

# Devyani International | BUY

## Tepid demand results in operating leverage

Weak demand and lower store openings across formats resulted in 3% miss to our 1Q revenue estimates despite consolidation of Sky Gate Hospitality (Biryani by Kilo - BBK) revenue for 20 days. The company added 8 stores in KFC while it closed 12 stores in PH. SSSG for KFC and PH declined ~1% and 4% respectively despite a weak base, resulting in 6-8% decline in ADS in the formats. This along with (i) RM inflation, (ii) high marketing spends, (iii) GST on reverse charge basis on lower rentals, and (iv) higher off-premises sales resulting in higher aggregator expense led to EBITDA margin contraction of ~320bps YoY. The management remains cautious in terms of store openings and the focus is to drive higher SSSG and online sales. Higher compelling offers online led to 10% higher online transactions vs. dine-in and led to a positive SSSG in the delivery format. The company is looking to balance the offers/promotions in a manner that will avoid consumer shift from offline to online and also aid in positive SSTG. In BBK, the focus will be to first get the model right and achieve brand level profitability post which the brand will be expanded aggressively. Profitability in the international business was better vs. our expectations largely due to better gross margin in Thailand. We concur with the management's strategy of driving higher transaction growth through more value offers/combo, which can impact margins in the near term but can help revive the ADS growth momentum, which is the need of the hour. Baking in the same, we cut our Pre-Ind AS EBITDA estimates by 4-10% as we cut our EBITDA margin estimates by 50-90bps. We maintain BUY with an unchanged TP of INR 192, based on 29x EV/EBITDA Pre Ind AS 116 as cuts in estimates are negated by roll-forward to Jun'27.

- **Miss on all fronts:** Consolidated revenue grew 11% YoY to INR 13.6 bn; 3% below JMFe despite consolidation of Sky Gate Hospitality from 10<sup>th</sup> Jun'26. EBITDA declined 8% YoY to INR 2 bn (12% below JMFe) as EBITDA margin contracted ~320bps YoY to 15.1% (JMFe: 16.7%) led by ~100bps contraction in gross margin to 68.2% (JMFe: 68.3%) and higher employee/other expense (~110/120bps YoY higher). APAT declined 93% to INR 27mn (JMFe: INR 143 mn) led by 13%/6% higher depreciation/interest expense partially offset by 36% YoY higher other income. Consolidated brand EBITDA declined 11% YoY to INR 1.8bn as margin contracted ~220bps YoY to 13.1%. Pre-Ind AS EBITDA declined 23% YoY to INR 1.1bn as margin contracted ~350bps YoY to 8.1% because corporate overheads grew by 50% YoY to INR 682mn (higher by ~130 bps YoY).
- **SSSG & store additions still tepid; international margins above estimates:** KFC revenue grew 10% YoY to INR 6.1bn (2% below JMFe) with brand margin at 15.5% (down ~410bps YoY; JMFe: 16.3%); it added 8 stores QoQ. **Pizza Hut (PH)** revenue grew 3% YoY to INR 1.9bn (5% above JMFe) and brand margin was -1.1% (down ~610bps YoY; JMFe: 1%); it closed 12 stores QoQ. **Franchise brands** revenue grew 14% YoY to INR 519mn (3% below JMFe) with brand contribution margin down ~200bps YoY at 13% (JMFe: 16%); it added 2 stores QoQ. KFC/ PH SSSG was -0.7/-4.2%. ADS for KFC/PH/Costa Coffee fell 6/8/7% YoY. **International** revenue grew 11% YoY to ~INR 4.3bn (2% below JMFe) with brand contribution margin at 16.7% (up ~190bps YoY; JMFe: 15.5%).

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	35,528	49,827	57,102	68,557	80,816
Sales Growth (%)	19.1	40.2	14.6	20.1	17.9
EBITDA	6,524	8,422	9,444	12,535	16,111
EBITDA Margin (%)	18.3	17.0	16.6	18.4	20.0
Adjusted Net Profit	473	91	574	2,074	3,601
Diluted EPS (INR)	0.4	0.1	0.5	1.7	2.9
Diluted EPS Growth (%)	-82.2	-80.6	514.6	261.2	73.6
ROIC (%)	15.7	7.2	10.0	16.5	25.5
ROE (%)	4.7	0.9	5.1	16.5	24.8
P/E (x)	405.7	2,096.4	341.1	94.4	54.4
P/B (x)	18.2	17.5	17.0	14.4	12.7
EV/EBITDA (x)	30.9	24.0	21.4	16.0	12.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.9

Source: Company data, JM Financial. Note: Valuations as of 13/Aug/2025



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	192
Upside/(Downside)	20.9%
Previous Price Target	192
Change	0.0%

### Key Data – DEVYANI IN

Current Market Price	INR159
Market cap (bn)	INR195.7/US\$2.2
Free Float	39%
Shares in issue (mn)	1,205.9
Diluted share (mn)	1,231.9
3-mon avg daily val (mn)	INR355.2/US\$4.1
52-week range	223/130
Sensex/Nifty	80,540/24,619
INR/US\$	87.4

### Price Performance

%	1M	6M	12M
Absolute	-6.2	-1.1	-5.3
Relative*	-4.2	-6.7	-6.9

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Exhibit 1. Consolidated quarterly performance (INR mn)

	Quarterly			Chg (%)	Chg (%)	Q1FY26E		Reported		Chg (%)
	Q1FY25	Q4FY25	Q1FY26	YoY	QoQ	JMe	Chg (%)	FY24	FY25	YoY
<b>Net operating income</b>	<b>12,219</b>	<b>12,126</b>	<b>13,570</b>	<b>11</b>	<b>12</b>	<b>13,963</b>	<b>(3)</b>	<b>35,563</b>	<b>49,511</b>	<b>39</b>
Material cost	(3,769)	(3,819)	(4,318)	15	13	(4,425)	(2)	(10,566)	(15,388)	46
<b>Gross profit</b>	<b>8,450</b>	<b>8,306</b>	<b>9,252</b>	<b>9</b>	<b>11</b>	<b>9,538</b>	<b>(3)</b>	<b>24,997</b>	<b>34,122</b>	<b>37</b>
Employee costs	(1,682)	(1,706)	(2,011)	20	18	(1,950)	3	(4,950)	(7,104)	44
Other Expenses	(4,534)	(4,727)	(5,192)	15	10	(5,250)	(1)	(13,524)	(18,821)	39
<b>EBITDA</b>	<b>2,234</b>	<b>1,873</b>	<b>2,049</b>	<b>(8)</b>	<b>9</b>	<b>2,338</b>	<b>(12)</b>	<b>6,524</b>	<b>8,197</b>	<b>26</b>
Other income	99	132	135	36	2	105	29	326	370	13
Interest expense	(630)	(695)	(668)	6	(4)	(725)	(8)	(1,869)	(2,648)	42
D&A	(1,322)	(1,518)	(1,497)	13	(1)	(1,560)	(4)	(3,848)	(5,699)	48
<b>PBT</b>	<b>381</b>	<b>(208)</b>	<b>19</b>	<b>(95)</b>	<b>(109)</b>	<b>158</b>	<b>(88)</b>	<b>1,132</b>	<b>220</b>	<b>(81)</b>
Provision for taxes	(81)	56	(5)	(94)	(109)	(40)	(87)	(133)	(197)	48
<b>PAT</b>	<b>300</b>	<b>(153)</b>	<b>14</b>	<b>(95)</b>	<b>(109)</b>	<b>118</b>	<b>(88)</b>	<b>999</b>	<b>23</b>	<b>(98)</b>
Minority interest	(77)	(18)	(13)	NA	NA	(25)	(47)	(569)	(215)	NA
<b>PAT after MI before EO items</b>	<b>377</b>	<b>(135)</b>	<b>27</b>	<b>(93)</b>	<b>(120)</b>	<b>143</b>	<b>(81)</b>	<b>1,568</b>	<b>238</b>	<b>(85)</b>
Exceptional Items	(76)	(13)	10			-		(1,096)	(89)	
<b>PAT after EO items</b>	<b>301</b>	<b>(147)</b>	<b>37</b>	<b>(88)</b>	<b>(125)</b>	<b>143</b>	<b>(74)</b>	<b>473</b>	<b>149</b>	<b>(68)</b>
<b>Recurring EPS</b>	<b>0.2</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(95)</b>	<b>(109)</b>	<b>0.1</b>	<b>(88)</b>	<b>0.8</b>	<b>0.0</b>	<b>(98)</b>
<b>% of net operating revenues</b>										
<b>Gross margin (%)</b>	<b>69.2</b>	<b>68.5</b>	<b>68.2</b>	<b>-98 bps</b>	<b>-33 bps</b>	<b>68.3</b>	<b>-13 bps</b>	<b>70.3</b>	<b>68.9</b>	<b>-138 bps</b>
<b>EBITDA margin (%)</b>	<b>18.3</b>	<b>15.4</b>	<b>15.1</b>	<b>-319 bps</b>	<b>-35 bps</b>	<b>16.7</b>	<b>-165 bps</b>	<b>18.3</b>	<b>16.6</b>	<b>-179 bps</b>
Material cost	30.8	31.5	31.8	97 bps	32 bps	31.7	12 bps	29.7	31.1	137 bps
Employee cost	13.8	14.1	14.8	105 bps	74 bps	14.0	85 bps	13.9	14.3	43 bps
Other expenditure	37.1	39.0	38.3	116 bps	-72 bps	37.6	66 bps	38.0	38.0	-2 bps
Income tax rate (% of PBT)	21.2	26.8	27.0	NA	NA	25.2	182 bps	11.8	89.4	7760 bps
<b>Segmental Performance</b>										
KFC	5,546	5,109	6,126	10	20	6,254	(2)	20,438	21,787	7
Pizza Hut	1,819	1,754	1,873	3	7	1,964	(5)	7,092	7,323	3
Costa Coffee	455	523	519	14	(1)	533	(3)	1,518	1,985	31
International	3,897	4,195	4,332	11	3	4,431	(2)	4,436	16,335	268
<b>Brand Contribution</b>										
KFC	1,084	830	950	(12)	14	1,019	(7)	4,008	3,797	(5)
Pizza Hut	90	13	(21)	(123)	(259)	20	(205)	508	201	(60)
Costa Coffee	68	92	67	(1)	(27)	85	(21)	259	318	23
International	577	677	724	25	7	687	5	603	2,600	331
<b>Brand Contribution Margin</b>										
KFC	19.5	16.2	15.5	-405 bps	-74 bps	16.3	-81 bps	19.6	17.4	-219 bps
Pizza Hut	5.0	0.7	(1.1)	-607 bps	-184 bps	1.0	-210 bps	7.2	2.7	-442 bps
Costa Coffee	15.0	17.6	13.0	-199 bps	-460 bps	16.0	-300 bps	17.0	16.0	-100 bps
International	14.8	16.1	16.7	190 bps	57 bps	15.5	121 bps	13.6	15.9	232 bps

Source: Company, JM Financial

## Exhibit 2. We cut our Pre Ind AS EBITDA estimates by 4-10% over FY26-28 owing to delayed demand recovery

	FY26E			FY27E			FY28E		
	Revised	Earlier	Chng (%)	Revised	Earlier	Chng (%)	Revised	Earlier	Chng (%)
Revenues (INR mn)	56,782	58,056	-2.2	68,205	69,148	-1.4	80,428	80,606	-0.2
EBITDA (INR mn)	9,444	10,207	-7	12,535	13,354	-6	16,111	16,755	-4
EBITDA (%)	16.6	17.6	-95bps	18.4	19.3	-94bps	20.0	20.8	-76bps
PAT (INR mn)	574	749	-23	2,074	2,030	2	3,601	3,659	-2
EPS (INR)	0.5	0.6	-25	1.7	1.7	0	2.9	3.0	-4
<b>Pre-Ind AS-116</b>									
EBITDA (INR mn)	5,206	5,782	-10	7,459	8,172	-9	10,297	10,714	-4
EBITDA (%)	9.2	10.0	-80bps	10.9	11.8	-89bps	12.8	13.3	-49bps
PAT (INR mn)	992	1,266	-22	2,521	2,574	-2	4,032	4,152	-3
EPS (INR)	0.8	1.0	-23	2.0	2.1	-4	3.3	3.4	-5

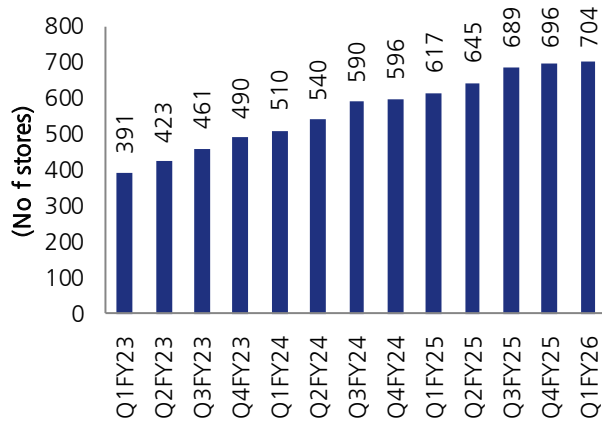
Source: Company, JM Financial

## Key takeaways from concall:

- Introduced value offers both in dine-in and online formats; however, offers in the online space were even higher, leading to a shift of consumers from offline to online channel. Owing to this, online SSSG was positive and transaction growth in the online space was 10% higher vs. offline. Given that QSR market is seeing higher tilt towards the online space, which has now started to contribute ~50% of overall revenue, the company is working on multiple initiatives to improve its abilities to better cater to demand from the online segment.
- **Margins** – Contracted due to (i) higher RM prices, (ii) investment in marketing spends, (iii) GST on reverse charge on rent (as it can't claim the input benefit), (iv) higher aggregator expenses led by higher off-premises sales, and (v) deleverage due to lower ADS. Consolidation of Sky Gate Hospitality (20 days consolidation in 1Q) resulted in an impact of INR 12mn (loss) during the quarter.
- **KFC** - SSSG in the segment remained weak (-0.7%) due to higher number of Shravan days in 1QFY26; excluding this, SSSG would have been either flat or positive. Some online initiatives have resulted in positive SSSG in the online segment. The target is to improve performance in the next 1-2 quarters with a near-term target of achieving ADS of INR 1,00,000.
- **PH** - Has slowed down its expansion and will remain cautious in terms of store openings in the PH format. Higher flour and edible oil prices have led to dilution of gross margin in this format
- **Sky gate:**
  - Concluded the acquisition of Sky Gate Hospitality and increased its stake to 86.13%. This has helped to increase the presence in Biryani category led by 105 outlets. The format will be key contributor of expansion for DIL.
  - The main idea is to standardise the operating model of the company and then focus on turning around the brand to achieve brand level positive margins in the next 12 months. It will then introduce it to its own channels for further expansion.
  - The management is also targeting to add new stores in airports and food courts. It will work on recipe preparation and other ground work to bring efficiency and synergy. Currently, it generates 90%+ sales through delivery.
- **Other franchisee brands** - Brand contribution for the segment contracted due to addition of new brands (tealive, Sanook Kitchen, New York Fries). It added one New York fries store at Mumbai airport. The company will test the performance of these new brands by opening a couple of stores before aggressively expanding them.

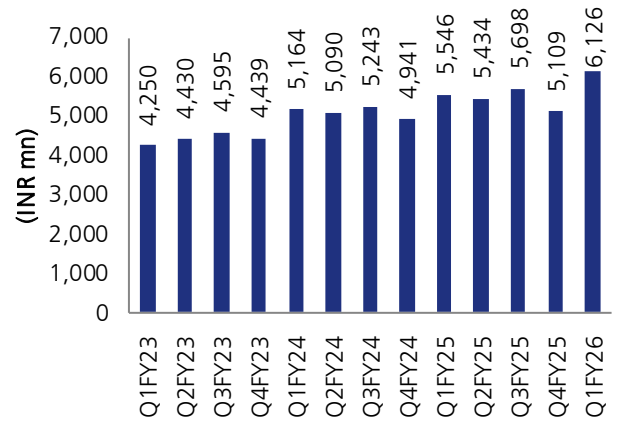
## KFC

Exhibit 3. DIL added 8 KFC stores to 704 stores



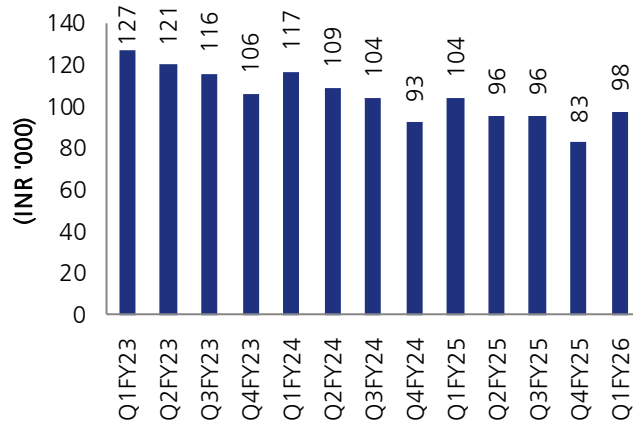
Source: Company, JM Financial

Exhibit 4. Revenue grew 11% YoY to INR 6.1bn

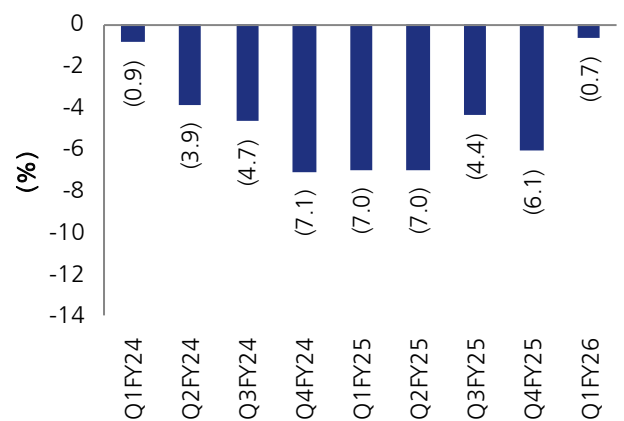


Source: Company, JM Financial

Exhibit 5. ADS declined 6% YoY to INR 98,000

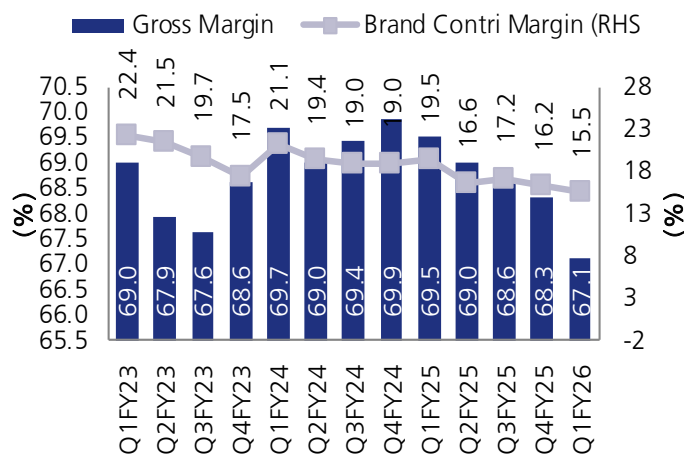


Source: Company, JM Financial

Exhibit 6. SSSG declined 0.7% YoY (9<sup>th</sup> quarter of SSSG decline)

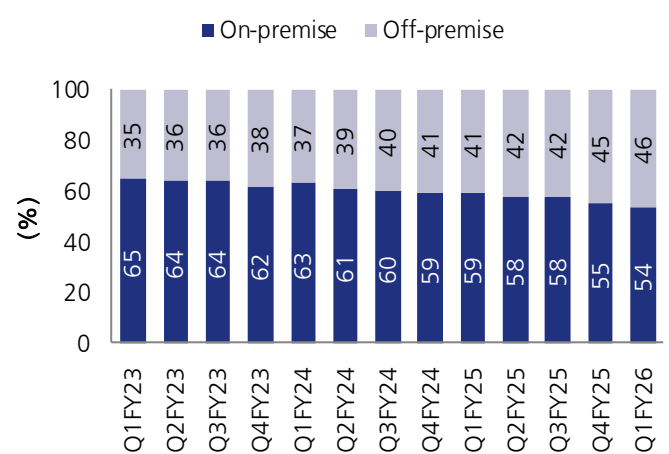
Source: Company, JM Financial

Exhibit 7. GM/ Contribution margin contracted ~240/410 bps YoY



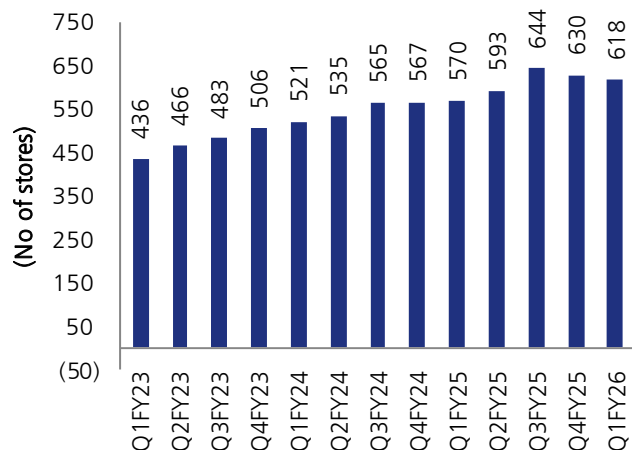
Source: Company, JM Financial

Exhibit 8. Off-premises sales grew 24% YoY

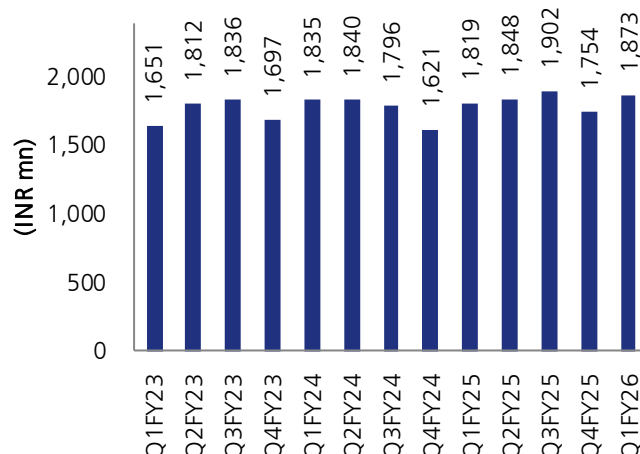


Source: Company, JM Financial

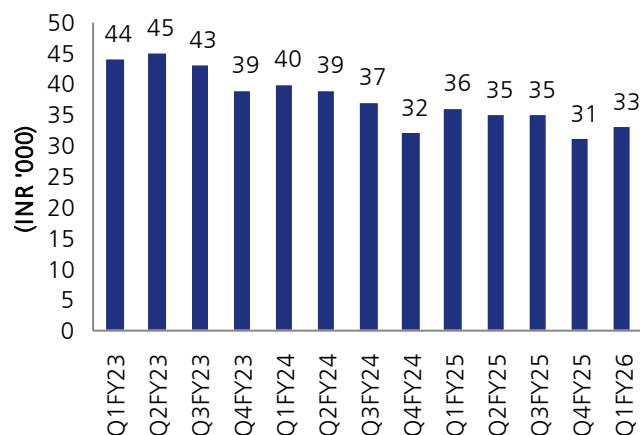
## Pizza Hut

**Exhibit 9. DIL closed 14 Pizza Hut stores, taking total to 618**


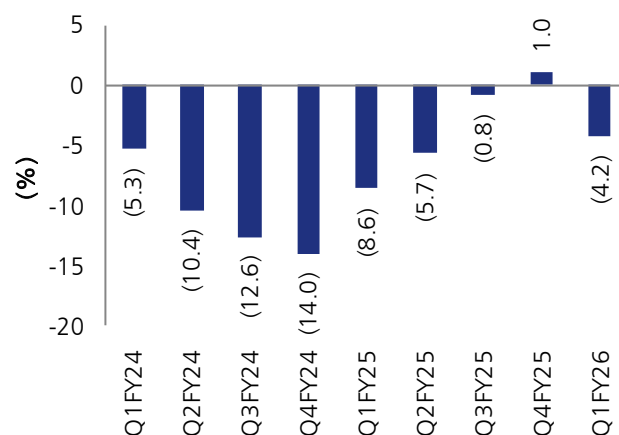
Source: Company, JM Financial

**Exhibit 10. Revenue grew 3% YoY to INR 1.9 bn**


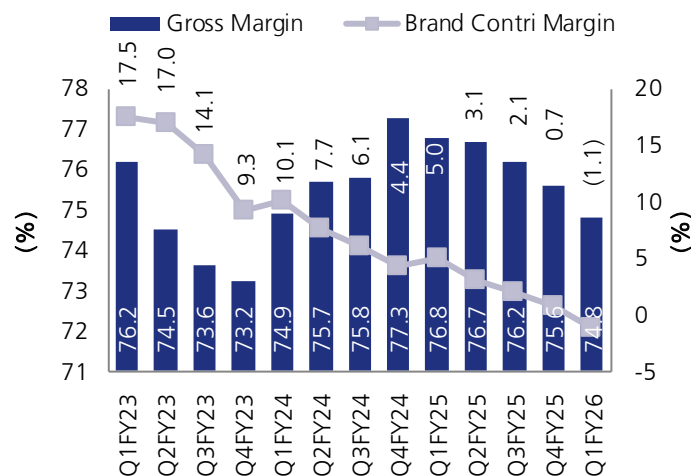
Source: Company, JM Financial

**Exhibit 11. ADS declined 8% YoY to INR 33,000**


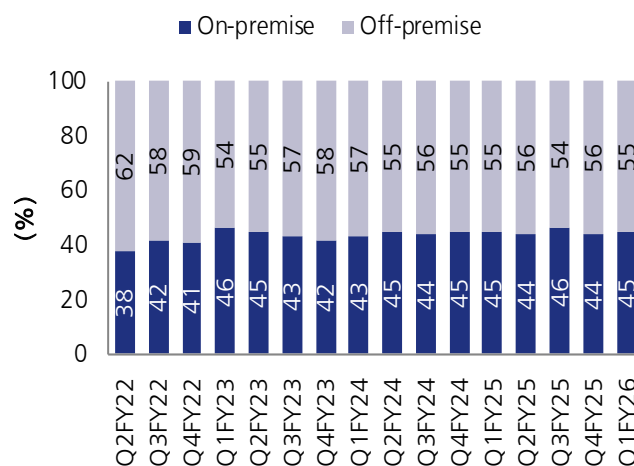
Source: Company, JM Financial

**Exhibit 12. SSSG declined 4.2% YoY in Q1**


Source: Company, JM Financial

**Exhibit 13. GM/EBITDAM down ~200/610bps YoY**


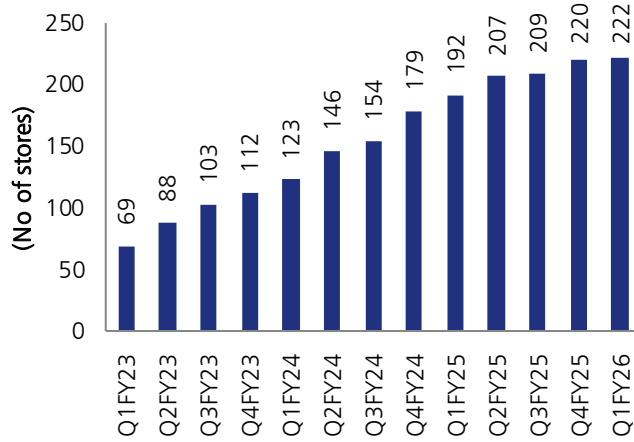
Source: Company, JM Financial

**Exhibit 14. Off/On premises sales mix largely same YoY**


Source: Company, JM Financial

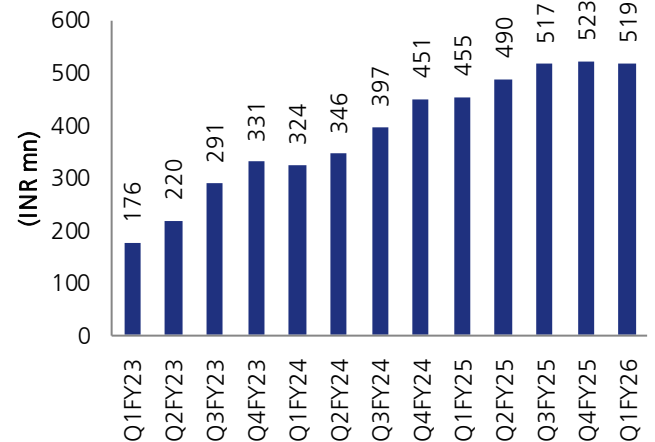
# Costa Coffee

Exhibit 15. DIL opened 2 Costa Coffee stores



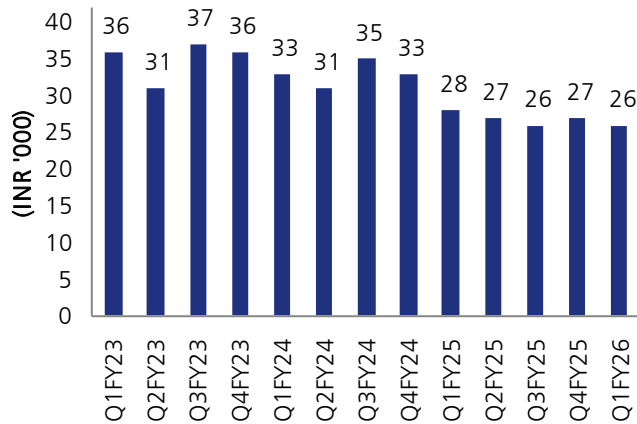
Source: Company, JM Financial

Exhibit 16. Revenue grew 14% YoY to INR 519 mn



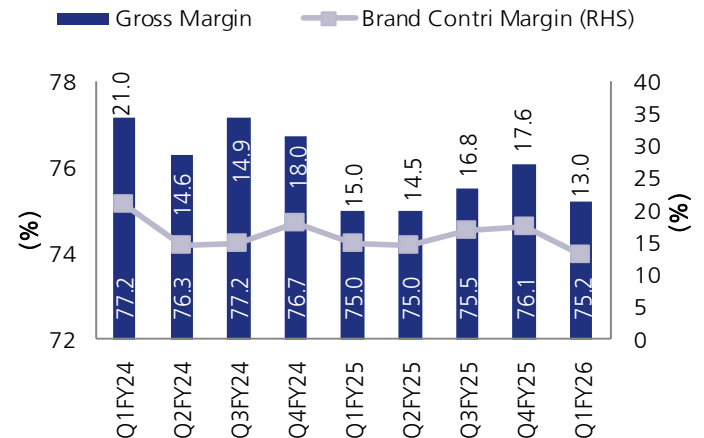
Source: Company, JM Financial

Exhibit 17. ADS declined 7% YoY to INR 26,000



Source: Company, JM Financial

Exhibit 18. GM expanded 20bps; EBITDAM contracted 200bps YoY



Source: Company, JM Financial

**Exhibit 19. Quarterly segmental performance**

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Store Count</b>													
KFC	391	423	461	490	510	540	590	596	617	645	689	696	704
Pizza Hut	436	466	483	506	521	535	565	567	570	593	644	630	618
Costa Coffee	69	88	103	112	123	146	154	179	192	207	209	220	222
<b>International</b>													
Thailand	-	-	-	-	-	-	-	288	295	296	305	306	307
Nigeria	29	29	36	37	38	38	40	40	40	40	40	40	40
Nepal	18	20	21	22	22	22	25	25	28	28	29	29	31
Vaango + Others	65	70	73	76	76	77	78	87	94	112	116	118	223
<b>Net Addition (QoQ)</b>													
KFC	27	32	38	29	20	30	50	6	21	28	44	7	8
Pizza Hut	23	30	17	23	15	14	30	2	3	23	51	(14)	(12)
Costa Coffee	14	19	15	9	11	23	8	25	13	15	2	11	2
<b>International</b>													
Thailand	-	-	-	-	-	-	-	288*	7	1	9	1	1
Nigeria	1	-	7	1	1	-	2	-	-	-	-	-	-
Nepal	-	2	1	1	-	-	3	-	3	-	1	-	2
Vaango + Others	5	5	3	3	-	1	1	9	7	18	4	2	105#
<b>Avg Daily Sales (INR '000)</b>													
KFC	127	121	116	106	117	109	104	93	104	96	96	83	98
Pizza Hut	44	45	43	39	40	39	37	32	36	35	35	31	33
Costa Coffee	36	31	37	36	33	31	35	33	28	27	26	27	26
<b>ADS Growth YoY (%)</b>													
KFC	37.8	4.0	(6.5)	(6.2)	(7.9)	(9.9)	(10.3)	(12.3)	(11.1)	(11.9)	(7.7)	(10.8)	(5.8)
Pizza Hut	14.5	(0.2)	(8.5)	(4.9)	(9.1)	(13.3)	(14.0)	(17.9)	(10.0)	(10.3)	(5.4)	(3.1)	(8.3)
Costa Coffee	124.2	13.2	-	20.0	(8.3)	-	(5.4)	(8.3)	(15.2)	(12.9)	(25.7)	(18.2)	(7.1)
<b>SSSG (%)</b>													
KFC	63.6	13.0	3.0	1.9	(0.9)	(3.9)	(4.7)	(7.1)	(7.0)	(7.0)	(4.4)	(6.1)	(0.7)
Pizza Hut	31.5	2.9	(6.1)	(3.2)	(5.3)	(10.4)	(12.6)	(14.0)	(8.6)	(5.7)	(0.8)	1.0	(4.2)
Costa Coffee	206.8	50.7	20.1	42.6	9.4	8.5	5.9	7.3	0.6	8.7	5.1	3.5	NA

Source: Company, JM Financial; Note: Thailand is added in International business from Q4FY24 onwards; Note\*: Company acquired the business which led to addition of 288 stores in Thailand; #Note: Addition of stores of Sky Gate Hospitality (consolidated from 10<sup>th</sup> June'25)

**Exhibit 20. Quarterly financial performance**

Financial Performance (INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Revenue (INR mn)</b>													
KFC	4,250	4,430	4,595	4,439	5,164	5,090	5,243	4,941	5,546	5,434	5,698	5,109	6,126
Pizza Hut	1,651	1,812	1,836	1,697	1,835	1,840	1,796	1,621	1,819	1,848	1,902	1,754	1,873
Costa Coffee	176	220	291	331	324	346	397	451	455	490	517	523	519
Other India	444	464	573	534	573	511	528	503	579	584	609	626	801
International	526	559	622	555	580	416	479	2,961	3,897	3,943	4,300	4,195	4,332
<b>Revenue growth YoY (%)</b>													
KFC	109.5	47.0	26.9	25.9	21.5	14.9	14.1	11.3	7.4	6.8	8.7	3.4	10.5
Pizza Hut	71.1	35.9	18.0	15.9	11.1	1.5	(2.2)	(4.5)	(0.9)	0.4	5.9	8.2	3.0
Costa Coffee	375.7	134.0	103.5	141.6	84.1	57.3	36.4	36.3	40.4	41.6	30.2	16.0	14.1
Other India	416.3	110.9	57.0	76.2	29.1	10.1	(7.9)	(5.8)	1.0	14.3	15.3	24.5	38.3
International	28.2	11.8	11.2	16.2	10.2	(25.6)	(23.0)	433.5	571.9	847.8	797.7	41.7	11.2
<b>Gross Profit (INR mn)</b>													
KFC	2,932	3,010	3,108	3,046	3,599	3,512	3,640	3,453	3,854	3,749	3,909	3,490	4,111
Pizza Hut	1,258	1,350	1,352	1,243	1,375	1,393	1,361	1,253	1,397	1,417	1,449	1,326	1,401
Costa Coffee	144	175	226	259	250	264	306	346	341	368	390	398	390
Other India	310	348	392	355	409	376	370	376	444	449	468	477	585
International	366	363	404	351	365	257	277	1,816	2,482	2,566	2,754	2,692	2,844
<b>Gross Margin (%)</b>													
KFC	69.0	67.9	67.6	68.6	69.7	69.0	69.4	69.9	69.5	69.0	68.6	68.3	67.1
Pizza Hut	76.2	74.5	73.6	73.2	74.9	75.7	75.8	77.3	76.8	76.7	76.2	75.6	74.8
Costa Coffee	81.8	79.5	77.7	78.2	77.2	76.3	77.2	76.7	75.0	75.0	75.5	76.1	75.2
Other India	69.8	75.0	68.4	66.5	71.4	73.6	70.0	74.8	76.7	76.8	76.8	76.1	73.1
International	69.5	64.9	64.9	63.2	62.9	61.7	57.7	61.3	63.7	65.1	64.0	64.2	65.7
<b>Brand Contribution (INR mn)</b>													
KFC	951	952	905	776	1,090	987	994	937	1,084	902	981	830	950
Pizza Hut	289	308	259	157	185	142	110	71	90	58	40	13	(21)
Costa Coffee	54	43	77	67	68	51	59	81	68	71	87	92	67
Other India	51	49	51	89	47	7	56	32	51	(1)	28	58	57
International	98	116	158	146	155	73	77	298	577	632	714	677	724
<b>Brand Contribution Margin (%)</b>													
KFC	22.4	21.5	19.7	17.5	21.1	19.4	19.0	19.0	19.5	16.6	17.2	16.2	15.5
Pizza Hut	17.5	17.0	14.1	9.3	10.1	7.7	6.1	4.4	5.0	3.1	2.1	0.7	-1.1
Costa Coffee	30.7	19.5	26.5	20.2	21.0	14.6	14.9	18.0	15.0	14.5	16.8	17.6	13.0
Other India	11.5	10.6	8.9	16.7	8.2	1.3	10.6	6.4	8.7	-0.2	4.6	9.3	7.1
International	18.6	20.8	25.4	26.3	26.7	17.5	16.1	10.1	14.8	16.0	16.6	16.1	16.7

Source: Company, JM Financial; Note: (i) Thailand is added in International business from Q4FY24 onwards, (ii) Sky gate hospitality is consolidated from 10<sup>th</sup> June'25

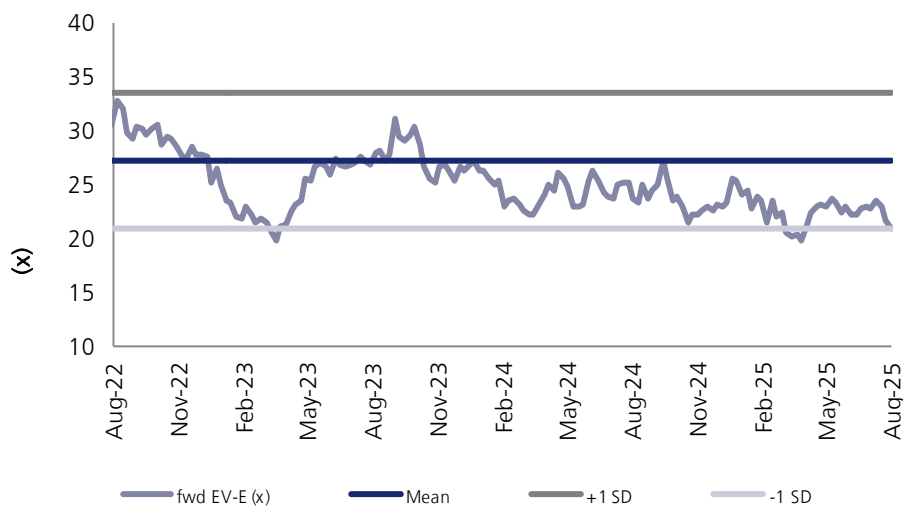


## Exhibit 21. Segmental annual performance

INR mn	FY19	FY22	FY23	FY24	FY25	FY26	FY27	FY28	CAGR	
									FY19-25	FY25-28
Revenue										
KFC	4,641	12,189	17,714	20,437	21,787	24,992	30,316	36,248	29.4	18.5
Pizza Hut	4,233	5,318	6,997	7,092	7,322	7,501	8,473	9,439	9.6	8.8
Costa Coffee	902	411	1,018	1,518	1,985	2,223	2,825	3,427	14.0	20.0
Other Domestic	2,178	1,048	2,014	2,115	2,398	3,924	6,024	8,516	1.6	52.6
International	1,104	1,902	2,271	4,436	16,335	18,462	20,920	23,185	56.7	12.4
Gross Margin										
KFC	66.0	69.3	68.3	69.5	68.9	67.3	68.0	68.5		
Pizza Hut	74.0	75.6	74.4	75.9	76.3	75.0	75.5	75.8		
Costa Coffee	76.9	80.3	79.0	76.8	75.4	75.0	75.5	76.0		
Other Domestic	71.5	77.0	69.8	72.4	76.6	73.5	75.0	76.0		
International	65.5	65.2	65.3	61.2	64.2	65.5	65.6	65.7		
Store-level EBITDA										
KFC	854	2,602	3,584	4,008	3,797	4,033	5,303	6,743	28.2	21.1
Pizza Hut	655	865	1,012	508	201	41	207	481	(17.9)	33.7
Costa Coffee	182	125	241	258	319	311	450	579	9.8	22.0
Other Domestic	(45)	133	242	142	135	137	340	872	NM	86.2
International	143	421	518	603	2,600	3,238	3,886	4,679	62.1	21.6
Store-level EBITDA Margin										
KFC	18.4	21.3	20.2	19.6	17.4	16.1	17.5	18.6		
Pizza Hut	15.5	16.3	14.5	7.2	2.7	0.6	2.4	5.1		
Costa Coffee	20.1	30.4	23.7	17.0	16.1	14.0	15.9	16.9		
Other Domestic	-2.1	12.7	12.0	6.7	5.6	3.5	5.6	10.2		
International	13.0	22.1	22.8	13.6	15.9	17.5	18.6	20.2		
Corporate Overheads	828	1,151	1,249	1,712	2,109	2,555	2,728	3,056	16.9	13.2
Pre IND AS EBITDA (Co Level)	961	2,995	4,348	3,807	4,943	5,206	7,459	10,297	31.4	27.7
Pre IND AS EBITDA Margin	7.4	14.4	14.5	10.7	9.9	9.1	10.9	12.7		

Source: Company, JM Financial

## Exhibit 22. 1 yr forward EV/EBITDA



Source: Company, Bloomberg

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	35,528	49,827	57,102	68,557	80,816
Sales Growth	19.1%	40.2%	14.6%	20.1%	17.9%
Other Operating Income	35	-316	-320	-352	-387
<b>Total Revenue</b>	<b>35,563</b>	<b>49,511</b>	<b>56,782</b>	<b>68,205</b>	<b>80,428</b>
Cost of Goods Sold/Op. Exp	10,566	15,388	17,705	20,819	24,134
Personnel Cost	4,950	7,104	8,425	9,635	11,004
Other Expenses	13,524	18,596	21,208	25,216	29,179
<b>EBITDA</b>	<b>6,524</b>	<b>8,422</b>	<b>9,444</b>	<b>12,535</b>	<b>16,111</b>
EBITDA Margin	18.3%	17.0%	16.6%	18.4%	20.0%
EBITDA Growth	-0.4%	29.1%	12.1%	32.7%	28.5%
Depn. & Amort.	3,848	5,699	6,542	7,595	8,500
EBIT	2,675	2,723	2,903	4,940	7,612
Other Income	326	370	551	1,035	644
Finance Cost	1,869	2,648	2,820	3,174	3,375
PBT before Excep. & Forex	1,132	445	634	2,800	4,881
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,132	445	634	2,800	4,881
Taxes	133	197	160	706	1,230
Extraordinary Inc./Loss(-)	-1,096	-317	0	0	0
Assoc. Profit/Min. Int.(-)	-569	-160	-100	20	50
Reported Net Profit	473	91	574	2,074	3,601
<b>Adjusted Net Profit</b>	<b>473</b>	<b>91</b>	<b>574</b>	<b>2,074</b>	<b>3,601</b>
Net Margin	1.3%	0.2%	1.0%	3.0%	4.5%
Diluted Share Cap. (mn)	1,205.9	1,206.3	1,231.9	1,231.9	1,231.9
<b>Diluted EPS (INR)</b>	<b>0.4</b>	<b>0.1</b>	<b>0.5</b>	<b>1.7</b>	<b>2.9</b>
Diluted EPS Growth	-82.2%	-80.6%	514.6%	261.2%	73.6%
Total Dividend + Tax	0	0	0	0	1,800
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	1.5

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,132	445	634	2,800	4,881
Depn. & Amort.	3,848	5,699	6,542	7,595	8,500
Net Interest Exp. / Inc. (-)	1,869	2,648	2,820	3,174	3,375
Inc (-) / Dec in WCap.	375	648	477	789	884
Others	-1,567	-418	-5,110	-7,522	-8,918
Taxes Paid	267	-20	160	706	1,230
<b>Operating Cash Flow</b>	<b>5,925</b>	<b>9,002</b>	<b>5,523</b>	<b>7,542</b>	<b>9,951</b>
Capex	-4,785	-4,818	-5,380	-5,489	-5,754
Free Cash Flow	1,140	4,184	143	2,053	4,197
Inc (-) / Dec in Investments	0	0	0	0	0
Others	-10,724	197	551	1,035	644
<b>Investing Cash Flow</b>	<b>-15,509</b>	<b>-4,622</b>	<b>-4,829</b>	<b>-4,454</b>	<b>-5,111</b>
Inc / Dec (-) in Capital	12	13	26	0	0
Dividend + Tax thereon	0	0	0	0	-1,800
Inc / Dec (-) in Loans	5,342	-3,722	682	-2,500	-2,000
Others	3,539	-545	-1,138	-1,122	-967
<b>Financing Cash Flow</b>	<b>8,893</b>	<b>-4,254</b>	<b>-430</b>	<b>-3,622</b>	<b>-4,767</b>
<b>Inc / Dec (-) in Cash</b>	<b>-691</b>	<b>127</b>	<b>264</b>	<b>-535</b>	<b>74</b>
Opening Cash Balance	626	1,676	1,814	2,078	1,543
Closing Cash Balance	161	1,814	2,078	1,543	1,617

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	10,558	10,944	11,544	13,618	15,419
Share Capital	1,206	1,206	1,232	1,232	1,232
Reserves & Surplus	9,352	9,738	10,312	12,387	14,187
Lease Liabilities	19,955	22,558	20,122	20,392	20,252
Minority Interest	2,928	3,079	2,979	2,999	3,049
Total Loans	9,102	9,318	10,000	7,500	5,500
Def. Tax Liab. / Assets (-)	74	88	186	339	502
<b>Total - Equity &amp; Liab.</b>	<b>42,617</b>	<b>45,987</b>	<b>44,831</b>	<b>44,848</b>	<b>44,722</b>
Net Fixed Assets	42,006	45,999	44,958	46,146	46,667
Gross Fixed Assets	25,671	29,970	35,350	40,840	46,594
Intangible Assets	9,996	10,835	10,835	10,835	10,835
Less: Depn. & Amort.	10,676	13,640	17,624	22,196	27,289
Capital WIP	17,015	18,833	16,397	16,667	16,527
Investments	268	259	259	259	259
Current Assets	6,538	6,554	7,518	8,031	9,212
Inventories	1,310	1,482	1,556	1,822	2,093
Sundry Debtors	527	413	622	747	881
Cash & Bank Balances	1,808	1,814	2,078	1,543	1,617
Loans & Advances	1,737	1,982	2,273	2,730	3,219
Other Current Assets	1,155	863	990	1,189	1,402
Current Liab. & Prov.	6,196	6,824	7,904	9,588	11,416
Current Liabilities	4,092	4,495	5,233	6,379	7,633
Provisions & Others	2,104	2,329	2,671	3,208	3,783
Net Current Assets	342	-271	-386	-1,557	-2,204
<b>Total - Assets</b>	<b>42,617</b>	<b>45,987</b>	<b>44,831</b>	<b>44,848</b>	<b>44,722</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	1.3%	0.2%	1.0%	3.0%	4.5%
Asset Turnover (x)	1.0	1.1	1.2	1.5	1.8
Leverage Factor (x)	3.4	4.2	4.1	3.6	3.1
RoE	4.7%	0.9%	5.1%	16.5%	24.8%

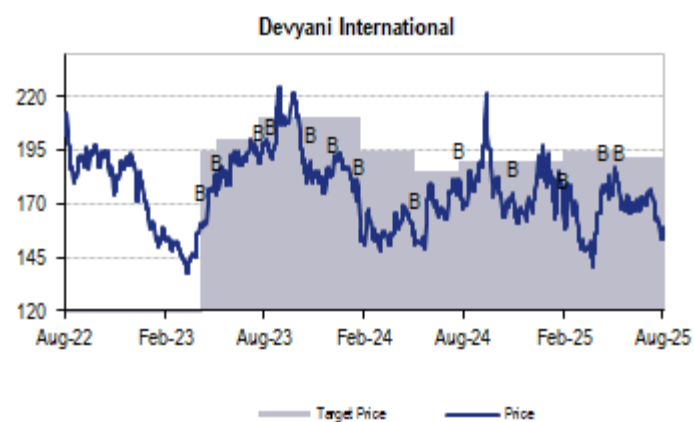
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	8.8	9.1	9.4	11.1	12.5
ROIC	15.7%	7.2%	10.0%	16.5%	25.5%
ROE	4.7%	0.9%	5.1%	16.5%	24.8%
Net Debt/Equity (x)	0.7	0.7	0.7	0.4	0.2
P/E (x)	405.7	2,096.4	341.1	94.4	54.4
P/B (x)	18.2	17.5	17.0	14.4	12.7
EV/EBITDA (x)	30.9	24.0	21.4	16.0	12.3
EV/Sales (x)	5.7	4.1	3.6	2.9	2.5
Debtor days	5	3	4	4	4
Inventory days	13	11	10	10	10
Creditor days	39	33	33	34	34

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
18-Apr-23	Buy	195	
17-May-23	Buy	200	2.6
5-Aug-23	Buy	210	5.0
25-Aug-23	Buy	210	0.0
7-Nov-23	Buy	210	0.0
18-Dec-23	Buy	210	0.0
3-Feb-24	Buy	195	-7.1
14-May-24	Buy	185	-5.1
6-Aug-24	Buy	190	2.7
12-Nov-24	Buy	190	0.0
12-Feb-25	Buy	195	2.6
24-Apr-25	Buy	195	0.0
24-May-25	Buy	192	-1.5

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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