

BUY
 TP: Rs 141 | ▲ 19%

DEVYANI INTERNATIONAL

Retail - QSR

17 May 2026

Recovery Trends

- Demand trends remained stable, with improving consumption recovery and positive traction across key brands
- KFC India delivered its strongest performance in 14 quarters, while Pizza Hut turnaround, Sapphire merger remain key strategic priorities
- International business continued steady growth momentum. BUY with TP of Rs 141 (DCF-based TP on Mar28 estimates)

Result Highlights: Devyani International (DIL) reported revenue at Rs 14.3 bn in Q4'26 — up by 18.5% YoY. During the quarter, KFC/PH/BBK/ delivered SSSG of +4.9/-3.7/3.2% respectively. The company has a total of 2,256 stores (KFC 783/ PH 639/, own brands 217/ Franchisee 198). Consolidated gross margin at 68.8% showed a 30 bps improvement YoY, driven by a calibrated reduction in online discounting, and an improved dine-in mix led by value-focused customer engagement initiatives at KFC. EBITDA margins at 16.2%, were down 30 bps YoY, impacted by the operating deleverage in Pizza Hut amid a weak ADS performance, the continued investments in customer acquisition and dine-in recovery initiatives, and inflationary pressure in franchise brands due to elevated coffee and cocoa prices. ADS came in at Rs 84k/30k/27k for KFC/PH/Franchise brands respectively. International revenues grew 20% YoY.

Concall Highlights: Pizza Hut's turnaround strategy remains focused on improving dough, cheese, toppings, pricing architecture and in-store customer experience, with revised product and marketing initiatives expected over the next few months. Biryani By Kilo achieved positive brand contribution and has started pilot expansion through smaller "BBK Express" formats following improved unit economics. International business revenues crossed Rs 5 bn for the first time, with Nepal reporting ~46% YoY growth, while Thailand continued to deliver stable ADS performance. DIL expects to add ~200–225 net new stores in FY27, with KFC contributing ~100–110 stores, while Pizza Hut expansion remains calibrated with no net additions planned during CY26.

Our View: We view the proposed merger with Sapphire Foods, leadership transformation and technology-led "DIL 2" strategy — as the key medium-term catalysts for DIL. These will likely strengthen execution, scalability and operational efficiencies. The continued focus on portfolio optimisation, profitability and digital capabilities should support sustainable long-term growth. We expect Revenue/EBITDA to grow at 11%/20% CAGR over FY26-28E, resp., led by aggressive network expansion, international business growth and gradual recovery. We recommend BUY with DCF-based TP of Rs 141 based on Mar28 estimates.

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Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	DEVYANI IN/Rs 118
Market cap	US\$ 1.5bn
Free float	39%
3M ADV	US\$ 5.0mn
52wk high/low	Rs 191/Rs 92
Promoter/FPI/DII	61%/6%/19%

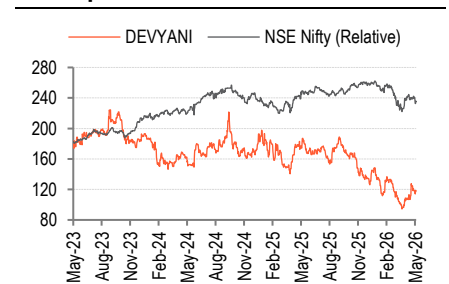
Source: NSE | Price as of 15 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	56,115	62,498	69,333
EBITDA (Rs mn)	8,656	10,562	12,480
Adj. net profit (Rs mn)	(425)	991	1,627
Adj. EPS (Rs)	(0.4)	0.8	1.4
Consensus EPS (Rs)	(0.4)	0.6	1.3
Adj. ROAE (%)	(0.6)	1.4	2.2
Adj. P/E (x)	(334.5)	143.6	87.4
EV/EBITDA (x)	16.8	13.8	11.7
Adj. EPS growth (%)	(0.4)	0.8	1.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings KTAs

- **Demand Environment & Consumption Trends:**
 During Q4'26, demand sentiment remained broadly stable, supported by favourable policy stimulus and GST rate rationalisation. Moreover, consumption trends across key brands improved sequentially, with management indicating encouraging traction in footfalls and consumer engagement. The company stated that FMCG volume growth trends point towards gradual recovery in discretionary demand.
- **Store Network & Expansion Strategy:**
 The company ended FY26 with a global network of 2,256 stores, including a net addition of 217 stores during FY26. For FY27E, DIL expects to add around 200–225 net new stores across brands, with KFC contributing 100–110 stores. Moreover, expansion across Pizza Hut remains calibrated, with no net new additions planned during CY26, as the focus stays on portfolio optimisation, closure of underperforming stores and improving unit economics. Further, growth across Costa Coffee, Biryani By Kilo and international markets will drive the remaining additions.
- **Gas Crisis & Supply Chain Management:**
 During the quarter, the company faced operational challenges, due to the gas crisis triggered by geopolitical tensions in the Middle East. Despite supply disruptions, the company managed the situation effectively with minimal business impact through close operational monitoring and contingency planning. DIL is also exploring alternate equipment configurations, including electric and dual fuel systems to mitigate similar disruptions.
- **KFC India (strongest in 14 Quarters):**
 KFC reported SSSG of +4.9% and revenue growth of ~15% YoY to Rs 5.86 bn in Q4FY26. Moreover, the improvement primarily came on the back of a strategic shift towards dine-in-led growth, where the company tailored pricing, promotions and value offerings, specifically for offline customers. Moreover, better value-led offerings, targeted promotions, innovation and customer reactivation initiatives supported higher footfalls, ticket growth and improving SSSG trends. The company also indicated that the current trends remain stable even in the first 45 days of the new quarter, providing confidence in the sustainability of recovery trends. Management stated only minor corrections in the menu prices during the quarter, with the overall price hikes staying below 0.5%.
- **Pizza Hut (Back-to-Basics Turnaround Strategy):**
 Pizza Hut India reported SSSG of -3.7%, though performance improved sequentially with ADS remaining stable at ~Rs 30k per store per day. The turnaround strategy is now centered around a “back-to-basics” approach focused on improving product quality, pricing architecture, customer experience and operational execution. A new leadership structure has also been put in place for Pizza Hut, with the incoming CMO overseeing the brand. Management expects the rollout of revised product and marketing initiatives over the next couple of months.
- **Own brands portfolio** comprising Vaango and Biryani By Kilo continued to report healthy performance with positive mid-single-digit SSSG trends. Biryani By Kilo achieved positive brand contribution marking a key profitability milestone for the

brand. Following this turnaround, the company has initiated measured offline expansion through pilot launches of smaller “BBK Express” formats. Management remains optimistic on scaling the format further, based on the initial response.

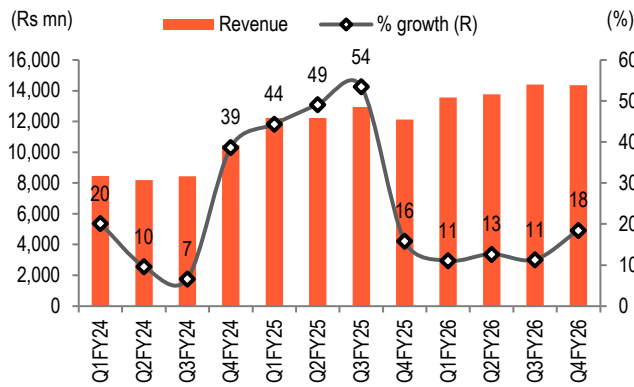
- **Franchisee Brands – Costa Coffee & Others:**
Franchisee brands portfolio, including Costa Coffee, delivered steady revenue growth of ~3% YoY with healthy brand contribution margins of 16.1%. However, elevated coffee and cocoa prices led to ~120bps YoY decline in gross margins. Costa Coffee ADS improved to ~Rs 28k while store count stood at 189 stores. DIL remains selective on expansion keeping the focus on profitability, premium positioning and operational efficiency across franchisee-led formats.
- **International Business – Strong Momentum Continues:**
International business continued to deliver strong growth, with quarterly revenues crossing Rs 5 bn for the first time and growing ~20% YoY. Moreover, Thailand remained the largest international geography with stable ADS performance, while Nepal delivered particularly strong growth with revenues increasing ~46% YoY. International operations continue to provide diversification benefits and margin stability to the consolidated business.
- **Delivery vs Dine-in Strategy:**
A key strategic focus during the quarter was strengthening the dine-in channels, as management indicated the earlier SSSG weakness being primarily due to a softer dine-in traffic, despite stable online growth. Moreover, to improve offline traction, the company revised pricing structures, promotional mechanics and consumer engagement initiatives — leading to better value perception and enhanced in-store experience.
- **Proposed Merger with Sapphire Foods:**
The proposed merger with Sapphire Foods continues to progress as planned and is expected to be completed by the end of the current fiscal year. The combined entity is expected to emerge as one of the largest QSR platforms globally and among the largest Yum! franchise partners, with diversified brands, wider geographic reach and stronger operational capabilities. The merged platform is expected to drive meaningful synergies, improve execution capabilities and create a more agile and scalable organisation.

Fig 1 – Quarterly Table

Particulars (Rs mn)	Q4FY26	Q3FY26	%QoQ	Q4FY25	% yoy/bps	FY26	FY25	% yoy/bps
Sales	14,369	14,409	(0.28)	12,126	18.5	56,115	49,511	13.3
COGS	4,483	4,481	0.0	3,819	17.4	17,719	15,388	15.1
GP	9,886	9,928	(0.4)	8,306	19.0	38,396	34,123	12.5
Gross Margin (%)	68.8	68.9	(10bps)	68.5	30bps	68.4	68.9	(50bps)
Employee	2,093	2,175	(3.8)	1,706	22.6	8,296	7,104	16.8
Other expenses	5,472	5,454	0.3	4,605	18.8	21,444	18,685	14.8
EBITDA	2,322	2,300	1.0	1,995	16.3	8,656	8,333	3.9
EBITDA margin (%)	16.2	16.0	20bps	16.5	(30bps)	15.4	16.8	(141bps)
Interest	701	700	0.1	695	0.8	2,757	2,648	4.1
Depreciation	1,825	1,666	9.5	1,518	20.2	6,540	5,699	14.8
Other income	141	123	14.8	132	7.3	451	370	22.0
PBT	(63)	56	(211.5)	(86)	(26.9)	(564)	131	NA
Tax	(47)	(49)	(3.7)	(56)	(15.2)	(143)	197	NA
Reported PAT	(134)	(100)	34.1	(168)	(20.1)	(425)	(65)	NA

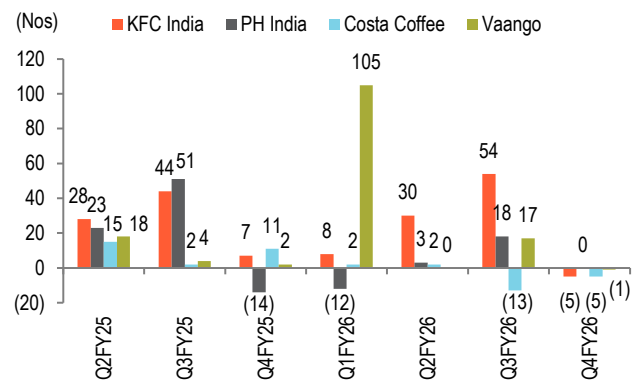
Source: Company, BOBCAPS Research

Fig 2 – Revenue and its growth



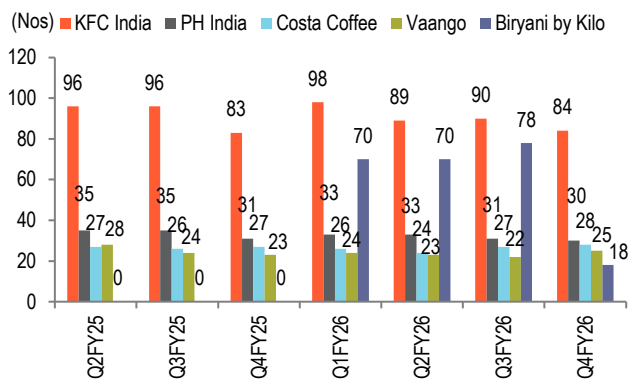
Source: Company, BOBCAPS Research

Fig 3 – Store additions



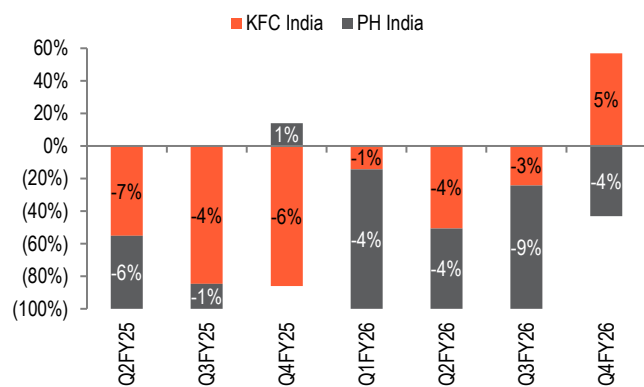
Source: Company, BOBCAPS Research

Fig 4 – ADS (000)



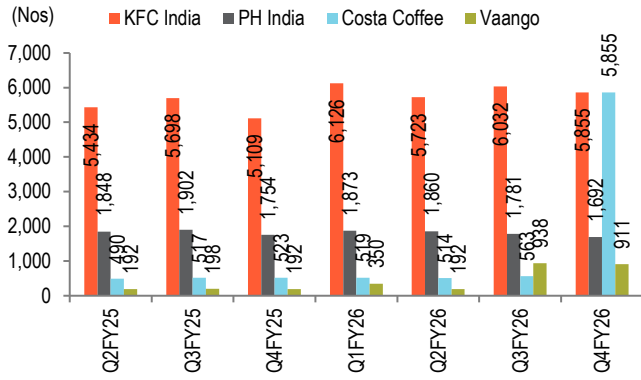
Source: Company, BOBCAPS Research

Fig 5 – SSSG



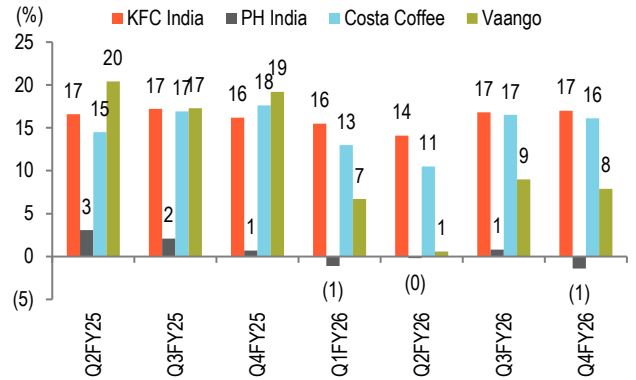
Source: Company, BOBCAPS Research

Fig 6 – Segment-wise revenue



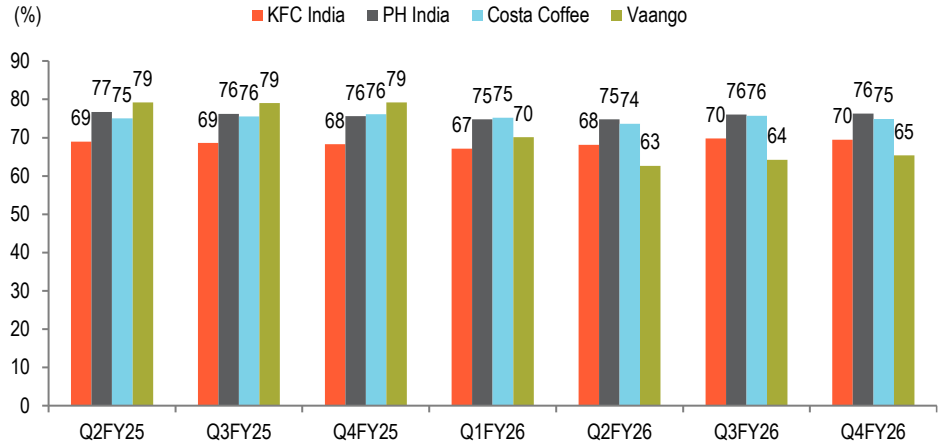
Source: Company, BOBCAPS Research

Fig 7 – Brand contribution



Source: Company, BOBCAPS Research

Fig 8 – Segment wise GM%



Source: Company, BOBCAPS Research

Valuation Methodology

We view the proposed merger with Sapphire Foods, leadership transformation and technology-led “DIL 2” strategy — as the key medium-term catalysts for DIL. These will likely strengthen execution, scalability and operational efficiencies. The continued focus on portfolio optimisation, profitability and digital capabilities should support sustainable long-term growth. We expect Revenue/EBITDA to grow at 11%/20% CAGR over FY26-28E, resp., led by aggressive network expansion, international business growth and gradual recovery. We recommend BUY with DCF-based TP of Rs 141 based on Mar28 estimates.

Fig 9 – Actual vs Estimates

Rs mn	Q4FY26A	Q4FY26E	Deviation (%)
Revenue	14,368.6	14,784	(2.81)
EBITDA	2,321.7	2,372	(2.10)
EBITDA Margin (%)	16.2	16.04	12
PAT	(133.9)	(303)	(55.84)

Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	62,498	69,333	76,772	63443	70536	NA	(1.49)	(1.70)	NA
EBITDA	10,562	12,480	14,971	10151	11638	NA	4.05	7.24	NA
EBITDA Margin (%)	16.9	18.0	19.5	16.0	16.5	NA	(90bps)	(150bps)	NA
Adj. PAT	991	1,627	3,112	823	1166	NA	20.37	39.54	NA

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.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	49,511	56,115	62,498	69,333	76,772
EBITDA	8,333	8,656	10,562	12,480	14,971
Depreciation	5,699	6,540	6,929	7,745	7,980
EBIT	2,634	2,116	3,633	4,735	6,990
Net interest inc./(exp.)	2,648	2,757	2,500	2,773	3,071
Other inc./(exp.)	370	451	187	208	230
Exceptional items	3	0	0	0	0
EBT	131	(564)	1,321	2,169	4,150
Income taxes	197	(143)	330	542	1,037
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(160)	(39)	0	0	0
Reported net profit	(65)	(425)	991	1,627	3,112
Adjustments	3	0	0	0	0
Adjusted net profit	(68)	(425)	991	1,627	3,112

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,411	6,151	5,137	5,699	6,310
Other current liabilities	568	673	673	673	673
Provisions	136	249	249	249	249
Debt funds	9,318	13,604	13,104	12,604	12,104
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	15,176	16,803	19,915
Shareholders' fund	14,023	18,852	19,843	21,470	24,582
Total liab. and equities	44,874	56,104	58,959	62,687	68,161
Cash and cash eq.	1,814	4,913	3,365	6,070	10,738
Accounts receivables	413	641	685	760	841
Inventories	1,482	1,646	3,066	3,401	3,766
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	58,959	62,687	68,161

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	8,354	9,192	5,696	9,985	11,985
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	(500)	(500)	(500)
Interest expenses	(545)	(1,108)	(2,500)	(2,773)	(3,071)
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)	(635)	(672)	(710)
Chg in cash & cash eq.	(521)	2,824	(1,547)	2,705	4,668
Closing cash & cash eq.	1,814	4,913	3,365	6,070	10,738

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	0.1	(0.4)	0.8	1.4	2.6
Adjusted EPS	(0.1)	(0.4)	0.8	1.4	2.6
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	11.6	15.3	16.5	17.8	20.4

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	16.8	13.8	11.7	9.7
Adjusted P/E	(2,174.1)	(334.5)	143.6	87.4	45.7
P/BV	10.2	7.7	7.2	6.6	5.8

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)	36.4	45.8	59.4
EBIT margin (EBIT/Revenue)	5.3	3.8	5.8	6.8	9.1
Asset turnover (Rev./Avg TA)	110.3	100.0	106.0	110.6	112.6
Leverage (Avg TA/Avg Equity)	3.2	3.0	3.0	2.9	2.8
Adjusted ROAE	(0.5)	(2.3)	5.0	7.6	12.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	39.2	13.3	11.4	10.9	10.7
EBITDA	27.7	3.9	22.0	18.2	20.0
Adjusted EPS	(0.1)	(0.4)	0.8	1.4	2.6
Profitability & Return ratios (%)					
EBITDA margin	16.8	15.4	16.9	18.0	19.5
EBIT margin	5.3	3.8	5.8	6.8	9.1
Adjusted profit margin	(0.1)	(0.8)	1.6	2.3	4.1
Adjusted ROAE	(0.1)	(0.6)	1.4	2.2	3.9
ROCE	11.3	6.5	11.0	13.9	19.1
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	1.5	1.7	2.3
Adjusted debt/equity	0.5	0.5	0.5	0.3	0.1

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

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 CIN: **U65999MH1996GOI098009**



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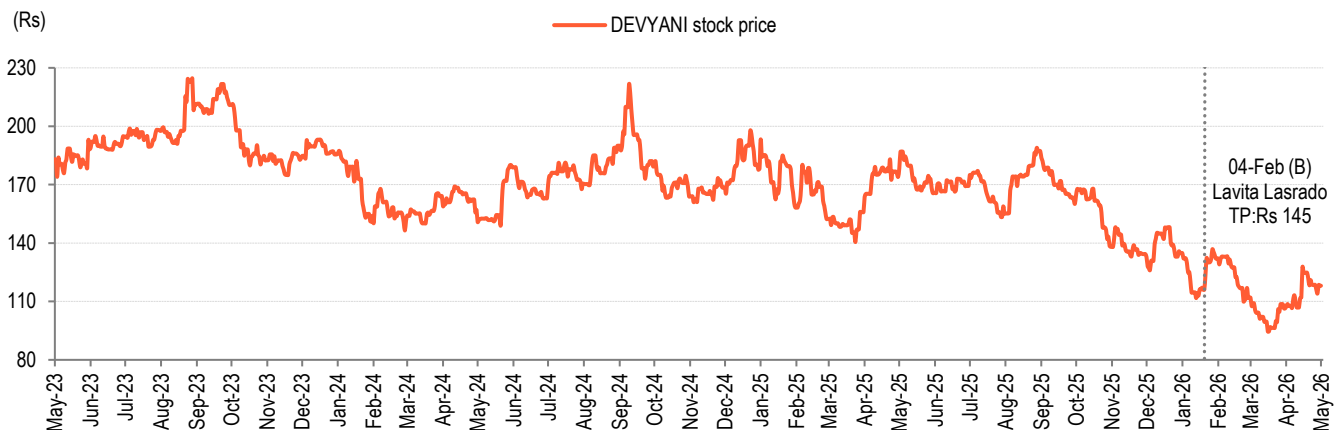
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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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