DEVEN CHOKSEY RESEARCH

Devyani International Ltd.
Q2FY26

Result Update

20th Nov 2025

Devyani International Ltd.

Steady revenue growth but weaker profitability marked Devyani's Q2FY26 performance.

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 146	INR 165	13.0%	1,76,076	ACCUMULATE	Consumer

Result highlights

Devyani International reported a mixed operating performance in Q2FY26, with revenue growth remaining steady, while profitability was impacted by deleverage, higher input costs, and elevated operating expenses.

Revenue: Consolidated revenue increased 12.6% YoY (+1.5% QoQ) to INR 13,768 Mn in Q2FY26, driven by: Domestic KFC revenue at INR 5,723 Mn (+5.3% YoY)Pizza Hut revenue at INR 1,860 Mn (flat YoY)International business growth of 14.0% YoY (Revenue: INR 4,495 Mn)Store additions remained healthy with 39 NNUs, taking the total network to 2,184 outlets. Gross margin stood at 67.8% (-157 bps YoY, -42 bps QoQ), impacted by consolidation of Skygate and higher input inflation in key categories.

Margin and Profitability: EBITDA declined 2.2% YoY (-5.2% QoQ) to INR 1,943 Mn, primarily due to deleverage from softer ADS, higher operating costs, and continued inflation in key inputs such as cheese, flour, and edible oils. EBITDA margin contracted by 215 bps YoY (-98 bps QoQ) to 14.1%, reflecting elevated other expenses and weaker gross margin performance.

Adjusted net profit declined sharply to INR -173 Mn (vs INR 30 Mn in Q2FY25), driven by higher depreciation (INR 1,552 Mn), increased interest expenses (INR 688 Mn), and impairment charges taken during the quarter. The company expects a gradual recovery in gross margin through tighter promotional calibration and ongoing cost-efficiency initiatives.

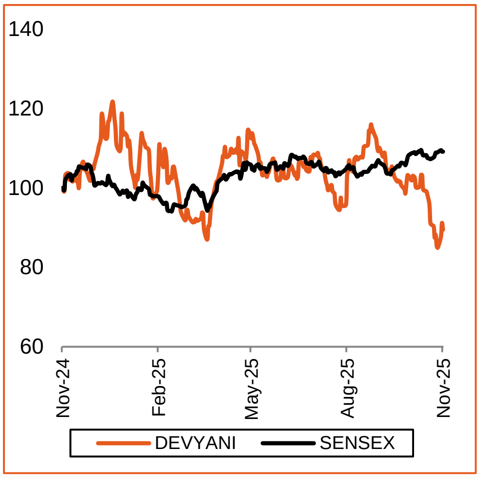
Brand contribution moderates on lower ADS and higher marketing spends: Consolidated brand contribution softened from 13.6% in Q2FY25 to 11.7% in Q2FY26, driven by deleverage from lower ADS across brands, higher promotional intensity, and increased operating costs. KFC India's brand contribution contracted to 14.1% (vs 16.6% YoY) due to muted SSSG and inflation in key inputs. Pizza Hut reported a marginally negative brand contribution of -0.2% (vs +3.1% YoY), reflecting continued pressure from weak dine-in traction and value-led discounting. Franchisee brands saw moderation to 10.5% (vs 14.5% YoY) on account of start-up costs and marketing investments, while owned brands declined sharply to 0.6% (vs 20.4% YoY) owing to Sky Gate's consolidation. Elevated discounting, higher raw material costs, and a slower recovery in dine-in continue to weigh on overall margins.

Outlook: KFC is expected to remain the key driver of growth, supported by stronger traction in Tier 2/3 markets and ongoing efficiency measures. Gross margin improvement is likely as promotional intensity normalizes and input cost pressures ease. Pizza Hut's recovery should be gradual amid competitive intensity. Integration of Sky Gate is on track, with management confident of achieving positive contribution in FY26. Store expansion will remain KFC-led, with selective additions in other brands.

Valuation: We have rolled forward our valuation basis to Sept'27 estimates. We value Devyani at 19.0x Sept'27 EBITDA, implying a target price of INR 165.

We reiterate our **"ACCUMULATE"** rating on the stock.

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	1,206
Mkt Cap (INR Mn)	1,76,076
52 Week H/L (INR)	210/134

*Based on the previous closing
Note: All the market data is as of the previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sept-25	Jun-25	Mar-25
Promoters	61.4	62.6	62.7
FIIs	6.6	9.4	10.5
DIIs	19.8	18.1	16.9
Others	12.2	9.9	9.9
Total	100.0	100.0	100.0

14.9%
Revenue CAGR between FY25-FY27E

13.0%
EBITDA CAGR between FY25-FY27E

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	35,563	49,511	56,101	65,391	74,195
EBITDA	6,511	8,422	8,988	10,751	12,575
EBITDA Margin	18.3%	17.0%	16.0%	16.4%	16.9%
Adj. PAT	1,553	408	433	1,562	2,859
Adj. EPS	1.3	0.3	0.4	1.3	2.4

Source: Company, DevenChoksey Research

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Devyani International Ltd.

Key Concall Highlights:

KFC

- KFC India revenue increased 5.3% YoY to INR 5,723 Mn, with ADS at INR 89k (seasonally lower). SSSG was moderately negative, impacted by the overlap of Shravana and Navaratri in the same quarter and weather-related disruptions in key markets such as East India (Pujo rains).
- Gross margin stood at 68.1%, while brand contribution margin softened to 14.1%, reflecting lower dine-in mix, higher delivery/aggregator costs, and festival-led consumption declines.
- Management highlighted strong traction for the "Chana Chatpata Burger", new grilled chicken variants, and value-layer innovation aimed at boosting transactions. KFC remains on track to add 100–110 stores in FY26.

Pizza Hut (PH)

- PH India revenue stood at INR 1,860 Mn, with ADS at INR 33k, largely flat sequentially. SSSG remained negative at -4%, reflecting weak discretionary consumption and softer dine-in traffic.
- Gross margin remained stable at 74.8%, supported by prudent cost control, enabling the business to achieve near breakeven brand contribution in Q2FY26.
- Management continues to take a calibrated approach to new store openings, with muted net additions expected as discussions with Yum on development arrangements progress.

Franchisee brands

- Costa Coffee, Tealive, New York Fries, and other franchise brands delivered revenues of INR 514 Mn in Q2FY26, with gross margins at 73.6% and brand contribution of INR 54 Mn.
- Start-up costs from new formats (Tealive, NYF, Sanook Kitchen) impacted profitability, though customer response across pilot stores remained encouraging

International business

- The international portfolio sustained robust performance with revenues of INR 4,495 Mn (14% YoY growth), brand contribution of INR 749 Mn, and margins improving to 16.7%, led by strong operating metrics in Thailand.
- While SSSG in Thailand remained slightly negative due to broader category softness, margins improved on efficiency gains. The company plans to add 20–21 KFC stores in Thailand in FY26, with future expansion calibrated to manage store density and maximize returns.

Owned brands

- Vaango, Biryani By Kilo (BBK), Goila Butter Chicken, and Sky Gate portfolio brands delivered INR 861 Mn in revenues, with gross margin at 62.6% and brand contribution margin at 0.6%, primarily impacted by Sky Gate's ongoing consolidation drag.
- BBK showed strong traction in airport locations (Mumbai & Pune), supported by optimized preparation processes for faster service. The brand will be rolled out across food courts based on encouraging early results.

Network expansion

- Devyani closed Q2FY26 with 2,184 stores, driven by additions of 30 KFC, 3 Pizza Hut, and 6 Tealive outlets in India, alongside steady international expansion in Thailand.
- Management reaffirmed FY26 guidance of adding 100–110 KFC stores, while maintaining a cautious stance on Pizza Hut expansion amid ongoing operational optimisation.

Strategic investments

- Sky Gate integration continued during the quarter, fully impacting margins. Management remains confident of achieving brand contribution breakeven by March 2026.The company is expanding BBK's presence across airports and food courts, supported by process optimisation enabling quicker service without compromising product quality.
- Tealive and New York Fries pilot stores in India and Thailand have received strong early customer response, and scale-up decisions will follow pilot performance.
- GST 2.0 is expected to modestly benefit input costs; DIL has already passed on the savings to consumers.

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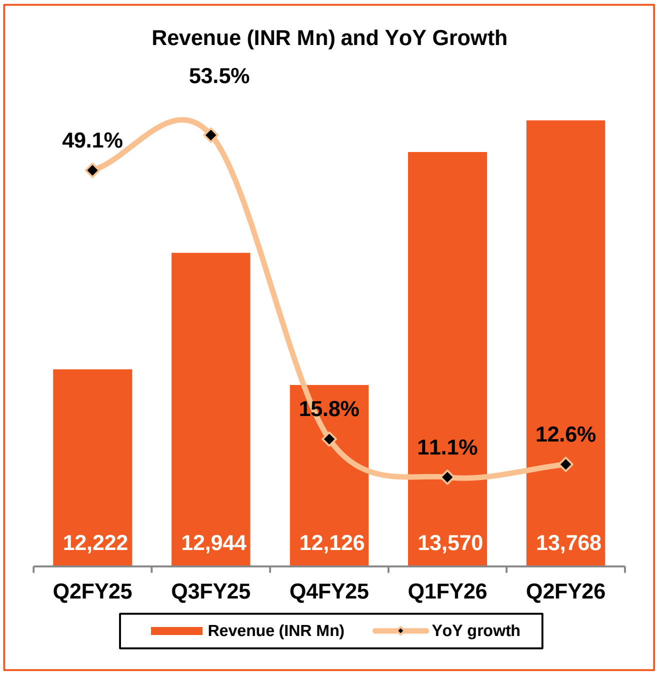
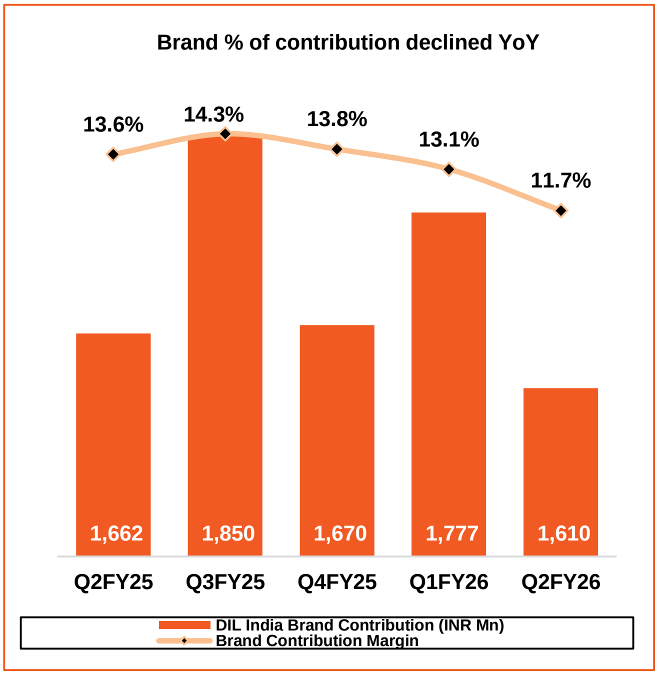
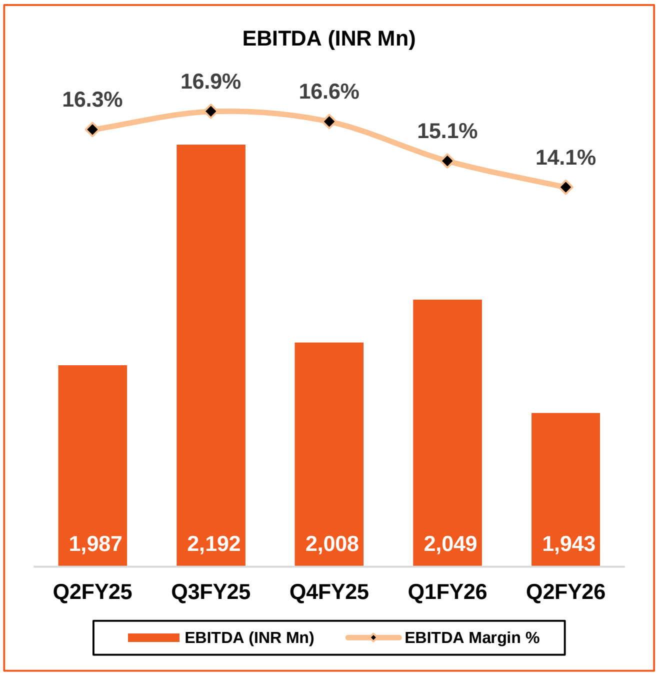
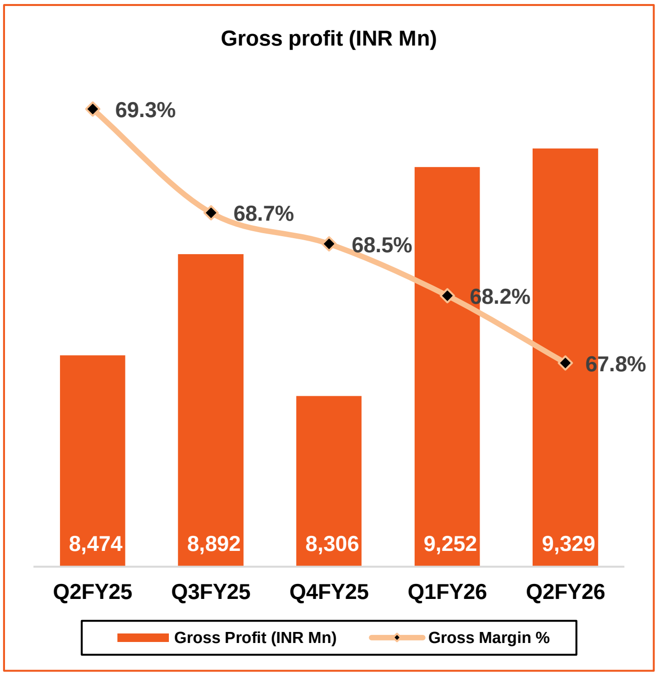
Story in charts









Source: Company, DevenChoksey Research

Devyani International Ltd.

Result Snapshot

Particulars (INR Mn)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Revenue from Operations	**13,768**	**13,570**	**12,222**	**1.5%**	**12.6%**
Total Expenditure	**11,824**	**11,521**	**10,234**	**2.6%**	**15.5%**
Cost of Raw Materials	4,430	4,309	3,736	2.8%	18.6%
Purchase of Stock	8	8	11	0.5%	(23.8%)
Employee Cost	2,017	2,011	1,834	0.3%	10.0%
Other expenses	5,369	5,192	4,653	3.4%	15.4%
EBITDA	**1,943**	**2,049**	**1,987**	**(5.2%)**	**(2.2%)**
EBITDA Margin (%)	**14.1%**	**15.1%**	**16.3%**	**(98 bps)**	**(215 bps)**
Depreciation	1,552	1,497	1,391	3.7%	11.5%
EBIT	**391**	**552**	**596**	**(29.1%)**	**(34.4%)**
Interest Expense	688	668	653	3.1%	5.4%
Other Income	51	135	48	(62.0%)	6.1%
PBT	**(246)**	**19**	**(9)**	**(1384.5%)**	**2,667.2%**
Exceptional Items	(46)	8	(30)	(653.0%)	52.3%
Tax	(52)	5	10	1,106.0%	(614.4%)
Share in P&L / MI	(21)	(15)	(49)	41.0%	(58.3%)
PAT	**(219)**	**37**	**0.2**	**(694.2%)**	**(129005.9%)**
Diluted EPS (INR)	**(0.18)**	**0.03**	**(0.01)**	**(700.0%)**	**1,700.0%**
Adj. PAT	**(173)**	**29**	**30**	**(706.2%)**	**(669.7%)**
Diluted Adj. EPS (INR)	**(0.14)**	**0.02**	**0.03**	**(706.2%)**	**(657.6%)**

Source: Company, DevenChoksey Research

Devyani International Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Revenue	**49,511**	**56,101**	**65,391**	**74,195**
COGS	15,388	17,579	20,583	23,276
Gross profit	**34,122**	**38,521**	**44,808**	**50,919**
Employee cost	7,104	8,127	9,283	10,385
Other expenses	18,596	21,407	24,774	27,959
EBITDA	**8,422**	**8,988**	**10,751**	**12,575**
EBITDA Margin	17.0%	16.0%	16.4%	16.9%
D&A	5,699	6,239	6,700	7,090
EBIT	**2,723**	**2,750**	**4,051**	**5,485**
Interest expense	2,648	2,676	2,600	2,530
Other income	370	366	360	360
PBT	128	402	1,811	3,315
Tax	197	114	453	829
Minority interest	(160)	(108)	(204)	(373)
PAT	91	395	1,562	2,859
EPS (INR)	0.1	0.3	1.3	2.4
Adj. PAT	**408**	**433**	**1,562**	**2,859**
Adj. EPS	**0.3**	**0.4**	**1.3**	**2.4**

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	9,002	9,106	10,962	12,269
Capex	-4,910	(8,402)	(9,117)	(9,298)
Dividend Paid	0	0	0	0
Change in Capital	**568**	**(818)**	**(1,500)**	**(1,500)**
Closing Cash	1,814	5,967	4,559	4,385
FCF	**4,093**	**704**	**1,845**	**2,971**

Exhibit 4: Key Ratios

INR Mn	FY25	FY26E	FY27E	FY28E
Gross Margin (%)	68.9%	68.7%	68.5%	68.6%
EBITDA Margin%	17.0%	16.0%	16.4%	16.9%
ROE%	0.7%	2.8%	10.0%	15.8%
ROCE%	5.9%	5.9%	8.5%	11.0%
P/E	4.3x	4.2x	3.6x	3.5x
EV/EBITDA	25.3x	26.5	22.2	21.4

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	1,206	1,206	1,206	1,206
Other Equity	12,816	13,104	14,462	16,949
Total Equity	**14,023**	**14,310**	**15,668**	**18,155**
Long-term borrowings	6,701	6,000	5,000	4,000
Short term borrowings	2,617	2,500	2,000	1,500
Total debt	**9,318**	**8,500**	**7,000**	**5,500**
Other Financial liabilities	22,621	23,749	24,934	26,177
Long-term provisions/ Other Liabilities	684	684	684	684
SOURCES OF FUNDS	**46,645**	**47,243**	**48,286**	**50,516**
Non-Current Assets				
PPE	16,331	18,494	20,911	23,119
Non-current investments	19,927	14,409	15,065	15,760
Goodwill	4,581	4,581	4,581	4,581
Other current assets	7,810	7,513	7,194	6,857
Non-Current Assets	**48,648**	**44,996**	**47,751**	**50,316**
Current Assets				
Inventories	1,482	2,023	2,256	2,551
Trade receivables	413	615	717	813
Cash and cash equivalents	1,814	5,967	4,559	4,385
Oher current assets	1,029	1,029	1,029	1,029
Total Current Assets	**4,738**	**9,633**	**8,560**	**8,778**
Current Liabilities				
Trade payables	4,411	5,057	5,695	6,249
Other financial & current tax liabilities	1,625	1,625	1,625	1,625
Other current liabilities	704	704	704	704
Total Current Liabilities	**6,740**	**7,386**	**8,025**	**8,578**
APPLICATION OF FUNDS	**46,645**	**47,243**	**48,286**	**50,516**

Source: Company, DevenChoksey Research

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Devyani International Ltd.

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Date	**CMP (INR)**	**TP(INR)**	**Recommendation**
20-Nov-25	146	165	ACCUMULATE
25-Aug-25	170	193	ACCUMULATE
28-May-25	173	199	ACCUMULATE
12-Feb-25	166	180	ACCUMULATE
14-Oct-24	164	180	ACCUMULATE
20-Aug-24	170	185	ACCUMULATE
23-May-24	152	172	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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