

August, 03, 2021

Devyani International Ltd

Devyani International Ltd (DIL) is the largest franchisee of Yum Brands in India and is among the largest chain operators of quick service restaurants (“QSR”) in India on a non-exclusive basis, and operates 696 stores across 166 cities in India, as of June 30, 2021. Yum! Brands Inc. operates brands such as KFC, Pizza Hut and Taco Bell and has a presence globally with more than 50,000 restaurants in over 150 countries, as of December 31, 2020. In addition, Devyani International is a franchisee for the Costa Coffee brand and stores in India. DIL operated 284 KFC stores and 317 Pizza Hut stores and 44 Costa Coffee stores in India as of June 30, 2021. In their Core Brands Business, they had an extensive presence in 26 states and 3 union territories in India as of June 30, 2021

Positives: (a) Portfolio of well recognized global brands across spectrum (b) Presence across key consumption markets with a cluster-based approach (c) Experienced Board and senior management team.

Investment concerns: (a) DIL is making continuous losses on bottom-line front, hence profit concerns remain; (b) Slowdown in the economy could impact the overall revenue of the company (discretionary in nature).

Outlook & Valuation: In terms of valuations, the post-issue FY2021 EV/Sales works out -9.9x to (at the upper end of the issue price band), which is low compared to peers (Jubilant Foodworks-15.4x, Burger King India -14.8x, Westlife Development – 10x). Further, Devyani International has a better operating margin compared to Westlife Development & Burger king. We believe this valuation is at reasonable levels. **Thus, we recommend a subscribe rating on the issue.**

Key Financials

Y/E March (Rs cr)	FY2019	FY2020	FY2021
Net Sales	1,311	1,516	1,135
% chg	-	15.7	(25.2)
Net Profit	(94)	(121)	(63)
OPM (%)	21.3	16.8	20.0
EPS (Rs)	(0.8)	(1.0)	(0.5)
P/E (x)	-	-	-
P/BV (x)	-	-	95.1
EV/Sales (x)	8.6	7.5	9.9
EV/EBITDA (x)	40.4	44.4	49.6

Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

Subscribe

Issue Open: Aug 04, 2021

Issue Close: Aug 06, 2021

Issue Details

Face Value: ` 1

Present Eq. Paid up Capital: ` 115cr

Offer for Sale: 15.5cr share

Fresh issue: ` 440cr

Post Eq. Paid up Capital: ` 120cr

Issue size (amount): ` 1,838cr

Price Band: ` 86-90

Lot Size: 165shares

Post-issue mkt.cap: ` 10,361*– 10,823cr

Promoters holding Pre-Issue: 75.8%

Promoters holding Post-Issue: 68.0%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75%
Non-Institutional	15%
Retail	10%

Post Issue Shareholding Pattern

Promoters	68.0%
Others	32.0%

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Company background

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Issue details

DIL is raising ₹1,838cr through fresh issue (₹440cr) and Promoter & investors are selling equity share ₹15.5cr through offer for sale in the price band of ₹86-90.

Exhibit 1: Pre and post IPO shareholding pattern

	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoters	874,339,464	75.8%	817,595,985	68.0%
Others	279,295,526	24.2%	384,927,893	32.0%
Total	1,153,634,990	100.0%	1,202,523,878	100.0%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- To repayment and/or pre-payment (₹320cr)
- To meet general corporate purposes.

Exhibit 2: Consolidated Income Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Net Sales	1,311	1,516	1,135
% chg		15.7	(25.2)
Total Expenditure	1,032	1,261	908
Raw Material	389	460	345
Personnel	192	225	154
Others Expenses	451	575	409
EBITDA	279	255	227
% chg		(8.4)	(11.2)
(% of Net Sales)	21.3	16.8	20.0
Depreciation & Amortisation	203	223	229
Impairment of non financial asset	25	4	48
EBIT	51	28	(51)
% chg		(44.9)	-
(% of Net Sales)	3.9	1.9	(4.5)
Interest & other Charges	136	158	153
Other Income	13	19	64
(% of PBT)	(22.6)	(24.3)	(77.7)
Exceptional Item	13	35	57
Recurring PBT	(58)	(77)	(82)
% chg		32.6	7.1
Tax	1	2	(1)
(% of PBT)	(2.2)	(2.4)	1.3
PAT After Tax	(59)	(79)	(81)
Minority Interest (after tax)	(35)	(43)	18
Reported Loss	(94)	(121)	(63)
Basic EPS (₹)	(0.8)	(1.0)	(0.5)
% chg		29.0	(48.1)

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (` cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	106	106	115
Reserves & Surplus	(176)	(295)	(2)
Shareholders Funds	(70)	(189)	114
Total Loans	488	544	463
Deferred Tax Liability	-	-	-
Total Liabilities	367	316	535
APPLICATION OF FUNDS			
Gross Block	1,987	2,083	1,797
Less: Acc. Depreciation	408	447	405
Net Block	1,578	1,635	1,392
Capital Work-in-Progress	12	14	14
Investments	-	-	-
Current Assets	210	227	252
Inventories	55	72	62
Sundry Debtors	23	17	17
Cash	27	16	41
Loans & Advances	34	38	45
Other Assets	71	84	88
Current Liabilities	1,440	1,568	1,133
Net Current Assets	(1,231)	(1,341)	(881)
Deferred Tax Asset	8	8	10
Mis. Exp. not written off	-	-	-
Total Assets	367	316	535

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Profit before tax	(93)	(120)	(64)
Depreciation	226	247	236
Change in Working Capital	2	22	40
Interest / Dividend (Net)	135	159	152
Direct taxes paid	(0)	(1)	0
Others	9	(7)	(124)
Cash Flow from Operations	278	301	240
(Inc.)/ Dec. in Fixed Assets	(141)	(99)	(133)
(Inc.)/ Dec. in Investments	(24)	7	(222)
Cash Flow from Investing	(165)	(91)	(355)
Issue of Equity	0	0	348
Inc./(Dec.) in loans	(97)	(179)	(156)
Dividend Paid (Incl. Tax)	0	0	0
Interest / Dividend (Net)	(34)	(44)	(49)
Cash Flow from Financing	(131)	(223)	142
Inc./(Dec.) in Cash	(18)	(13)	27
Opening Cash balances	44	27	13
Closing Cash balances	27	13	40

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	-	-	-
P/CEPS	75.4	74.9	73.1
P/BV	-	-	95.1
EV/Sales	8.6	7.5	9.9
EV/EBITDA	40.4	44.4	49.6
EV / Total Assets	30.7	35.9	21.0
Per Share Data (₹)			
EPS (Basic)	(0.8)	(1.0)	(0.5)
EPS (fully diluted)	(0.8)	(1.0)	(0.5)
Cash EPS	1.2	1.2	1.2
Book Value	(0.6)	(1.6)	0.9
Returns (%)			
ROCE	-	-	-
Angel ROIC (Pre-tax)	-	-	-
ROE	-	-	-
Turnover ratios (x)			
Asset Turnover (Gross Block)	0.7	0.7	0.6
Inventory / Sales (days)	15	17	20
Receivables (days)	6	4	5
Payables (days)	42	51	63
Working capital cycle (ex-cash) (days)	(20)	(29)	(38)

Source: Company, Angel Research

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