

Devyani International Ltd : Good Issue

IPO Note : Largest Franchisee of Yum Brands in India. 696 stores of KFC, Pizza Hut, Taco Bell and Costa Coffee brands: Negative Growth in Sales & EBITDA levels :High

Risk: Ranking***



Issue details

Price band (Rs)	Rs.86-90
IPO Opening Date	04/08/21
IPO Closing Date	06/08/21
Issue Size	Rs. 1838 Cr.

Financial and Recommendation

- Sales Growth yoy is (-25%) (2 year cagr is -7%)
- EBITDA Margin is in the range of 17-20%
- Company is making losses
- Debt to Networth Ratio is very high

1. On Yearly Basis:

a. Negative Growth in Sales & EBITDA levels

b. Company Making losses. However, with utilization of proceeds for part/full repayment of debt may turnaround company. EBITDA Margins are at 17-20% levels

c. Debt to Networth is High. However, with proceeds being used for prepayment of debt in part or in full may turnaround company

2. Issue is fully priced-in.

3. Higher risk appetite

Highlights

- Largest franchise of Yum Brands in India
- Largest operator of QSR in India
- Operates 696 stores across 166 cities that includes brands such as KFC, Pizza Hut, Taco Bell and Costa Coffee in India

As at Jun 30, 2021, they have

- 284 KFC Stores
- 317 Pizza Hut stores
- 44 Costa coffee Stores

Peer Comparison

Company	TTM PE	Price to Sales
Jubilant Foodworks	133	13
Westlife Development (McDonalds)	NA	8.87
Burger King	NA	14.04
Devyani International	NA	9.54

Company Introduction

Incorporated in 1991, Devyani International Ltd is the largest franchisee of Yum Brands and among the largest quick-service restaurants (QSR) chain operators in India with 655 stores across 155 cities all over the country as of Mar 31, 2021. Yum Brands Inc operates many fast food brands i.e. Pizza Hut, KFC, and Taco Bell brands.

It operates 3 business verticals; 1. Core Brands (KFC, Pizza Hut, and Costa Coffee stores in India), 2. International Business (stores in foreign countries i.e. Nepal and Nigeria), and 3. Other



dil-rjcorp.com

Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	1198.89	1535.04	1323.68
Net Profit	-62.98	-121.41	-94.14
EPS (Rs)	-	-	-

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Businesses (own branded stores i.e. Vaango, Food Street, Masala Twist, Ile Bar, Amreli, and Ckrussh Juice Bar). Initially, the business started with a Pizza Hut store in Jaipur but subsequently expanded operations in both KFC and Pizza hut, as of March 31, 2021, it operates 264 KFC stores, 297 Pizza Hut stores, and 44 Costa Coffee stores in India.

Company Promoters:

Ravi Kant Jaipuria, Varun Jaipuria, and RJ Corp Limited are the company promoter.

Utilization:

- Fresh Issue of 440 Cr and OFS for 1398 Cr
- Prepayment of Debt fully or partially
- General corporate purposes

IPO Issue Proceed

To repayment/prepayment of certain borrowings and general corpus fund needs, Devyani International is coming out with a maiden book building process equity issue worth Rs. 1838 cr. It has fixed a price band of Rs. 86 - Rs. 90 per share having a face value (FV) of Rs.1 each. The issue opens for subscription on August 04, 2021, and will close on August 06, 2021. Minimum application is to be made for 165 shares and in multiples thereon, thereafter. The issue consists of a fresh equity issue worth Rs. 440.00 cr. (approx. 48888888 shares) and an offer for sale of 155333330 equity shares (Rs. 1398 cr. at the upper cap). At the upper price band of the issue, DIL will issue totally 204222218 shares including a fresh equity issue. Post allotment, shares will be listed on BSE and NSE. Post issue, DIL's current paid-up capital of Rs.115.36 cr. will stand enhanced to Rs. 120.24 cr. Based on the upper price band of the IPO, the company is looking for a market cap of Rs. 10821.60 cr.

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