Devyani Internatl.

Operator: Good day and welcome to the Devyani International Limited Q1 FY27 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star and zero on your touchtone phone. Please note that this conference is being recorded. And now I hand the conference over to Mr. Anup Pujari from CDR India. Thank you and over to you, sir.

Anup Pujari – CDR India: Thank you. Good afternoon everyone and thank you for joining us on Devyani International's Q1 FY27 earnings conference call. We have with us Mr. Ravi Jaipuria, Non-Executive Chairman of the company; Mr. Raj Gandhi, Non-Executive Director; Mr. Manil Tavor, President and Group CEO; and Mr. Anupam Kumar, CFO of the company. We will initiate the call with opening remarks from the Chairman, followed by key business and financial highlights from the CEO. Thereafter, we will have the forum open for a question-and-answer session. Before we begin, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier. I would now request Mr. Ravi Jaipuria to make his opening remarks.

Management: Good afternoon everyone and thank you for joining us today. It gives me great pleasure to welcome you to Devyani International's Q1 results earning conference call to discuss our performance for the quarter of FY27. We began the new financial year on a strong note. The momentum we built through the second half of FY26, anchored by KFC's strong same-store sales growth (SSG) performance, has continued into Q1 FY27. I am pleased that most of our brand portfolio delivered positive SSG during the quarter. KFC continues to post double-digit sales growth and delivered another positive SSG of 3.3% during the quarter. Our brands in the portfolio like Biryani By Kilo, Costa Coffee, and Vango maintained a 7% plus SSG growth trajectory. Pizza Hut also delivered sequentially better SSG numbers.

The business has improved profitability and posted its highest-ever EBITDA of 255 crores at 16.1% of the revenue. This is testament to our capability and commitment to deliver sustainable profitable growth despite the cost inflation on LPG and wage hikes. Let me briefly touch upon the broader economic backdrop. The quarter presented a mixed macro picture. The external environment became more challenging. The conflict in the Middle East pushed crude oil to elevated levels through April and May, feeding into LPG and fuel costs. While the rupee remained under pressure, the RBI's June policy held the repo rate steady but moderated its FY27 growth outlook to 6.6% and raised its inflation projection to 5.1%.

Reflecting these very pressures, the operating environment has remained volatile along with the usual seasonal complexities as a result of the macro situation. While the demand has remained stable so far, the forecast of a below-normal season combined with El Nino risks is a reminder that consumption recovery in India rarely moves in a straight line. The merger process with Sapphire Foods continues to progress along expected timelines. We received approval from both the NSE and the BSE in June, bringing us closer to the next phase of regulatory filings. The timelines are broadly on track with our stated targets on completion by the end of FY27.

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I want to once again thank Yum! Brands for their continued confidence in DIL and RJ Corp as their long-term partners. As the Indian QSR industry continues to mature, the interplay between aggregator platforms and dining-led brands like us is an evolving dynamic that we are navigating thoroughly. Brand by brand, our own priority remains unchanged: disciplined profitable growth, a sharper consumer proposition both in-store and online, and continued preparation for a stronger combined DIL-Sapphire platform. I remain confident that the steps we have taken over the past several quarters position us well for the year ahead. Under Manish's leadership, we have continued to strengthen our management team. The new team is fully in place now and settling in well in their respective roles. I am encouraged by the early cultural and operational shifts that I see across the organization as we build that team as DIL 2.0. With this, I will hand over to Manish for the detailed business and financial highlights. Thank you very much.

Management: Thank you, Mr. Jaipuria. Good evening everyone and thank you for your time today for our Q1 FY27 earnings call. I am pleased to state that the new leadership team at DIL is fully in place and is settling in well. We are aiming to build DIL with the ambition to develop great brands and win markets with a distinct customer experience and a market-first regional operating structure, without diluting any focus on the brands we operate. The turnaround strategy at DIL has started to show results and we are confident that as the new team settles down, we will gain momentum in our journey.

The key priorities for the remainder of the year for the new team are: number one, opening new stores as per the guidance given earlier; number two, maintaining positive SSG for our brand portfolio; number three, improving efficiency and margin structure by way of technology adoption and cost control; and number four, building the next level of the team and organization structure with the right processes to get ready for the merged entity.

Coming to Q1 results, our business remains firmly on a turnaround and growth track. On a consolidated basis, we delivered 16.5% year-on-year growth in revenues, reaching 1,681 crores. Gross margin at 69.1% saw an improvement of 0.9% year-on-year. Brand contribution expanded 1.1% to reach 14.2%, with consolidated brand contribution of 224 crores being nearly 26% higher year-on-year. The improvement in brand contribution and effective management of G&A costs helped us post our highest-ever operating EBITDA at 151 crores. Our consolidated operating EBITDA grew nearly 38% year-on-year and represents an EBITDA margin of 9.6%. I would like to thank my team for all their efforts in achieving this milestone.

We have seen some food commodity inflation along with the hike in minimum wages and annual increments. LPG prices have significantly gone up in the last few months. Our teams have effectively managed the availability of LPG during this period. We have taken slight price increases in KFC and Pizza Hut to mitigate the cost impact, and we are monitoring the raw material and packaging prices as we go forward. Seasonal factors led to higher utility costs and higher wage costs during the quarter.

On the marketing side, our brands were active and visible throughout the quarter. At KFC, our media investment focused on positioning the brand at the center of consumption and celebration moments both in-store and on delivery. Importantly, our marketing spend at KFC has been deliberately rebalanced towards driving dining visits rather than deep online discounting. At Pizza

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Hut, marketing activity remained measured and purposeful as the brand works on its "back-to-basics" reset. The focus this quarter was on communicating improved product quality and everyday value, building the foundation for a stronger brand.

Costa Coffee leaned into the peak summer season with its cold beverage and craft range, which grew footfalls and trials through the April to June heat, while the brand continued to expand its presence in high-visibility travel and transit locations. At Biryani By Kilo, our marketing efforts were centered on occasion-led demand. The brand saw strong traction around festive and celebration occasions during the quarter. Across all of our brands, the common thread is discipline: spending where the consumer occasion is genuine, getting the return on spend, and building brand equity.

As mentioned earlier by the Chairman, at KFC, building on the previous quarter's momentum, our strategy of rebalancing investment towards the dining channel is showing good results. SSG came in at positive 3.3%, with offline sales contribution improving to 67%, more than 3 percentage points higher than the corresponding quarter of last year. Revenue grew nearly 12% year-on-year to 684 crores. Judicious use of discounting helped restore gross margins to 69.4% sequentially, which is 2.3% higher than Q1 of last year. The brand contribution margin expanded by 1.4% and delivered brand contribution of 115 crores, nearly 22% higher year-on-year.

At Pizza Hut, our efforts on building a sustainable growth foundation for the brand continue. SSG came in at -2.2%, improving sequentially with an uptick in Average Daily Sales (ADS) to 32,400 per store per day. Revenue stood at 184 crores. Gross margin improved to 76.3% during the quarter, but higher costs and operating leverage led to brand contribution margins eroding slightly. Accordingly, Pizza Hut posted a brand contribution loss of 4 crores. We ended the quarter with 626 stores as we continue to right-size the brand.

Our own brand portfolio, comprising Vango and Biryani By Kilo, continues to deliver healthy performance, with Biryani By Kilo delivering positive 7.2% and Vango delivering positive 7.1% SSG respectively during the quarter. Biryani By Kilo (BBK) continues to progress well on both the top-line as well as the bottom-line, and we are on track to realize the acquisition case turnaround of BBK. Led by BBK, our own brand portfolio posted revenues of 98 crores. Gross margins improved slightly on a sequential basis to 65.9%. Brand contribution came in at approximately 10 crores, representing a margin of 10.2%. Our own brand store network reached 218 stores with 23 BBK Express stores. Post-acquisition, we have been evaluating expanding BBK into newer formats. The BBK Express format is a small-box, lower-capex format, and we have seen an initial good response by opening these formats in our food courts.

Within our franchisee brand portfolio, which includes Costa Coffee, revenue growth remained steady at nearly 6% year-on-year. However, higher input costs led to a lower gross margin of 74.6%. Brand contribution margin came in at 15.1%, higher than last year on better cost management. Our international business maintains its impressive run of delivering strong and consistent growth by posting another quarter of 20% plus year-on-year growth, delivering 523 crores in quarterly revenue. Gross margins remained stable on a sequential basis.

Management: Effective cost management and operating leverage helped improve the brand contribution margin by 1.5% compared to last year, posting a brand contribution of 18.2% for the quarter. As part of DIL 2.0, we have decided to consolidate the entire business development activity

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of DIL under one leader. This is unlike in the past where individual brands used to focus on their own activities. This led to some rethinking on the store opening strategy and the way we approach landlords.

We opened 11 new KFC stores in India and added three new Biryani By Kilo stores in India. We have also begun testing BBK's performance in a dining format. We are confident that BBK's expansion into the offline channel will provide DIL with a durable long-term growth factor. We ended the period with 1,855 stores in India and 2,255 stores globally as of June 30, 2026. Our plan for opening new units remains in line with the guidance given earlier. As Mr. Jaipuria mentioned, our proposed merger with Sapphire Foods remains on track and we continue to expect completion of the merger by the end of the current financial year. With this, I would like to request the moderator to open the forum for any questions or suggestions that you may have. Thank you so much.

Operator: Thank you very much. We will now begin the question-and-answer session. The first question is from Surchi Pantaki from IIFL Securities. Please go ahead.

Surchi Pantaki – IIFL Securities: Hi, I just wanted to understand the margin drivers for KFC for the coming couple of years. You have already increased margins on a year-on-year basis by about 130 to 140 basis points, which now stands at about 17%. It was the same in Q4 as well. So, there is one step-up which has happened. I wanted to understand what would be the drivers for an increase from this current 17% level into the future? Two sub-questions to this: one, in terms of drivers, what is it apart from SSG? Assuming that SSG remains at a 3-4% level, I am assuming that you might not get much leverage from that. Are there any drivers apart from SSG in case that does not kick in over and above what we are seeing right now? And second, what kind of basis points can you shave off through these other initiatives over the next couple of years?

Management: Thanks, Surchi. As I have mentioned in the past, the key driver for improving the brand contribution margin remains the Average Daily Sales (ADS) number. I have also indicated in the past that once we cross a threshold of 105,000 to 110,000 ADS, we will be able to cross 20% brand contribution margins in KFC, as we have demonstrated that in the past. The key lever for ADS is a combination of SSG in the existing stores and the quality of new stores we are opening, so that we are able to start the new stores at a higher ADS number. That combination can give you the higher ADS and therefore better margins.

At the same time, we are also focusing on pushing our dining channel much more strongly versus the delivery channel. We have experimented in the quarter for which we declared results and we have seen some positive results on the dining channel. So, that will be another lever that will push the margins up. These are a few of the drivers, and then obviously as the ADS goes up, you get the leverage benefit because of the fixed cost structure of the business, which automatically helps with the margins as well.

Surchi Pantaki – IIFL Securities: Understood. So, this 105,000 to 110,000 ADS might also be a moving target. Right now, if you reach that number, you will make 20% margin, but assuming you take a few more quarters to reach that, in the meanwhile your cost structure will also inflate. If this is delayed beyond a few quarters, then even at that ADS level, the 20% margin may not come through. How are you looking at that timeframe?

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Management: You are right, because all of our discussion is based on the current environment. We do not know what will happen tomorrow in terms of inflation. Your observation is accurate that this is in the current context. However, it is not that we have not seen inflation or wage increases in the past. We have managed to bring efficiency into the business, and that is a continuous process that we have to be at. The ideas for improvement are always there and we continue to manage the business more efficiently. The other leverage point we have just started is technology adoption, where we have historically been weak. This will take a few quarters after the merger by the time we start to realize the benefits, as we are currently building that technology platform.

Surchi Pantaki – IIFL Securities: Understood. Sorry to belabor this point, but since this is the biggest part of your business, I want to understand this better. For that 105,000 to 110,000 ADS, how many quarters down the line do you think you can achieve that in the current macroeconomic context?

Management: As I said, we are looking at an SSG of about 5-6% for KFC. If I were to take that, it would roughly be a 1.5 to 2-year scenario. But again, the macros play a very important role. We have seen that there can be cycles where you get better SSG on average, and then some quarters where it is depressed. In general, we look at about 5-6%.

Surchi Pantaki – IIFL Securities: Understood. And on Pizza Hut, before the merger happens, is there anything else that can be done to accelerate the ADS further?

Management: For Pizza Hut, as I said in my commentary today, it is all about going back to basics. We are working on the product, the ingredients, and some innovative ideas. This will take some time, but it will help us stand in good stead over the long term.

Operator: Thank you. The next question is from Vivek from Jefferies. Please go ahead.

Vivek – Jefferies: Hi, good afternoon, Manish and team. Continuing with the KFC bit, you mentioned dining sales going up. In the last few quarters, we have seen this number creeping up a bit. We have seen it at about 57%. Do you think you can go back to 60-65%? Is that your target for the coming quarters?

Management: Vivek, it is difficult to fight the consumer's preference for convenience. We have seen that in the north, for example, convenience plays a very important role and consumers prefer delivery. I do not think we will be able to get to 65% in the near future, but our target remains to get to a number of 59-60%.

Vivek – Jefferies: Interesting. Even if delivery margins are lower—partly due to coupons and delivery costs—as long as it adds an incremental rupee to the outlet level, you should try to maximize both. Is that understanding correct, or are there capacity constraints?

Management: That hypothesis held when delivery was new, especially post-COVID, because it was giving us a net addition to the top line. Today, delivery as it stands is actually eating into dining sales. That is why we are making concerted efforts to bring consumers back to dining. That is where you have the best customer experience, the food tastes the best, and you get the full flavors. Our endeavor is for people to come back to the dining stores and enjoy the food better there.

Operator: Thank you. The next question is from Avi Mehta from Macquarie Capital. Please go ahead.

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Avi Mehta – Macquarie Capital: Hi, Manish. I wanted to check on these "stable demand trends." Does that mean same-store sales should continue at current levels for the format? Second, on the focus on dining, does this entail that we should see this across all formats or is it KFC-specific?

Management: Let me address your second question first. Convenience is very important, which is where delivery comes in. However, as brand owners and operators, we have to give consumers a good reason to come to the store. If a consumer gets the same offering at home, sometimes at a cheaper price, why would they come to the store where we are already operating a full infrastructure? We need to make sure our dining offerings are available in a different manner than delivery. Our pricing proposition remains in sync so that a dining customer gets the best deal along with a better experience. We have seen that as long as you give a good reason to visit, they do come into the stores. Every region behaves differently, but in general, consumers are responding to it. This is a broader principle across the formats, not just KFC.

Avi Mehta – Macquarie Capital: Got it. And on "stable demand trends," do you mean the base has been factored in and you are projecting consistent performance for Q2?

Management: By stable demand trends, I mean a few things. One, during the negative SSG trends we saw in the past, big days were becoming bigger, but then demand would drop significantly right after. Now, we are seeing that the drop is not as significant even as big days continue to grow. Another indicator is the SSG itself, and the fact that customers are responding to our new initiatives. We are also measuring how new stores in new geographies are performing. These are the levers we use to determine if demand is fine.

Avi Mehta – Macquarie Capital: So, has SSG in Q2 seen an improvement?

Management: It is too early to say for Q2 as we are only in July. There is also a "lap effect" from the Shravan period timing. Last year, Shravan was at a different time; this year it starts tomorrow or the day after. That lap effect exists, but broadly, we have seen a positive trend in the month of July and we are on track.

Avi Mehta – Macquarie Capital: That is all from my end. Thank you very much.

Operator: Thank you. The next question is from Vivek from Jefferies. Please go ahead.

Vivek – Jefferies: Sorry, I think there was an issue with my line. My question on KFC SSG is why the positive outlook is capped around mid-single digits? You had such a low base for 13 quarters where you were in the negative. Is it macro worries or aggregator concerns? Why isn't the commentary more bullish?

Management: Hi Vivek. Fundamentally, the macro environment seems tough. You see the situation with the rupee, oil prices, and specifically LPG. LPG availability was a constraint, though we managed to mitigate it. We saw significant availability issues during the cycle. Even now, the macros are not completely behind us; there is always new news coming in. For a very bullish view, we would need a stable situation, which we are not yet seeing. In the middle of all this, we are making efforts and seeing results, hence our measured approach.

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Vivek – Jefferies: On the Pizza Hut bit, is it a brand issue, execution, or market context? While your entry prices are attractive, prices go up significantly from there and there are better options on aggregators. Is it worth putting energy behind this brand?

Management: I have maintained for many years that there is nothing wrong with Pizza Hut as a brand. Despite everything, it remains the number two pizza brand in the country on a national basis. The biggest issue was the three-way structure between us, Sapphire, and Yum! in terms of decision-making, initiatives, and innovation. That will be corrected once the merger is finalized. In the meantime, we have started to correct the innovation piece and the basics so that we are ready to push once the structure is eased. The fundamental problem for Pizza Hut remains ADS, which is much lower than the competition. ADS cannot be improved unless we give a differentiated offering in terms of innovation at every price point, not just entry levels.

Vivek – Jefferies: So basically FY28 is when you will put all your energy behind Pizza Hut?

Management: That is right.

Operator: Thank you. The next question is from Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal – Emkay Global: Hi Manish, congratulations on the strong performance. I wanted to check about the renewed global thrust for the KFC brand regarding boneless snacking, sauces, beverages, and new store layouts. Are we working on these initiatives in India?

Management: Yes, all of that will happen in India. Globally, they have taken three initiatives. One is beverages under a sub-brand called "Quench," which we are currently discussing experimenting with in India. If successful, we will roll it out nationally. The second is around sauces, and the third is the boneless category. All of these will come to India in sequence.

Devanshu Bansal – Emkay Global: Where are we in terms of implementing them?

Management: We are in discussions for Quench because we have to optimize the product for Indian tastes. We also have to evaluate the capex required, as western markets look at capex differently. For Quench, most of the homework regarding capex and product optimization is done, and it was the most difficult piece out of the three. We are planning the test launch. The other pieces are relatively simple and will follow once Quench is established.

Devanshu Bansal – Emkay Global: How has the experience been in Thailand and are you open for further territory expansion there?

Management: We have been very happy with the Thailand results. You can see how the numbers have evolved for the international segment in terms of both top-line and bottom-line. We are keen on our current offering in Thailand. No formal process for territory expansion has been launched yet and no one has approached us, but we would be keen to look at it.

Devanshu Bansal – Emkay Global: Regarding Vango and Biryani By Kilo, what is the outlook on growth and profitability?

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Management: For Biryani By Kilo (BBK), we have achieved the turnaround. Brand contribution is now positive compared to when we acquired it. We are testing BBK in dining formats through food courts and at airport locations. We are also planning to test a "Satvik" pure vegetarian portfolio for BBK during the Shravan and Navratri periods. We are very bullish on BBK and aim to make it a 1,000 crore brand in the next few years. For Vango, we are bullish on the South Indian space as it works across different day parts. We are currently stabilizing the product, but the brand continues to do well.

Operator: Thank you. The next question is from Praful Kumar from Diamond Asia. Please go ahead.

Praful Kumar – Diamond Asia: Congratulations on the strong performance. Can you talk about the mandate from the promoters for the next 3-5 years and the leadership team you have built? What are the key roles and are there any remaining gaps? Also, on the merger, what are the key timelines and synergies?

Management: The promoters are very bullish. Devyani comes from a strong background and investment has never been an issue; it is a matter of how well we convert the opportunity. The promoters feel Devyani can be another Varun Beverages over time. Regarding the team, we have hired a new COO, CTO, and CMO. The leadership team is in place and settling in. It will take time for them to gel, but we are happy with the initial energy and results.

On the merger, we are on track for completion by the end of FY27. For synergies, we don't see any readiness issues. It was important for the new team to be in place so the integration becomes easier. The other big lever is the technology piece, which is progressing as planned. We hope to have that ready before the integration starts post-merger.

Praful Kumar – Diamond Asia: Regarding the CTO, can you share some background?

Management: Our new CTO comes with a very strong background from the QSR industry, having worked both in India and overseas. Rather than building a massive in-house tech team, we have a core internal team and have outsourced the primary build to Cognizant. We are confident we will achieve a faster rollout and be on track before the merger.

Operator: Thank you. The next question is from Naman from Kanvi Family Office. Please go ahead.

Naman – Kanvi Family Office: I wanted to get more sense on the own brand portfolio. What are the near-term measurables for the 1,000 crore aspiration? Secondly, for own and franchise brands like Costa, we see a sharp SSG increase. Is this due to price increases or something else?

Management: Regarding the own brands, if you look at per capita consumption in India, the incidence of eating out is very low. Consumers currently go out for experiences they cannot cook at home, which drives the push toward western brands. However, as the country grows and more women enter the workforce, Indian food categories will explode. We believe the Indian food category outside the home will eventually be much larger than the western category, and we are preparing for that.

Specifically for biryani, the organized and unorganized market is estimated between 30,000 crores to 40,000 crores. It is the most ordered item online in India, yet the biggest organized brand is only

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around 300 to 350 crores. There is a huge space for consolidation and standardized offerings. Similarly, the South Indian space is a very large category with a small organized play. We are working on a strategy to expanded the Indian food portfolio significantly.

Operator: The next question is from Chetan Thakkar from M3 Investment Private Limited. Please go ahead.

Chetan Thakkar – M3 Investment Private Limited: Since we are seeing a shift toward dining, does that change the capex intensity? We had moved toward smaller format stores earlier.

Management: Not at all. Pre-COVID, KFC delivery was less than 10%, and it has grown to about 45-46% today. The fundamental shift to smaller store sizes was driven by that move to delivery. Today, we have excess capacity in our stores to handle the shift back to dining without incurring extra capex. The current formats we are opening are sufficient for our future needs as well.

Chetan Thakkar – M3 Investment Private Limited: From a Pizza Hut perspective, how are we looking at menu refreshes and mindshare?

Management: We are working on setting the products right and new innovations. Our CMO, Sandeep, who also looks after the Pizza Hut brand, is making good progress on this. We will be ready with the recipe and strategy by the time the merger happens, which is when we will truly push the brand.

Chetan Thakkar – M3 Investment Private Limited: Regarding the integration between Sapphire and Devyani, are there any backend IT issues?

Management: It should not be a big challenge. Technology used to be controlled by Yum! and both companies were on the same stack. The processes on both sides are very similar, so integration will not be difficult.

Operator: That was the last question for today. I would now like to hand the conference over to the management team for closing comments.

Management: Thank you very much. We hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications, please feel free to contact our investor relations team. Thank you once again for your interest and support. Thank you very much.

Operator: We will now conclude today's conference. Thank you for joining us. You may now disconnect your lines.

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