source: (ICRA Management Consulting Services, NSDL, 2011)

1. Operating leverage, financial leverage and combine leverage has been calculated based on horizontal analysis.
2. Some of the figures are highly uneven or extraordinary because that in the previous year it was marginally positive, by next year they turned into negative or in the previous year they were marginally negative and in the subsequent year, they turned into positive causing exceptional change in percentage on YoY basis.
3. Percentage change for financial leverage is relative in control which lies between 3.3 to -10 which is a good sign.
4. Change in financial leverage of Devyani international limited is limited which signifies that they are maintaining their debt and not increasing their financial risk. But their debt is already higher so they also need to reduce it.
5. Other than that, most the firms can maintain a decent change bracket for the operating leverage with some reducing it and some increasing it.

Leverage only signifies the capability and tendency of the company to use their resources and the sources of fund they use to finance those operations.

ISSUES & CHALLENGES

There are various challenges and issues that are being faced by the industry which are as follows:

1. The Requirement of Skilled Labour/worker/personnel

Direct employment in food and beverages industry is estimated at around 63,00,000 in 2017 which will increase to 93,00,000 by 2022 that means on an average 6,00,000 new skilled workers are required every year by the industry on the contrary of that only about 50,000 graduates pass out from government and private institute in hospitality sector every year. The gap is significant which will be filled by unskilled workers causing underpaid employees and poor service in return (See Figure 8 & Table 7).

On comparative analysis (Figure 8), it can be observed that the demand of skilled labour is forecasted to increase from 66% to 78% over a period of 2013 to 2022 in Restaurant Industry. It should be kept in that apart from the employment generation for skilled/trained manpower arising out of new establishments, there would be additional employment generation for skilled/trained manpower from the conversion of the unorganised sector to organised sector. On the other hand, the demand seems to be maintained at a constant or decreasing rate in Hotel and Travel industry.

Table 7: Workforce breakdown

Function	**Percentage of employees**
Food Service	20
Chefs	15 - 20
Housekeeping	15 - 20
Front Office	8
Management	8
Others	20 – 25
Total	**100**

Source: (Dabas & Lunawat, 2017)

Table 8: Number of licenses required for opening a restaurant in various countries

Country	Number of license required
India	12-15
China	4
Turkey	2
Singapore	4
USA	7
Thailand	5

Source: (Dabas & Lunawat, 2017)

2. Licensing requirement

The number of licenses required to open and run a restaurant or food stall is very high as compared to other growing economies which restricts the increment in the number of outlets, the no. of license required is not only high, but it is complex too which restricts or demotivate the budding newcomer in the industry.

The numbers of license required in other countries are far less than one required in India which makes it harder (See Table 6). One window clearance and that too digital is the need of the hour which should be done by the government to make this industry more attractive for the newcomers who will only benefit in ease of doing business in food and beverages industry but will also help in the growth of economy.

3. Number game is causing harm

Organised part of industry specially the restaurant chains both national and international, Café outlets, QSR chains and food joints in order to capture the market before anyone else and in hope of growing at an exceptional rate started to open stores in large number with a view that it will increase the sale as it will increase their market reach.

But this plan backfired as the cost incurred in opening and running the store was far more than the amount of revenue they are generating as the cost of licensing, training, setting up of equipment, rent cost is very high in India dueseveral of reasons.

This force the restaurant's chains to close loss-making outlet, shifting to a relatively small area, laying off of employees and focusing more on increasing SSG than going for the number game as it was previously.

4. Healthy lifestyle

People especially the younger generation is more aware and dedicated to living a healthy lifestyle that includes eating healthy too which is another reason for the decline in the sales.

As usually, QSR serve food that is high on fat, cholesterol and oil that is not liked by the health-oriented individuals that bar them from going out and eating at such outlets. The restaurants are trying to catch up with the change in preference but till now they are not able to do so.

5. Rollback of input tax credit and other policy changes

Cutting GST from 18% to 5% is taken as a major step that would have helped the industry to cut rate significantly but withdrawal of ITC (Input Tax Credit) was the cliché that submerged the effect of that tax cut as the GST paid by them can no longer be claimed as deduction while calculating the tax liability.

Demonetization also hit the industry hard as the cash crunch made the consumer to restrict their expenses to necessity thus reducing their expenditure significantly on eating food outside.

FINDINGS, SUGGESTIONS AND RECOMMENDATIONS

QSR industry as a whole has been in a turmoil in the past couple of years which is evident in the performance of all the firms that are taken up for. The reason for this downturn is a combination of events that caused a serious blow to the industry. Some of the prominent reason out of all is the increase in rental cost of the venues, high number of license that are required to start a restaurant, introduction of GST, demonetization policy adopted by the Government of India, more health-conscious lifestyle that are being adopted by the young population in place of fast food restaurants, and easy availability of alternative sources of food.

But not everything is going in the opposite direction for the QSR industry as many positive signs are indicating towards a prosperous future of the QSR industry. Some of the indicators that suggest so are, growth rate of economy that has touched mark of 7.1% in Q4 of 2017, increase in the urbanization culture that is making more people to go out and try western cuisine, influenced by western culture that is fueling more customer to go and eat outside, increase number of young population proportionate in India, appetite to taste different flavours and types of food that is emerging in people.

Not only this, various reports like 'Foodzania-2017' report by Technopak for FICCI and KPMG's 'India's foodservice industry: Growth Recipe' report for FICCI suggest that Indian Food and Beverages will be growing at an exceptional rate in the upcoming years and will be contributing 2.6% of GDP by the year 2022.

Based on the financial analysis it can be concluded that Jubilant FoodWorks outperform the other players of the industry by maintaining the profit-making tag and increasing their sales too. They are leading the Indian QSR industry when it comes to organise food chain sector.

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