

The promoters and management teams of Devyani International (DIL) and Sapphire Foods (SFIL) jointly held an investor call, to explain the deal contours, potential merger synergies, and planned growth investments. DIL has been able to negotiate a favorable agreement with Yum!, in terms of significant cost waivers in PH, phased transition of key business functions like tech/supply-chain management (SCM) for PH/KFC, and additional marketing/innovation rights for PH. Some of these new functions, though, will require new tech/team capabilities; DIL has already started investing in leadership gaps and shortlisted a global tech partner. Encouragingly, the expected synergy benefits of Rs2.10-2.25bn are net of these investments; 60% of the savings should likely accrue in FY28E itself, with the complete benefit expected in FY29E. With relaxed store targets in the new agreement along with cost waivers, DIL expects revival of the PH brand and return of double-digit brand contribution for the format (vs largely having achieved breakeven currently). Factoring in a sluggish demand environment, we cut our near-term earnings by 7-9%. However, rollover to Dec-27E earnings keeps the TP intact at Rs190 (33x Dec-27E EBITDA); we reiterate BUY on Devyani.

The combined entity has similar scale and growth prospects as JUBI's

Per FY25 reported numbers, the combined entity has a scale of ~Rs78bn, with potential revenue CAGR of 13% over FY25-28E (similar to JUBI's). The overall combined network stands at 1,200 stores for KFC and ~1,000 stores for Pizza Hut (PH), in India. There are definite cost synergies, with optimization of HO costs being the lowest-hanging fruit (4.5-5.0% of sales currently). Also, Sapphire operates at a lower gross margin (50-70bps across the PH/KFC formats) than DIL. Further, the merger should resolve the tussle for PH expansion in common territories, where Devyani has PHD (Pizza Hut delivery) rights for India (ex Tamil Nadu) and Sapphire has PH rights for most of South and West India. On the revenue front, the merger should enable faster decision-making in terms of go-to-market and new product innovations; such decision-making was being delayed due to the involvement of tripartite decision-makers – Devyani, Sapphire, and Yum!.

Brand negotiations likely to give higher operational freedom across functions

In addition to the proposed merger, DIL will acquire 19 KFC restaurants currently operated by Yum! India in Hyderabad, for a lumpsum consideration of Rs900mn. Further, DIL will pay a one-time charge of Rs3.2bn to Yum! India, toward merger approval and grant of additional territory rights. As part of the overall transaction framework, Yum! Brands has agreed to continue supporting growth of both KFC and PH in India, along with approving a set of enhanced waivers and commercial arrangements—aimed at strengthening long-term alignment, accelerating store expansion, and enabling sustainable growth of the combined platform.

Target Price – 12M	Dec-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	36.7

Stock Data	DEVYANI IN
52-week High (Rs)	210
52-week Low (Rs)	122
Shares outstanding (mn)	1,232.9
Market-cap (Rs bn)	171
Market-cap (USD mn)	1,897
Net-debt, FY26E (Rs mn)	9,847.3
ADTV-3M (mn shares)	3.3
ADTV-3M (Rs mn)	503.3
ADTV-3M (USD mn)	5.6
Free float (%)	33.0
Nifty-50	26,178.7
INR/USD	90.2

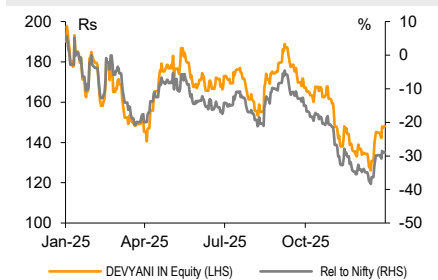
Shareholding, Sep-25

Promoters (%)	61.4
FPIs/MFs (%)	6.6/19.8

Price Performance

(%)	1M	3M	12M
Absolute	1.4	(16.1)	(29.9)
Rel. to Nifty	1.5	(19.6)	(36.7)

1-Year share price trend (Rs)



Devyani International: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	35,563	49,511	55,593	64,548	73,419
EBITDA	6,524	8,333	7,891	10,579	13,093
Adj. PAT	1,509	95	(454)	408	1,399
Adj. EPS (Rs)	1.3	0.1	(0.4)	0.3	1.1
EBITDA margin (%)	18.3	16.8	14.2	16.4	17.8
EBITDA growth (%)	(0.4)	27.7	(5.3)	34.1	23.8
Adj. EPS growth (%)	(47.1)	(93.7)	0	0	242.7
RoE (%)	14.9	0.9	(3.6)	2.8	8.8
RoIC (%)	12.4	(4.8)	4.1	7.4	10.9
P/E (x)	354.0	1,828.8	(348.3)	418.7	122.2
EV/EBITDA (x)	26.8	21.0	22.9	17.1	13.8
P/B (x)	15.8	15.3	11.7	11.3	10.3
FCFF yield (%)	(4.2)	1.8	(1.4)	3.0	3.8

Source: Company, Emkay Research

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Story in charts

Exhibit 1: The savings highlighted by the company are significant, at ~15% of our combined EBITDA estimate for the two companies

Particulars (Rs mn)	FY26E	FY27E	FY28E	FY29P
Sapphire, pre-IndAS EBITDA	2,185	3,245	4,223	4,857
Devyani, pre-IndAS EBITDA	3,838	5,918	7,826	9,000
Total pre-IndAS EBITDA	6,023	9,164	12,049	13,856
HO costs - Sapphire	1,605	1,782	1,959	2,154
HO costs - Devyani	2,752	2,969	3,157	3,357
Total HO costs	4,357	4,751	5,116	5,509
Sapphire - Net debt	-1,927	-2,190	-2,951	
Devyani - Net debt	9,847	9,146	7,674	
Combined entity - Net debt	7,920	6,956	4,723	
Dec-28E EBITDA - Current estimate		13,405		
Dec-28E EBITDA - Combined with Synergy/Royalty benefit		15,405		
Synergy - EBITDA benefit		15%		
TP multiple (current 2YF multiple)		21		
Dec-26E Enterprise value-combined entity		318,874		
Combined entity - Net debt		6,956		
Dec-26 Market Cap - Combined entity		311,918		
Current M-Cap (Discounted at 11%; Jan-26)		281,008		
Current M-Cap - Combined entity		244,180		
M-Cap - Synergy benefit		15%		

Source: Company, Emkay Research

Exhibit 2: Per FY25 reported numbers, the combined entity has a scale of Rs80bn, with potential revenue CAGR of 13% over FY25-28E

Particulars (Rs mn)	DIL-Sapphire merger				
	FY25	FY26E	FY27E	FY28E	FY25-28E CAGR (%)
[A] Sapphire - Revenue	28,819	30,932	35,688	40,867	12.3
[B] Devyani - Revenue	49,511	55,593	64,548	73,419	14.0
Combined Entity - Revenue [A+B]	78,329	86,525	100,236	114,286	13.4
[1] Sapphire - EBITDA (Pre-IndAS)	2,459	2,185	3,245	4,223	19.8
Sapphire - EBITDA margin (%)	8.5	7.1	9.1	10.3	
[2] Devyani - EBITDA (Pre-IndAS)	4,854	3,838	5,918	7,826	17.3
Devyani - EBITDA margin (%)	9.8	6.9	9.2	10.7	
Combined EBITDA [1+2; Pre-IndAS]	7,312	6,023	9,164	12,049	18.1
Combined EBITDA margin (%)	9.3	7.0	9.1	10.5	

Source: Company, Emkay Research

Exhibit 3: Change in estimates

Company	Rating	Valuation Parameter	Valuation Multiple (x)			FY27E EBITDA (Rs bn)*			FY28E EBITDA (Rs bn)*			Dec-26E TP (Rs)		
			Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
DEVYANI	BUY	EV/EBITDA	33	33	0.0	6.5	5.9	-8.8	8.4	7.8	-7.0	190	190	0.0
SAPPHIRE	BUY	EV/EBITDA	28	28	0.0	3.7	3.2	-11.3	4.7	4.2	-10.3	370	350	-5.4

Source: Company, Emkay Research; Note: *EBITDA is pre-IndAS-116 implementation

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions.com)

Devyani International: Consolidated Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	35,563	49,511	55,593	64,548	73,419
Revenue growth (%)	18.6	39.2	12.3	16.1	13.7
EBITDA	6,524	8,333	7,891	10,579	13,093
EBITDA growth (%)	(0.4)	27.7	(5.3)	34.1	23.8
Depreciation & Amortization	3,907	5,923	6,263	7,247	8,067
EBIT	2,617	2,410	1,628	3,333	5,026
EBIT growth (%)	(30.6)	(7.9)	(32.4)	104.7	50.8
Other operating income	-	-	-	-	-
Other income	326	370	456	500	550
Financial expense	1,869	2,648	2,783	3,180	3,545
PBT	1,074	131	(699)	653	2,031
Extraordinary items	(1,037)	(3)	(37)	0	0
Taxes	133	197	(186)	164	512
Minority interest	569	160	60	(80)	(120)
Income from JV/Associates	-	-	-	-	-
Reported PAT	473	92	(491)	408	1,399
PAT growth (%)	(82.2)	(80.6)	0	0	242.7
Adjusted PAT	1,509	95	(454)	408	1,399
Diluted EPS (Rs)	1.3	0.1	(0.4)	0.3	1.1
Diluted EPS growth (%)	(47.1)	(93.7)	0	0	242.7
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
EBITDA margin (%)	18.3	16.8	14.2	16.4	17.8
EBIT margin (%)	7.4	4.9	2.9	5.2	6.8
Effective tax rate (%)	12.4	150.1	26.5	25.2	25.2
NOPLAT (pre-IndAS)	2,292	(1,208)	1,196	2,493	3,759
Shares outstanding (mn)	1,206	1,206	1,232	1,232	1,232

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	747	(239)	(1,155)	153	1,481
Others (non-cash items)	0	0	0	0	0
Taxes paid	(133)	(197)	186	(164)	(512)
Change in NWC	1,644	642	20	298	308
Operating cash flow	8,034	8,778	8,097	10,712	12,889
Capital expenditure	(15,443)	(5,672)	(10,540)	(5,300)	(6,100)
Acquisition of business	0	0	0	0	0
Interest & dividend income	326	370	456	500	550
Investing cash flow	(15,116)	(5,302)	(10,084)	(4,800)	(5,550)
Equity raised/(repaid)	40	27	4,190	0	0
Debt raised/(repaid)	8,328	216	1,500	0	0
Payment of lease liabilities	828	(3,121)	(4,053)	(4,661)	(5,267)
Interest paid	(120)	(589)	(456)	(550)	(600)
Dividend paid (incl tax)	-	-	-	-	-
Others	0	0	0	0	0
Financing cash flow	9,076	(3,467)	1,181	(5,211)	(5,867)
Net chg in Cash	1,994	9	(806)	701	1,472
OCF	8,034	8,778	8,097	10,712	12,889
Adj. OCF (w/o NWC chg.)	6,390	8,136	8,076	10,415	12,581
FCFF	(7,409)	3,106	(2,443)	5,412	6,789
FCFE	(7,202)	2,887	(2,443)	5,362	6,739
OCF/EBITDA (%)	123.2	105.3	102.6	101.3	98.4
FCFE/PAT (%)	(1,524.1)	3,155.0	497.9	1,313.7	481.8
FCFF/NOPLAT (%)	(323.3)	(257.1)	(204.3)	217.1	180.6

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	1,206	1,206	1,232	1,232	1,232
Reserves & Surplus	9,352	9,738	13,351	13,840	15,358
Net worth	10,558	10,944	14,583	15,072	16,590
Minority interests	2,928	3,079	3,079	3,079	3,079
Non current liab. & prov.	20,877	23,305	29,191	35,297	41,613
Total debt	9,102	9,318	10,818	10,818	10,818
Total liabilities & equity	43,465	46,645	57,670	64,264	72,100
Net tangible fixed assets	19,036	20,844	27,702	28,710	30,086
Net intangible assets	1,668	1,741	1,817	1,864	1,883
Net ROU assets	16,906	18,799	23,642	28,641	33,779
Capital WIP	110	35	35	35	35
Goodwill	4,287	4,581	4,581	4,581	4,581
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	1,808	1,814	970	1,672	3,144
Current & ex-cash	5,510	5,573	6,492	7,551	8,589
Current Liab. & Prov.	5,860	6,740	7,569	8,788	9,995
NWC (ex-cash)	(350)	(1,167)	(1,076)	(1,237)	(1,407)
Total assets	43,465	46,645	57,670	64,264	72,100
Net debt	7,293	7,504	9,847	9,146	7,674
Capital employed	43,465	46,645	57,670	64,264	72,100
Invested capital	24,641	25,998	33,023	33,917	35,142
BVPS (Rs)	8.8	9.1	11.8	12.2	13.5
Net Debt/Equity (x)	0.7	0.7	0.7	0.6	0.5
Net Debt/EBITDA (x)	1.1	0.9	1.2	0.9	0.6
Interest coverage (x)	0.6	0.3	(0.1)	0.4	0.7
RoCE (%)	17.8	12.1	8.0	13.3	18.8

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	354.0	1,828.8	(348.3)	418.7	122.2
P/CE(x)	45.7	45.6	54.2	36.7	28.0
P/B (x)	15.8	15.3	11.7	11.3	10.3
EV/Sales (x)	4.9	3.5	3.3	2.8	2.5
EV/EBITDA (x)	26.8	21.0	22.9	17.1	13.8
EV/EBIT(x)	66.7	72.6	111.0	54.2	36.0
EV/IC (x)	7.1	6.7	5.5	5.3	5.1
FCFF yield (%)	(4.2)	1.8	(1.4)	3.0	3.8
FCFE yield (%)	(4.2)	1.7	(1.4)	3.1	3.9
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	4.2	0.2	(0.8)	0.6	1.9
Total asset turnover (x)	1.8	1.8	1.8	1.9	2.0
Assets/Equity (x)	2.0	2.5	2.4	2.3	2.3
RoE (%)	14.9	0.9	(3.6)	2.8	8.8
DuPont-RoIC					
NOPLAT margin (%)	6.4	(2.4)	2.2	3.9	5.1
IC turnover (x)	1.9	2.0	1.9	1.9	2.1
RoIC (%)	12.4	(4.8)	4.1	7.4	10.9
Operating metrics					
Core NWC days	(3.6)	(8.6)	(7.1)	(7.0)	(7.0)
Total NWC days	(3.6)	(8.6)	(7.1)	(7.0)	(7.0)
Fixed asset turnover	1.3	1.2	1.1	1.1	1.2
Opex-to-revenue (%)	51.9	52.1	53.7	51.7	50.7

Source: Company, Emkay Research

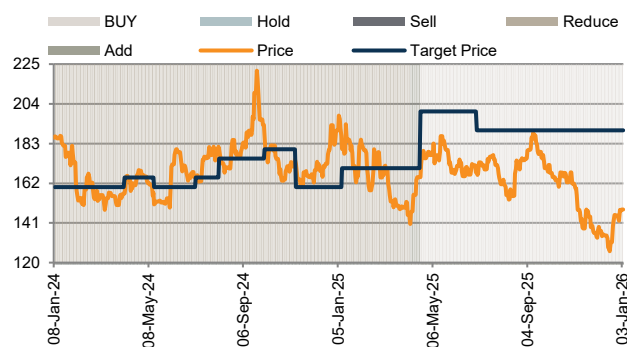
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
02-Jan-26	148	190	Buy	Devanshu Bansal
06-Nov-25	156	190	Buy	Devanshu Bansal
07-Oct-25	166	190	Buy	Devanshu Bansal
02-Oct-25	172	190	Buy	Devanshu Bansal
16-Sep-25	182	190	Buy	Devanshu Bansal
18-Aug-25	155	190	Buy	Devanshu Bansal
14-Aug-25	155	190	Buy	Devanshu Bansal
05-Jul-25	173	190	Buy	Devanshu Bansal
01-Jul-25	169	190	Buy	Devanshu Bansal
25-May-25	180	200	Buy	Devanshu Bansal
20-Apr-25	165	200	Buy	Devanshu Bansal
09-Apr-25	147	170	Add	Devanshu Bansal
07-Apr-25	141	170	Add	Devanshu Bansal
11-Feb-25	170	170	Reduce	Devanshu Bansal
10-Jan-25	180	170	Reduce	Devanshu Bansal
12-Nov-24	172	160	Reduce	Devanshu Bansal
03-Oct-24	187	180	Reduce	Devanshu Bansal
06-Aug-24	180	175	Reduce	Devanshu Bansal
23-Jul-24	176	165	Reduce	Devanshu Bansal
07-Jul-24	165	165	Reduce	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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