BOBCAPS
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BUY
TP: Rs 140 | 18%

DEVYANI INTERNATIONAL

| Consumer Discretionary | 29 July 2026

Profitable recovery

- **Revenue grew 16.5% YoY, led by KFC (+11.7%) and International (+20.7%), while most brands reported positive SSSG**
- **Management reiterated FY27 growth plans, including store expansion and Sapphire merger completion by FY27-end**
- **Margins reached record highs, with gross margin at 69.1% and EBITDA margin at 16.1%**

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Result Highlights: Devyani International (DIL) reported revenue of Rs 15.8 bn in Q1FY27, up 16.5% YoY, driven by continued momentum in KFC India and the international business. During the quarter, KFC/Pizza Hut/Costa Coffee/Biryani by Kilo/Vaango delivered SSSG of +3.3%/-2.2%/+10.2%/+7.2%/+7.1%, respectively. The company ended the quarter with 2,255 stores globally (India: 1,855; International: 400), including 794 KFC, 626 Pizza Hut, 218 Own Brands, and 197 Franchisee Brand stores. Consolidated gross margin expanded 90 bps YoY to 69.1%, supported by calibrated pricing actions, disciplined discounting and an improved dine-in mix at KFC. EBITDA reached a record Rs 2.55 bn, with EBITDA margin improving 100 bps YoY to 16.1%, despite inflation in LPG, wages and certain raw materials. Brand contribution margin improved to 14.2% from 13.1% a year ago, while operating EBITDA grew 38% YoY to Rs 1.51 bn. KFC India revenues grew 11.7% YoY to Rs 6.84 bn, while international revenues increased 20.7% YoY to Rs 5.23 bn. The company reported its highest PBT in eight quarters at Rs 229 mn.

Concall Highlights: Management maintained its FY27 store addition guidance, with 11 net KFC stores and 3 BBK stores added in Q1, and reiterated that the Sapphire Foods merger remains on track for completion by FY27-end. KFC continued to benefit from its dine-in strategy, with the offline mix improving to 57% (vs. 54% YoY), while selective price hikes were taken to offset LPG, wage and raw material inflation. Pizza Hut's turnaround remains focused on product innovation, pricing architecture and improving ADS, with a stronger recovery expected post-merger. Biryani by Kilo continues to scale well through BBK Express, airport stores and dine-in pilots, with management targeting the brand to reach Rs 10 bn in revenue over the next few years. Technology-led efficiencies and organisational restructuring under DIL 2.0 remain key priorities to drive margins and integration readiness.

Our view: We view the Sapphire Foods merger and continued KFC execution as key medium-term growth drivers. Technology-led DIL 2.0, BBK expansion and the Pizza Hut turnaround should further support profitable growth. We expect revenue/EBITDA to grow at 10.9%/17.9% CAGR over FY26-29E. We maintain BUY with DCF-based TP of Rs 140 based on June'28 estimates.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	DEVYANI IN/Rs 118
Market cap	US$ 1.5bn
Free float	39%
3M ADV	US$ 3.6mn
52wk high/low	Rs 191/Rs 92
Promoter/FPI/DII	61%/7%/19%

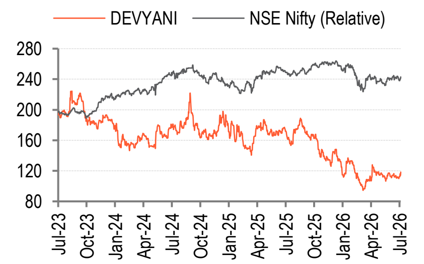
Source: NSE | Price as of 29 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	56,115	62,316	69,160
EBITDA (Rs mn)	8,656	10,157	12,103
Adj. net profit (Rs mn)	(425)	272	830
Adj. EPS (Rs)	(0.4)	0.2	0.7
Consensus EPS (Rs)	(0.4)	0.5	1.1
Adj. ROAE (%)	(0.6)	0.4	1.1
Adj. P/E (x)	(335.3)	525.3	171.7
EV/EBITDA (x)	16.9	14.4	12.1
Adj. EPS growth (%)	(0.4)	0.2	0.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Earnings KTA's

- **Demand Environment & Consumption Trends**: Management indicated that the operating environment remained volatile during Q1FY27 due to higher LPG prices, wage inflation, elevated crude prices and macro uncertainties. Despite these headwinds, demand remained stable, with most brands reporting positive SSSG led by KFC (+3.3%), Costa Coffee (+10.2%), Biryani by Kilo (+7.2%) and Vaango (+7.1%). Management stated that consumption recovery remains gradual and non-linear, although early July trends continue to remain positive. It expects demand to remain stable despite seasonal and macro volatility.

- **Store Network & Expansion Strategy:** DIL ended Q1FY27 with 2,255 stores globally (India**:** 1,855; International: 400) after adding 11 net KFC stores in India**,** 2 stores in Thailand and 3 Biryani by Kilo stores during the quarter. Management maintained its FY27 expansion guidance and stated that store additions will continue as planned. Further, business development has now been centralized under one leadership team to improve site selection, landlord negotiations and expansion efficiency ahead of the Sapphire merger.

- **Margin Outlook & Cost Inflation**: Despite inflation in LPG, wages and selected food commodities, DIL delivered record EBITDA of Rs 2.55 bn with EBITDA margins expanding 100 bps YoY to 16.1**%**, while gross margins improved 90 bps YoY to 69.1%. Management implemented selective price increases across KFC and Pizza Hut to offset cost pressures and highlighted that disciplined discounting, technology-led efficiencies and improving dine-in mix will remain the key drivers for further margin expansion.

- **KFC India** – Dine-in Strategy Continues to Drive Recovery: KFC India reported revenue growth **of** 11.7% YoY to Rs 6.84 bn with SSSG of +3.3%**.** Offline sales mix improved to 57**%** from 54**%** last year as the company continued to rebalance marketing spends toward dine-in. Gross margins improved to 69.4%**,** while brand contribution margin expanded to **1**6.9**%**. Management reiterated that improving ADS remains the key margin lever and expects 5–6% SSSG over the medium term, with higher dine-in contribution expected to support profitability.

- **Pizza Hut** – Turnaround Remains Work in Progress:Pizza Hut reported SSSG of -2.2%**,** an improvement from the previous quarter, while ADS improved to around Rs 32k per store per day. Revenue stood at Rs 1.84 bn**,** while gross margins remained strong at **7**6.3**%**, although operating deleverage resulted in a small brand contribution loss. Management reiterated that the turnaround remains focused on improving product quality, innovation, pricing architecture and value perception. It expects faster execution and stronger recovery after the completion of the Sapphire merger, which will simplify decision-making with Yum! Brands.

- **Own Brands –** Biryani by Kilo Scaling Up**:** Own brands continued their strong momentum with BBK SSSG of 7.2**%** and Vaango SSSG of 7.1**%**. Revenue increased to Rs 978 mn, while brand contribution margin improved to 10.2%**.** During the quarter, DIL expanded BBK Express, tested dine-in formats through food courts and airport locations, and plans to launch a vegetarian portfolio. Management remains highly optimistic on the organised biryani opportunity and aims to scale Biryani by Kilo into a Rs 10 bn revenue brand over the next few years.

- **Franchisee Brands – Costa Coffee Continues Strong Growth:** Franchisee brands delivered steady performance despite elevated coffee input costs. Costa Coffee reported 10.2% SSSG, ADS improved to Rs 29k, while brand contribution margin remained healthy at 15.1**%**. Management stated that expansion will continue selectively across premium and travel-focused locations while maintaining profitability and operational discipline.

- **International Business** – Growth Engine Remains Intact: International revenues increased 20.7% YoY to Rs 5.23 bn, while brand contribution margins improved to 18.2**%** through operating leverage and better cost management. Nepal continued to outperform, while Thailand delivered stable operating performance. Management remains positive on international growth and indicated that it would evaluate opportunities for further territory expansion in Thailand if such opportunities arise.

- **Delivery vs Dine-in Strategy**: Management reiterated that dine-in remains a strategic priority, as delivery has increasingly cannibalised offline sales. During Q1FY27, the offline mix at KFC improved to **57%**, supported by differentiated pricing, exclusive dine-in offers and stronger customer engagement. Over the medium term, management targets an offline mix of around **59–60%**, which should improve ADS and margins while maintaining delivery convenience.

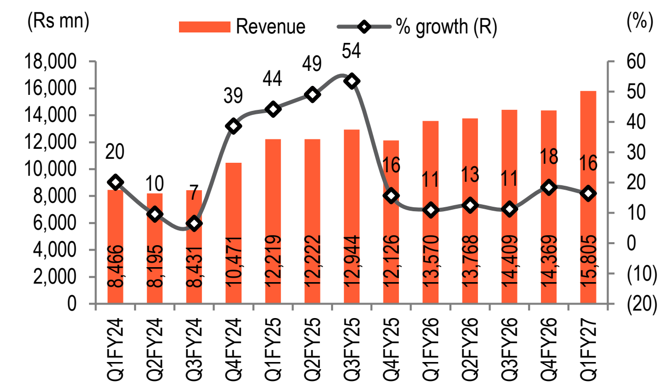
- **DIL 2.0, Technology & Sapphire Merger:** Management highlighted DIL 2.**0** as a key strategic initiative focused on strengthening leadership, technology adoption and organisational restructuring. The new leadership team is now fully in place, while technology investments are expected to improve productivity and cost efficiency after the merger. The proposed Sapphire Foods merger remains on track for completion by FY27-end**,** with NSE and BSE approvals already received. Management believes the combined platform will enable faster decision-making, better execution and significant operating synergies.

Fig 1 – Quarterly Table

Particulars (Rs mn)	Q1FY27E	Q4FY26	%QoQ	Q1FY26	% yoy/bps
Sales	**15,805**	**14,369**	**10.00**	**13,570**	**16.5**
COGS	4,890	4,483	9.1	4,318	13.3
GP	10,915	9,886	10.4	9,252	18.0
Gross Margin (%)	69.1	68.8	26bps	68.2	88bps
Employee	2,301	2,093	9.9	2,011	14.4
Other expenses	6,061	5,472	10.8	5,181	17.0
EBITDA	**2,553**	**2,322**	**10.0**	**2,060**	**23.9**
EBITDA margin (%)	16.2	16.2	(1bps)	15.2	97bps
Interest	701	701	0.1	668	5.0
Depreciation	1,804	1,825	(1.2)	1,497	20.5
Other income	192	141	35.7	135	42.1
PBT	240	(63)	(481.8)	31	683.0
Tax	58	(47)	(222.8)	5	1025.3
Reported PAT	**171**	**(134)**	**(227.7)**	**24**	**606.2**

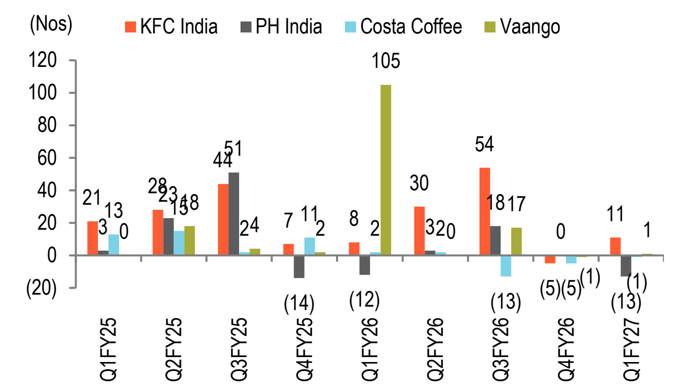
Source: Company, BOBCAPS Research

Fig 2 – Revenue and its growth



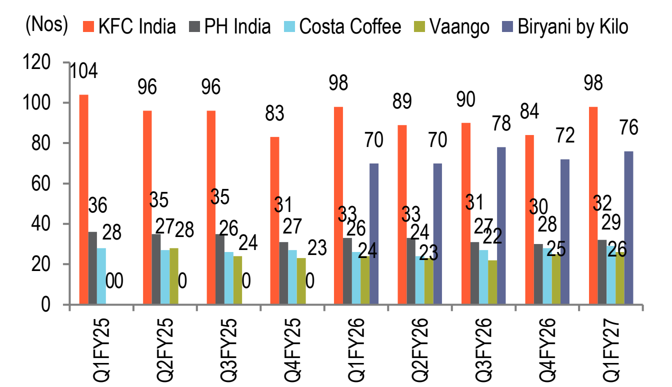
Source: Company, BOBCAPS Research

Fig 3 – Store additions



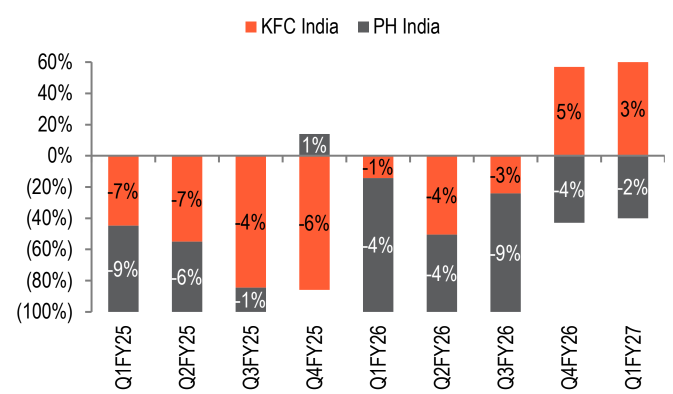
Source: Company, BOBCAPS Research

Fig 4 – ADS across brands



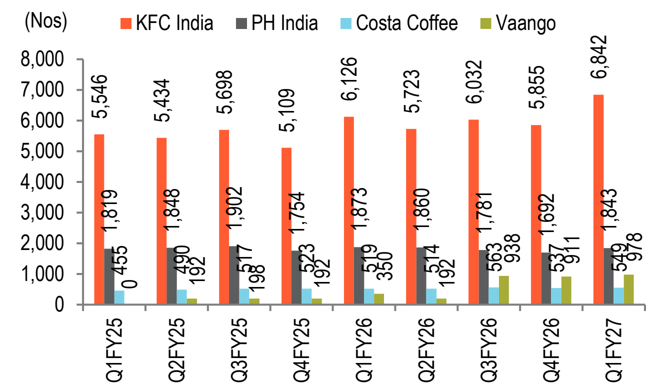
Source: Company, BOBCAPS Research

Fig 5 – SSSG (%)



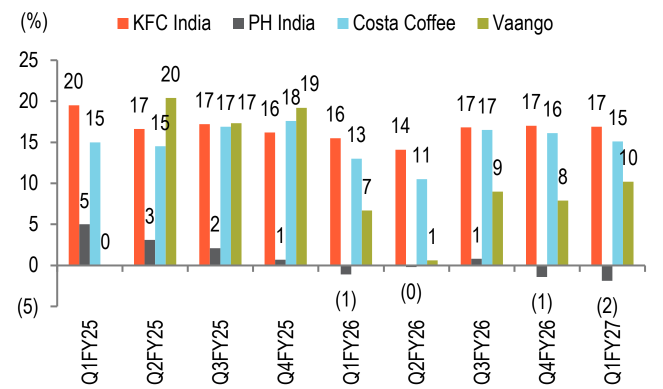
Source: Company, BOBCAPS Research

Fig 6 – Revenue across brands



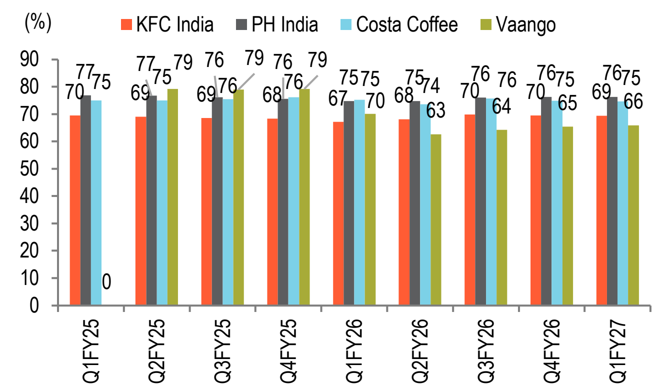
Source: Company, BOBCAPS Research

Fig 7 – Brand Contribution across brands



Source: Company, BOBCAPS Research

Fig 8 – Gross margin (%)



Source: Company, BOBCAPS Research

Valuation methodology

While operating performance remains broadly on track, we have cut PAT estimates to account for higher finance costs, which have continued to pressure net profitability. We expect revenue/EBITDA to grow at 10.9%/17.9% CAGR over FY26-29E. We maintain BUY with DCF-based TP of Rs 140 based on June'28 estimates.

Fig 9 – Actual vs Estimates

(Rs mn)	Q1FY27A	Q1FY27E	Deviation (%)
Revenue	15,805.2	15,768	0.24
EBITDA	2,552.9	2,495	2.32
EBITDA Margin (%)	16.2	15.82	33bps

Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	62,316	69,160	76,608	62,498	69,333	76,772	(0.29)	(0.25)	(0.21)
EBITDA	10,157	12,103	14,172	10,562	12,480	14,971	(3.83)	(3.02)	(5.33)
EBITDA Margin (%)	16.3	17.5	18.5	16.9	18.0	19.5	(60bps)	(50bps)	(100bps)
Adj. PAT	272	830	1,944	991	1627	3112	(72.60)	(48.96)	(37.54)

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates:

- Slower-than-expected recovery in discretionary consumption may pressure SSSG and margins.
- Delays in rationalising loss-making stores could prolong losses and impact profitability.
- Input cost inflation or higher promotional intensity may compress gross and contribution margins.Bullet Points

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**49,511**	**56,115**	**62,316**	**69,160**	**76,608**
EBITDA	8,333	8,656	10,157	12,103	14,172
Depreciation	5,699	6,540	6,929	7,745	7,980
EBIT	2,634	2,116	3,229	4,358	6,192
Net interest inc./(exp.)	2,648	2,757	3,053	3,458	3,830
Other inc./(exp.)	370	451	187	207	230
Exceptional items	3	0	0	0	0
EBT	131	(564)	362	1,107	2,592
Income taxes	197	(143)	91	277	648
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(160)	(39)	0	0	0
Reported net profit	**(65)**	**(425)**	**272**	**830**	**1,944**
Adjustments	3	0	0	0	0
Adjusted net profit	**(68)**	**(425)**	**272**	**830**	**1,944**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,411	6,151	5,122	5,684	6,297
Other current liabilities	568	673	673	673	673
Provisions	136	249	249	249	249
Debt funds	9,318	13,604	13,604	13,604	13,604
Other liabilities	24,930	27,542	29,906	32,508	35,369
Equity capital	1,206	1,233	1,233	1,233	1,233
Reserves & surplus	9,738	14,185	14,457	15,287	17,231
Shareholders' fund	14,023	18,852	19,124	19,954	21,898
Total liab. and equities	**44,874**	**56,104**	**58,740**	**62,172**	**66,977**
Cash and cash eq.	1,814	4,913	3,142	5,550	9,550
Accounts receivables	413	641	683	758	840
Inventories	1,482	1,646	3,057	3,393	3,758
Other current assets	561	680	748	823	905
Investments	271	204	1,104	2,004	2,904
Net fixed assets	16,820	10,338	15,266	21,012	26,992
CWIP	35	113	113	113	113
Intangible assets	6,254	11,959	11,959	11,959	11,959
Deferred tax assets, net	574	0	0	0	0
Other assets	1,811	1,585	1,702	1,873	2,060
Total assets	**44,874**	**56,104**	**58,740**	**62,172**	**66,977**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**8,354**	**9,192**	**5,526**	**9,873**	**11,576**
Capital expenditures	(4,818)	(4,408)	(5,708)	(5,708)	(5,708)
Change in investments	(14)	(13)	(900)	(900)	(900)
Other investing cash flows	211	25	0	0	0
Cash flow from investing	**(4,622)**	**(4,395)**	**(6,608)**	**(6,608)**	**(6,608)**
Equities issued/Others	13	128	0	0	0
Debt raised/repaid	(288)	500	0	0	0
Interest expenses	(545)	(1,108)	(3,053)	(3,458)	(3,830)
Dividends paid	0	0	0	0	0
Other financing cash flows	(3,433)	(1,493)	2,365	2,601	2,861
Cash flow from financing	**(4,254)**	**(1,973)**	**(689)**	**(857)**	**(969)**
Chg in cash & cash eq.	**(521)**	**2,824**	**(1,771)**	**2,409**	**3,999**
Closing cash & cash eq.	**1,814**	**4,913**	**3,142**	**5,550**	**9,550**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	0.1	(0.4)	0.2	0.7	1.6
Adjusted EPS	(0.1)	(0.4)	0.2	0.7	1.6
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	11.6	15.3	15.9	16.6	18.2

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.9	2.6	2.3	2.1	1.9
EV/EBITDA	17.5	16.9	14.4	12.1	10.3
Adjusted P/E	(2,179.3)	(335.3)	525.3	171.7	73.4
P/BV	10.2	7.7	7.5	7.1	6.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	(52.1)	75.5	75.0	75.0	75.0
Interest burden (PBT/EBIT)	5.0	(26.6)	11.2	25.4	41.9
EBIT margin (EBIT/Revenue)	5.3	3.8	5.2	6.3	8.1
Asset turnover (Rev./Avg TA)	110.3	100.0	106.1	111.2	114.4
Leverage (Avg TA/Avg Equity)	3.2	3.0	3.1	3.1	3.1
Adjusted ROAE	(0.5)	(2.3)	1.4	4.2	8.9

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	39.2	13.3	11.1	11.0	10.8
EBITDA	27.7	3.9	17.3	19.2	17.1
Adjusted EPS	(0.1)	(0.4)	0.2	0.7	1.6
Profitability & Return ratios (%)					
EBITDA margin	16.8	15.4	16.3	17.5	18.5
EBIT margin	5.3	3.8	5.2	6.3	8.1
Adjusted profit margin	(0.1)	(0.8)	0.4	1.2	2.5
Adjusted ROAE	(0.1)	(0.6)	0.4	1.1	2.5
ROCE	11.3	6.5	9.9	13.0	17.4
Working capital days (days)					
Receivables	3	4	4	4	4
Inventory	11	11	13	13	13
Payables	33	40	30	30	30
Ratios (x)					
Gross asset turnover	1.1	1.0	1.1	1.1	1.1
Current ratio	0.3	0.3	0.5	0.5	0.6
Net interest coverage ratio	1.0	0.8	1.1	1.3	1.6
Adjusted debt/equity	0.5	0.5	0.5	0.4	0.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

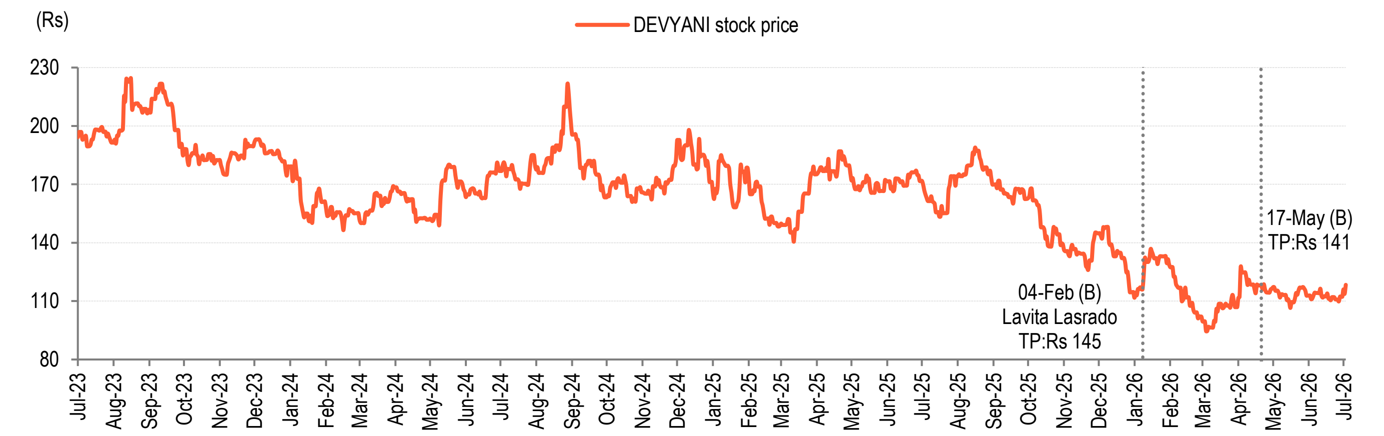
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): DEVYANI INTERNATIONAL (DEVYANI IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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