



July 31, 2021

# DEVYANI INTERNATIONAL LIMITED **IPO**

*Largest franchisee of Yum Brands in India, Devyani International Ltd said it will launch its initial public offer (IPO) on Aug 04, 2021. The offer will close on Aug 06, 2021 and the company has fixed the price band at ₹86-90 per equity share.*

Rating: **Subscribe**

**Analyst**

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## Company's Overview

- Devyani International Ltd is the largest franchisee of Yum Brands in India and among the largest operator of quick-service restaurants (QSR) chain in India with 696 stores across 166 cities all over the country as of June 30, 2021.
- Yum Brands Inc. operates brands such as KFC, Pizza Hut and Taco Bell and has presence globally with more than 50,000 restaurants in over 150 countries, as of December 31, 2020.
- In addition, the company is also a franchisee for the Costa Coffee brand and stores in India.
- The company operates 3 business verticals; 1. Core Brands Business (KFC, Pizza Hut, and Costa Coffee stores in India), 2. International Business (stores in foreign countries i.e. Nepal and Nigeria), and 3. Other Business (own branded stores such as Vaango and Food Street).
- Revenue from Core Brands Business, together with our International Business, represented 83.01%, 82.94% and 94.19% of revenue from operations in Fiscals 2019, 2020 and 2021, respectively.
- The company operates 284 KFC stores, 317 Pizza Hut stores, and 44 Costa Coffee stores in India as of June 30, 2021.

## Valuations

- Considering the FY-21 adjusted EBITDA of Rs.1789.23 on post issue basis, the company is going to list at EV/EBITDA of 62.39 with a market cap of Rs.1,08,227 mn, while its peers namely Jubilant Food and Westlife Development are trading at EV/EBITDA of 66.02 and 206.11 respectively.
- We assign "Subscribe" rating to this IPO as company is a multi-dimensional comprehensive QSR player with portfolio of highly recognized global brands and is available at reasonable valuation as compared to its peers.

## Financial Snapshot

Particulars (in millions)	FY21	FY20	FY19
Revenue	11,348.38	15,163.86	13,105.98
Other Income	640.57	186.55	130.85
Total Income	11,988.95	15,350.41	13,236.83
Total Expenses	13,381.71	16,465.30	13,948.19
EBITDA	1,789.23	2,516.07	2,542.09
EBITDA Margin	15.77%	16.59%	19.40%
PAT	-629.87	-1214.18	-941.44
PAT Margins	-5.51%	-8.01%	-7.18%
EPS	-0.50	-1.14	-0.75

### Issue Details

Issue Open	04 Aug 2021, Wed
Issue Close	06 Aug 2021, Fri
Issue Type	Book Built Issue IPO
Issue Size	<b>Fresh Issue:</b> 48.89 mn eq shares (₹4,400 mn) <b>OFS:</b> 155.33 mn eq shares (₹13,980 mn)
Face Value	₹1
Issue Price Band	Rs.86-90
Listing at	NSE, BSE
Minimum Lot Size	165 shares

### Objects of the Issue

- Repayment and/or prepayment of company's borrowings fully or partially.
- General corporate purposes

### Issue Break-Up

Category	No of shares (Mn)	In Million	% of issue
QIB	152.75	13,747.87	75.00%
NIB	30.55	2,749.57	15.00%
Retail	20.37	1,833.05	10.00%
Employee	0.55	49.50	-

### Shareholding Pattern

	Pre- Issue	Post- Issue
Promoters and Promoters Group	75.79%	65.22%
Public	24.21%	34.78%
Total	100.00%	100.00%

### Capital Structure

Particulars	Aggregate value
Authorized Equity Share Capital	5,000.00 mn
Paid -Up Capital (Pre-Offer)	1153.63 mn
Paid- Up Capital (Post-Offer)	1202.52 mn



## Competitive Strengths

- Portfolio of highly recognized global brands catering to a range of customer preferences
- Multi-dimensional comprehensive QSR player
- Presence across key consumption markets with a cluster-based approach
- Cross brand synergies with operating leverage
- Disciplined financial approach with focus on cash flows and returns
- Distinguished Board and experienced senior management team

## Key Business Strategies

- Strategically expand store network of Core Brands Business
- Continue to improve unit-level performance
- Focus on delivery channel for Core Brands
- Invest in technology and focus on digital capabilities

## Key Risks

- The company rely on arrangements with Yum for KFC and Pizza Hut stores that comprise a significant majority of business, and a termination of or inability to renew these arrangements, will have a material adverse effect on the business
- The company business depends on the continued success and reputation of their Core Brands globally, and any negative impact on these brands, or a failure by the company or owners of Core Brands to protect these brands, as well as other intellectual property rights and proprietary information, may adversely affect the business

## Peer Comparison:

Company Name	Face Value (₹ Per Share)	Total Income (in ₹ mn)	EPS (₹)	NAV (₹ per share)	RoNW (%)
Devyani International	1.00	11,988.95	(0.50)	1.03	(48.52)
Jubilant Food	10.00	33,849.49	17.55	108.12	16.16
Westlife Development	2.00	10,303.32	(6.38)	30.89	(20.66)
Burger King	10.00	5,229.32	(5.47)	17.59	(25.82)

## Promoters and Management Details

Name	Designation
Ravi Kant Jaipuria	Chairman and Non-Executive Director
Varun Jaipuria	Non-Executive Director

