

Devyani International

India | Consumer Discretionary | Result Update | Rating Upgrade



5 February 2026

Recovery signals emerging

In Q3, Devyani International (DEVYANI IN) delivered on the margin front, with revenue growth slightly ahead. For KFC India, the drop in same-store-sales was arrested to 2.9% YoY, and gross margin saw improvement and continued store expansion. For Pizza Hut, the drop in SSS was arrested to c.9.0%, with store additions expected to remain flat in CY26. Sustained positive SSSG in Jan-26, along with margin improvement and a ~24% correction in the stock price, has improved the risk-reward profile. So, we upgrade to BUY from Accumulate. However, we reduce our TP to INR 165, as we factor in a downgrade in revenue estimates by 1-2% and EBITDA by 4-8% in FY25-28E. Amidst strategic interventions at PH, expansion of KFC and SSSG improvement are near-term growth drivers.

KFC – Drop in SSS hits margin gains: Revenue of KFC India rose 5.9% YoY, largely driven by store additions (+54 net, taking the total store count to 788, up 14.4% YoY). ADS was flat QoQ at INR 90k, while the drop in SSS was arrested to 2.9% YoY. Weak SSSG was partly driven by cannibalization from rapid expansion in the past few years. Despite muted sales, gross margin improved by ~120bps YoY to 69.8%, supported by cost controls and operational efficiencies, though gains were partly offset by deleverage from lower ADS and a higher delivery mix. SSS growth for KFC in January 2026 was driven by promotions and channel strategies, although monitor consistency. KFC plans to add ~110-120 stores annually. We expect SSS to drop by 1.5% in FY26E and store count to reach 1,026 by FY28E.

Pizza Hut – SSS deteriorated: PH India continued to face demand pressure as revenue dropped by 6.4% YoY in Q3, driven by SSS declining by 9.1% even as it added 18 stores (639, flat YoY). Operational focus shifted decisively to profitability, resulting in a QoQ gross margin improvement of ~130bps to ~76%. As part of its turnaround, PH has begun shutting down loss-making stores and confirmed no new net store additions in CY26, with expansion limited to replacement closures. DEVYANI identified key turnaround levers: a) technology, b) rationalization of loss-making stores, c) A&P and d) menu innovations. A detailed turnaround strategy is expected to be shared post the approval of merger with Sapphire. With many monitorables, we expected SSS of PH to decline 5.5% in FY26 and growth up to 2.0% in FY28E.

Upgrade to BUY; TP pared to INR 165: In Q3, DEVYANI posted slightly higher growth, with margin ahead of estimates, led by pricing action. January witnessed SSSG, though monitor consistency till March, implying that the worst for QSR has likely peaked. Post margin correction in H1, gross margin gains were strong. PH necessitates multi-level interventions for operational turnaround, which may require some time (depending on discussion with *Yum Brands* and *Sapphire*). Amidst this, KFC's expansion (14% CAGR till FY28E) is a growth lever, with any improvement in SSSG as a trigger for operating leverage. Sky Gate has turned around at brand EBITDA level, ahead of the guided timeline. Factoring in Q3, we pare our revenue estimates up to 2.5% and EBITDA by 4-8% in FY25-28E. So, we lower KFC's multiple to 32x Sep-27E EV/EBITDA (pre-IndAS), and value Pizza Hut on 2x P/S, Costa Coffee on 25x, Vaango on 20x and the international business on 30x. We lower our TP to INR 165 from 185. Upgrade to BUY as the stock price has corrected 24% in past three months.

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	35,563	49,511	56,383	61,382	67,098
YoY (%)	18.6	39.2	13.9	8.9	9.3
EBITDA (INR mn)	6,465	8,108	8,594	9,788	11,228
EBITDA margin (%)	18.2	16.4	15.2	15.9	16.7
Adj PAT (INR mn)	940	(69)	334	1,201	2,191
YoY (%)	(66.7)	(107.3)	(584.3)	259.4	82.4
Fully DEPS (INR)	0.8	(0.1)	0.3	1.0	1.8
RoE (%)	8.1	(0.5)	2.4	8.0	13.1
RoCE (%)	15.9	10.5	10.8	14.9	17.1
P/E (x)	158.1	(2,154.9)	453.7	126.2	69.2
EV/EBITDA (x)	29.0	23.2	21.9	19.2	16.7

Note: Pricing as on 04 February 2026; Source: Company, Elara Securities Estimate

Rating: **Buy**
 Target Price: **INR 165**
 Upside: **34%**
 CMP: **INR 123**
 As on 04 February 2026

Key data	
Bloomberg	DEVYANI IN
Reuters Code	DEVY.NS
Shares outstanding (mn)	1,233
Market cap (INR bn/USD mn)	152/1,681
EV (INR bn/USD mn)	188/2,077
ADTV 3M (INR mn/USD mn)	516/6
52 week high/low	191/110
Free float (%)	32

Note: as on 04 February 2026; Source: Bloomberg

Price chart



Source: Bloomberg

	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Shareholding (%)				
Promoter	62.7	62.6	61.4	61.4
% Pledge	0.0	0.0	0.0	0.0
FII	13.4	9.4	6.5	5.8
DII	16.8	18.1	19.7	19.4
Others	7.1	9.9	12.3	13.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	0.7	4.3	8.6
Devyani International	(22.6)	(24.8)	(32.6)
NSE Mid-cap	(0.1)	3.7	9.8
NSE Small-cap	(7.1)	(5.5)	1.4

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	35,563	49,511	56,383	61,382	67,098
Gross Profit	24,997	34,122	38,883	42,496	46,626
EBITDA	6,465	8,108	8,594	9,788	11,228
EBIT	2,617	2,410	2,545	3,582	4,349
Interest expense	1,869	2,648	2,709	2,607	2,744
Other income	326	370	544	360	973
Exceptional/ Extra-ordinary items	(1,037)	-	-	-	-
PBT	37	131	380	1,334	2,577
Tax	133	197	46	133	387
Minority interest/Associates income	-	(3)	-	-	-
Reported PAT	(97)	(69)	334	1,201	2,191
Adjusted PAT	940	(69)	334	1,201	2,191
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	13,486	14,023	14,380	15,581	17,772
Minority Interest	-	-	-	-	-
Trade Payables	3,756	4,411	4,555	4,657	5,048
Provisions & Other Current Liabilities	3,510	4,100	4,346	4,525	4,729
Total Borrowings	9,102	9,318	9,268	8,968	8,668
Other long term liabilities	19,471	21,534	20,138	26,173	28,541
Total liabilities & equity	49,324	53,386	52,686	59,903	64,757
Net Fixed Assets	20,704	22,585	19,602	17,396	15,327
Goodwill	4,287	4,581	4,581	4,581	4,581
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	19,472	21,483	24,116	30,330	32,902
Cash, Bank Balances & treasury investments	1,676	1,814	900	3,890	7,992
Inventories	1,310	1,482	1,688	1,838	2,009
Sundry Debtors	527	413	772	841	919
Other Current Assets	1,347	1,029	1,029	1,029	1,029
Total Assets	49,324	53,386	52,686	59,903	64,757
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	5,925	9,002	4,367	9,538	10,983
Capital expenditure	(4,785)	(4,910)	(3,066)	(4,000)	(4,810)
Acquisitions / divestitures	(10,913)	(14)	-	-	-
Other Business cashflow	189	302	544	360	973
Free Cash Flow	(9,584)	4,381	1,845	5,898	7,146
Cashflow from Financing	10,635	(4,243)	(2,759)	(2,907)	(3,044)
Net Change in Cash / treasury investments	1,051	137	(914)	2,991	4,102
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	-	-	-	-	-
Book value per share (INR)	11.2	11.6	11.7	12.7	14.4
RoCE (Pre-tax) (%)	15.9	10.5	10.8	14.9	17.1
ROIC (Pre-tax) (%)	17.0	11.4	11.5	16.5	22.2
ROE (%)	8.1	(0.5)	2.4	8.0	13.1
Asset Turnover (x)	2.2	2.3	2.7	3.3	4.1
Net Debt to Equity (x)	0.6	0.5	0.6	0.3	0.0
Net Debt to EBITDA (x)	1.1	0.9	1.0	0.5	0.1
Interest cover (x) (EBITDA/ int exp)	3.5	3.1	3.2	3.8	4.1
Total Working capital days (WC/rev)	(26.8)	(32.4)	(31.1)	(9.8)	12.3
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	158.1	(2,154.9)	453.7	126.2	69.2
P/Sales (x)	4.3	3.1	2.7	2.5	2.3
EV/ EBITDA (x)	29.0	23.2	21.9	19.2	16.7
EV/ OCF (x)	31.7	20.9	43.0	19.7	17.1
FCF Yield	(5.1)	2.3	1.0	3.1	3.8
Price to BV (x)	11.0	10.6	10.5	9.7	8.5
Dividend yield (%)	-	-	-	-	-

Note: Pricing as on 04 February 2026; Source: Company, Elara Securities Estimate

We expect a revenue CAGR of 10.7% in FY25-28E

Exhibit 1: Quarterly performance

Consolidated (INR mn)	Q3FY26	Q3Y25	YoY (%)	Q2FY26	QoQ (%)	Elara Est.	Diff (%)
Revenue	14,409	12,944	11.3	13,768	4.7	13,932	3.4
Gross Margin (%)	68.9	68.7	21 bps	67.8	114 bps	68.2	67 bps
EBITDA	2,300	2,133	7.8	1,974	16.5	2,146	7.2
EBITDA Margin (%)	16.0	16.5	(52) bps	14.3	162 bps	15.4	56 bps
Depreciation	1,666	1,468	13.6	1,552	7.4	1,500	11.1
Interest Cost	700	670	4.5	688	1.7	680	3.0
Other Income	123	90	37.7	51	140.1	60	105.4
PBT	56	85	(33.8)	(215)	(126.3)	26	115.3
Tax	(49)	162	(130.4)	(52)	(5.4)	3	(1664.9)
Effective tax rate (%)	(87.2)	189.7		24.2		12	
PAT	(100)	(77)	28.9	(215)	(53.6)	22	(561.1)
Adj. PAT	106	(76)	(238.1)	(163)	(164.9)	23	358.0
Adj. EPS (INR)	0.1	(0.1)	(238.1)	(0.1)	(164.9)	0.0	

Source: Company, Elara Securities Estimate

Q3 conference call takeaways
Network expansion and store portfolio

- ▶ Total store count stood at 2,279, comprising 1,174 KFC and 648 Pizza Hut outlets as of Dec '25.
- ▶ In Q3FY26, the company added 54 net new KFC stores, 18 net Pizza Hut stores, and 17 stores under *Biryani By Kilo* and *Vaango*.
- ▶ International operations added 20 new stores in Thailand and Nepal during the quarter.
- ▶ Management reiterated zero net new Pizza Hut stores in CY26, with new openings only to offset closures of loss-making stores.

Revenue growth and financial performance

- ▶ Consolidated revenue came in at INR 14,410mn, up 11.3% YoY, while India revenues grew 12.1% YoY to INR 9,780mn.
- ▶ Consolidated gross profit increased 11.7% YoY to INR 9,930mn, with gross margin improving 20bps YoY to 68.9% (excluding Sky Gate: +70 bps YoY).
- ▶ Pre-Ind AS operating EBITDA stood at INR 1,240mn, with margin improving to 8.6% from 6.8% in Q2FY26, while reported EBITDA was INR 2,270mn (15.7% margin).

Brand contribution and profitability

- ▶ Consolidated brand contribution increased to INR 2,000mn from INR 1,850mn YoY, with margin expanding to 13.9% versus 11.7% in Q2FY26.
- ▶ The Sky Gate portfolio achieved brand EBITDA breakeven in Dec '25, materially ahead of guidance.
- ▶ International business delivered brand contribution of INR 810mn, with margins at 17.1%, showing steady YoY improvement.

KFC India: Performance

- ▶ KFC India revenues grew 5.9% YoY to INR 6,030mn, with ADS stable at INR 90,000 sequentially.
- ▶ Gross margin improved 120bps YoY to 69.8%, partly offset by deleverage due to lower ADS and higher delivery mix.
- ▶ Brand contribution margin declined 40bps YoY, despite sustained cost optimization initiatives.

- ▶ Management acknowledged cannibalization impact from aggressive store expansion over recent years and highlighted a strategic reset across online versus offline channels.

Pizza Hut India – Turnaround phase

- ▶ Pizza Hut India revenue stood at INR 1,780mn, with ADS at INR 31,000 and gross margin improving 120bps QoQ to 76%.
- ▶ The brand delivered positive brand contribution of INR 14mn (0.8% margin), improving 100bps QoQ, despite muted demand.
- ▶ Management has begun systematic closure of loss-making stores, with turnaround expected to take 2-3 years, supported by technology, marketing, and innovation initiatives.

Own brands (Sky Gate Portfolio)

- ▶ Own brands reported INR 940mn revenue, with gross margins at 64.2% and brand contribution margin at 9%.
- ▶ Vaango crossed 100 stores, generating INR 200mn quarterly revenue, while maintaining healthy margins.
- ▶ Sky Gate added 13 net new stores, largely within existing food-court locations, reflecting a measured scale-up strategy.

International business

- ▶ International revenues grew 10.1% YoY to INR 4,730mn, with gross margins improving 90bps QoQ to 64.9%.
- ▶ Thailand witnessed muted growth and negative SSSG, though January showed sequential improvement.
- ▶ Nepal and Nigeria continued to perform strongly, though they remain smaller contributors.

Same-store sales growth (SSSG) and demand trends

- ▶ Management reported positive SSSG across all brands in January, except Pizza Hut, indicating early signs of an inflection.
- ▶ Improvement was driven by promotional experiments, deal restructuring, and refined online-offline strategies, though management cautioned against extrapolating a single month's trend.
- ▶ Early green shoots in consumption demand were observed, aided by fiscal measures and improving macro sentiment.

Cost control, margins and operating levers

- ▶ Brand contribution margins improved despite negative SSSG, highlighting structural cost and mix levers beyond pure volume growth.
- ▶ KFC brand contribution margins earlier achieved at INR 125k ADS are now targeted at INR 105k–110k ADS, reflecting efficiency gains.
- ▶ Corporate G&A was guided at ~5% of revenue, with Q3 impacted by labour code implementation.

Exhibit 2: Quarterly metrics

	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
KFC									
Revenue (INR mn)	5243.0	4941.0	5546.0	5434.0	5698.0	5109.0	6126.0	5723.0	6032.0
Gross Margin (%)	69.4	69.9	69.5	69.0	68.6	68.3	67.1	68.1	69.8
Brand Contribution Margin (%) (pre-IndAS)	19.0	19.0	19.5	16.6	17.2	16.2	15.5	14.1	16.8
Average Daily Sales (INR'000)	104.0	93.0	104.0	96.0	96.0	83.0	98.0	89.0	90.0
No. of stores added (net) (nos)	50.0	6.0	21.0	28.0	44.0	7.0	8.0	30.0	54.0
Total stores at the end of the quarter (nos)	590.0	596.0	617.0	645.0	689.0	696.0	704.0	734.0	788.0
SSSG YoY (%)	(4.7)	(7.1)	(7.0)	(7.0)	(4.4)	(6.1)	(0.7)	(4.2)	(2.9)
Off-premise revenue contribution (%)	40.0	41.0	41.0	42.0	42.0	45.0	46.0	46.0	45.0
On-premise revenue contribution (%)	60.0	59.0	59.0	58.0	58.0	55.0	54.0	54.0	55.0
Off-premise revenue growth (%)	26.8	20.1	19.0	15.0	14.1	13.5	23.9	15.3	13.4
On-premise revenue growth (%)	7.0	5.9	0.6	1.5	5.1	(3.6)	1.1	(1.9)	0.4
Pizza Hut									
Revenue (INR mn)	1796.0	1621.0	1819.0	1848.0	1902.0	1754.0	1873.0	1861.0	1781.0
Gross Margin (%)	75.8	77.3	76.8	76.8	76.2	75.6	74.7	74.7	76.0
Brand Contribution Margin (%) (pre-IndAS)	6.1	4.4	5.0	3.1	2.1	0.7	(1.1)	(0.2)	0.8
Average Daily Sales (INR'000)	37.0	32.0	36.0	35.0	35.0	31.0	33.0	33.0	31.0
No. of stores added (net) (nos)	30.0	2.0	10.0	16.0	51.0	(14.0)	(12.0)	3.0	18.0
Total stores at the end of the quarter (nos)	565.0	567.0	577.0	593.0	644.0	630.0	618.0	621.0	639.0
SSSG YoY (%)	(12.6)	(14.0)	(9.0)	(5.7)	(0.8)	1.0	(4.2)	(4.1)	(9.1)
Off-premise revenue contribution (%)	56.0	55.0	55.0	56.0	54.0	56.0	55.0	55.0	52.0
On-premise revenue contribution (%)	44.0	45.0	45.0	44.0	46.0	44.0	45.0	45.0	48.0
Off-premise revenue growth (%)	(3.9)	(9.4)	(4.4)	2.3	2.1	10.2	3.0	(1.1)	(9.8)
On-premise revenue growth (%)	0.1	2.3	3.7	(1.8)	10.7	5.8	3.0	3.0	(2.3)
Costa Coffee									
Revenue (INR mn)	397	451	455	490	517	523	519	514	563
Gross Margin (%)	77.2	76.7	74.9	75.1	75.4	76.1	75.1	73.5	75.7
Brand Contribution Margin (%) (pre-IndAS)	14.9	17.9	15.0	15.0	16.9	17.6	12.9	10.5	15.6
Average Daily Sales (INR'000)	35	33	28	27	26	27	26	24	27
No. of stores added (net) (nos)	8	25	13	15	2	11	2	2	-13
Total stores at the end of the quarter (nos)	154	179	192	207	209	220	222	224	211
SSSG YoY (%)	5.9	7.3	0.6	8.7	5.1	3.5	4	3.5	3.5
Vaango									
Revenue (INR mn)	145	155	172	192	198	192	201	204	204
Gross Margin (%)	79.3	80.0	80.2	79.2	78.8	79.2	79.2	78.8	79.5
Brand Contribution Margin (%) (pre-IndAS)	22.4	21.5	23.9	23.9	17.3	19.3	19.4	10.8	13.2
No. of stores added (net) (nos)	1	9	9	18	4	2	0	0	0
Total stores at the end of the quarter (nos)	54	63	72	90	94	96	96	96	96

Source: Company, Elara Securities Research

Exhibit 3: Valuation

(INR mn)	Sep-27E
KFC India	
One year forward EBITDA (pre IndAS)	3,467
Multiple (x)	32
EV	1,09,201
EV per share (INR)	89
Pizza Hut India	
One year forward Sales	7,279
Multiple (x)	2
EV	10,918
EV per share (INR)	9
Costa Coffee	
One year fwd. EBITDA (pre IndAS)	268
Multiple (x)	25
EV	6,563
EV per share (INR)	5
Vaango	
One year forward EBITDA (pre IndAS)	86
Multiple (x)	20
EV	1,679
EV per share (INR)	1
International & Others	
One year fwd. EBITDA (pre IndAS)	2,475
Multiple (x)	30
EV	75,474
EV per share (INR)	61
Total EV	2,03,836
Cash (INR mn)	5,941
Debt (INR mn)	8,818
Equity Value (INR mn)	2,00,960
Total no. of shares (mn)	1,229.6
TP (INR)	165
CMP (INR)	123
Upside (%)	34

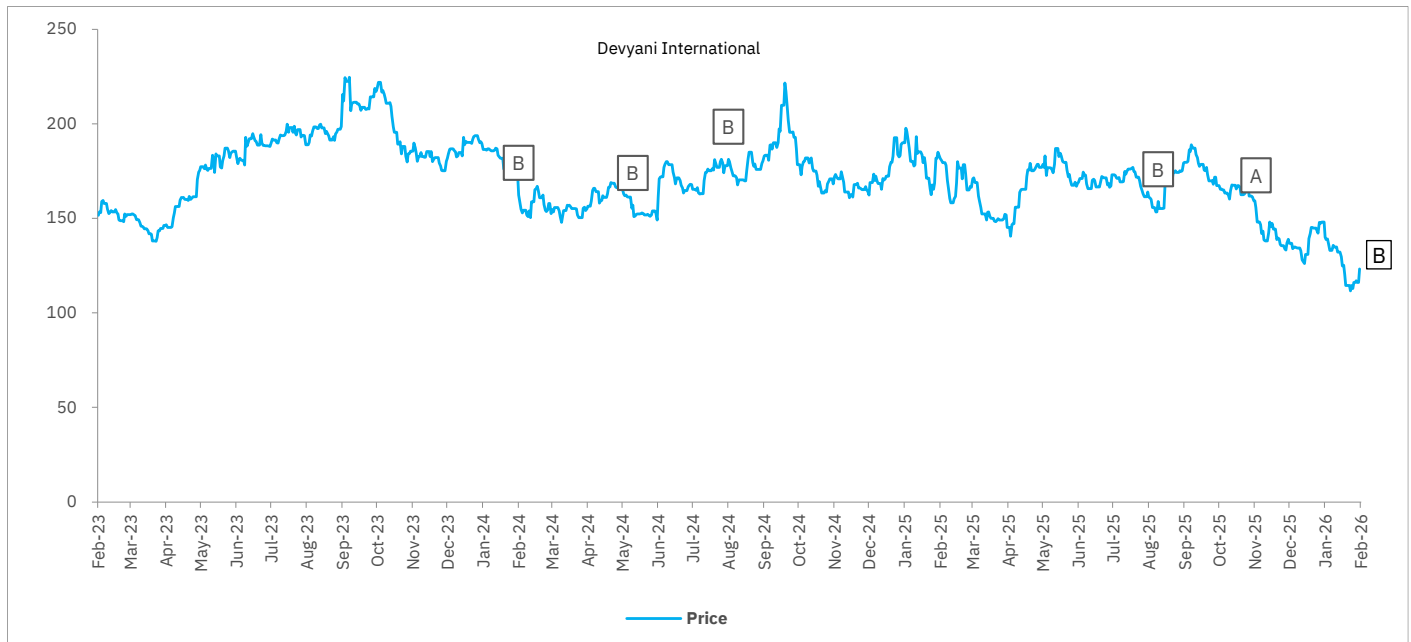
Note: Pricing as on 4 February 2026; Source: Elara Securities Estimate

Exhibit 4: Changes in estimates

(INR mn)	Old			Revised			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	57,010	62,626	68,795	56,383	61,382	67,098	(1.1)	(2.0)	(2.5)
EBITDA	8,939	10,658	12,275	8,594	9,788	11,228	(3.9)	(8.2)	(8.5)
EBITDA Margin (%)	15.7	17.0	17.8	15.2	15.9	16.7			
PAT	621	1,735	2,594	334	1,201	2,191	(46.2)	(30.8)	(15.5)
EPS (INR)	0.5	1.4	2.1	0.3	1.0	1.8	(46.2)	(30.8)	(15.5)
TP (INR)	185			165			(10.8)		
Rating	Accumulate			Buy					

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
05-Feb-2024	Buy	210	162
14-May-2024	Buy	190	157
05-Aug-2024	Buy	215	181
13-Aug-2025	Buy	200	159
06-Nov-2025	Accumulate	185	156
04-Feb-2026	Buy	165	123

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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