

Devyani International Ltd.



Devyani International Ltd.

Resilient performance in a challenging quarter – outlook remains bright

CMP INR 161.10	Target INR 230	Potential Upside 42.8%	Market Cap (INR Mn) INR 1,94,083	Recommendation BUY	Sector QSR
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Result highlights

- Devyani International (DIL) reported revenue growth of 36.4% YoY/(5.4%) QoQ to INR 5,907 Mn in Q4FY22. Pizza Hut India revenues grew by 41% and KFC's revenue grew by 39% YoY. The core brands displayed resilient performance despite disruptions from third wave of the pandemic.
- For the full year FY22, the revenues from operations stood at INR 20,840 Mn, a growth of 83.6% YoY.
- EBITDA for the quarter stood at INR 1,433 Mn, an increase from 1,184 Mn in Q4FY21. Gross profits for the quarter were at INR 4,209 Mn with margins at 71.3% in Q4FY22. The brand contribution for DIL improved by 50 bps to reach 21.2%.
- Net Profit for the quarter grew from INR 234 Mn to INR 759 Mn. For the full year FY22, PAT stood at INR 1,551 Mn compared to a loss of INR 813 Mn.
- During Q4FY22, DIL opened 54 new stores taking total count to 938 stores. DIL added highest ever 246 stores during FY22.

MARKET DATA

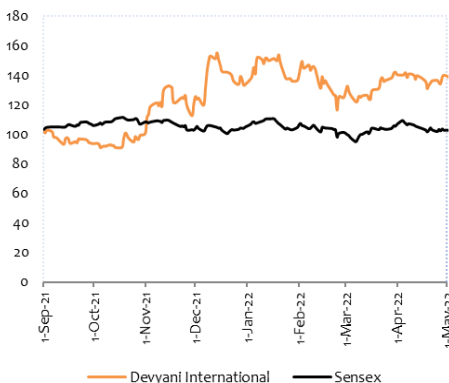
Shares O/S (Mn)	1,154
Mkt Cap (INR Mn)	1,94,083
52 Wk H/L (INR)	198.85/107.7
Volume Avg (3m K)	3,165
Face Value (INR)	1
Bloomberg Code	DEVYANI IN

KEY FINANCIALS

Particulars (INR Mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	13,106	15,164	11,348	20,840	29,072	38,435
EBITDA	2,790	2,555	2,269	4,760	6,657	9,071
PAT	-593	-788	-813	1,551	2,118	4,216
EPS	-0.75	-1.14	-0.50	1.29	1.76	3.50
EBITDA Margin (%)	21.3%	16.8%	20.0%	22.8%	22.9%	23.6%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Resilient performance in a challenging quarter

Devyani International reported revenue growth of 36.4% YoY/(5.4%) QoQ to INR 5,907 Mn in Q4FY22. Pizza Hut India revenues grew by 41% and KFC's revenue grew by 39% YoY. The core brands displayed resilient performance despite disruptions from Omicron; operations were impacted during January and first half of February due to third wave of Covid-19. During Q4FY22, DIL opened 54 new stores taking total count to 938 stores. During the quarter, DIL added 25 KFC stores, 22 Pizza Hut stores and 5 stores for Costa Coffee. DIL added highest ever 246 stores during FY22. For the full year FY22, the revenues from operations stood at INR 20,840 Mn, a growth of 83.6% YoY.

Price hikes along with efficient sourcing strategies protected margin

EBITDA for the quarter stood at INR 1,433 Mn, an increase from 1,184 Mn in Q4FY21. Gross profits for the quarter were at INR 4,209 Mn with margins at 71.3% in Q4FY22. Efficient sourcing strategy along with timely price hikes help the company to protect its margin in a quarter where input cost remained elevated. The brand contribution for DIL improved by 50 bps to reach 21.2%.

Continued store expansion and new product launches to provide growth visibility

DIL has added highest ever 246 stores in FY22 taking total count to 938 stores. During FY22, the company opened 116 Pizza Hut stores and 100 KFC stores and expanded its presence from 155 cities at the end of March 21 to 204 cities at the end of FY22. Devyani continues to deepen its presence in North and South India which is strong market for it. New product launches like KFC biryani bucket, Momo pizza, San Francisco hand-tossed pizza and innovative campaigns are driving growth. Costa Coffee too is expected to launch new products during the summer season.

MARKET INFO

SENSEX	54,835
NIFTY	16,411

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	62.80	62.91	62.91
FIIs	6.90	7.82	7.86
DIIIs	5.75	4.92	4.82
Others	24.55	24.35	24.41
Total	100	100	100

50.2%

Revenue CAGR between FY21 and FY24E

58.7%

EBITDA CAGR between FY21 and FY24E

Devyani International Ltd.

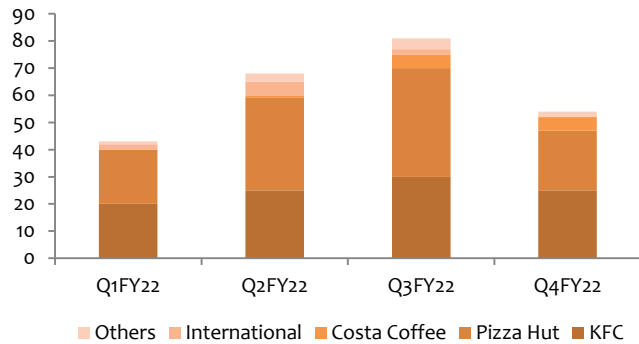
Key Concall Highlights:

- **Strong performance despite pandemic related lockdowns during the year:** DIL has shown resilient performance in a years which saw multiple lockdowns due to Covid-19, unprecedented inflation in input cost and highly tense geopolitical situation. During the year KFC crossed INR 10,000 Mn revenue and Pizza Hut clocked more than INR 5,000 Mn revenue.
- **Acceleration in store expansion:** In FY22, DIL opened 246 new stores in full year 2021-2022, the highest ever for the company. DIL added 116 new stores for Pizza Hut, 100 stores for KFC and 11 new stores for Costa Coffee. DIL continues to expand to new cities and have opened stores in 49 new cities in FY22. With that, DIL now present in 204 cities in India across brand portfolio. As of March 31, 2022, DIL operated 364 KFC stores, 413 Pizza Hut, and 55 Costa Coffee stores in India. International business also added 9 new stores during the year. Company’s total system store count at the end of the year stood at 938 stores of all brands.
- **New product launches and campaigns:** In FY22, KFC launched the KFC Bucket Canvas campaign and released a unique product, the KFC Biryani Bucket. Pizza Hut came out with multiple innovations during the year like Momo Pizza, San Francisco hand-tossed pizza crust, and new sides. All of these new launches reported a strong consumer acceptance, and the company looks forward to upscaling the exercise in FY23 as well. Costa Coffee, too, is set to launch a whole new range of drinks and refreshers for the summer season.
- **Improvement in brand contribution margin:** Brand contribution margin, a key KPI, improved to 19.9% in FY 2022 as against 14.4% last year. Store-level profitability further benefited from leverage on higher sales and continuing benefits from long-term initiatives that the company has taken in the last two to three years.
- **Capex guidance:** In FY23, DIL is expected to add around 250 stores incurring a capex of INR ~3,000 Mn. The company is cautiously optimistic given the challenging macro economy and it has plans to take price adjustment going forward to mitigate the impact of inflation on input cost.

Valuation and view

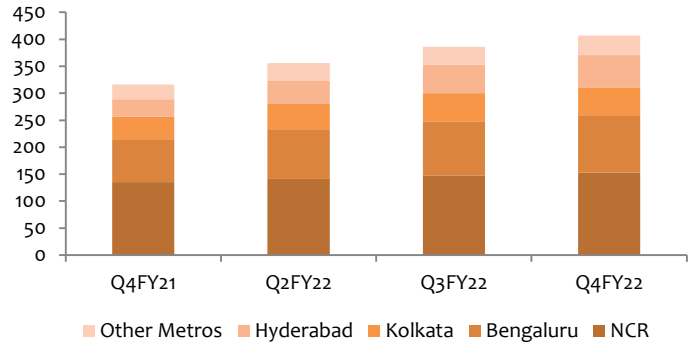
DIL has shown resilient performance in a challenging macro environment and continues to add stores in core brands which is helping the company grow at faster rate. DIL’s focus on new products and innovating campaigns coupled with efficient sourcing strategy will help the company to register strong growth in years to come. We like company’s aggressive store addition plans in coming years. DIL maintained its store addition guidance to close to 250 stores in FY23 as well. We expect Devyani International to continue expanding its presence and penetrate more in existing cities. We continue with “BUY” rating on the stock with target price of INR 230 per share valuing at 30x FY24E EBIDTA, giving 42.8% upside from current levels.

Store Addition



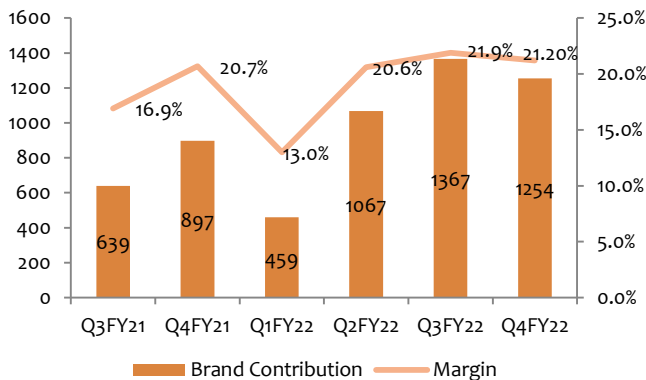
Source: Company, KRChoksey Research

Core brand store; India – regional split



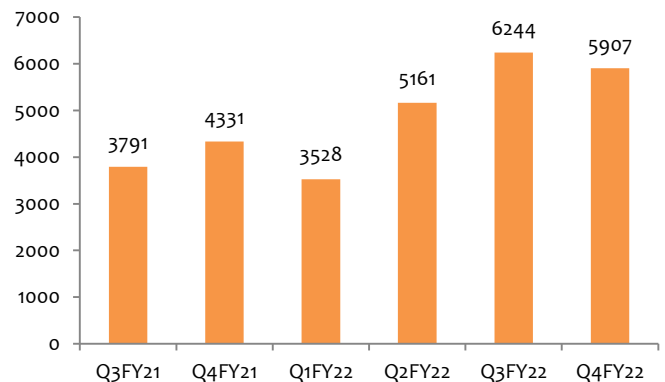
Source: Company, KRChoksey Research

DIL Brand Contribution and Margin



Source: Company, KRChoksey Research

Revenue trend



Source: Company, KRChoksey Research

Devyani International Ltd.

KEY FINANCIALS

Particulars (INR Mn)	Q4FY22	Q3FY22	Q4FY21	QoQ	YoY	FY22	FY21	YoY
Revenue from Operations	5,907	6,244	4,331	-5.4%	36.4%	20,840	11,348	83.6%
Total Expenditure	4,475	4,766	3,137	-6.1%	42.7%	16,080	9,002	78.6%
Cost of Raw Materials	1,668	1,749	1,227	-4.7%	35.9%	5,887	3,387	73.8%
Purchase of Stock	30	38	13	-20.8%	128.7%	112	60	87.4%
Employee Cost	623	728	492	-14.4%	26.6%	2,482	1,543	60.8%
Other Expenses	2,153	2,251	1,404	-4.3%	53.3%	7,599	4,012	89.4%
EBITDA	1,433	1,478	1,194	-3.1%	20.0%	4,760	2,346	102.9%
EBITDA Margin (%)	24.3%	23.7%	27.6%	58 bps	-332 bps	22.8%	20.7%	217 bps
Depreciation	684	558	570	22.6%	19.9%	2,249	2,775	-19.0%
EBIT	749	921	624	-18.6%	20.1%	2,511	-429	-686.1%
Other Income	24	39	-144	-38.6%	-116.6%	161	641	-74.8%
Interest Expense	322	296	268	8.5%	20.0%	1,270	1,495	-15.0%
Exceptional items	27	-6	-23	-530.8%	-217.5%	171	-459	
Share of Associates	0	0	0					
PBT	425	669	234	-36.5%	81.4%	1,232	-824	-249.5%
Tax	-335	9	0			-320	-11	
Minority Interest	0		0					
PAT	759	660	234	15.1%	224.0%	1,551	-813	-290.7%
PAT Margin	12.9%	10.6%	5.4%	228 bps	744 bps	7.4%	-7.2%	1,461 bps
Adj PAT	759	660	234	15.1%	224.0%	1,551	-813	-290.7%
Adj PAT Margin	12.9%	10.6%	5.4%	228 bps	744 bps	7.4%	-7.2%	
EPS	0.6	0.5	0.2	21.2%	200.0%	0.7	-0.9	-175.3%

Income Statement (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenues	15,164	11,348	20,840	29,072	38,435
COGS	4,604	3,447	5,998	8,402	11,069
Gross profit	10,560	7,902	14,842	20,670	27,366
Employee cost	2,255	1,543	2,482	3,605	4,766
Other expenses	5,750	4,089	7,599	10,408	13,529
EBITDA	2,555	2,269	4,760	6,657	9,071
EBITDA Margin	16.8%	20.0%	22.8%	22.9%	23.6%
Depreciation & amortization	2,233	2,295	2,213	3,489	3,843
EBIT	283	-505	2,511	3,169	5,227
Interest expense	1,584	1,528	1,270	1,287	1,287
Other income	187	641	161	291	384
PBT	-769	-824	1,231	2,173	4,324
Tax	18	-11	-320	54	108
Net profit	-788	-813	1,551	2,118	4,216
EPS (INR)	-1.14	-0.50	1.29	1.76	3.50

Cash Flow Statement (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Cash Generated From Operations	3,015	2,391	4,609	5,725	8,743
Net Cash Flow from/(used in) Investing Activities	-974	-3,586	-3,753	-2,500	-2,500
Net Cash Flow from Financing Activities	-2,226	1,420	-584	-2,118	-2,499
Net Inc/Dec in cash equivalents	-133	267	175	1,161	3,853
Opening Balance	266	132	400	574	1,736
Closing Balance Cash and Cash Equivalents	132	400	574	1,736	5,589

Source: Company, KRChoksey Research

Devyani International Ltd.

Balance Sheet (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
Share capital	1,062	1,154	1,205	1,205	1,205
Reserves and surplus	-1,891	1,138	5,658	7,776	11,993
Shareholders' funds	-2,282	719	6,816	8,932	13,149
Long-term borrowings	3,402	3,594	1,074	1,074	1,074
Short term borrowings	905	211	251	251	251
Total debt	4,307	3,805	1,325	1,325	1,325
Other Financial liabilities	11,812	7,986	10,347	9,000	9,000
Long-term provisions/ Other Liabilities	126	179	187	197	197
SOURCES OF FUNDS	13,963	12,688	18,674	19,454	23,670
PPE	4,787	4,307	6,115	6,844	7,623
Other Intangible Assets	577	1,855	1,535	1,535	1,535
Capital WIP	135	143	68	68	68
Non-current investments	11,498	7,922	10,239	10,239	10,239
Goodwill	224	644	644	644	644
Other financial assets	182	167	663	663	663
Non-current assets	17,404	15,039	19,264	19,993	20,772
Inventories	721	622	855	1,266	1,668
Trade receivables	173	169	211	319	421
Cash and Bank Balance	160	405	659	1,736	5,583
Other current & financial assets	378	449	1637	1637	1637
Current assets	1,432	1,645	3,361	4,957	9,309
less: current liabilities and provisions	4,873	3,996	3,951	5,497	6,411
Trade payables	1,632	1,619	1,964	2,877	3,791
Other current liabilities	170	193	310	310	310
Other financial & current tax liabilities	3,027	2,100	1,593	2,225	2,225
Short-term provisions	44	83	84	85	86
Net current assets	-3,441	-2,350	-590	-539	2,898
APPLICATION OF FUNDS	13,963	12,688	18,674	19,454	23,670

Key Ratio	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin (%)	17%	20%	23%	23%	24%
RoE (%)	-	-113%	23%	24%	32%
RoCE (%)	14%	-11%	31%	31%	36%
EV/EBITDA	75.8	92.2	45.3	32.2	23.2
EV/Sales	12.8	18.4	10.4	7.4	5.5
EPS (INR)	-1.14	-0.50	1.29	1.76	3.50

Source: Company, KRChoksey Research

Devyani International Ltd.

Devyani International Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
06-May-22	161.1	230	BUY	Buy	More than 15%
05-Feb-22	178.5	230	BUY		
03-Nov-21	140	163	BUY	Accumulate	5% – 15%
15-Sept-21	115.1	151	BUY		
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

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KR Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Vikrant Kashyap, research2@krchoksey.com, +91-22-6696 5413

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Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com