

DEVYANI INTERNATIONAL

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	156
12 month price target (INR)	211
52 Week High/Low	210/130
Market cap (INR bn/USD bn)	192/2.2
Free float (%)	38.0
Avg. daily value traded (INR mn)	505.8

SHAREHOLDING PATTERN

	Mar-25	Jun-25	Sep-25
Promoter	62.72%	62.62%	61.41%
FII	10.46%	9.42%	6.55%
DII	16.87%	18.09%	19.76%
Pledge	0%	0%	0%

FINANCIALS

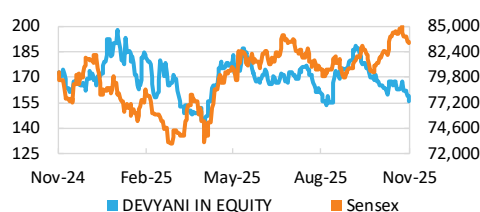
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	49,511	55,987	63,332	71,736
EBITDA	8,333	7,840	9,993	11,674
Adjusted profit	(66)	(843)	809	2,103
Diluted EPS (INR)	(0.1)	(0.7)	0.7	1.7
EPS growth (%)	nm	1,157.5	nm	159.9
RoAE (%)	(0.5)	(5.4)	4.6	10.9
P/E (x)	nm	nm	235.6	90.6
EV/EBITDA (x)	23.3	24.7	19.3	16.0
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	55,987	63,332	-2.3%	-2.7%
EBITDA	7,840	9,993	-5.3%	-4.0%
Adjusted profit	(843)	809	nm	-42.4%
Diluted EPS (INR)	(0.7)	0.7	nm	-42.4%

PRICE PERFORMANCE



Slow showing continues

Devyani International Limited (DIL) reported Q2FY26 revenue/EBITDA growth of 12.6%/-1.7% along with a PAT loss of INR216mn against a loss of INR49mn in Q2FY25. Top-line growth was primarily driven by expansion in the International business and a full-quarter consolidation of Skygate. Profitability in both KFC and PH was impacted by higher value offerings and promotional spends, eating into brand contributions despite control on cost of retailing.

Building in the weak serving of numbers and a muted start to Q3FY26E, we are trimming revenue/EBITDA for FY26E by -2.3%/-5.3% and for FY27E by -2.7%/-4%. This along with a valuation rollover to H1FY28E yields a revised TP of INR211 (earlier INR210); maintain 'BUY'.

KFC: Store addition continues; demand remains soft

DIL added 30 stores this quarter. SSSG for the format came in -4.2% versus -7% in Q2FY25 and -0.7% in Q1FY26, falling both QoQ and YoY. ADS came in at INR89k, down 7.3% YoY. Gross margin edged down 86bp because of higher delivery cost and a lower dine-in mix. Promotional spends stayed high this quarter to support transaction growth amid *Shraadh* and *Navratri* related softness and heavy rains in East India. Also higher sales through the delivery channel led to higher aggregator costs. Brand margins came in at 14.1% (Q2FY25: 16.6%, Q1FY26: 15.5%). Channel mix moved towards delivery at 54:46 between on-premise and off-premise (Q2FY25: 58:42). The company maintained store addition guidance of 100-110 stores.

PH: Consolidation continues; ADS down

The company opened three new stores this quarter and guided for muted net new units for the year. SSSG came in at -4.1% versus -5.7% in Q2FY25. Gross margin contracted 195bp YoY and brand contribution continued to trend down; brand margins for the quarter came in at -0.2%. ADS levels came in lower at INR33k.

Skygate fully consolidated; International shores up growth

During the quarter, DIL launched six Tealive stores in India as part of a pilot phase, which has received encouraging customer response. The company plans to scale up the brand following the completion of this test phase. This quarter, it fully consolidated Skygate, which has a portfolio of 105 stores. The portfolio is currently loss-making and the company expects the brand to break even by the end of FY26. The Thailand business remained resilient with profitability holding firm despite negative SSSG. The company continues to focus on sustaining margins in a relatively saturated market with about 1,150 KFC stores. It plans to open 20-21 new stores in FY26, with the pace of additions to be optimised following a review with Yum! Brands.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	13,768	12,222	12.6	13,570	1.5
EBITDA	1,923	1,957	(1.7)	2,060	(6.7)
Adjusted Profit	(216)	(49)	338.5	24	(991.0)
Diluted EPS (INR)	(0.2)	0.0	329.4	0.0	(991.0)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	49,511	55,987	63,332	71,736
Gross profit	34,122	37,477	42,531	48,496
Employee costs	7,104	8,060	8,769	11,244
Other expenses	16,326	18,752	20,430	21,649
EBITDA	8,333	7,840	9,993	11,674
Depreciation	5,923	6,553	6,592	6,699
Less: Interest expense	2,648	2,851	2,938	3,015
Add: Other income	370	426	631	883
Profit before tax	131	(1,139)	1,094	2,842
Prov for tax	197	(296)	284	739
Less: Other adj	0	0	0	0
Reported profit	(66)	(843)	809	2,103
Less: Excp.item (net)	0	0	0	0
Adjusted profit	(66)	(843)	809	2,103
Diluted shares o/s	1,206	1,230	1,230	1,230
Adjusted diluted EPS	(0.1)	(0.7)	0.7	1.7
DPS (INR)	0	0	0	0
Tax rate (%)	150.2	26.0	26.0	26.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
KFC Store Addition (#)	100.0	110.0	110.0	107.0
PH Store addition (#)	30.0	30.0	35.0	55.0
KFC SSSG (%)	(6.4)	(3.5)	3.0	3.0
EBITDA margin (%)	16.8	14.0	15.8	16.3
Net profit margin (%)	(0.1)	(1.5)	1.3	2.9
Revenue growth (% YoY)	39.2	13.1	13.1	13.3
EBITDA growth (% YoY)	48.0	(5.9)	27.5	16.8
Adj. profit growth (%)	nm	1,182.2	nm	159.9

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.5	6.5	6.5
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	85.0	85.0	85.0	85.0
PH SSSG (%)	(3.8)	(3.8)	7.0	7.0
KFC Margin (%)	17.4	15.5	16.0	16.5
PH Margin (%)	2.7	(1.0)	2.0	2.0
Capex (INR mn/Store)	12.0	12.4	12.8	13.1

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	nm	nm	235.6	90.6
Price/BV (x)	17.1	13.3	12.6	11.1
EV/EBITDA (x)	23.3	24.7	19.3	16.0
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,206	1,230	1,230	1,230
Reserves	9,738	13,064	13,873	15,977
Shareholders funds	10,944	14,294	15,103	17,207
Minority interest	3,079	3,079	3,079	3,079
Borrowings	9,318	9,318	9,661	10,054
Trade payables	4,411	5,306	5,963	6,662
Other liabs & prov	1,755	2,059	2,405	2,800
Total liabilities	52,811	58,127	60,826	63,922
Net block	16,590	20,657	21,013	16,918
Intangible assets	29,633	29,669	30,348	30,908
Capital WIP	35	35	35	35
Total fixed assets	46,258	50,361	51,395	47,861
Non current inv	0	0	0	0
Cash/cash equivalent	1,814	2,432	3,549	9,580
Sundry debtors	413	467	528	599
Loans & advances	1,982	2,118	2,266	2,428
Other assets	2,345	2,750	3,087	3,454
Total assets	52,811	58,127	60,826	63,922

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	(66)	(843)	809	2,103
Add: Depreciation	5,923	6,553	6,592	6,699
Interest (net of tax)	1,986	2,139	2,203	2,261
Others	514	287	103	(129)
Less: Changes in WC	(648)	(616)	(468)	(510)
Operating cash flow	9,005	8,751	10,176	11,444
Less: Capex	(4,818)	(3,795)	(4,500)	(263)
Free cash flow	4,187	4,956	5,676	11,181

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	(0.5)	(5.4)	4.6	10.9
RoCE (%)	6.2	3.5	7.8	11.0
Inventory days	33	32	33	33
Receivable days	3	3	3	3
Payable days	97	96	99	99
Working cap (% sales)	(4.0)	(4.7)	(4.8)	(5.0)
Gross debt/equity (x)	0.7	0.5	0.5	0.5
Net debt/equity (x)	0.5	0.4	0.3	0
Interest coverage (x)	0.9	0.5	1.2	1.6

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	nm	1,157.5	nm	159.9
RoE (%)	(0.5)	(5.4)	4.6	10.9
EBITDA growth (%)	48.0	(5.9)	27.5	16.8
Payout ratio (%)	nm	nm	0	0

Q2FY26 conference call takeaways

Management commentary

- Indian operations (including Skygate) reported 12.1% YoY revenue growth.
- Gross margin for India operations was 69.7%, down 190 bps YoY due to Skygate consolidation and higher online transaction expenses.
- Ex-Skygate, gross margins improved sequentially, supported by operational efficiency measures.
- The company continues to face weak consumption trends, with demand picking up only temporarily during promotions.
- Consumers are becoming increasingly value-conscious, prompting greater focus on affordable offerings such as “Chana Chatpata Burger” and value-layer combos.
- GST 2.0 transition viewed positively; DIL has passed on benefits of lower input costs through selective price reductions.
- Dine-in continues to be a strategic focus given its higher profitability; new menu innovations and offers aim to attract in-store traffic despite rising delivery preference.
- Management expects discounting intensity to stabilize in H2FY26, particularly post-festive quarter.
- Company plans to add ~100 stores across franchise and own brands in FY26 with estimated CapEx of INR 500mn.

KFC India

- Added 30 new stores during Q2FY26; total count now 734 stores.
- Revenue grew 5.3% YoY; ADS at INR 89,000 reflecting seasonal impact.
- Gross margin: 68.1%; brand contribution: 14.1% (down due to higher delivery cost and lower dine-in mix).
- Promotional intensity remained elevated to support transaction growth amid Shraddh and Navratri-related softness and heavy rains in East India.
- Demand environment remained subdued, though operational efficiencies and input cost optimization supported margin recovery QoQ.
- Management guided for 100–110 store additions in FY26, maintaining earlier expansion targets.

Pizza Hut India

- Added 3 net new stores; total at 621 stores.
- Gross margin: 74.8% (stable QoQ).
- Achieved near break-even at brand contribution level supported by cost control.
- Ongoing discussions with Yum on development plans; muted net store additions expected near term.

Franchise brands

- Start-up costs for new brands like Tealive and New York Fries impacted segment profitability.
- Tealive pilot of 6 stores in India and 3 stores in Thailand received positive feedback; further expansion under evaluation.

Own brands

- Brand contribution margin: 0.6%, primarily impacted by Skygate losses.
- Management remains confident of achieving Skygate breakeven by March 2026.
- Biryani By Kilo (BBK) recorded strong traction; pilot at Mumbai and Pune airports performed well, with expansion into food courts planned using an optimized preparation process for faster service.

International operations

- Thailand business remained resilient, though SSSG was negative; profitability held firm.
- Continued focus on maintaining margins amid market saturation.
- Plans to open 20–21 new stores in FY26; store addition pace to be optimized post review with Yum!.
- Thailand operations remain operationally cash positive, but free cash flow generation will begin after debt repayment.

Outlook

- Near-term demand environment remains muted, though festive season may support sequential improvement.
- Continued focus on value offerings, operational efficiencies, and controlled expansion to sustain profitability.
- Integration of acquired brands and international performance expected to support overall margin normalization in FY26.

Exhibit 1: EBITDA margin bridge

INR mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Brand Contribution	1,468	1,450	1,235	1,545	1,259	1,296	1,419	1,870	1,662	1,850	1,670	1,777	1,610
Corp Ovhd	343	278	322	430	313	509	460	456	519	544	589	682	676
EBITDA (Pre IND AS)	1,125	1,172	913	1,115	946	787	959	1,414	1,143	1,306	1,081	1,095	934
Adjustment	530	567	600	619	642	676	780	820	844	886	927	954	1,009
Reported EBITDA	1,655	1,739	1,513	1,734	1,588	1,463	1,739	2,234	1,987	2,192	2,008	2,049	1,943

Source: Company, Nuvama Research

Exhibit 2: Key highlights

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Core brands									
KFC:									
Store Count (#)	540	590	596	617	645	689	696	704	734
Revenue (INR mn)	5,090	5,243	4,941	5,546	5,434	5,698	5,109	6,126	5,723
SSSG (%)	-4	-5	-7	-7	-7	-4	-6	-1	-4
Brand EBITDA (INR mn)	987	994	937	1,084	902	981	830	947	805
Brand Margin (%)	19.4	19.0	19.0	19.5	16.6	17.2	16.2	15.5	14.1
Pizza Hut									
Store Count (#)	535	565	567	570	593	644	630	618	621
Revenue (INR mn)	1,840	1,796	1,621	1,819	1,848	1,902	1,754	1,873	1,860
SSSG (%)	-10	-13	-14	-9	-6	-1	1	-4	-4
Brand EBITDA (INR mn)	142	110	71	90	58	40	13	-20	-4
Brand Margin (%)	7.7	6.1	4.4	4.9	3.1	2.1	0.7	-1.1	-0.2
Franchisee brands									
Costa Coffee									
Store Count (#)	146	154	179	192	207	209	220	222	224
Revenue (INR mn)	346	397	451	455	490	517	523	519	514
SSSG (%)	9	6	7	1	9	5	4	NA	NA
Brand EBITDA (INR mn)	51	59	81	68	71	87	92	67	54
Brand Margin (%)	14.7	14.9	18.0	14.9	14.5	16.8	17.6	12.9	10.5
Own brands									
Vaango - Stores	53	54	63	72	90	94	96	96	96
BBK - Stores								105	105
Vaango - ADS('000)	30	30	30	30	28	24	23	24	23
BBK - ADS('000)								70	70
Revenue	141	145	155	172	192	198	192	350	861
Gross Profit	112	115	124	138	152	156	152	245	539
Gross Margin (%)	79.4	79.3	80.0	80.2	79.2	78.8	79.2	70.0	62.6
Brand Contribution	32	33	33	41	39	34	37	23	5
Brand Margin (%)	22.7	22.8	21.3	23.8	20.3	17.2	19.3	6.6	0.6
International									
Stores									
Nigeria	38	40	40	40	40	40	40	40	40
Nepal	22	25	25	28	28	29	29	31	33
Thailand			288	295	296	305	306	307	309
ADS									
Nigeria (NPR '000s)		898	901	1,064	1,008	1,064	962	1,006	1,006
Nepal (Naira '000s)		140	120	126	111	129	109	113	113
Thailand (THB '000s)		58	56	59	55	58	55	56	56
Revenue	408	467	2,955	3,820	3,866	4,218	4,114	4,251	4,251
Gross profit	257	277	1,816	2,413	2,491	2,676	2,615	2,765	2,799
Gross Margin (%)	62.9	59.2	61.5	63.2	64.4	63.4	63.6	65.0	65.9
Brand Contribution	73	77	298	508	557	636	600	646	646
Brand Margin (%)	17.9	16.5	10.1	13.3	14.4	15.1	14.6	15.2	15.2

Source: Company, Nuvama Research

Exhibit 3: KFC: Devyani versus Sapphire

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
DIL: Revenues (INR mn)	5,090	5,243	4,941	5,546	5,434	5,698	5,109	6,126	5,723
Sapphire: Revenues (INR mn)	4,165	4,421	4,285	4,770	4,527	4,948	4,793	5,275	4,856
DIL % YoY	15%	14%	11%	7%	7%	9%	3%	10%	5%
Sapphire % YoY	19%	16%	16%	11%	9%	12%	12%	11%	7%
DIL: Store Count (#)	540	590	596	617	645	689	696	704	734
Sapphire: Store Count (#)	381	406	429	442	461	496	502	510	529
DIL/Sapphire	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
DIL: Gross Margin (%)	69%	69%	70%	70%	69%	69%	68%	67%	68%
Sapphire: Gross Margin (%)	68%	68%	68%	68%	68%	68%	68%	67%	67%
DIL/Sapphire : Difference in basis points	109.8	102.6	158.5	134.6	67.3	43.8	31.1	2.4	91.1
DIL: Brand Margin (%)	19%	19%	19%	20%	17%	17%	16%	15%	14%
Sapphire: Brand Margin (%)	19%	20%	19%	19%	17%	18%	16%	16%	14%
DIL/Sapphire: Difference in basis points	19.1	-114.1	26.4	74.6	9.9	-98.3	54.6	-24.1	26.6
DIL: ADS (INR)	1,09,000	1,04,000	93,000	1,04,000	96,000	96,000	83,000	98,000	89,000
Sapphire: ADS (INR)	1,25,000	1,25,000	1,14,000	1,22,000	1,11,000	1,15,000	1,08,000	1,16,000	1,03,000
DIL/Sapphire	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.8	0.9
DIL: SSSG (%)	-4%	-5%	-7%	-7%	-7%	-4%	-6%	-1%	-4%
Sapphire: SSSG (%)	0%	-2%	-3%	-6%	-8%	-3%	-1%	0%	-3%
DIL/Sapphire: Difference in basis points	-390.0	-270.0	-410.0	-100.0	100.0	-140.0	-510.0	-70.0	-120.0
DIL: Delivery Share (%)	39%	40%	41%	41%	42%	42%	45%	46%	46%
Sapphire: Delivery Share (%)	38%	38%	40%	40%	42%	41%	43%	43%	45%
DIL/Sapphire: Difference in basis points	100.0	200.0	100.0	100.0	0.0	100.0	200.0	300.0	100.0
DIL: COR (INR)	54,072	52,486	47,356	52,000	50,279	49,365	43,214	50,632	48,100
Sapphire: COR (INR)	60,875	60,375	56,544	60,268	57,498	57,500	56,484	59,624	55,002
DIL/Sapphire	0.9	0.9	0.8	0.9	0.9	0.9	0.8	0.8	0.9

Source: Company, Nuvama Research

Exhibit 4: PH: Devyani versus Sapphire

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
DIL: Revenues (INR mn)	1,840	1,796	1,621	1,819	1,848	1,902	1,754	1,873	1,860
Sapphire: Revenues (INR mn)	1,330	1,305	1,188	1,397	1,376	1,430	1,248	1,320	1,296
DIL % YoY	2%	-2%	-4%	-1%	0%	6%	8%	3%	1%
Sapphire % YoY	311%	374%	-3%	3%	3%	10%	5%	-6%	-6%
DIL: Store Count (#)	535	565	567	570	593	644	630	618	621
Sapphire: Store Count (#)	311	319	319	320	323	339	334	336	338
DIL/Sapphire	1.7	1.8	1.8	1.8	1.8	1.9	1.9	1.8	1.8
DIL: Gross Margin (%)	76%	76%	77%	77%	77%	76%	76%	75%	75%
Sapphire: Gross Margin (%)	76%	76%	76%	76%	77%	76%	75%	75%	74%
DIL/Sapphire : Difference in basis points	-39.3	8.0	179.8	70.0	17.7	58.3	79.9	14.6	33.1
DIL: Brand Margin (%)	8%	6%	4%	5%	3%	2%	1%	-1%	0%
Sapphire: Brand Margin (%)	8%	5%	-3%	5%	4%	5%	-5%	-3%	-2%
DIL/Sapphire: Difference in basis points	11.7	152.5	708.0	34.8	-96.1	-259.7	534.1	143.2	158.5
DIL: ADS (INR)	39,000	37,000	32,000	36,000	35,000	35,000	31,000	33,000	33,000
Sapphire: ADS (INR)	48,000	45,000	41,000	48,000	47,000	48,000	42,000	44,000	42,000
DIL/Sapphire	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.8
DIL: SSSG (%)	-10%	-13%	-14%	-9%	-6%	-1%	1%	-4%	-4%
Sapphire: SSSG (%)	-20%	-19%	-15%	-7%	-3%	5%	1%	-8%	-8%
DIL/Sapphire: Difference in basis points	960.0	640.0	100.0	-160.0	-270.0	-580.0	0.0	380.0	390.0
DIL: Delivery Share (%)	55%	56%	55%	55%	56%	54%	56%	55%	55%
Sapphire: Delivery Share (%)	49%	49%	50%	50%	52%	51%	52%	50%	50%
DIL/Sapphire: Difference in basis points	600.0	700.0	500.0	500.0	400.0	300.0	400.0	500.0	500.0
DIL: COR (INR)	26,516	25,772	23,334	25,867	25,739	25,928	23,206	25,019	24,732
Sapphire: COR (INR)	32,880	31,995	32,062	34,320	34,028	34,032	33,348	33,924	32,004
DIL/Sapphire	0.8	0.8	0.7	0.8	0.8	0.8	0.7	0.7	0.8

Source: Company, Nuvama Research

Exhibit 5: Valuation summary

	INR mn
H1FY28 EBITDA	10,770
Target EV/EBITDA (x)	26
EV (INR mn) – ex-Sky Gate	2,80,027
H1FY28 Sales - Sky Gate	3,291
Target EV/Sales	2
EV Sky Gate	6,582
Total EV	2,86,608
Less: Debt H1FY28E	9,857
Less: Lease Liabilities H1FY28E	23,591
Add: Cash H1FY28E	6,565
Core business market cap (INR mn)	2,59,725
NOSH	1,230
Value (INR/Share) - Sep-25	211
CMP (INR)	155
Upside (%)	36%

Source: Company, Nuvama Research

Exhibit 6: Quarterly summary (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change	H1FY26	H1FY25	% change
Revenue	13,768	12,222	12.6	13,570	1.5	27,337	24,441	11.9
Raw material costs	4,438	3,747	18.4	4,318	2.8	8,756	7,517	16.5
Gross profit	9,329	8,474	10.1	9,252	0.8	18,581	16,924	9.8
Employee costs	2,017	1,834	10.0	2,011	0.3	4,028	3,516	14.5
Other expenses	5,390	4,683	15.1	5,181	4.0	10,570	9,292	13.8
Total operating expenses	7,406	6,517	13.6	7,192	3.0	14,598	12,809	14.0
EBITDA	1,923	1,957	(1.7)	2,060	(6.7)	3,983	4,115	(3.2)
Depreciation	1,552	1,391	11.5	1,497	3.7	3,049	2,713	12.4
EBIT	371	566	(34.4)	564	(34.1)	935	1,402	(33.3)
Less: Interest Expense	688	653	5.4	668	3.1	1,356	1,283	5.7
Add: Other income	51	48	6.1	135	(62.0)	186	148	26.4
Profit Before Tax	-266	-39	580.9	31	NM	-235	266	(188.3)
Less: Provision for Tax	-52	10	(614.4)	5	NM	-47	91	(151.4)
Less: Minority Interest	0	0	(100.0)	0	NM	0	0	(100.0)
Share of Profits from Associates	-2	-0	3,216.7	0	NM	-3	-0	5,533.3
Add: Exceptional items (net of tax)	0	0	NM	0		0	0	NM
Reported Profit	-216	-49	337.0	26	NM	-273	175	(256.3)
As % of revenues			Change bp		Change bp			Change bp
COGS	32.2	30.7	157.4	31.8	41.7			0.0
Gross profit	67.8	69.3	(157.4)	68.2	(41.7)			0.0
Employee costs	14.6	15.0	(35.8)	14.8	(16.9)			0.0
Other expenses	39.1	38.3	83.0	38.2	96.7			0.0
Total operating expenses	53.8	53.3	47.2	53.0	79.8			0.0
EBITDA	14.0	16.0	(204.6)	15.2	(121.5)			0.0
Net profit	(1.6)	(0.4)	(116.3)	0.2	(175.6)			0.0

Source: Company, Nuvama Research

Company Description

Devyani International is the largest franchisee of Yum Brands in India and among the largest operators of chain QSRs in India, on a non-exclusive basis, and operates over 2,184 stores across India.

The business is broadly classified into three verticals that includes i) stores of KFC, PH and Costa Coffee operated in India (Core Brands); ii) stores of KFC and PH stores operated in Nepal, Nigeria and Thailand (International Business); and iii) certain other operations in the F&B industry, including stores of Devyani International's brands such as Vaango and Food Street (Other Business).

Devyani International began their relationship with Yum in 1997, when they commenced operations of their first PH Store in Jaipur. The company has subsequently continued to expand its operations with both KFC and PH franchises, and as of 30th Sep 2025, operated 734 KFC stores and 621 PH stores across India. Devyani International, in its Core Brands, has a presence in 26 states and three union territories in India as of 31st March 2025. In addition, the company is a franchisee of the Costa Coffee brand in India, which is owned by Costa and operated 220 Costa Coffee stores, as of 31st March 2025. Company has recently completed acquisition of Biryani by Kilo and Goila's Butter Chicken owned by in June-25 having a 105 store presence across the country

Investment Rationale

KFC: Large market along with a focus approach to maximize potential

For its core brand KFC, Devyani International's territories have a higher share of non-vegetarian population (~90% plus), driving higher addressable opportunity. Also, based on our estimate, KFC's store potential (for Devyani International's territories) is ~850 stores, providing long-term growth visibility. Devyani International has also embarked on a three- pronged approach to realize the brand's full potential: i) improve store economics: smaller size stores achieving at-par store productivity ii) improve delivery share from 10% pre-Covid to 35% plus; and iii) ramp-up store addition: while KFC was the fastest growing Quick Service Restaurant (QSR) format from FY11-15, growth slowed over FY15-20. However, with ownership consolidated, Devyani International is now aiming at stepping-up expansion again, we build in 100 stores/annum.

PH: On the cusp of a long awaited turnaround

PH has been a follower over the last two decades. Devyani International is turning this around by i) shifting focus to delivery: more than 75% of its network is delivery focused stores versus 50% earlier; ii) improving store economics: targeting smaller store formats with enhanced store economics; iii) improving affordability through a wider combination of offers; and iv) increasing store density: to address its delivery time issues. Devyani International is cautious on store expansions given the heated competition, softening demand.

Key Risks

- Global boycott of brand due to geopolitical unrest can impact demand
- Increasing competitive intensity in the chicken QSR category
- Risk of adverse agreement changes

Additional Data

Management

CEO	Virag Joshi
CFO	Manish Dawar
COO	
Chairman	Ravi Jaipuria
Auditor	Walker Chandio

Holdings – Top 10*

	% Holding		% Holding
Nippon Life Ass	5.13	ICICI Pru Life	0.91
Nippon Life Ind	4.95	Sundaram AMC	1.32
Franklin resour	2.06	HDFC Life	1.17
Temasek	2.87	Axis AMC	0.99
Vanguard	1.40	Blackrock	0.98

*Latest public data

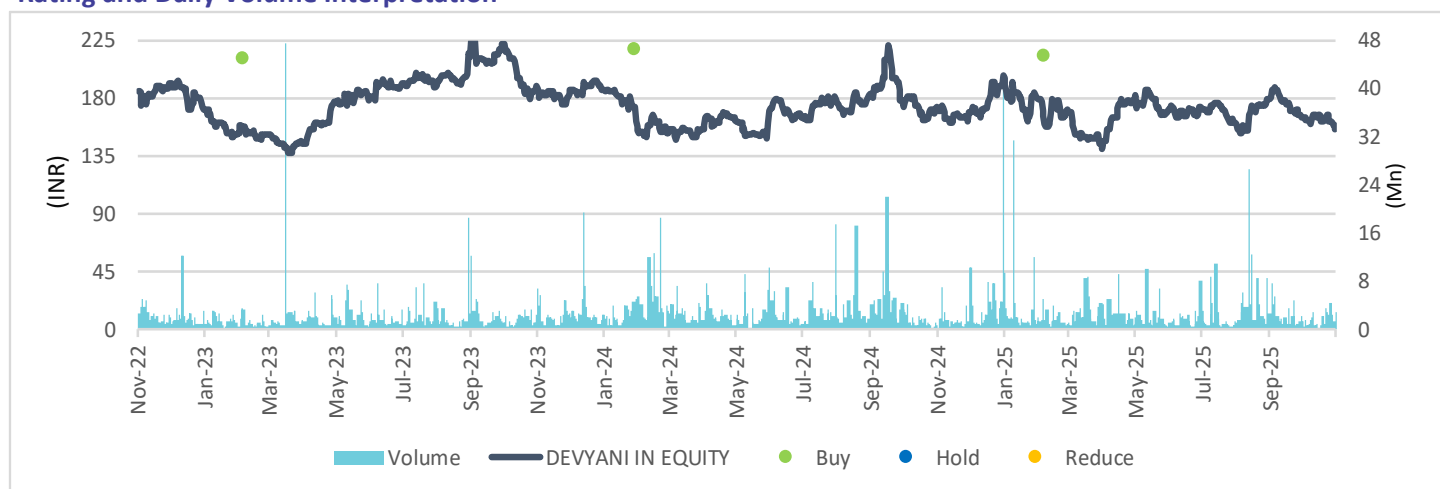
Recent Company Research

Date	Title	Price	Reco
13-Aug-25	Growth spending erodes margins; <i>Result Update</i>	159	Buy
24-May-25	Core portfolio delivers muted showing; <i>Result Update</i>	179	Buy
24-Apr-25	Expanding delivery menu; <i>Company Update</i>	179	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
05-Nov-25	ABFRL	Core business profitability impacted; <i>Result Update</i>
05-Nov-25	Aditya Birla Lifestyle Brands	Wholesale weak; retail LTL up; <i>Result Update</i>
04-Nov-25	Titan Company	Impressive quarter; positive forecast; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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