

**REPORT OF THE AUDIT, RISK MANAGEMENT AND ETHICS COMMITTEE OF DEVYANI INTERNATIONAL LIMITED RECOMMENDING THE SCHEME OF ARRANGEMENT AMONGST DEVYANI INTERNATIONAL LIMITED AND SAPPHIRE FOODS INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS ADOPTED AT THE MEETING OF THE AUDIT, RISK MANAGEMENT AND ETHICS COMMITTEE HELD ON JANUARY 1, 2026.**

---

The following members of the Audit, Risk Management and Ethics Committee were present in person/ virtually:

- |    |                        |   |                                    |
|----|------------------------|---|------------------------------------|
| 1. | Dr. Ravi Gupta         | - | Chairman & Independent Director    |
| 2. | Dr. Girish Kumar Ahuja | - | Member & Lead Independent Director |
| 3. | Ms. Rashmi Dhariwal    | - | Member & Independent Director      |

**I. Background of the Scheme of Arrangement:**

A meeting of the Audit, Risk Management and Ethics Committee (**'the Committee'**) of the Company was held on January 1, 2026 to consider and, if thought fit, recommend to the Board of Directors the Scheme of Arrangement amongst Devyani International Limited (**'Company'**/ **'DIL'**/ **'Transferee Company'**) and Sapphire Foods India Limited (**'SFIL'**/ **'Transferor Company'**) and their respective shareholders (**'Scheme'**), for the purpose of amalgamating and consolidating the businesses of the Transferor Company with and into the Transferee Company pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with the rules made thereunder (**'Act'**) [including any statutory amendment(s), modification(s) or re-enactment thereof], SEBI Master Circular bearing reference number SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (**'SEBI Master Circular'**) and such other applicable rules, regulations, guidelines, and circulars issued by the respective regulatory authorities thereunder.

The Transferor Company and the Transferee Company are public companies, both incorporated under the provisions of the Companies Act, 1956, with their respective equity shares listed on both National Stock Exchange of India Limited (**'NSE'**) and BSE Limited (**'BSE'**), hereinafter jointly referred to as **'Stock Exchanges'**.

As consideration for the merger, the Scheme provides for issuance of equity shares by the Transferee Company to the shareholders of the Transferor Company on the Record Date (as defined in the Scheme), based on the Share Exchange Ratio (as defined below). The equity shares so issued shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Transferee Company and rank pari passu with the then existing equity shares of the Transferee Company.

The Appointed Date of the Scheme (i.e., the date with effect from which the Scheme will be operative) is opening hours of April 1, 2026. The Effective Date of the Scheme is the last of the dates on which all the approvals or events specified under Clause 27 of the Scheme are obtained or have occurred or the requirement of which have been waived, unless modified. These conditions include: (i) regulatory and statutory approvals such as the approvals of the Stock Exchanges, Competition Commission of India, National Company Law Tribunal (**'NCLT'**), and filing of the order of the NCLT sanctioning the Scheme, with the jurisdictional Registrar of Companies; (ii) the completion of the SFIL Secondary Sale (as defined in the Scheme); and (iii) customary approvals and consents from third parties.



Pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('**SEBI Listing Regulations**') read with the SEBI Master Circular, the Scheme shall be filed with the Stock Exchanges for obtaining No Objection Letter(s) from the Stock Exchanges.

The Scheme shall be filed before the relevant jurisdictional National Company Law Tribunal ('**NCLT**' / '**Tribunal**') under Sections 230 to 232 and other applicable provisions of the Act and shall also be in compliance with the SEBI Master Circular.

In terms of the SEBI Master Circular, a report from the Audit Committee of the Company is required to recommend the scheme taking into consideration, *inter-alia*, the Valuation Report and shall also comment on particulars namely (i) need for the amalgamation/ arrangement; (ii) Rationale of the scheme; (iii) Synergies of business of the entities involved in the scheme; (iv) Impact of the scheme on the shareholders; and (v) Cost benefit analysis of the scheme. Accordingly, this report of the Committee is prepared to comply with the requirements of the SEBI Master Circular.

The following documents were placed before the Committee:

- a) Draft of the Scheme;
- b) Joint Valuation Report dated December 31, 2025, issued by Ms. Shilpi Gupta, Registered Valuer [IBBI Registration No. (IBBI/RV/11/2022/149)] and Ms. Radhika Bansal, Registered Valuer [IBBI Registration No. (IBBI/RV/11/2022/14683)], recommending the Share Exchange Ratio ('**Share Valuation Report**');
- c) Fairness Opinion dated December 31, 2025, issued by Sundae Capital Advisors Private Limited, Category I Merchant Banker [SEBI Registration Number: INM000012494], opining on the fairness of the Share Exchange Ratio ('**Fairness Opinion**');
- d) Draft of the Merger Framework Agreement to be executed by and amongst the Transferor Company, the Transferee Company, RJ Corp Limited (holding company), Sapphire Foods Mauritius Limited ('**SFML**') and Sagista Realty Advisors Private Limited (Trustee of QSR Management Trust) (i.e., promoters of the Transferor Company), setting forth the manner of effecting the Scheme, including representations, warranties, rights and obligations of the respective parties;
- e) Draft of the binding term sheet to be executed amongst Pizza Pete Franchising, LLC, Finger Lickin Good Franchising LLC, Gardiner Lane Capital, LLC, Kentucky Fried Chicken International Holdings LLC, Taco Bell Corp., Pizza Hut International, LLC, Yum! Restaurants (India) Private Limited ('**Yum India**'), SFML, the Transferor Company and the Transferee Company inter-alia to (a) acquire 19 KFC stores owned by Yum India; and (b) record the understanding amongst the parties for the current and future business organization amongst Yum India, the Transferor Company and the Transferee Company, subject to approval of the Scheme by the Hon'ble NCLT ('**Yum India Binding Term Sheet**');
- f) Share purchase agreement to be executed between Arctic International Private Limited and SFML, to purchase 5,94,55,837 equity shares of Rs. 2/- each of SFIL (~18.5% of its existing paid-up equity share capital) from SFML in a secondary sale;
- g) Certificate of Walker Chandiook & Co LLP, Chartered Accountants and O P Bagla & Co LLP, Chartered Accountants, Joint Statutory Auditors of the Company, confirming that the accounting treatment outlined in the Scheme is in compliance with the



- applicable Ind AS notified under the Act and other generally accepted accounting principles;
- h) Undertaking of the Company confirming non-applicability of the conditions specified in Para(A)(10)(b) of Part I of the SEBI Master Circular along with the certificate of Walker Chandiok & Co LLP, Chartered Accountants and O P Bagla & Co LLP, Chartered Accountants, Joint Statutory Auditors of the Company, certifying the said undertaking; and
  - i) Other documents and information made to/ furnished before the Committee in relation to the Scheme.

The Committee noted the presentation of the management along with key financial overview.

In addition, the Committee noted that the Transferor Company does not hold any equity shares in the Transferee Company. Further, the Transferee Company and its existing promoters do not hold any equity shares in the Transferor Company.

## **II. Salient features of the Scheme:**

The Committee discussed and noted the salient features of the Scheme which, inter alia, are as follows:

- a. The Transferor Company will amalgamate with and into the Transferee Company, upon which the Transferor Company will dissolve without winding up;
- b. Upon amalgamation of the Transferor Company with and into the Transferee Company, the Transferee Company shall issue and allot New Equity Shares (as defined in the Scheme) to the shareholders of the Transferor Company, whose name is recorded in the register of members and/or records of the depository on the Record Date (as defined in the Scheme), in accordance with the Share Exchange Ratio (as defined below);
- c. The Transferee Company's New Equity Shares issued in terms of the Scheme will be listed and admitted to trading on the Stock Exchanges in compliance with the SEBI Master Circular and other relevant provisions as may be applicable;
- d. Transfer of authorised share capital of the Transferor Company to the Transferee Company and consequential increase in the authorised share capital of the Transferee Company. Accordingly, amendment to Clause V of the Memorandum of Association of the Transferee Company;
- e. Treatment of stock options of the Transferor Company shall be as per the terms and conditions defined in the Scheme;
- f. Notwithstanding anything to the contrary in the Scheme, upon the Scheme becoming effective, the Transferee Company shall give effect to the accounting treatment in its books of account as per the Indian Accounting Standard 103 'Business Combinations', as prescribed under Section 133 of the Act;
- g. No Director/ Key Managerial Personnel (KMP) of the Company are either directly or indirectly concerned/ interested in the Scheme;



- h. The Scheme is not a Corporate Debt Restructuring as envisaged under Section 230(2)(c) of the Act or a scheme of compromise or arrangement under Section 230 of the Act; and
- i. The Scheme is subject to the conditions as specified in Clause 27 of the Scheme.

### **III. Synergies of business of the Transferor and Transferee Company:**

The background and information of the Transferor Company and the Transferee Company is, *inter alia*, as under:

- a. The Transferor Company is a franchisee of Yum! Brands operating quick service restaurants ('QSR') under the globally recognized brands KFC, Pizza Hut and Taco Bell, primarily in southern and western parts of India and in Sri Lanka.
- b. The Transferee Company is the largest franchisee of Yum! Brands in India and is among the largest operators of chain QSR in India, on a non-exclusive basis, and operates more than 2,000 stores across more than 280 cities in India, Nigeria, Nepal and Thailand, as of September 30, 2025. In addition, the Transferee Company is the sole franchisee for Costa Coffee, Tea Live, New York Fries and Sanook Kitchen in India. The Transferee Company also owns Biryani By Kilo, Goila Butter Chicken and Vaango brands.
- c. The Transferor Company and Transferee Company are therefore both predominantly in the same line of business. Upon amalgamation, the benefits and synergies as set out in Para IV will be derived.

### **IV. Need and Rationale of the Scheme:**

- a. The Transferor Company and the Transferee Company are under the same line of business, this amalgamation will enable the Transferee Company to absorb the business of the Transferor Company completely for carrying on more effectively and beneficially;
- b. The Scheme would be in the best interest of the Transferor Company and the Transferee Company and their respective shareholders, employees, creditors and other stakeholders as the proposed amalgamation will yield *inter alia* the following advantages:
  - (i) Consolidation of the QSR business under the brands KFC and Pizza Hut into a single entity in India, except the captive markets like airports and railway stations, resulting in economies of scale, unified strategy and consumer proposition for both brands enabling growth, reduction of overheads, harmonization of sales and service channels, enhanced operational efficiencies including productivity gains, and pooling of financial, managerial and technical resources, personnel capabilities, skills, expertise and logistical advantages, thereby strengthening the competitive position of the Transferee Company.
  - (ii) Integration of the Transferor Company's regional presence in southern and western India and in Sri Lanka with the Transferee Company's pan-India operations and international presence in Nepal, Nigeria and Thailand, thereby



creating a unified platform with an enlarged geographical footprint capable of serving customers across India and international territories with greater consistency, efficiency and quality of service.

- (iii) Opportunities to leverage the Transferor Company's regional strength for the Transferee Company's own brands (Biryani By Kilo, Goila Butter Chicken and Vaango) and its exclusive Costa Coffee, Tealive, New York Fries and Sanook Kitchen franchisee(s) in India, thereby broadening customer choice and diversifying the brand portfolio of the Transferee Company.
- (iv) Enhanced bargaining power with suppliers, landlords, technology providers and other stakeholders, leading to improved commercial terms, cost savings and higher profitability.
- (v) A single entity would benefit from increased scale, focus, innovations in technology and expanded reach with increased growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies leading to value creation for customers, lenders, employees, etc. and stronger cash flow generation.
- (vi) Expanded financial strength and scale, facilitating improved access to domestic and international capital markets, enabling fund raising on favorable terms, and supporting accelerated expansion, modernization and growth plans of the Transferee Company.
- (vii) A single entity will have a larger and more liquid equity base, improved market visibility, and wider investor participation, amongst others thereby creating value for shareholders.

#### V. Impact of the Scheme on shareholders:

- a. Upon the effectiveness of the Scheme, the Transferor Company shall stand amalgamated with and absorbed into the Transferee Company;
- b. In consideration for the amalgamation of the Transferor Company with and into the Transferee Company, the Transferee Company shall issue and allot to the shareholders of the Transferor Company, whose name is recorded in the register of members and/or records of the depository on the Record Date (as defined in the Scheme) as follows:  
  
*"177 fully paid-up equity shares of the Transferee Company of Re. 1 (Indian Rupee One) each for every 100 fully paid-up equity shares of the Transferor Company of Rs. 2 (Indian Rupees Two) each ('Share Exchange Ratio')."*
- c. The Share Exchange Ratio was set out in the Share Valuation Report tabled before the Committee. Per the Fairness Opinion, the Share Exchange Ratio is fair to the shareholders of the Transferee Company;
- d. The New Equity Shares (as defined in the Scheme) that will be issued to the shareholders of the Transferor Company pursuant to the Scheme are proposed to be listed on the Stock Exchanges;



- e. The amalgamation will enhance the potential of the Transferor Company's business, add value to both the Transferor Company and the Transferee Company, and ultimately increase the shareholders' value;
- f. The Scheme does not entitle the Promoter/ Promoter Group and the related parties, associates & subsidiaries of the Promoter/ Promoter Group of the Transferee Company to any additional shares;
- g. The existing Promoters of the Transferee Company shall continue to be the Promoters of the Transferee Company;
- h. The Promoters/ Persons belonging to the Promoter Group of the Transferor Company have no intention to become/ be categorized as the Promoters/ Promoter Group of the Transferee Company; and
- i. The following persons belonging to the Promoter Group of the Transferee Company intend to be reclassified in the 'Public' category in the Transferee Company:
  - 1. Lotus Holdings
  - 2. Marison Finvest Private Limited
  - 3. SFT Technologies Private Limited
  - 4. SFT Syscon Private Limited
  - 5. Sara Ferrous Private Limited
  - 6. Manog Securities Private Limited
  - 7. Gee Kay Builders and Development Services Private Limited
  - 8. Chanda Exports Private Limited
  - 9. Sylvan Realty Private Limited
  - 10. Madhav H Mariwala
  - 11. Vivek Gupta
  - 12. Vivek Gupta HUF
  - 13. Madhav Mariwala HUF
  - 14. Aishwarya M Mariwala
  - 15. Nandini M Mariwala
  - 16. Madhu Rajendra Jindal
  - 17. Bela Jyotikumar Saha

The above persons belonging to the Promoter/ Promoter Group of the Transferee Company are seeking reclassification as part of the Scheme and shall satisfy the conditions set out in Regulation 31A(3)(b) of the SEBI Listing Regulations.

#### **VI. Cost benefit analysis of the Scheme:**

The Scheme is expected to provide an opportunity to improve the economic value for both companies involved in the Scheme and their stakeholders, in view of the consolidation of the businesses. Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc., the Scheme would entail the benefits specified in para IV above. As stated in the rationale, the benefits of the Scheme would far outweigh the cost of implementation of the Scheme.



## **VII. Recommendation of the Audit Risk Management and Ethics Committee:**

Based on: (i) the key features of the Scheme as noted in para II above; (ii) the need and rationale for the amalgamation and synergies of business of the Transferor Company and the Transferee Company as explored in para III and IV above; (iii) the impact of the Scheme on the shareholders as described in para V above; (iv) the cost benefit analysis of the Scheme as described in para VI above; (v) all the other documents placed before the Audit, Risk Management and Ethics Committee as mentioned at para I above, the Audit, Risk Management and Ethics Committee has recommended the Scheme for the favourable consideration and approval to the Board.

By order of the Audit, Risk Management and Ethics Committee  
for and on behalf of **Devyani International Limited**



**Dr. Ravi Gupta**  
**Chairman- Audit, Risk Management and Ethics Committee**  
**DIN: 00023487**

**Date:** 01.01.2026

**Place:** Gurugram