

Devyani International Ltd.
Sector
Restaurants
Issue Highlights

Issue Open	August 4, 2021
Issue Close	August 6, 2021
Issue Price	Rs. 86 - Rs. 90 /Share
Total Issue Size	Rs. 1,838 Cr
Of which	
Offer for Sale	Rs. 1,398 cr
Fresh Issue	Rs. 440 cr
Face Value	Rs. 1/share
Market Lot	165 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	75%
Retail category	10%
Non-Institutional	15%

Lead Book Running Managers

- Kotak Mahindra Capital Company Ltd.
- CLSA India Pvt. Ltd.
- Edelweiss Financial Services Ltd.
- Motilal Oswal Investment Advisors Ltd.

Registrar To The Offer

- Link Intime India Pvt. Ltd

About the Company

Devyani International Ltd. (Devyani) is the largest franchisee of Yum Brands in India and is also among the top operators of chain quick-service restaurants. It operates around 696 stores across 166 cities in India as of June 30, 2021. Yum! Brands Inc. runs brands such as KFC, Pizza Hut and Taco Bell brands and has a presence globally with more than 50,000 restaurants in over 150 countries. It collaborates with Yum across various aspects of its operations for KFC and Pizza Hut for the franchisor's brand protection and management including product innovation and development, brand strategy and technology initiatives. In addition, Devyani is also a franchisee for the Costa Coffee brand and stores in India. Its business is broadly classified into three verticals that include stores of KFC, Pizza Hut and Costa Coffee operated in India which is the core brands business. It has an international business that comprises KFC and Pizza Hut stores operated in Nepal and Nigeria. It also has its brands such as 'Vaango', 'Food Street', 'Ckrushh', 'Ile Bar' and 'Juice Bar'. In terms of revenue, the core brand business together with its international business contributes nearly 94% of its revenue in FY21. It operates nearly 284 KFC stores and 317 Pizza Hut and 44 Costa Coffee stores in India.

Objects of the Issue

- Repayment/prepayment of all or certain of the company's borrowings
- General corporate purposes

Valuation

The quick-service restaurant channel has been rapidly growing in popularity in India owing to factors such as a rise in literacy, exposure to media, increase in disposable incomes and easier and greater availability of QSRs. The value sales of quick-service restaurants grew by a CAGR of 5.5% and amounted to Rs. 2,854.8 billion in 2020 from Rs. 2,189.2 billion in 2015. The number of outlets increased by 2% while the number of transactions increased by 3.8% over the same period. Going forward, the value sales of quick-service restaurants are expected to grow at an even higher pace of 12.4%. Economic recovery and greater investments from western fast-food chains are expected to drive the growth.

Devyani is well placed to benefit from growing industry trends as it has a strong portfolio of highly recognized global brands which cater to a range of customer preferences. Its close association with Yum together with its technical, marketing and operational expertise has enabled them to establish itself as a comprehensive player in the QSR industry in India. It has a strong presence in key consumption markets. Moreover, the company has been able to leverage substantial operating synergies across the brands in which it operates. Going forward, the company intends to strategically expand its store network for its core brand business. It also plans to increase focus on delivery channels and also invest in technology and focus on its digital capabilities. The financial performance has been tepid for the company which has further got impacted in FY21 due to the pandemic. However, the company intends to improve its unit performance which would aid better margins. Considering the current market sentiments, investors may subscribe for listing gains.

Key risks: i) The ongoing pandemic has affected the business of the QSR industry including Devyani, ii) Competitive intensity is very high in the QSR industry.

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Statements on ownership and material conflicts of interest , compensation– Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below , are given separately]

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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