

Devyani International | BUY

Delayed demand recovery; SSSG revival key

Tepid demand conditions and impact of birdflu in AP & Telangana led to 4% miss to our DIL's 4Q revenue estimates. Pizza Hut revenue though registered a 2% beat grew only 8% YoY. KFC's SSSG declined -6% YoY partly impacted by bird flu in AP/Telangana for 75 days and geo-political tensions impacting demand in Kerala and West Bengal; excl. these states SSSG were positive. KFC witnessed addition of 7 stores while 14 stores were closed in PH. Brand contribution margins contracted across all the core brands owing to weaker gross margins due to higher input prices, value offerings and negative leverage. KFC/PH ADS declined 11%/3% YoY. Management intends to add 110-120 stores under KFC format while it is under formal discussion with Yumm to chart out the future course of action with PH and will come out with detailed plans in Q1FY26. Management believes it has now hit a bottom in terms of ADS decline and margins, things can only improve from here on. We increase our EV/EBITDA multiple from 27x to 29x as (i) we have not built in Skygate (BBK) in our estimates which gives entry into higher TAM, (ii) we expect favourable terms of agreement for DIL post discussion with Yum on PH, and (iii) KFC business model optimized to earn better margin even at lower ADS, real benefits of which could only be realised from FY28 onwards. We reduce our EBITDA estimates by 19%/9% for FY26/27 due to gradual than expected recovery in KFC/PH and maintain BUY with a target price of INR 192, based on 29x EV/EBITDA (Pre Ind AS-116) Mar-27.

- **Miss on revenue; operational performance in line:** Consolidated revenue grew 16% YoY to INR 12.1 bn; 4% below JMFe. EBITDA grew 9 % YoY to INR 1.9 bn (2% below JMFe) as EBITDA margin contracted ~100 bps YoY to 15.4% (JMFe: 15.2%) led by ~70 bps contraction in Gross margin to 68.5% (JMFe: 68.8%) and higher other expense (100 bps YoY higher) partially offset by ~70 bps YoY lower employee expense. PBT loss stood at INR 208 mn (JMFe: loss of INR 204 bn) largely led by 21%/23% higher depreciation/interest expense and lower other income (10% YoY lower). Consolidated brand margins stood at 13.8% (up ~20 bps YoY). Consolidated Pre-Ind AS EBITDA was up 13% YoY to INR 1.1 bn as margins contracted 20 bps YoY to 8.9% as corporate overheads grew by 28% YoY to INR 589 mn (higher by ~50 bps YoY).
- **FY25 performance:** Revenue grew 39% YoY to INR 35.6 bn. EBITDA grew 26% YoY to INR 8.2 bn as EBITDA margins contracted 180bps YoY to 16.6% primarily led by gross margin contraction of ~140bps YoY to 68.9%. Net debt - INR 7.2 bn as on 31st Mar-25.
- **Weak ADS across the formats impacted brand contribution margin:** KFC revenue grew 3% YoY to INR 5.1bn (5% below JMFe) with brand margins at 16.2% (down ~270bps YoY; JMFe: 16%); it added 7 stores QoQ. **Pizza Hut (PH)** revenue grew 8% YoY to INR 1.8bn (2% above JMFe) and brand margin was 0.7% (down ~370 bps YoY; JMFe: 2%); it closed 14 stores QoQ. **Costa Coffee** revenue grew 16% YoY to INR 523 mn (8% below JMFe) with brand contribution margin up ~40bps YoY at 17.6% (JMfe: 17.2%); it added 11 stores QoQ. KFC/ PH/ CC's SSSG was -6/+1/+4% while ADS declined 11/3/18% YoY respectively. **International** revenue was ~INR 4.2bn (in line) with brand contribution margin at 16.1% (up ~610bps YoY; JMFe: 15.5%).

| Financial Summary | | | | | (INR mn) |
|------------------------|--------|---------|--------|--------|----------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 35,528 | 49,194 | 57,636 | 68,686 | 80,098 |
| Sales Growth (%) | 19.1 | 38.5 | 17.2 | 19.2 | 16.6 |
| EBITDA | 6,524 | 8,422 | 10,207 | 13,354 | 16,755 |
| EBITDA Margin (%) | 18.3 | 17.0 | 17.6 | 19.3 | 20.8 |
| Adjusted Net Profit | 473 | 91 | 749 | 2,030 | 3,659 |
| Diluted EPS (INR) | 0.4 | 0.1 | 0.6 | 1.7 | 3.0 |
| Diluted EPS Growth (%) | -82.2 | -80.6 | 718.9 | 170.9 | 80.3 |
| ROIC (%) | 15.7 | 7.2 | 12.3 | 19.9 | 28.5 |
| ROE (%) | 4.7 | 0.9 | 6.6 | 16.0 | 25.0 |
| P/E (x) | 459.2 | 2,373.2 | 289.8 | 107.0 | 59.3 |
| P/B (x) | 20.6 | 19.8 | 18.6 | 15.8 | 14.0 |
| EV/EBITDA (x) | 34.8 | 27.0 | 22.2 | 16.8 | 13.3 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 |

Source: Company data, JM Financial. Note: Valuations as of 23/May/2025



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Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 192 |
| Upside/(Downside) | 6.9% |
| Previous Price Target | 195 |
| Change | -1.5% |

Key Data – DEVYANI IN

| | |
|--------------------------|------------------|
| Current Market Price | INR180 |
| Market cap (bn) | INR216.7/US\$2.5 |
| Free Float | 37% |
| Shares in issue (mn) | 1,205.9 |
| Diluted share (mn) | 1,206.3 |
| 3-mon avg daily val (mn) | INR420.4/US\$4.9 |
| 52-week range | 223/130 |
| Sensex/Nifty | 81,721/24,853 |
| INR/US\$ | 85.2 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|-----|------|
| Absolute | 2.3 | 7.1 | 17.8 |
| Relative* | -0.8 | 4.8 | 8.7 |

* 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 (%) | Q4FY25E | | Reported | | Chg (%) |
|-------------------------------------|---------------|---------------|---------------|-----------------|----------------|---------------|----------------|---------------|---------------|-----------------|
| | Q4FY24 | Q3FY25 | Q4FY25 | YoY | QoQ | JMe | Chg (%) | FY24 | FY25 | YoY |
| Net operating income | 10,471 | 12,944 | 12,126 | 16 | (6) | 12,572 | (4) | 35,563 | 49,511 | 39 |
| Material cost | (3,226) | (4,052) | (3,819) | 18 | (6) | (3,917) | (2) | (10,566) | (15,388) | 46 |
| Gross profit | 7,244 | 8,892 | 8,306 | 15 | (7) | 8,655 | (4) | 24,997 | 34,122 | 37 |
| Employee costs | (1,546) | (1,882) | (1,706) | 10 | (9) | (1,949) | (12) | (4,950) | (7,104) | 44 |
| Other Expenses | (3,975) | (4,907) | (4,727) | 19 | (4) | (4,800) | (2) | (13,524) | (18,821) | 39 |
| EBITDA | 1,723 | 2,103 | 1,873 | 9 | (11) | 1,906 | (2) | 6,524 | 8,197 | 26 |
| Other income | 146 | 91 | 132 | (10) | 46 | 176 | (25) | 326 | 370 | 13 |
| Interest expense | (567) | (670) | (695) | 23 | 4 | (749) | (7) | (1,869) | (2,648) | 42 |
| D&A | (1,259) | (1,468) | (1,518) | 21 | 3 | (1,537) | (1) | (3,848) | (5,699) | 48 |
| PBT | 44 | 56 | (208) | NM | NM | (204) | 2 | 1,132 | 220 | (81) |
| Provision for taxes | (110) | (162) | 56 | (151) | NM | 51 | 9 | (133) | (197) | 48 |
| PAT | (66) | (105) | (153) | NM | NM | (153) | (0) | 999 | 23 | (98) |
| Minority interest | (415) | (71) | (18) | NM | NM | (53) | NM | (569) | (215) | NA |
| PAT after MI before EO items | 349 | (35) | (135) | NM | NM | (100) | NM | 1,568 | 238 | (85) |
| Exceptional Items | (424) | 30 | (13) | | | - | | (1,096) | (89) | |
| PAT after EO items | (75) | (5) | (147) | NM | NM | (100) | NM | 473 | 149 | (68) |
| Recurring EPS | (0.1) | (0.1) | (0.1) | NM | NM | (0.1) | NM | 0.8 | 0.0 | (98) |
| % of net operating revenues | | | | | | | | | | |
| Gross margin (%) | 69.2 | 68.7 | 68.5 | -69 bps | -20 bps | 68.8 | -35 bps | 70.3 | 68.9 | -138 bps |
| EBITDA margin (%) | 16.5 | 16.2 | 15.4 | -102 bps | -81 bps | 15.2 | 28 bps | 18.3 | 16.6 | -179 bps |
| Material cost | 30.8 | 31.3 | 31.5 | 68 bps | 19 bps | 31.2 | 34 bps | 29.7 | 31.1 | 137 bps |
| Employee cost | 14.8 | 14.5 | 14.1 | -70 bps | -47 bps | 15.5 | -144 bps | 13.9 | 14.3 | 43 bps |
| Other expenditure | 38.0 | 37.9 | 39.0 | 102 bps | 107 bps | 38.2 | 80 bps | 38.0 | 38.0 | -2 bps |
| Income tax rate (% of PBT) | 249.9 | 286.8 | 26.8 | NA | NA | 25.0 | 179 bps | 11.8 | 89.4 | 7760 bps |
| Segmental Performance | | | | | | | | | | |
| KFC | 4,941 | 5,698 | 5,109 | 3 | (10) | 5,387 | (5) | 20,438 | 21,787 | 7 |
| Pizza Hut | 1,621 | 1,902 | 1,754 | 8 | (8) | 1,727 | 2 | 7,092 | 7,323 | 3 |
| Costa Coffee | 451 | 517 | 523 | 16 | 1 | 566 | (8) | 1,518 | 1,985 | 31 |
| International | 2,961 | 4,300 | 4,195 | 42 | (2) | 4,200 | (0) | 4,436 | 16,335 | 268 |
| Brand Contribution | | | | | | | | | | |
| KFC | 937 | 981 | 830 | (11) | (15) | 862 | (4) | 4,008 | 3,797 | (5) |
| Pizza Hut | 71 | 40 | 13 | (82) | (68) | 35 | (62) | 508 | 201 | (60) |
| Costa Coffee | 81 | 87 | 92 | 14 | 6 | 97 | (5) | 259 | 318 | 23 |
| International | 298 | 714 | 677 | 127 | (5) | 651 | 4 | 603 | 2,600 | 331 |
| Brand Contribution Margin | | | | | | | | | | |
| KFC | 19.0 | 17.2 | 16.2 | -273 bps | -98 bps | 16.0 | 23 bps | 19.6 | 17.4 | -219 bps |
| Pizza Hut | 4.4 | 2.1 | 0.7 | -365 bps | -137 bps | 2.0 | -126 bps | 7.2 | 2.7 | -442 bps |
| Costa Coffee | 18.0 | 16.8 | 17.6 | -37 bps | 77 bps | 17.2 | 42 bps | 17.0 | 16.0 | -100 bps |
| International | 10.1 | 16.6 | 16.1 | 607 bps | -47 bps | 15.5 | 63 bps | 13.6 | 15.9 | 232 bps |

Source: Company, JM Financial

Exhibit 2. We cut our Pre Ind AS EBITDA estimates by 19%/9% in FY26/27 owing to delayed demand recovery

| | FY26E | | | FY27E | |
|-----------------------|---------|---------|----------|---------|----------|
| | Revised | Earlier | Chng (%) | Earlier | Chng (%) |
| Revenues (INR mn) | 58,056 | 62,336 | -6.9 | 73,549 | -6.0 |
| EBITDA (INR mn) | 10,207 | 11,597 | -12 | 14,181 | -6 |
| EBITDA (%) | 17.6 | 18.6 | -103bps | 19.3 | 3bps |
| PAT (INR mn) | 749 | 1,756 | -57 | 2,583 | -21 |
| EPS (INR) | 0.6 | 1.5 | -57 | 2.1 | -21 |
| Pre-Ind AS-116 | | | | | |
| EBITDA (INR mn) | 5,782 | 7,151 | -19 | 8,938 | -9 |
| EBITDA (%) | 10.0 | 11.5 | -152bps | 12.2 | -34bps |
| PAT (INR mn) | 1,266 | 2,775 | -54 | 3,664 | -30 |
| EPS (INR) | 1.0 | 2.3 | -54 | 3.0 | -30 |

Source: Company, JM Financial

Key takeaways from concall:

- **Sky Gate** – Company currently incurs loss at PAT level but management is confident of improving the gross and brand contribution margin in next 1 year. It believes that the format can easily fit into any of its food court locations (highways, malls, airports, etc). The brands under Sky Gate operate through a network of cloud kitchen and company is exploring an option of whether it can operate its own brands through these cloud kitchen or not and generate synergy both ways. DIL will primarily infuse INR 900 mn in the business to revive its performance and complete the acquisition of Goila butter chicken.
- **Gross margin contraction – KFC:** Due to increase in input prices like palm oil, chicken and flour but witnessing stabilization in input prices now. No intentions to take any price hike; Costa Coffee: increase in the prices of raw coffee and introduced the value segment which led to margin dilution.

KFC

- **ADS/SSSG** for the format is impacted largely due to 4 states. AP and Telanagna were impacted due to spread of bird flu which lasted for 70-75 days. Kerala and West Bengal were impacted on account of geo political tensions. Company has seen signs of improvement in these regions now. Karnataka has seen stable growth with positive SSSG/ADS. Revival in the 4 states mentioned above will lead into positive SSSG/ADS.
- **Margin** - Management highlighted that ADS of INR 100-105k should be considered as the new normal vs. INR 120k as company continues to add new stores and has also reduced the size of new stores which are ADS dilutive. Company has been able to clock 16.2% EBITDA margins even at the weak ADS level of INR 83k and will clock 20% margins at ADS of INR 100-15k.
- **Store** – guides to add 110-120 stores in FY26

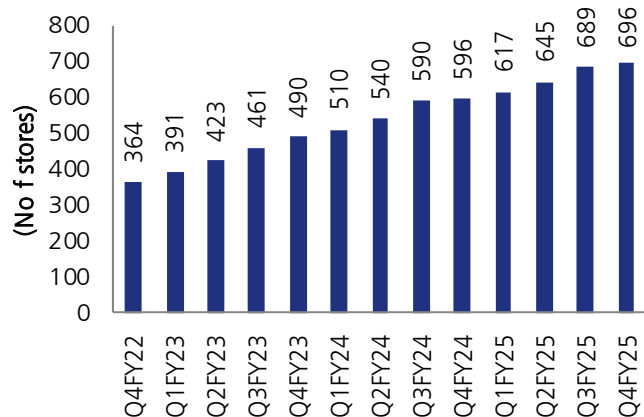
PH

- **Discussion with Yum** - Company has slowed in terms of store growth in PH segment and is in discussion with the Yum brands to turnaround the segment as most of the decision making levers are under control of Yum like innovation, price growth etc. Management has highlighted that they will come back with a plan in next quarter.
- Management said that there is no difference of opinion between them and Sapphire foods. Sapphire's focus is to drive higher dine in sales as it operates larger stores which requires branding and marketing apart from local advertisement while DIL operates small stores and focus is on driving higher delivery which requires more local promotions and advertisements.

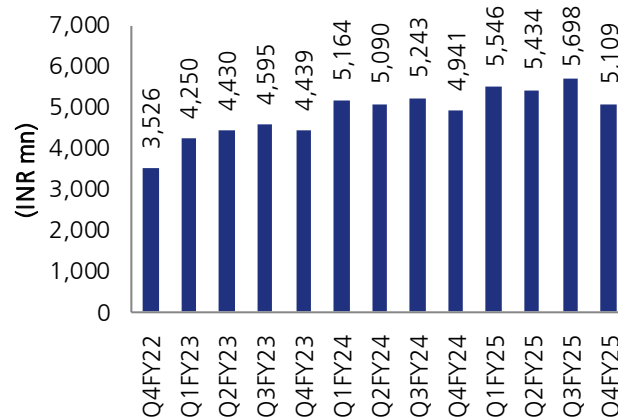
Thailand

- Thailand business has stabilized and improved on margins front since its acquisition and is clocking healthy ADS and SSSG. Company targets to launch its new brands like Tealive in Thailand. The plan is to leverage the existing Thailand infrastructure for the new brands.
- On profitability front, it is profitable at EBITDA level but aggressive depreciation policy in Thailand results in loss at PAT level.

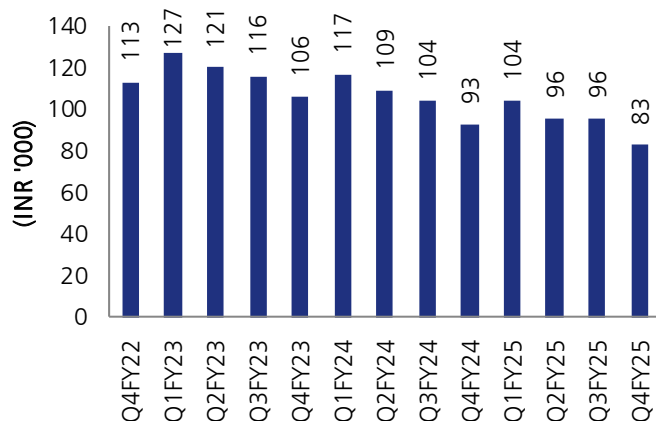
KFC

Exhibit 3. DIL added 7 KFC stores to 696 stores


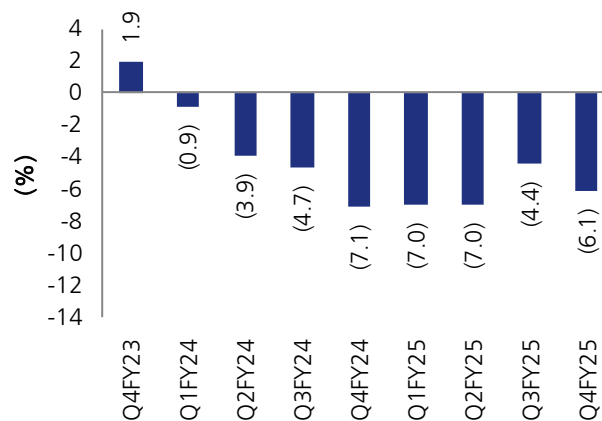
Source: Company, JM Financial

Exhibit 4. Revenue grew 3% YoY to INR 5.1bn


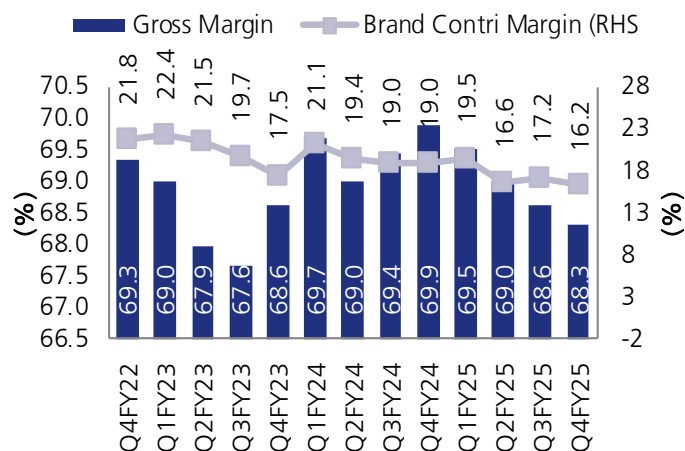
Source: Company, JM Financial

Exhibit 5. ADS declined 11% YoY to INR 83,000


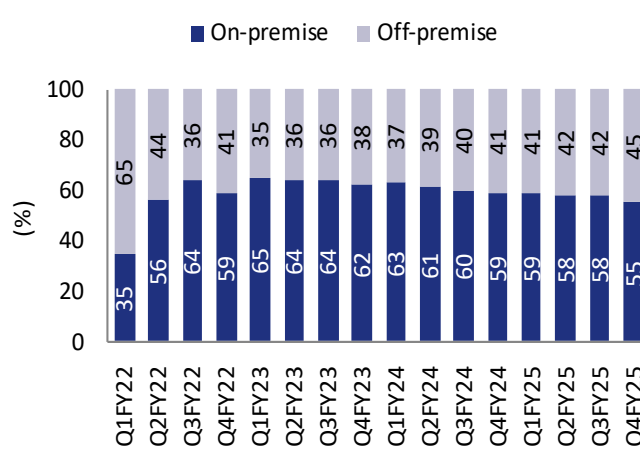
Source: Company, JM Financial

Exhibit 6. SSSG declined 6.1% YoY (8th quarter of SSSG decline)


Source: Company, JM Financial

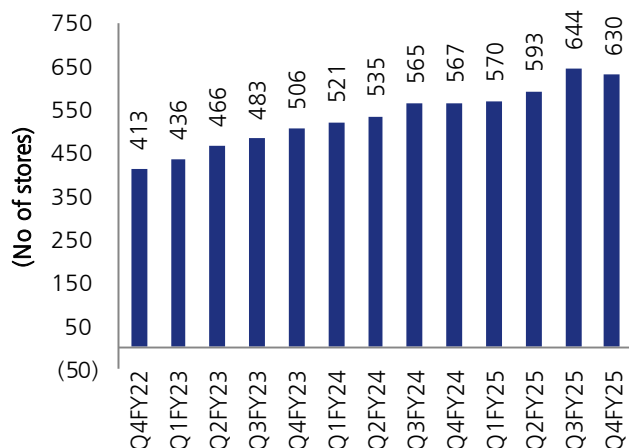
Exhibit 7. GM/ Contribution margin contracted ~160/270 bps YoY


Source: Company, JM Financial

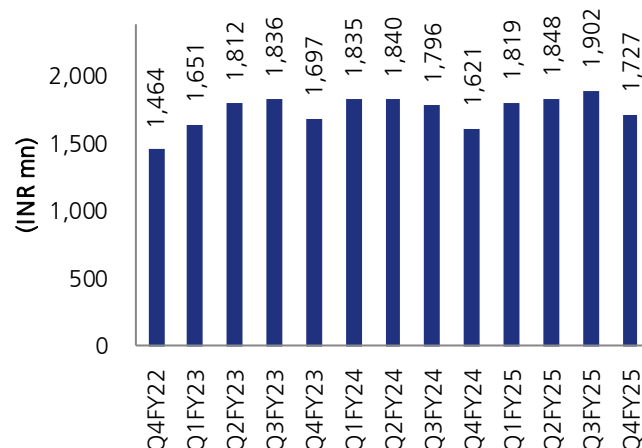
Exhibit 8. Off-premise sales grew 13% YoY


Source: Company, JM Financial

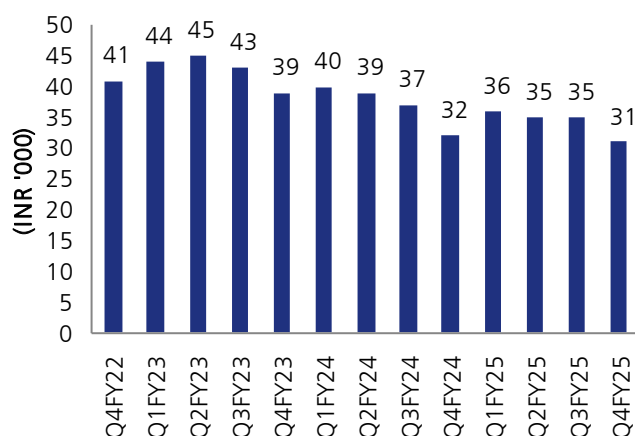
Pizza Hut

Exhibit 9. DIL added 14 Pizza Hut stores, taking total to 630


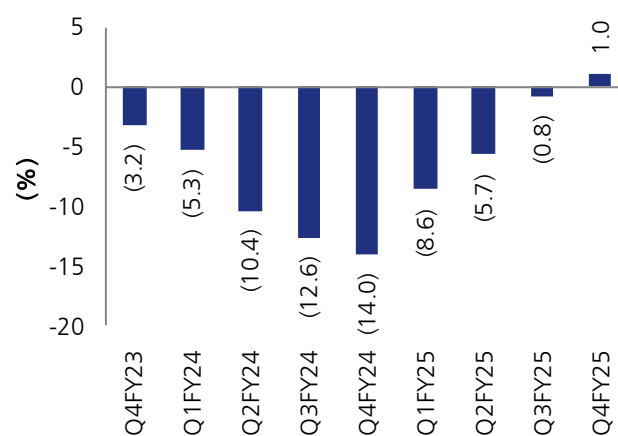
Source: Company, JM Financial

Exhibit 10. Revenue grew 8% YoY to INR 1.8bn


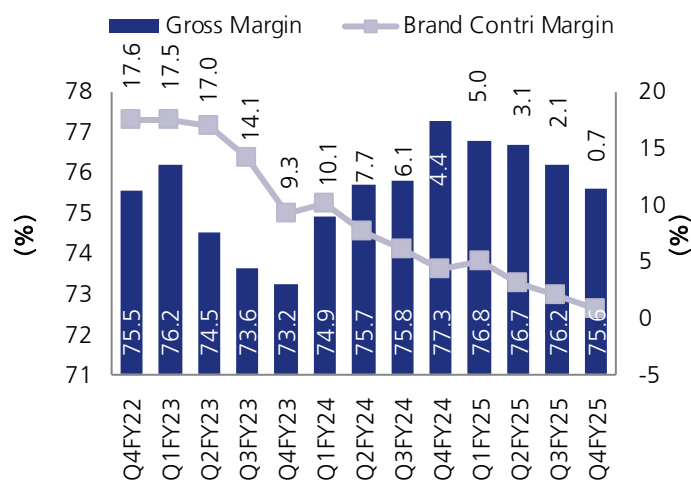
Source: Company, JM Financial

Exhibit 11. ADS declined 3% YoY to INR 31,000


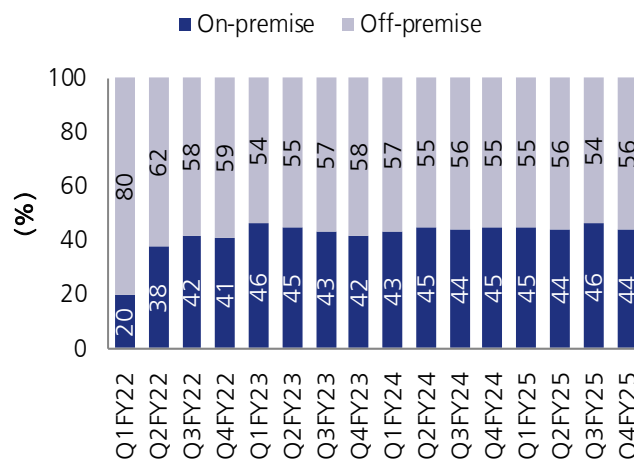
Source: Company, JM Financial

Exhibit 12. SSSG stood at 1% in Q4


Source: Company, JM Financial

Exhibit 13. GM/EBITDAM down ~170/360bps YoY


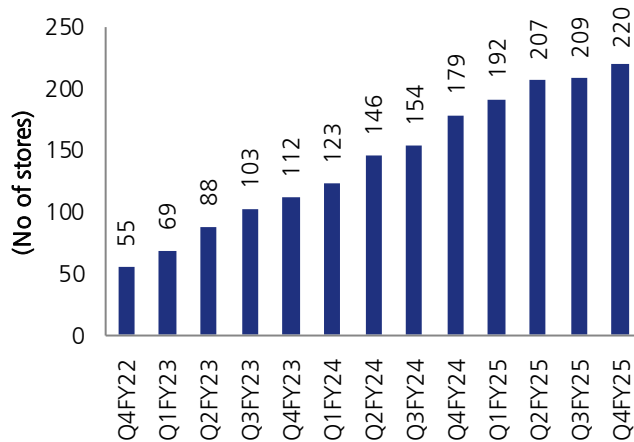
Source: Company, JM Financial

Exhibit 14. Off-premise sales grew 10% YoY


Source: Company, JM Financial

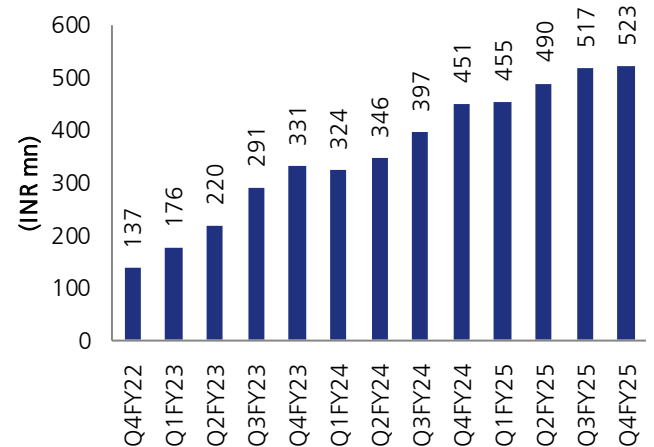
Costa Coffee

Exhibit 15. DIL opened 11 Costa Coffee stores



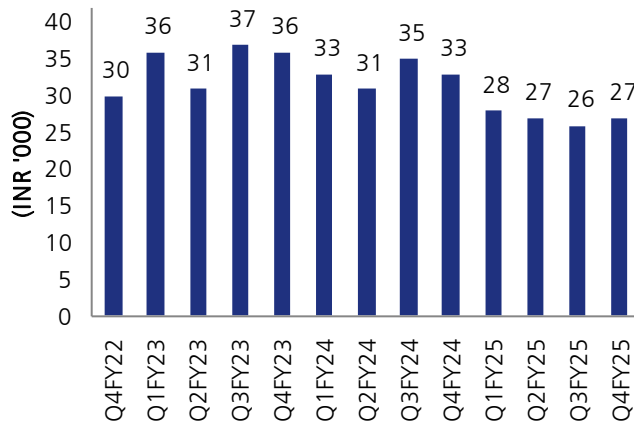
Source: Company, JM Financial

Exhibit 16. Revenue grew 16% YoY to INR 523 mn



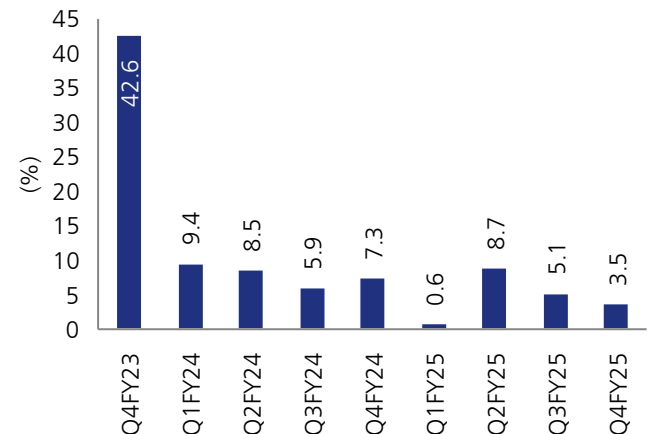
Source: Company, JM Financial

Exhibit 17. ADS declined 18% YoY to INR 27,000



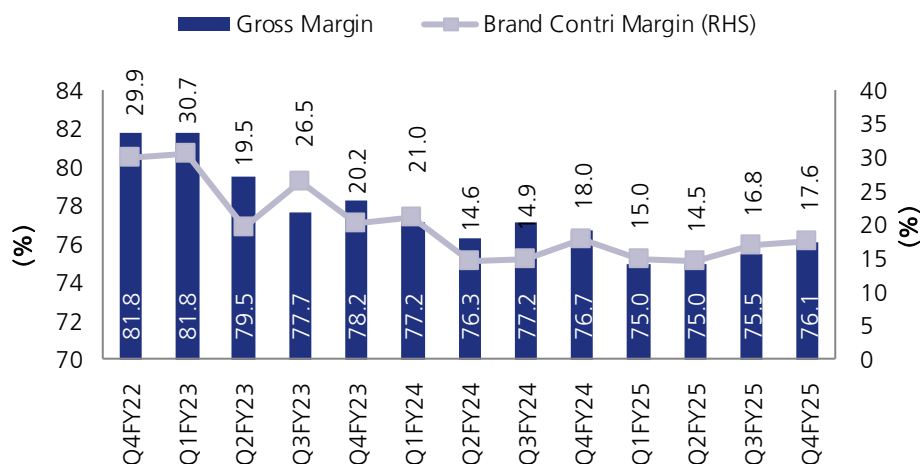
Source: Company, JM Financial

Exhibit 18. SSSG stood at 3.5%



Source: Company, JM Financial

Exhibit 19. GM/EBITDAM contracted ~60/40 bps YoY



Source: Company, JM Financial

Exhibit 20. Quarterly segmental performance

| | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Store Count | | | | | | | | | | | | | |
| KFC | 364 | 391 | 423 | 461 | 490 | 510 | 540 | 590 | 596 | 617 | 645 | 689 | 696 |
| Pizza Hut | 413 | 436 | 466 | 483 | 506 | 521 | 535 | 565 | 567 | 570 | 593 | 644 | 630 |
| Costa Coffee | 55 | 69 | 88 | 103 | 112 | 123 | 146 | 154 | 179 | 192 | 207 | 209 | 220 |
| International | | | | | | | | | | | | | |
| Thailand | - | - | - | - | - | - | - | - | 288 | 295 | 296 | 305 | 306 |
| Nigeria | 28 | 29 | 29 | 36 | 37 | 38 | 38 | 40 | 40 | 40 | 40 | 40 | 40 |
| Nepal | 18 | 18 | 20 | 21 | 22 | 22 | 22 | 25 | 25 | 28 | 28 | 29 | 29 |
| Vaango + Others | 60 | 65 | 70 | 73 | 76 | 76 | 77 | 78 | 87 | 94 | 112 | 116 | 118 |
| Net Addition (QoQ) | | | | | | | | | | | | | |
| KFC | 25 | 27 | 32 | 38 | 29 | 20 | 30 | 50 | 6 | 21 | 28 | 44 | 7 |
| Pizza Hut | 22 | 23 | 30 | 17 | 23 | 15 | 14 | 30 | 2 | 3 | 23 | 51 | (14) |
| Costa Coffee | 5 | 14 | 19 | 15 | 9 | 11 | 23 | 8 | 25 | 13 | 15 | 2 | 11 |
| International | | | | | | | | | | | | | |
| Thailand | - | - | - | - | - | - | - | - | 288* | 7 | 1 | 9 | 1 |
| Nigeria | - | 1 | - | 7 | 1 | 1 | - | 2 | - | - | - | - | - |
| Nepal | - | - | 2 | 1 | 1 | - | - | 3 | - | 3 | - | 1 | - |
| Vaango + Others | 2 | 5 | 5 | 3 | 3 | - | 1 | 1 | 9 | 7 | 18 | 4 | 2 |
| Avg Daily Sales (INR '000) | | | | | | | | | | | | | |
| KFC | 113 | 127 | 121 | 116 | 106 | 117 | 109 | 104 | 93 | 104 | 96 | 96 | 83 |
| Pizza Hut | 41 | 44 | 45 | 43 | 39 | 40 | 39 | 37 | 32 | 36 | 35 | 35 | 31 |
| Costa Coffee | 30 | 36 | 31 | 37 | 36 | 33 | 31 | 35 | 33 | 28 | 27 | 26 | 27 |
| ADS Growth YoY (%) | | | | | | | | | | | | | |
| KFC | (4.2) | 37.8 | 4.0 | (6.5) | (6.2) | (7.9) | (9.9) | (10.3) | (12.3) | (11.1) | (11.9) | (7.7) | (10.8) |
| Pizza Hut | (2.4) | 14.5 | (0.2) | (8.5) | (4.9) | (9.1) | (13.3) | (14.0) | (17.9) | (10.0) | (10.3) | (5.4) | (3.1) |
| Costa Coffee | 20.0 | 124.2 | 13.2 | - | 20.0 | (8.3) | - | (5.4) | (8.3) | (15.2) | (12.9) | (25.7) | (18.2) |
| SSSG (%) | | | | | | | | | | | | | |
| KFC | 3.0 | 63.6 | 13.0 | 3.0 | 1.9 | (0.9) | (3.9) | (4.7) | (7.1) | (7.0) | (7.0) | (4.4) | (6.1) |
| Pizza Hut | 2.3 | 31.5 | 2.9 | (6.1) | (3.2) | (5.3) | (10.4) | (12.6) | (14.0) | (8.6) | (5.7) | (0.8) | 1.0 |
| Costa Coffee | 24.0 | 206.8 | 50.7 | 20.1 | 42.6 | 9.4 | 8.5 | 5.9 | 7.3 | 0.6 | 8.7 | 5.1 | 3.5 |

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

Exhibit 21. Quarterly financial performance

| Financial Performance (INR mn) | | | | | | | | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 |
| Revenue (INR mn) | | | | | | | | | | | | | |
| KFC | 3,526 | 4,250 | 4,430 | 4,595 | 4,439 | 5,164 | 5,090 | 5,243 | 4,941 | 5,546 | 5,434 | 5,698 | 5,109 |
| Pizza Hut | 1,464 | 1,651 | 1,812 | 1,836 | 1,697 | 1,835 | 1,840 | 1,796 | 1,621 | 1,819 | 1,848 | 1,902 | 1,754 |
| Costa Coffee | 137 | 176 | 220 | 291 | 331 | 324 | 346 | 397 | 451 | 455 | 490 | 517 | 523 |
| Other India | 303 | 444 | 464 | 573 | 534 | 573 | 511 | 528 | 503 | 579 | 584 | 609 | 626 |
| International | 477 | 526 | 559 | 622 | 555 | 580 | 416 | 479 | 2,961 | 3,897 | 3,943 | 4,300 | 4,195 |
| Revenue growth YoY (%) | | | | | | | | | | | | | |
| KFC | 38.8 | 109.5 | 47.0 | 26.9 | 25.9 | 21.5 | 14.9 | 14.1 | 11.3 | 7.4 | 6.8 | 8.7 | 3.4 |
| Pizza Hut | 41.3 | 71.1 | 35.9 | 18.0 | 15.9 | 11.1 | 1.5 | (2.2) | (4.5) | (0.9) | 0.4 | 5.9 | 8.2 |
| Costa Coffee | 61.2 | 375.7 | 134.0 | 103.5 | 141.6 | 84.1 | 57.3 | 36.4 | 36.3 | 40.4 | 41.6 | 30.2 | 16.0 |
| Other India | 6.3 | 416.3 | 110.9 | 57.0 | 76.2 | 29.1 | 10.1 | (7.9) | (5.8) | 1.0 | 14.3 | 15.3 | 24.5 |
| International | 24.0 | 28.2 | 11.8 | 11.2 | 16.2 | 10.2 | (25.6) | (23.0) | 433.5 | 571.9 | 847.8 | 797.7 | 41.7 |
| Gross Profit (INR mn) | | | | | | | | | | | | | |
| KFC | 2,445 | 2,932 | 3,010 | 3,108 | 3,046 | 3,599 | 3,512 | 3,640 | 3,453 | 3,854 | 3,749 | 3,909 | 3,490 |
| Pizza Hut | 1,106 | 1,258 | 1,350 | 1,352 | 1,243 | 1,375 | 1,393 | 1,361 | 1,253 | 1,397 | 1,417 | 1,449 | 1,326 |
| Costa Coffee | 112 | 144 | 175 | 226 | 259 | 250 | 264 | 306 | 346 | 341 | 368 | 390 | 398 |
| Other India | 224 | 310 | 348 | 392 | 355 | 409 | 376 | 370 | 376 | 444 | 449 | 468 | 477 |
| International | 322 | 366 | 363 | 404 | 351 | 365 | 257 | 277 | 1,816 | 2,482 | 2,566 | 2,754 | 2,692 |
| Gross Margin (%) | | | | | | | | | | | | | |
| KFC | 69.3 | 69.0 | 67.9 | 67.6 | 68.6 | 69.7 | 69.0 | 69.4 | 69.9 | 69.5 | 69.0 | 68.6 | 68.3 |
| Pizza Hut | 75.5 | 76.2 | 74.5 | 73.6 | 73.2 | 74.9 | 75.7 | 75.8 | 77.3 | 76.8 | 76.7 | 76.2 | 75.6 |
| Costa Coffee | 81.8 | 81.8 | 79.5 | 77.7 | 78.2 | 77.2 | 76.3 | 77.2 | 76.7 | 75.0 | 75.0 | 75.5 | 76.1 |
| Other India | 73.9 | 69.8 | 75.0 | 68.4 | 66.5 | 71.4 | 73.6 | 70.0 | 74.8 | 76.7 | 76.8 | 76.8 | 76.1 |
| International | 67.5 | 69.5 | 64.9 | 64.9 | 63.2 | 62.9 | 61.7 | 57.7 | 61.3 | 63.7 | 65.1 | 64.0 | 64.2 |
| Brand Contribution (INR mn) | | | | | | | | | | | | | |
| KFC | 769 | 951 | 952 | 905 | 776 | 1,090 | 987 | 994 | 937 | 1,084 | 902 | 981 | 830 |
| Pizza Hut | 257 | 289 | 308 | 259 | 157 | 185 | 142 | 110 | 71 | 90 | 58 | 40 | 13 |
| Costa Coffee | 41 | 54 | 43 | 77 | 67 | 68 | 51 | 59 | 81 | 68 | 71 | 87 | 92 |
| Other India | 63 | 51 | 49 | 51 | 89 | 47 | 7 | 56 | 32 | 51 | (1) | 28 | 58 |
| International | 124 | 98 | 116 | 158 | 146 | 155 | 73 | 77 | 298 | 577 | 632 | 714 | 677 |
| Brand Contribution Margin (%) | | | | | | | | | | | | | |
| KFC | 21.8 | 22.4 | 21.5 | 19.7 | 17.5 | 21.1 | 19.4 | 19.0 | 19.0 | 19.5 | 16.6 | 17.2 | 16.2 |
| Pizza Hut | 17.6 | 17.5 | 17.0 | 14.1 | 9.3 | 10.1 | 7.7 | 6.1 | 4.4 | 5.0 | 3.1 | 2.1 | 0.7 |
| Costa Coffee | 29.9 | 30.7 | 19.5 | 26.5 | 20.2 | 21.0 | 14.6 | 14.9 | 18.0 | 15.0 | 14.5 | 16.8 | 17.6 |
| Other India | 20.8 | 11.5 | 10.6 | 8.9 | 16.7 | 8.2 | 1.3 | 10.6 | 6.4 | 8.7 | -0.2 | 4.6 | 9.3 |
| International | 26.0 | 18.6 | 20.8 | 25.4 | 26.3 | 26.7 | 17.5 | 16.1 | 10.1 | 14.8 | 16.0 | 16.6 | 16.1 |

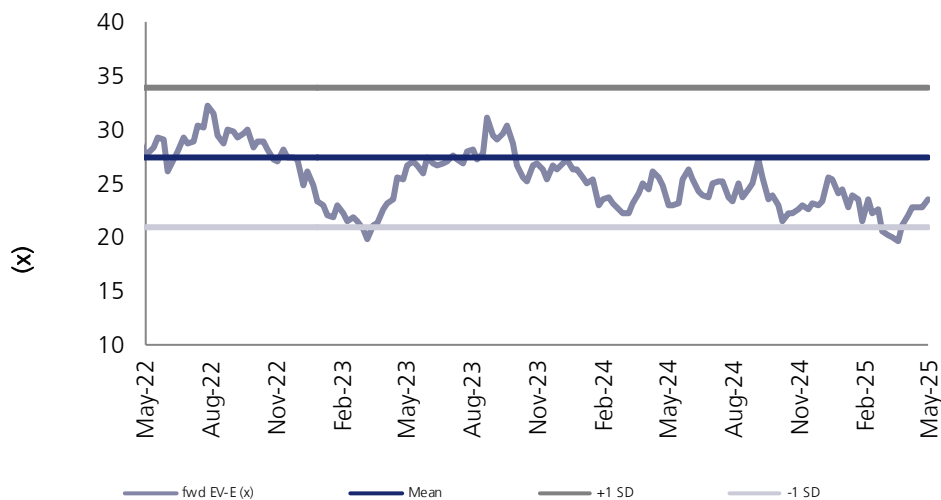
Source: Company, JM Financial; Note: Thailand is added in International business from Q4FY24 onwards

Exhibit 22. Segmental annual performance

| | | | | | | | | | CAGR | |
|------------------------------|-------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| INR mn | FY19 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY19-25 | FY25-28 |
| Revenue | | | | | | | | | | |
| KFC | 4,641 | 12,189 | 17,714 | 20,437 | 21,787 | 26,655 | 32,303 | 38,701 | 29.4 | 21.1 |
| Pizza Hut | 4,233 | 5,318 | 6,997 | 7,092 | 7,322 | 8,288 | 9,302 | 10,215 | 9.6 | 11.7 |
| Costa Coffee | 902 | 411 | 1,018 | 1,518 | 1,985 | 2,669 | 3,347 | 4,043 | 14.0 | 26.8 |
| Other Domestic | 2,178 | 1,048 | 2,014 | 2,115 | 2,398 | 3,188 | 4,240 | 5,538 | 1.6 | 32.2 |
| International | 1,104 | 1,902 | 2,271 | 4,436 | 16,335 | 19,877 | 22,089 | 24,478 | 56.7 | 14.4 |
| Gross Margin | | | | | | | | | | |
| KFC | 66.0 | 69.3 | 68.3 | 69.5 | 68.9 | 69.5 | 69.6 | 69.6 | | |
| Pizza Hut | 74.0 | 75.6 | 74.4 | 75.9 | 76.3 | 76.4 | 76.4 | 76.5 | | |
| Costa Coffee | 76.9 | 80.3 | 79.0 | 76.8 | 75.4 | 75.6 | 75.6 | 75.7 | | |
| Other Domestic | 71.5 | 77.0 | 69.8 | 72.4 | 76.6 | 76.7 | 76.8 | 77.0 | | |
| International | 65.5 | 65.2 | 65.3 | 61.2 | 64.2 | 64.3 | 64.4 | 64.5 | | |
| Store-level EBITDA | | | | | | | | | | |
| KFC | 854 | 2,602 | 3,584 | 4,008 | 3,797 | 4,945 | 6,107 | 7,408 | 28.2 | 25.0 |
| Pizza Hut | 655 | 865 | 1,012 | 508 | 201 | 432 | 608 | 837 | (17.9) | 60.9 |
| Costa Coffee | 182 | 125 | 241 | 258 | 319 | 463 | 595 | 736 | 9.8 | 32.1 |
| Other Domestic | (45) | 133 | 242 | 142 | 135 | 169 | 275 | 431 | NM | 47.3 |
| International | 143 | 421 | 518 | 603 | 2,600 | 3,280 | 3,727 | 4,278 | 62.1 | 18.1 |
| Store-level EBITDA Margin | | | | | | | | | | |
| KFC | 18.4 | 21.3 | 20.2 | 19.6 | 17.4 | 18.6 | 18.9 | 19.1 | | |
| Pizza Hut | 15.5 | 16.3 | 14.5 | 7.2 | 2.7 | 5.2 | 6.5 | 8.2 | | |
| Costa Coffee | 20.1 | 30.4 | 23.7 | 17.0 | 16.1 | 17.3 | 17.8 | 18.2 | | |
| Other Domestic | -2.1 | 12.7 | 12.0 | 6.7 | 5.6 | 5.3 | 6.5 | 7.8 | | |
| International | 13.0 | 22.1 | 22.8 | 13.6 | 15.9 | 16.5 | 16.9 | 17.5 | | |
| Corporate Overheads | 828 | 1,151 | 1,249 | 1,712 | 2,109 | 2,618 | 2,954 | 3,349 | 16.9 | 16.7 |
| Pre IND AS EBITDA (Co Level) | 961 | 2,995 | 4,348 | 3,807 | 4,943 | 6,670 | 8,359 | 10,341 | 31.4 | 27.9 |
| Pre IND AS EBITDA Margin | 7.4 | 14.4 | 14.5 | 10.7 | 9.9 | 11.0 | 11.7 | 12.5 | | |

Source: Company, JM Financial

Exhibit 23. EV/EBITDA (x) 1 year forward



Source: Bloomberg

Financial Tables (Consolidated)

| Income Statement | | | | | (INR mn) |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 35,528 | 49,194 | 57,636 | 68,686 | 80,098 |
| Sales Growth | 19.1% | 38.5% | 17.2% | 19.2% | 16.6% |
| Other Operating Income | 35 | 316 | 420 | 462 | 508 |
| Total Revenue | 35,563 | 49,511 | 58,056 | 69,148 | 80,606 |
| Cost of Goods Sold/Op. Exp | 10,566 | 15,388 | 18,322 | 21,695 | 25,150 |
| Personnel Cost | 4,950 | 7,104 | 8,378 | 9,329 | 10,720 |
| Other Expenses | 13,524 | 18,596 | 21,150 | 24,770 | 27,980 |
| EBITDA | 6,524 | 8,422 | 10,207 | 13,354 | 16,755 |
| EBITDA Margin | 18.3% | 17.0% | 17.6% | 19.3% | 20.8% |
| EBITDA Growth | -0.4% | 29.1% | 21.2% | 30.8% | 25.5% |
| Depn. & Amort. | 3,848 | 5,699 | 6,672 | 7,599 | 8,536 |
| EBIT | 2,675 | 2,723 | 3,535 | 5,755 | 8,219 |
| Other Income | 326 | 370 | 421 | 360 | 423 |
| Finance Cost | 1,869 | 2,648 | 3,087 | 3,374 | 3,684 |
| PBT before Excep. & Forex | 1,132 | 445 | 868 | 2,740 | 4,958 |
| Excep. & Forex Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| PBT | 1,132 | 445 | 868 | 2,740 | 4,958 |
| Taxes | 133 | 197 | 219 | 691 | 1,249 |
| Extraordinary Inc./Loss(-) | -1,096 | -317 | 0 | 0 | 0 |
| Assoc. Profit/Min. Int.(-) | -569 | -160 | -100 | 20 | 50 |
| Reported Net Profit | 473 | 91 | 749 | 2,030 | 3,659 |
| Adjusted Net Profit | 473 | 91 | 749 | 2,030 | 3,659 |
| Net Margin | 1.3% | 0.2% | 1.3% | 2.9% | 4.5% |
| Diluted Share Cap. (mn) | 1,205.9 | 1,206.3 | 1,206.3 | 1,206.3 | 1,206.3 |
| Diluted EPS (INR) | 0.4 | 0.1 | 0.6 | 1.7 | 3.0 |
| Diluted EPS Growth | -82.2% | -80.6% | 718.9% | 170.9% | 80.3% |
| Total Dividend + Tax | 0 | 0 | 0 | 0 | 1,829 |
| 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 | 868 | 2,740 | 4,958 |
| Depn. & Amort. | 3,848 | 5,699 | 6,672 | 7,599 | 8,536 |
| Net Interest Exp. / Inc. (-) | 1,869 | 2,648 | 3,087 | 3,374 | 3,684 |
| Inc (-) / Dec in WCap. | 375 | 648 | 549 | 772 | 840 |
| Others | -1,567 | -418 | -5,283 | -6,923 | -8,963 |
| Taxes Paid | 267 | -20 | 219 | 691 | 1,249 |
| Operating Cash Flow | 5,925 | 9,002 | 6,112 | 8,253 | 10,304 |
| Capex | -4,785 | -4,818 | -4,861 | -5,521 | -5,934 |
| Free Cash Flow | 1,140 | 4,184 | 1,251 | 2,732 | 4,370 |
| Inc (-) / Dec in Investments | 0 | 0 | 0 | 0 | 0 |
| Others | -10,724 | 197 | 421 | 360 | 423 |
| Investing Cash Flow | -15,509 | -4,622 | -4,440 | -5,162 | -5,511 |
| Inc / Dec (-) in Capital | 12 | 13 | 0 | 0 | 0 |
| Dividend + Tax thereon | 0 | 0 | 0 | 0 | -1,829 |
| Inc / Dec (-) in Loans | 5,342 | -3,722 | -1,818 | -2,000 | -1,000 |
| Others | 3,539 | -545 | -1,195 | -1,118 | -960 |
| Financing Cash Flow | 8,893 | -4,254 | -3,013 | -3,118 | -3,789 |
| Inc / Dec (-) in Cash | -691 | 127 | -1,340 | -26 | 1,004 |
| Opening Cash Balance | 626 | 1,676 | 1,814 | 473 | 447 |
| Closing Cash Balance | 161 | 1,814 | 473 | 447 | 1,450 |

Source: Company, JM Financial

| Balance Sheet | | | | | (INR mn) |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Shareholders' Fund | 10,558 | 10,944 | 11,693 | 13,723 | 15,552 |
| Share Capital | 1,206 | 1,206 | 1,206 | 1,206 | 1,206 |
| Reserves & Surplus | 9,352 | 9,738 | 10,487 | 12,517 | 14,346 |
| Lease Liabilities | 19,955 | 22,558 | 19,529 | 19,932 | 20,038 |
| Minority Interest | 2,928 | 3,079 | 2,979 | 2,999 | 3,049 |
| Total Loans | 9,102 | 9,318 | 7,500 | 5,500 | 4,500 |
| Def. Tax Liab. / Assets (-) | 74 | 88 | 203 | 351 | 505 |
| Total - Equity & Liab. | 42,617 | 45,987 | 41,904 | 42,505 | 43,643 |
| Net Fixed Assets | 42,006 | 45,999 | 43,691 | 44,942 | 45,763 |
| Gross Fixed Assets | 25,671 | 30,686 | 35,547 | 41,068 | 47,002 |
| Intangible Assets | 9,996 | 10,835 | 10,835 | 10,835 | 10,835 |
| Less: Depn. & Amort. | 10,676 | 14,355 | 18,494 | 23,168 | 28,386 |
| Capital WIP | 17,015 | 18,833 | 15,804 | 16,207 | 16,312 |
| Investments | 268 | 259 | 259 | 259 | 259 |
| Current Assets | 6,538 | 6,554 | 6,035 | 7,024 | 9,063 |
| Inventories | 1,310 | 1,482 | 1,591 | 1,847 | 2,098 |
| Sundry Debtors | 527 | 413 | 636 | 758 | 883 |
| Cash & Bank Balances | 1,808 | 1,814 | 473 | 447 | 1,450 |
| Loans & Advances | 1,737 | 1,982 | 2,324 | 2,767 | 3,226 |
| Other Current Assets | 1,155 | 863 | 1,012 | 1,205 | 1,405 |
| Current Liab. & Prov. | 6,196 | 6,824 | 8,082 | 9,720 | 11,442 |
| Current Liabilities | 4,092 | 4,495 | 5,351 | 6,468 | 7,650 |
| Provisions & Others | 2,104 | 2,329 | 2,731 | 3,253 | 3,792 |
| Net Current Assets | 342 | -271 | -2,046 | -2,696 | -2,379 |
| Total - Assets | 42,617 | 45,987 | 41,904 | 42,505 | 43,643 |

Source: Company, JM Financial

| Dupont Analysis | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Margin | 1.3% | 0.2% | 1.3% | 2.9% | 4.5% |
| Asset Turnover (x) | 1.0 | 1.1 | 1.3 | 1.6 | 1.8 |
| Leverage Factor (x) | 3.4 | 4.2 | 3.9 | 3.4 | 3.0 |
| RoE | 4.7% | 0.9% | 6.6% | 16.0% | 25.0% |

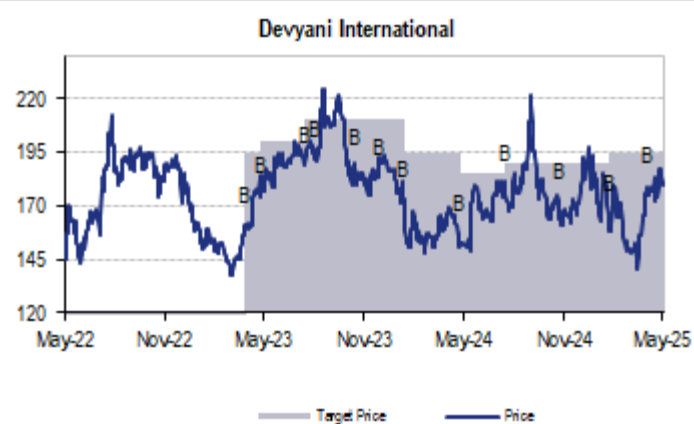
| Key Ratios | | | | | |
|---------------------|-------|---------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| BV/Share (INR) | 8.8 | 9.1 | 9.7 | 11.4 | 12.9 |
| ROIC | 15.7% | 7.2% | 12.3% | 19.9% | 28.5% |
| ROE | 4.7% | 0.9% | 6.6% | 16.0% | 25.0% |
| Net Debt/Equity (x) | 0.7 | 0.7 | 0.6 | 0.3 | 0.2 |
| P/E (x) | 459.2 | 2,373.2 | 289.8 | 107.0 | 59.3 |
| P/B (x) | 20.6 | 19.8 | 18.6 | 15.8 | 14.0 |
| EV/EBITDA (x) | 34.8 | 27.0 | 22.2 | 16.8 | 13.3 |
| EV/Sales (x) | 6.4 | 4.6 | 3.9 | 3.3 | 2.8 |
| 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 |

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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Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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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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