

Result Update

Q1 FY26

Devyani International Ltd.

Institutional
Research

Devyani International Ltd.



BP WEALTH

QSR | Q1FY26 Result Update

17th August 2025

Near-term outlook remains challenging due to subdued demand

In Q1FY26, Devyani International Limited reported consolidated revenue of Rs. 13,570 million, up 11.9% QoQ / up 11.1% YoY. The demand scenario remained subdued in Q1FY26, but revival in demand is expected, led by the rising urbanisation, growing income levels, increasing digital adoption, and an increase in the female work participation rate. KFC reported revenue of Rs. 6,126 million a growth of 10.5% YoY, but SSSG declined by 0.7% due to weak consumer demand coupled with the Shravan month, with ADS dropping by 5.8% YoY to Rs. 98,000/-, though the brand continued its expansion by adding eight new stores this quarter, bringing the total store count to 704, underscoring its commitment to long-term growth. Pizza Hut registered revenue of Rs. 1,873 million, a growth of 3.0% YoY and SSSG declined by 4.2%, with a decline in ADS of 8.3% YoY to Rs. 33,000/-, due to weak consumer demand and intense competition. The management closed 12 stores during Q1FY26, bringing the store count to 618, and guided that future store expansion will be subject to improvements in SSSG and ADS. Costa Coffee's performance improved with a 14.1% YoY revenue growth to Rs. 519 million, but the ADS was impacted by 7.1% YoY to Rs. 26,000/-. Costa Coffee added two stores in Q1FY26, bringing the total count to 222. Internationally, the company's revenue grew by 11.2% YoY to Rs. 4,332 million. The company added one KFC store in Thailand and two in Nepal. The company's gross margin stood at 68.2%, down 32 bps QoQ / down 97 bps YoY, due to high raw material prices. The EBITDA was Rs. 2,060 million, with an EBITDA margin of 15.2%, down 16 bps QoQ / down 248 bps YoY due to higher promotion activities. The net profit registered for Q1FY26 was Rs. 24 million, down 89.2% YoY. The company completed its acquisition of a controlling stake in Sky Gate Hospitality (Biryani By Kilo and other brands).

Valuation and Outlook

Devyani International Limited (DIL), a leading QSR in India with brands like KFC, Pizza Hut and Costa Coffee, reported a healthy revenue growth of 11.1% YoY in Q1FY26, despite a subdued demand environment that is expected to persist in the near term. However, the company remains optimistic about a revival, driven by urbanisation, rising incomes, digital adoption, and changing consumer behaviour. Despite a challenging demand environment, the company continued its store expansion plans, strengthening its market presence. Recently, the company has entered the high-growth potential Indian cuisine market by acquiring Sky Gate Hospitality brands, including Biryani By Kilo, Goila Butter Chicken, and The Bhojan, which comprise over 100 stores across more than 40 cities. This acquisition is expected to boost the company's revenue growth. Looking ahead, the company focuses on strengthening core and emerging brands, improving ADS, cost optimization, and marketing efficiency, which will help improve the company's profitability. Additionally, the company focuses on innovation and better customer engagement through value-driven offerings. Furthermore, management is optimistic about the boost in consumption resulting from the tax relief announced in the recent Union Budget. Although the near-term outlook remains challenging due to subdued demand, rising competition and Pizza Hut's premium positioning weighing on its profitability, strategic initiatives such as partnerships and entry into high-growth potential markets position the company for long-term growth.

Key Highlights

Particulars (Rs. Mn)	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Net Sales	13,570	12,126	12,219	11.1%	11.9%
COGS	4,318	3,819	3,769	14.6%	13.0%
Gross Profit	9,252	8,306	8,450	9.5%	11.4%
Gross margin (%)	68.2%	68.5%	69.2%	-97 bps	-32 bps
EBITDA	2,060	1,860	2,158	-4.5%	10.8%
OPM (%)	15.2%	15.3%	17.7%	-248 bps	-16 bps
Net Profit	24	-168	224	-89.2%	NM

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	155
BSE code	543330
NSE Symbol	DEVYANI
Bloomberg	DEVYANI IN
Reuters	DEVY.BO

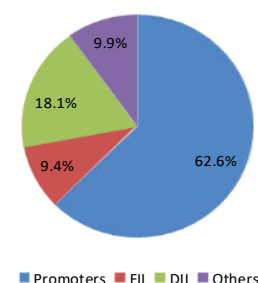
Key Data

Nifty	24,631
52 Week H/L (Rs.)	223/134
O/s Shares (Mn)	1,232
Market Cap (Rs. bn)	191
Face Value (Rs.)	1

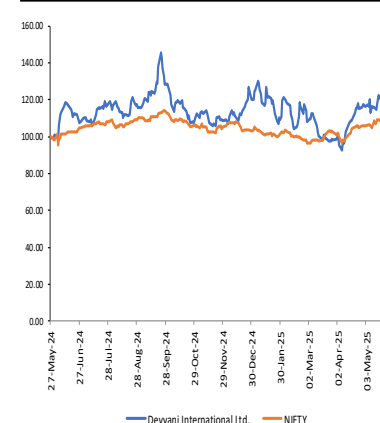
Average Volume

3 months	25,85,650
6 months	31,26,630
1 year	30,73,380

Share Holding Pattern (%)



Relative Price Chart



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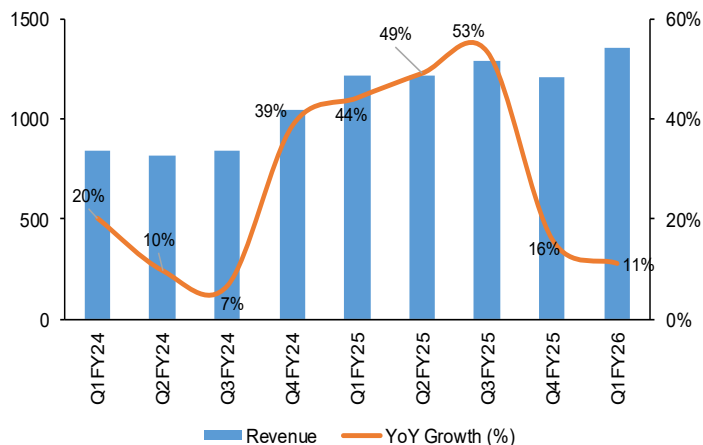
Key Concall Highlights

- Demand sentiments remained subdued throughout Q1, but management is optimistic about the industry's recovery, driven by urbanisation, rising incomes, digital adoption, and changing consumer behaviour. To support this, they are expanding their store network to improve brand accessibility and strengthen institutional business by focusing on food courts and high-traffic locations, such as airports.
- The company had partnered with New York Fries, Tealive, and Sanook Kitchen with a plan to further expand with these brands this year. It added one New York fries store at Mumbai airport.
- The management has slowed down Pizza Hut's expansion and will remain cautious in terms of store openings in this format.
- Investments in the online channel led to steady momentum. The company has been trying to revive the dine-in channel through several initiatives. Improvement should be witnessed in the next few quarters.
- Devyani International completed its acquisition of Sky Gate Hospitality, the owner of Biryani By Kilo and other brands, securing a controlling stake. This was done with a vision to expand their presence in the biryani and the Indian cuisine segment.
- The company is introducing new value-focused offers at Pizza Hut to strengthen customer engagement and drive higher sales. With initiatives like the Juicylicious pizza range, the Unlimited Pizza Fridays pilot, and bundle deals combining pizzas with sides and beverages, the brand is now positioning itself with more compelling value. By emphasizing affordability and variety, the company expects to improve footfall, boost transaction volumes, and offset the impact of soft consumer demand.
- The margin was impacted primarily due to higher raw material costs (cheese, flour, oils), increased rent costs due to GST, and higher promotional activities.

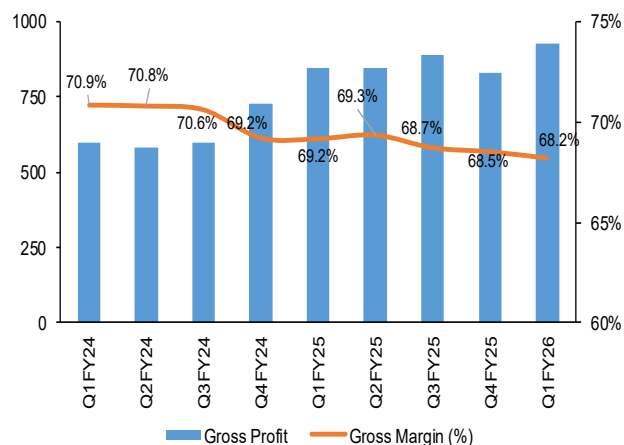
"DIL added 106 new stores in Q1FY26, reaching a total of 2,145 stores. Domestically, KFC added 8 (a total of 704 stores), Pizza Hut closed 12 (a total of 618 stores), Costa Coffee added 2 (a total of 222 stores), and Vaango and newly acquired brand Skygate added 105 (a total of 201 stores). Internationally, Thailand added one new store, bringing the total number of stores to 307, while in Nepal, the company added two stores, bringing the total number of stores to 31."

Quarterly Snapshot

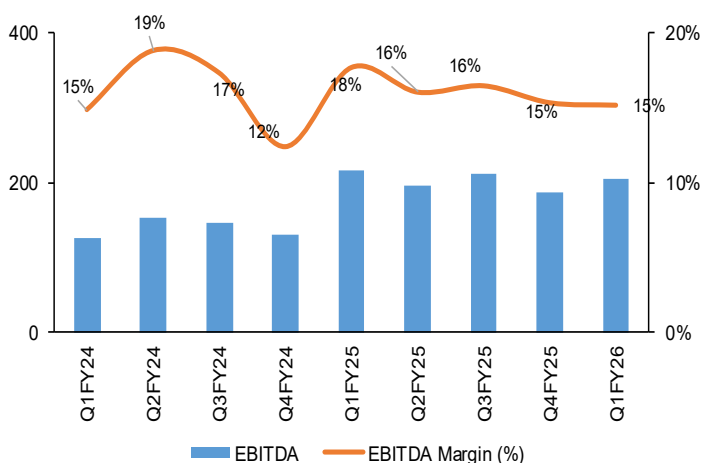
Revenue Growth



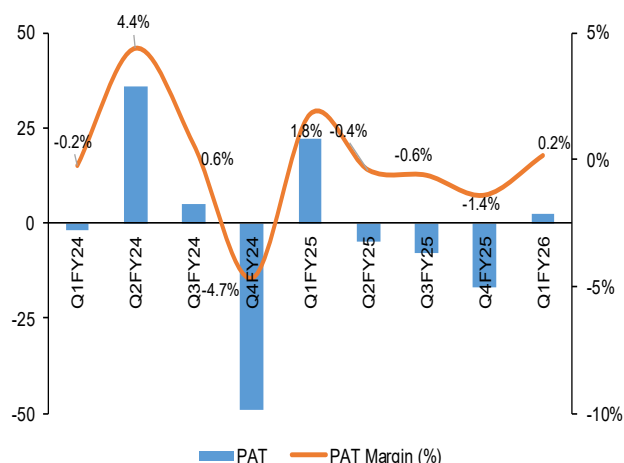
Gross Profit & Gross Margin



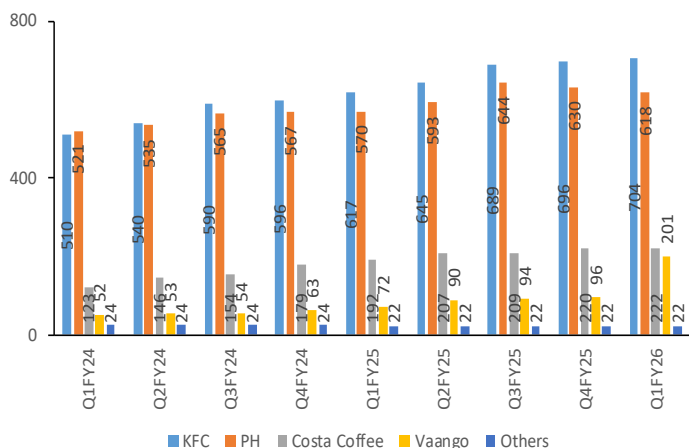
EBITDA & EBITDA Margin



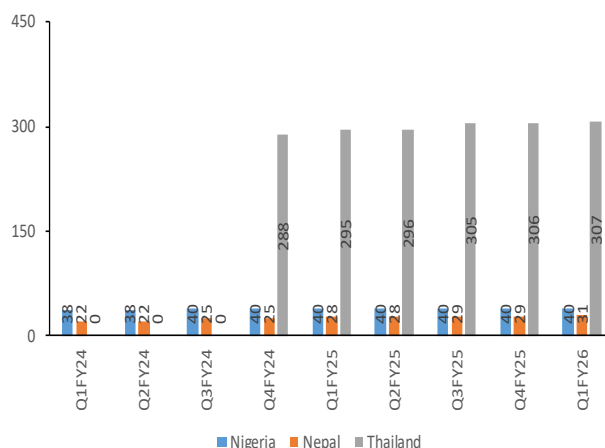
PAT & PAT Margin



Domestic Stores composition



International Stores Counts



Key Financials						
YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	20,840	29,977	35,563	49,511	57,447	66,064
Growth %	84%	44%	19%	39%	16%	15%
EBIDTA	4,778	6,553	6,524	8,460.70	10,324	11,561
Growth%	98%	37%	0%	30%	22%	12%
Net Profit	1,551	2,625	-97	-69	1,358	1,387
Growth %	NM	69%	-104%	NM	NM	2%
Diluted EPS	1.3	2.2	0.4	0.1	1.2	1.2
Profitability & Valuation						
EBIDTA (%)	22.9%	21.9%	18.3%	17.1%	18.0%	17.5%
NPM (%)	7.4%	8.8%	-0.3%	-0.1%	2.4%	2.1%
ROE (%)	22.8%	27.2%	NM	NM	8.8%	8.3%
P/E (x)	117.6 x	70.9 x	397.9 x	1939.9 x	126.2 x	137.8 x
Market Cap/Sales (x)	9.2 x	6.4 x	5.4 x	3.9 x	3.3 x	2.9 x

Source: Company, Bloomberg

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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