

# Devyani International



BSE SENSEX  
79,218

S&P CNX  
23,952

**DEVYANI**  
INTERNATIONAL LIMITED

## Stock Info

Bloomberg	DEVYANI IN
Equity Shares (m)	1206
M.Cap.(INRb)/(USDb)	206.1 / 2.4
52-Week Range (INR)	223 / 142
1, 6, 12 Rel. Per (%)	3/-2/-23
12M Avg Val (INR M)	529
Free Float (%)	37.3

## Financials Snapshot (INR b)

Y/E Mar	2025E	2026E	2027E
Sales	48.5	54.3	61.6
Sales Gr. (%)	36.3	12.0	13.6
EBITDA	8.5	10.3	11.9
Margins (%)	17.5	18.9	19.3
Adj. PAT	0.5	2.0	2.7
Adj. EPS (INR)	0.5	1.7	2.2
EPS Gr. (%)	-41.4	274.6	30.0
BV/Sh.(INR)	5.5	5.0	4.7

## Ratios

RoE (%)	6.3	32.3	45.6
RoCE (%)	6.2	9.1	9.8

## Valuations

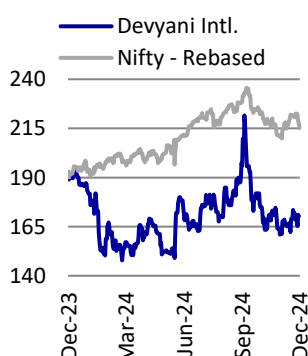
P/E (x)	378.5	101.0	77.8
P/BV (x)	31.0	34.4	36.6
EV/Sales (x)	4.9	4.4	3.9
Pre Ind-AS EV/EBITDA (x)	45.2	35.7	30.0

## Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	62.7	62.7	62.7
DII	15.4	14.2	8.3
FII	11.2	11.7	13.3
Others	10.7	11.4	15.6

FII includes depository receipts

## Stock Performance (1-year)



**CMP: INR171 TP: INR215 (+26%)**

**BUY**

## Near-term pressure persists; focus on store expansion

We met with Mr. Manish Dawar, CFO of Devyani International (DIL), to discuss the current demand trends, the company's growth outlook across business verticals, and its long-term strategy. Near-term consumer sentiment remains subdued due to high food inflation, intense competition, and geopolitical challenges. The underlying performance in 2HFY25 will largely be similar to that in 1HFY25. KFC and Pizza Hut (PH) are expected to post relatively better SSSG vs. 1HFY25, but it will largely be driven by the base benefit. Operating profitability will remain weak until underlying growth (average daily sale or ADS) improves. The company is focusing on cost optimization (mainly staff efficiency for dine-in) to improve restaurant operating margin (ROM) even if ADS recovery takes time. KFC offers a long-term play in India with enough potential for an increase in customer eat-out frequency. Rapid urbanization, a fast-changing income pyramid, a higher youth population, and women work force will continue to boost the food service market. Burger and Chicken are big QSR categories globally, and the company can keep capitalizing on the trends in India. DIL is also seeing stability in PH and aims to boost its transaction growth. Amid rising overall acceptance of delivery, the company focuses on improving its delivery mix. DIL has been investing in its digital platform and better delivery experience. Despite demand weakness, the company wants to sustain its store addition trajectory, as it plans to strengthen its store network in order to capitalize on a demand uptrend. We have been cautious on the QSR universe owing to weakness in growth metrics and contractions in operating profitability. After showing weakness in the last two years, it appears that ADS levels for both KFC and PH are near the bottom. Any recovery in ADS will quickly improve the operating print. The stock price has been flat for the last three years owing to growth challenges. We reiterate our BUY rating with a TP of INR215 (premised on 35x Dec'26E pre-Ind-AS EV/EBITDA).

## Unchanged near-term demand

Near-term demand remains subdued amid high food inflation, intense competition, and geopolitical challenges, with SSSG in 3QFY25 likely to benefit more from a favorable base than strong growth. Delivery continues to outperform dine-in, supported by technology, partnerships, and small-format stores in Tier 2/3 cities. Dine-in initiatives focus on localized menu innovations and promotions. Management emphasized its focus on store expansion in metro and non-metro markets, continuous menu innovation with value-driven offerings, and diversifying its brand portfolio (KFC, Pizza Hut, Costa Coffee, Vaango, Tealive, NYF, and Sanook Kitchen) across domestic and international markets.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**KFC – focus on improving profitability**

KFC's ADS declined to INR96k in 2QFY25 from INR121k in 2QFY23. As a result, ROM contracted to <17% (down 500bp vs. 2QFY23). DIL continues to prioritize menu innovation and product launches across its core brands to cater to evolving consumer preferences. KFC has introduced value meal rolls (INR99), featuring flavors inspired by Korean, Thai, and Indian cuisines. DIL can see scope for improvement in store efficiency, driven by employee efficiency. The man-hours required for dine-in business are higher, and there is scope for cost optimization at the store level. Hence, management is hopeful for ROM improvements in the coming quarters even if ADS does not see much improvement. DIL aims to achieve ROM of ~21% even at ADS of ~INR100k (peak ADS was INR120k-125k).

**PH – looking to improve market share**

PH has been focusing on value offering to improve transaction growth. ADS fell to INR35k in 2QFY25 (20% down vs. 2QFY23), resulting in ROM falling from 17% in 2QFY23 to 3% in 2QFY25. The brand's operating profitability has declined notably, with ADS/ROM trending near the bottom (FY19 ADS/ROM was INR45k/15%). PH has implemented various initiatives such as product launches, which can drive a recovery going ahead. PH has reintroduced its popular offerings, including Momo Mia Pizza (INR299) and Melts Pizza (INR169).

**Delivery continues to outperform dine-in business**

DIL has observed a differentiated performance in the dine-in and delivery channels across its portfolio. Dine-in business showed no significant improvement; however, the company has implemented initiatives to increase footfall and repeat visits, including localized menu innovations and value-driven promotions, such as KFC's value meal rolls featuring international flavors and PH's Momo Mia Pizza. Delivery continues to perform well, reflecting a consumer preference for convenience. The company has focused on leveraging technology and partnerships to optimize delivery operations. Furthermore, the expansion of small-format stores in smaller towns and Tier 2/3 cities addresses the growing delivery demand while maintaining cost efficiency.

**Rapid store addition to continue**

Despite a slowdown in demand, DIL focuses on store expansion. It is prioritizing small-format, capital-efficient stores for its newly introduced brands, including Tealive, New York Fries (NYF), and Sanook Kitchen. This strategy is to balance growth with operational efficiency while adapting to evolving market dynamics. DIL has been rapidly expanding its KFC network, with a shift toward smaller store sizes—reducing from 3,000-3,500 sq. ft. to 1,600 sq. ft. On average, ~25 KFC stores have been added per quarter over the past eight quarters. For PH, the company adopted a more cautious approach during 4QFY24 and 1QFY25, opening only five stores in total. However, it resumed its expansion strategy in 2QFY25, adding 23 stores. For FY25, we model store additions of 100 for KFC, 55 for PH, and 60 for Costa Coffee, reflecting the company's commitment to strategic growth across its portfolio.

**Valuation and view**

- The QSR sector continues to face subdued demand, due to high food inflation and rising competition from food delivery platforms. Despite these headwinds, companies remain focused on store expansion and diversifying their offerings to enhance both dine-in and delivery segments.
- After showing weakness in the last two years, it appears that ADS levels for both KFC and PH are near the bottom. Any recovery in ADS will quickly improve the operating print. The stock price has been flat for the last three years owing to growth challenges.
- We reiterate our BUY rating with a TP of INR215 (premised on 35x Dec'26E pre-Ind-AS EV/EBITDA).

**Exhibit 1: DIL's key performance metrics**

<b>Deviant - KFC</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Revenue growth (%)	31%	6%	89%	45%	15%	8%	18%	21%
KFC - SSSG (%)	3%	-34%	49%	16%	-5%	-4%	7%	6%
KFC - Stores	172	264	364	490	596	696	821	946
Store growth (%)	28%	53%	38%	35%	22%	17%	18%	15%
KFC - ADS ('000')	117	100	113	117	105	96	98	99
Gross margin (%)	64.8%	67.7%	69.3%	68.3%	69.5%	69.5%	69.5%	69.5%
RoM Pre - Ind AS (%)	16.0%	18.3%	21.3%	20.2%	19.6%	17.8%	19.0%	19.4%

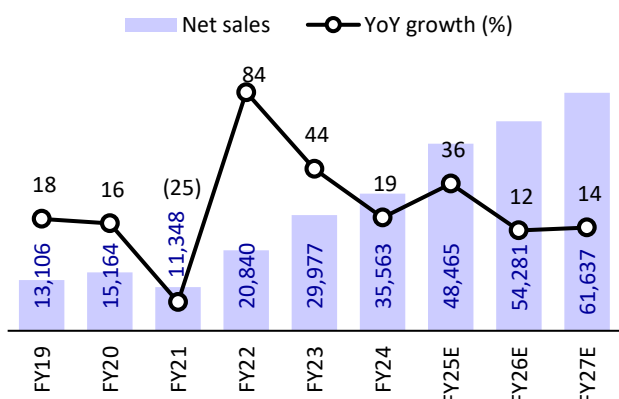
<b>Deviant - Pizza Hut</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Revenue growth (%)	-1%	-31%	85%	32%	1%	3%	12%	10%
PH - SSSG (%)	-4%	-30%	45%	4%	-11%	-3%	5%	4%
PH - Stores	269	297	413	506	567	622	672	722
Store growth (%)	0%	10%	39%	23%	12%	10%	8%	7%
PH - ADS ('000')	44	35	43	42	37	34	35	36
Gross margin (%)	74.9%	74.2%	75.6%	74.4%	75.9%	76.7%	76.7%	76.7%
RoM Pre - Ind AS (%)	10.5%	12.9%	16.3%	14.5%	7.2%	3.8%	6.5%	8.0%

<b>Deviant consol</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Revenue growth (%)	16%	-25%	84%	44%	19%	36%	12%	14%
Store	610	692	938	1,243	1,782	2,022	2,250	2,478
Store growth (%)	8%	14%	36%	33%	21%	15%	13%	12%
Gross margin (%)	69.6%	69.6%	71.2%	70.0%	70.3%	69.0%	69.2%	69.3%
EBITDA (INRm) (Pre -Ind AS)	575	842	2,995	4,348	3,807	5,254	6,674	7,928
EBITDA margin (%) (Pre -Ind AS)	3.8%	7.4%	14.4%	14.5%	10.7%	10.8%	12.3%	12.9%
EBITDA margin (%) (Post -Ind AS)	16.8%	20.7%	22.8%	21.9%	18.3%	17.5%	18.9%	19.3%

Source: Company, MOFSL

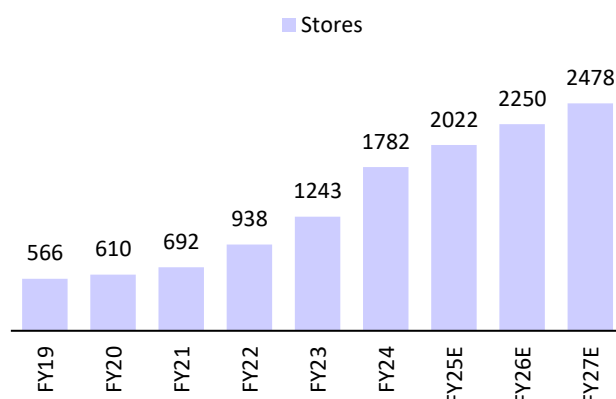
## Story in charts

**Exhibit 2: Consol. sales to clock 20% CAGR over FY24-27E...**



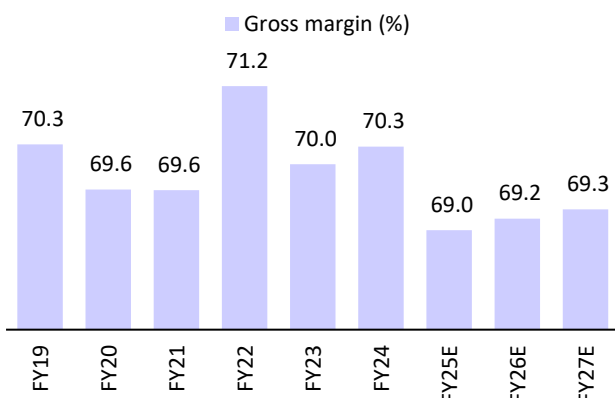
Source: MOFSL, Company

**Exhibit 3: ...led by store CAGR of 12% over FY24-27E**



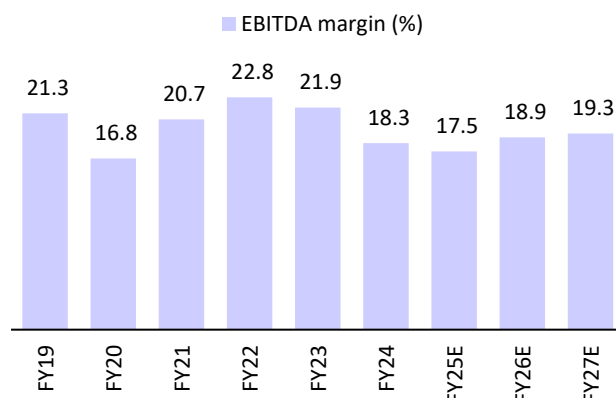
Source: MOFSL, Company

**Exhibit 4: GP margin expected to remain at 69%**



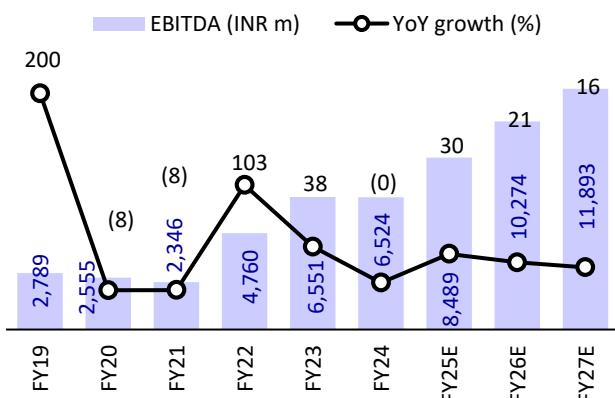
Source: MOFSL, Company

**Exhibit 5: Cost efficiency helps to boost EBITDA margin**



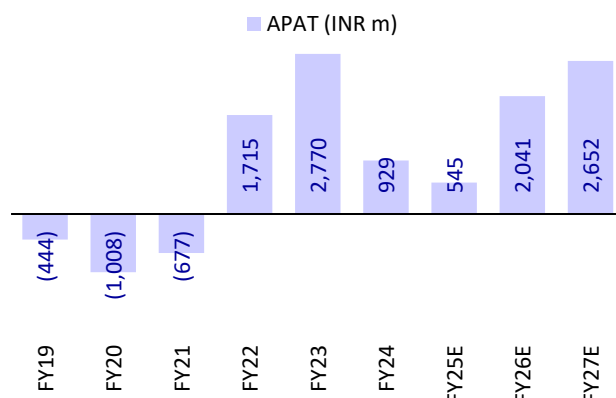
Source: MOFSL, Company

**Exhibit 6: EBITDA to clock 22% CAGR over FY24-27E...**



Source: MOFSL, Company

**Exhibit 7: ...with 42% CAGR in PAT over FY24-FY27E**



Source: MOFSL, Company

## Financials and valuations

Income Statement consol.								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>15,164</b>	<b>11,348</b>	<b>20,840</b>	<b>29,977</b>	<b>35,563</b>	<b>48,465</b>	<b>54,281</b>	<b>61,637</b>
Change (%)	15.7	-25.2	83.6	43.8	18.6	36.3	12.0	13.6
Raw Materials	4,604	3,447	5,998	8,986	10,566	15,016	16,723	18,900
<b>Gross Profit</b>	<b>10,560</b>	<b>7,902</b>	<b>14,842</b>	<b>20,991</b>	<b>24,997</b>	<b>33,449</b>	<b>37,558</b>	<b>42,737</b>
Margin (%)	69.6	69.6	71.2	70.0	70.3	69.0	69.2	69.3
Operating Expenses	8,005	5,556	10,082	14,440	18,474	24,960	27,284	30,844
<b>EBITDA</b>	<b>2,555</b>	<b>2,346</b>	<b>4,760</b>	<b>6,551</b>	<b>6,524</b>	<b>8,489</b>	<b>10,274</b>	<b>11,893</b>
Change (%)	-8.4	-8.2	102.9	37.6	-0.4	30.1	21.0	15.8
Margin (%)	16.8	20.7	22.8	21.9	18.3	17.5	18.9	19.3
Depreciation	2,272	2,775	2,249	2,782	3,907	5,481	5,607	6,228
Int. and Fin. Charges	1,584	1,495	1,270	1,475	1,869	2,594	2,476	2,535
Other Income	187	641	161	326	326	300	360	414
<b>Profit before Taxes</b>	<b>-1,115</b>	<b>-1,283</b>	<b>1,402</b>	<b>2,620</b>	<b>1,074</b>	<b>714</b>	<b>2,551</b>	<b>3,544</b>
Change (%)	56.6	15.0	-209.3	86.8	-59.0	-33.5	257.2	38.9
Margin (%)	-7.4	-11.3	6.7	8.7	3.0	1.5	4.7	5.7
Total tax	18	-11	-320	-206	133	143	510	892
Tax Rate (%)	-1.7	0.8	-22.8	-7.9	12.4	20.0	20.0	25.2
<b>Adjusted PAT</b>	<b>-1,008</b>	<b>-677</b>	<b>1,715</b>	<b>2,770</b>	<b>929</b>	<b>545</b>	<b>2,041</b>	<b>2,652</b>
Change (%)	N/M	N/M	L/P	61.5	-66.5	-41.4	274.6	30.0
Margin (%)	-6.6	-6.0	8.2	9.2	2.6	1.1	3.8	4.3
<b>Reported PAT</b>	<b>-790</b>	<b>-735</b>	<b>1,563</b>	<b>2,650</b>	<b>473</b>	<b>571</b>	<b>2,041</b>	<b>2,652</b>

Balance Sheet								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	1,062	1,154	1,205	1,205	1,206	1,206	1,206	1,206
Reserves	-2,953	-16	5,658	8,499	9,352	5,438	4,781	4,432
<b>Net Worth</b>	<b>-1,891</b>	<b>1,138</b>	<b>6,863</b>	<b>9,703</b>	<b>10,558</b>	<b>6,644</b>	<b>5,986</b>	<b>5,638</b>
Loans	4,307	4,633	1,325	774	9,102	8,902	8,702	8,702
Lease Liability	12,882	8,724	11,217	14,875	19,955	24,590	27,363	30,136
Minority Interest	-391	-419	-47	-62	2,928	3,075	3,228	3,390
<b>Capital Employed</b>	<b>14,906</b>	<b>14,076</b>	<b>19,358</b>	<b>25,290</b>	<b>42,543</b>	<b>43,210</b>	<b>45,279</b>	<b>47,865</b>
Gross Block	7,707	7,276	9,660	13,838	20,661	24,264	27,270	30,334
Less: Accum. Depn.	9,542	7,914	11,709	14,278	21,839	21,060	22,442	24,556
<b>Net Fixed Assets</b>	<b>5,364</b>	<b>6,162</b>	<b>7,649</b>	<b>11,012</b>	<b>20,704</b>	<b>22,151</b>	<b>22,838</b>	<b>23,309</b>
Capital WIP	135	143	68	153	110	100	100	100
Goodwill	224	644	644	644	4,287	4,287	4,287	4,287
Right to Use Assets	10,351	6,660	8,911	12,258	16,906	17,056	17,131	16,903
<b>Investments</b>	<b>414</b>	<b>456</b>	<b>351</b>	<b>353</b>	<b>268</b>	<b>268</b>	<b>268</b>	<b>268</b>
Non-current	414	456	351	353	268	268	268	268
Deferred tax asset (net)	75	96	482	963	512	502	492	482
<b>Curr. Assets, L&amp;A</b>	<b>2,272</b>	<b>2,523</b>	<b>4,519</b>	<b>4,502</b>	<b>6,538</b>	<b>8,078</b>	<b>10,324</b>	<b>13,865</b>
Inventory	721	622	855	1,290	1,310	2,057	2,291	2,589
Account Receivables	173	169	211	289	527	664	744	844
Cash and Bank Balance	160	405	659	851	1,808	2,024	3,758	6,648
Others	1,218	1,327	2,795	2,071	2,892	3,333	3,532	3,783
<b>Curr. Liab. and Prov.</b>	<b>3,929</b>	<b>2,608</b>	<b>3,267</b>	<b>4,595</b>	<b>6,782</b>	<b>9,231</b>	<b>10,160</b>	<b>11,349</b>
Account Payables	1,632	1,619	1,964	2,419	3,756	5,338	5,945	6,719
Other Liabilities	2,074	678	991	1,830	1,988	2,825	3,146	3,555
Provisions	223	311	313	346	1,038	1,068	1,069	1,075
<b>Net Current Assets</b>	<b>-1,657</b>	<b>-85</b>	<b>1,252</b>	<b>-93</b>	<b>-244</b>	<b>-1,153</b>	<b>164</b>	<b>2,516</b>
<b>Application of Funds</b>	<b>14,906</b>	<b>14,076</b>	<b>19,358</b>	<b>25,290</b>	<b>42,543</b>	<b>43,210</b>	<b>45,279</b>	<b>47,865</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>-0.9</b>	<b>-0.6</b>	<b>1.4</b>	<b>2.3</b>	<b>0.8</b>	<b>0.5</b>	<b>1.7</b>	<b>2.2</b>
Cash EPS	1.2	1.8	3.3	4.6	4.0	5.0	6.3	7.4
BV/Share	-1.8	1.0	5.7	8.1	8.8	5.5	5.0	4.7
<b>Valuation (x)</b>								
P/E	N/M	N/M	120.1	74.4	221.9	378.5	101.0	77.8
Cash P/E	143.6	94.1	52.0	37.1	42.6	34.2	27.0	23.2
EV/Sales	13.1	18.5	10.4	7.4	6.6	4.9	4.4	3.9
EV/EBITDA	77.6	89.4	45.7	33.7	35.7	28.0	23.2	20.0
P/BV	N/M	173.4	30.0	21.2	19.5	31.0	34.4	36.6
<b>Return Ratios (%)</b>								
RoE	N/M	N/M	42.9	33.4	9.2	6.3	32.3	45.6
RoCE	3.2	1.5	19.6	19.8	7.6	6.2	9.1	9.8
RoIC	2.0	-3.1	19.7	19.3	7.1	5.9	9.1	10.3
<b>Working Capital Ratios</b>								
Debtor (Days)	4	5	4	4	5	5	5	5
Asset Turnover (x)	1.0	0.8	1.1	1.2	0.8	1.1	1.2	1.3
<b>Leverage Ratio</b>								
Debt/Equity (x)	N/M	11.7	1.8	1.6	2.8	5.0	6.0	6.9

### Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>(INRm)</b>								
Profit before Tax	-1,196	-641	1,231	2,419	37	714	2,551	3,544
Depreciation	2,506	2,887	2,249	2,788	3,848	5,481	5,607	6,228
Net interest	1,688	1,622	1,270	1,475	1,869	2,594	2,476	2,535
Others	-206	-1,874	-303	-79	63	-300	-360	-414
Direct Taxes Paid	-8	5	-103	-478	-267	-143	-510	-892
(Incr)/Decr in WC	223	397	162	246	375	1,143	434	557
<b>CF from Operations</b>	<b>3,007</b>	<b>2,396</b>	<b>4,506</b>	<b>6,370</b>	<b>5,925</b>	<b>9,489</b>	<b>10,199</b>	<b>11,558</b>
Incr in FA	-999	-3,673	-3,063	-4,240	-4,619	-3,593	-3,006	-3,064
<b>Free Cash Flow</b>	<b>2,008</b>	<b>-1,278</b>	<b>1,443</b>	<b>2,130</b>	<b>1,306</b>	<b>5,896</b>	<b>7,193</b>	<b>8,494</b>
Others	108	103	-606	890	-9,242	-112	-94	-85
<b>CF from Invest.</b>	<b>-892</b>	<b>-3,570</b>	<b>-3,669</b>	<b>-3,350</b>	<b>-13,861</b>	<b>-3,706</b>	<b>-3,100</b>	<b>-3,149</b>
Incr in Debt	-1,791	-1,564	-4,776	-2,822	5,625	-62	-54	154
Net interest Paid	-435	-492	-147	-27	3,247	-5,506	-5,311	-5,672
<b>CF from Fin. Activity</b>	<b>-2,226</b>	<b>1,420</b>	<b>-584</b>	<b>-2,827</b>	<b>8,893</b>	<b>-5,568</b>	<b>-5,365</b>	<b>-5,518</b>
<b>Incr/Decr of Cash</b>	<b>-111</b>	<b>245</b>	<b>253</b>	<b>193</b>	<b>957</b>	<b>216</b>	<b>1,734</b>	<b>2,891</b>
Add: Opening Balance	271	160	405	659	851	1,808	2,024	3,758
<b>Closing Balance</b>	<b>160</b>	<b>405</b>	<b>659</b>	<b>851</b>	<b>1,808</b>	<b>2,024</b>	<b>3,758</b>	<b>6,648</b>

E: MOFSL Estimates

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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