

### Weak demand conditions cut KFC SSSG by 8%

Sapphire Foods' Q2 print was in-line with our estimates; consol. revenue grew 8.3%, while EBITDA/PAT declined at 8.5%/65.9%. KFC revenue grew at 8.7%, yet SSSG cut by 8%. PH's revenue grew 2.8% with 3.0% decline in SSSG. Sri Lanka revenues/SSSG grew by 19%/9% led by stable macros. In Q2 SF added 19/1/1 KFC/PH/Sri Lanka stores taking stores count to 909. SF committed to revive PH store metrics with value offerings and lower pace of store expansion. Gross margins at 68.8% (+8bp), led by KFC at 68.3% (+40bp) and PH at 76.5% (+40bp). Higher employee cost (+9.1%) and other expenses (+13.5%) saw decline in EBITDA margins to 16.1% (-295bp). SF took prudent decision to book impairment loss of Rs114mn on Maldives business. To rejuvenate brands and SSSG management's focus driven by, (1) building lunch occasion by expanding KFC portfolio, chicken rolls/Zinger Burger/Snackers, (2) develop consumption occasions across all day parts, (3) improving brand salience, (4) augment marketing investments, and (5) calibrated store expansion. With sequential improvement in PH/Sri Lanka business, we tweak our earnings and retain SELL rating, with a revised DCF-based TP of Rs310 (implying EV/EBITDA of 12.5x Sept'27E).

#### Weakness in demand coupled with higher vegetarian days cut KFC SSSG by 8.0%

SF reported consol. revenue at Rs7.0bn (+8.3%) YoY driven by continued weakness in consumer dictionary spending coupled with higher vegetarian days in Q2. With 11.7% increase in store, KFC revenue grew at 8.7%, yet SSSG cut by 8%. PH's revenue grew 2.8% with 3.0% decline in SSSG. Sri Lanka revenues/SSSG grew by 19%/9% led by stable to improving macros. In Q2 SF added 19/1/1 KFC/PH/Sri Lanka stores taking stores count to 909 (KFC/PH/Sri Lanka at 461/323/125). SF committed to revive PH store metrics with value offerings and lower pace of store expansion. SF increased marketing investments behind *Melts* in last 6 months and also launched exciting *MOMO MIA* pizza range starting at Rs299. To rejuvenate brands and SSSG management's focus driven by, (1) building lunch occasion by expanding KFC portfolio, chicken rolls/Zinger Burger/Snackers, (2) develop consumption occasion across all day parts, (3) improving brand salience, (4) augment marketing investments, and (5) calibrated store expansion. With sequential improvement in PH/Sri Lanka business, despite demand remained softer in Q2, management held store expansion guidance to double store count for KFC ~3 years (base Dec'21) expecting sharp improvement around festive season - Diwali.

#### Gross margins remained stable at 68.8% (+8bp), yet EBITDA margin cut to 16.1% (-295bp)

Gross margins remained stable at 68.8% (+8bp), with KFC at 68.3% (+40bp) and PH at 76.5% (+40bp). However higher employee cost (+9.1%) and other expenses (+13.5%) led to decline in EBITDA margins to 16.1% (-295bp). SF took prudent decision to book impairment loss of Rs114mn on Maldives business which struggled in past one year as sales cut by 57%. Nonetheless PAT declined by 65.9% to Rs52.0mn. SF guided for operating margin improvement led by lowering input costs and pace of store expansion for PH to lift SSSG.

#### Valuation and risks

As argued in our [QSR Thematic report](#), with strong management, besides sharp improvement in its execution capabilities we expect turnaround in SF's performance. However weak consumption demand, incremental competition in chicken QSR, and lower discretionary spending pose short term challenges in our view. We reckon SF's management has reworked store expansion strategy and also took initiatives to build consumption occasions using innovations/LTO could ensure margin trajectory. Despite sequential improvement in PH and Sri Lanka business, with lower 1HFY25 we cut earnings for FY25E/ FY26E by 23.1%/16.8% and retain SELL with a revised DCF-based TP of Rs310 (implying EV/EBITDA of 12.5x Sept'27E). Key risks: prolonged weakness in demand, severe competition from organized/ unorganized players.

#### Financial and valuation summary

YE Mar (Rs mn)	2QFY25A	2QFY24A	YoY (%)	1QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	6,940	6,414	8.2	7,165	(3.1)	29,693	35,413	41,824
EBITDA	1,120	1,151	(2.7)	1,242	(9.8)	5,271	6,463	7,929
EBITDA margin (%)	16.1	17.9	(295bp)	17.3	(6.9)	17.8	18.3	19.0
Adj. Net profit	52	152	(65.9)	82	(36.7)	913	1,696	2,727
Adj. EPS (Rs)	(0.1)	0.2	(65.9)	0.1	(36.7)	2.9	5.3	8.6
EPS growth (%)						75.8	85.7	60.8
PE (x)						120.3	64.8	40.3
EV/EBITDA (x)						20.1	15.7	12.0
PBV (x)						7.7	6.9	5.9
RoE (%)						6.6	11.2	15.7
RoCE (%)						13.5	18.2	22.5

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India I Retail

28 October, 2024

SELL

Price: Rs348

Target Price: Rs310

Forecast return: -11%

Institutional Research

#### Market Data

Bloomberg:	SAPPHIRE IN
52 week H/L:	401/243
Market cap:	Rs109.5bn
Shares Outstanding:	319.8mn
Free float:	59.8%
Avg. daily vol. 3mth:	12,65,211
Source: Bloomberg	

#### Changes in the report

Rating:	Unchanged
Target price:	Rs310 from Rs323
EPS:	FY25E: Rs2.9; FY26E: Rs5.3;
Source: Centrum Broking	

#### Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	26.2	30.8	30.8	31.3
FII	31.5	31.5	30.0	30.0
DII	37.1	31.5	32.4	31.7
Public/other	5.2	6.2	6.8	7.0
Source: BSE				

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY25	Actual Q2FY25	Variance (%)
Revenue	7,019	6,957	-0.9
EBITDA	1,144	1,120	-2.1
EBITDA margin %	16.3	16.1	-20 bps
Other Income	78	85	8.6
Interest	287	271	-5.7
Depreciation	917	881	-4.0
PBT	17	53	206.2
Tax	4	1	-73.6
Rep. PAT	13	(62)	-585.7
Adj. PAT	13	52	303.4
Source: Bloomberg, Centrum Broking			



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Retail

## Thesis Snapshot

### Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	29,693	30,111	(1.4)	35,413	35,688	(0.8)
EBITDA	5,271	5,597	(5.8)	6,463	6,873	(6.0)
EBITDA margin %	17.8	18.6	(84bp)	18.3	19.3	(101bp)
Adj. PAT	913	1,188	(23.1)	1,696	2,040	(16.8)
Diluted EPS (Rs)	2.9	3.7	(23.1)	5.3	6.4	(16.8)

Source: Centrum Broking

### Sapphire Foods versus NIFTY Midcap 100

	1m	6m	1 year
SAPPHIRE IN	(8.2)	26.2	32.5
NIFTY Midcap 100	(7.7)	9.6	44.0

Source: Bloomberg, NSE

### Key assumptions

Y/E Mar	FY25E	FY26E
No. of store	981	1106
Gross Margin%	68.1	68.4
Store Margin (%) (Pre-INDAS)	16.0	16.5
Store Margin (%) (Post-INDAS)	23.3	23.8
EBITDA (%) (Pre-INDAS)	10.5	11.0
EBITDA (%) (Post-INDAS)	17.8	18.3

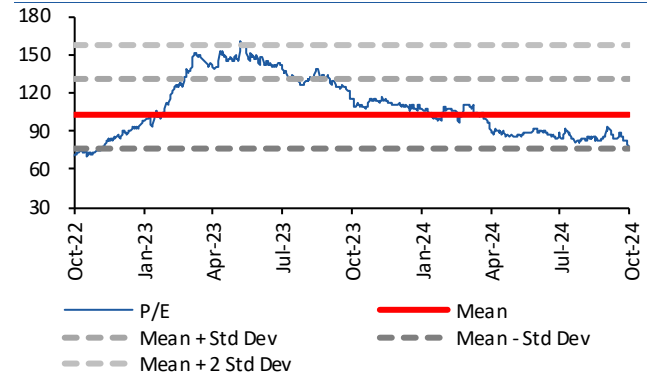
Source: Centrum Broking

### Valuations

As argued in our [QSR Thematic report](#), with strong management, besides sharp improvement in its execution capabilities we expect turnaround in SF's performance. However weak consumption demand, incremental competition in chicken QSR, and lower discretionary spending pose short term challenges in our view. We reckon SF's management has reworked store expansion strategy and also took initiatives to build consumption occasions using innovations/LTO could ensure margin trajectory. Despite sequential improvement in PH and Sri Lanka business, with lower 1HFY25 we cut earnings for FY25E/ FY26E by 23.1%/16.8% and retain SELL with a revised DCF-based TP of Rs310 (implying EV/EBITDA of 12.5x Sept'27E). Key risks: prolonged weakness in demand, severe competition from organized/unorganized players.

Valuations	Rs/share
DCF-based target price	Rs310
WACC (%)	11.8
Terminal growth (%)	5.2

### P/E mean and standard deviation



Source: Bloomberg, Centrum Broking

### Peer comparison

Company	Mkt Cap (Rs Bn)	CAGR (FY24-26E)			EV/EBITDA(x) Pre-INDAS			EV/EBITDA (x) - Post			RoE(%)		
		Sales	EBITDA	EPS	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Jubilant Foods	436.7	17.1	22.9	43.9	44.2	33.6	27.8	29.2	23.5	19.8	18.3	22.0	22.8
Devyani International	230.2	22.1	23.3	39.2	41.6	31.7	25.2	21.9	17.8	14.8	11.7	15.0	16.8
Westlife Foodworld	137.2	14.1	15.0	51.2	51.3	40.6	32.2	36.5	29.6	25.2	14.9	22.4	27.8
<b>Sapphire Foods</b>	<b>115.5</b>	<b>17.3</b>	<b>19.8</b>	<b>73.8</b>	<b>34.1</b>	<b>26.1</b>	<b>19.6</b>	<b>20.1</b>	<b>15.7</b>	<b>12.0</b>	<b>6.6</b>	<b>11.2</b>	<b>15.7</b>
RBA	61.3	21.6	29.1	N/A	33.2	24.0	18.3	14.7	11.3	8.9	(1.7)	1.1	2.3

Source: Company, Centrum Broking

**Exhibit 1: Key conference call takeaways and metrics**

Centrum Quarterly Monitor	Q1FY25	Q2FY25	Our Comments
<b>Demand environment</b>	Consumer discretionary spends remained subdued during Q1 coupled with Navratra in April	Subdued demand environment coupled with higher vegetarian days cut down sales for KFC	Multiple headwinds and external factors affecting discretionary spending, yet easing of sticky food inflation is expected to improve consumer sentiments and improve out of home consumption
<b>Outlook and guidance</b>	Management guided for muted store expansion in FY25 in PH format while continued its guidance for doubling KFC restaurants count in ~3 years (base Dec'21)	Management remained cautious on store expansion plan yet maintain guidance on KFC	Though operating environment would improve, SF expects to take price hike post 2HFY25 if RM prices stabilize
<b>Key interventions</b>	KFC launched KFC Zinger's "best burger credentials" with launch of 6 sauce variants & new veg Paneer Zinger and expanded KFC Chicken Rolls range with launch of 3 sauce variants	Company increased marketing investments behind Melts from Apr-Sep and have now launched in October the exciting MOMO MIA! range of pizzas and appetizers.	Introduction of value layer is likely to drive footfall, yet premiumization and entering into high margin chicken categories expected to lift AOV
<b>On margins and exceptional items</b>	Gross margins inched up to 68.6% (+9bp), EBITDA margins at 17.3% (-141bp)	Gross margins inched up to 68.8% (+8bp), EBITDA margins at 16.1% (-295bp).	With deflationary raw material prices gross margin expected to remain stable yet elevated ad spend might check operating margins

Source: Centrum Broking

## Conference call highlights

### Demand

- Consol. revenues grew at 8.3% to Rs7.0bn, India restaurant sales grew 7.0% YoY as consumer discretionary spends remained subdued during Q2
- KFC sales grew by 8.7%, while SSSG declined by 8%, ADS declined by 11.2 % to Rs111K, sales were impacted due to seasonally weak consumption in Q2 for non-vegetarian food
- Pizza Hut sales grew by 2.8%, though SSSG declined by 3.0%, ADS declined by 2.1% to Rs47K, SF increased marketing investments behind Melts from Apr-Sep and have launched MOMO Mia pizza range with limited time offer (Rs299 meal) in October and appetizer
- Sapphire added 19 KFC and 3 PH stores in India and one in Sri Lanka in Q2 taking store count to 909
- SSSG was negative due to deleverage of the business owing by muted demand conditions
- Management expects 20-25/75-80 new store for PH/KFC in FY25
- Management would continue to invest behind marketing on Melt along with new offer MOMO MIA! Pizza range starting at Rs299
- Management pointed out that delivery has been fairly resilient while dip in dine-in due to late night store open for delivery along with lower footfall at mall
- Management believe Geopolitical tension has impacted while gradual improvement would have been visible

### KFC India

- KFC sales grew by 8.7%, while SSSG declined by 8%, ADS declined by 11.2 % to Rs111K
- SSSG declined majorly dropped in transaction while ticket size down by 1%
- KFC's gross margin stood at 68.3% (+40bp) while restaurant EBITDA declined by 270bp to 16.5%
- To revive SSSG and boost occasions of consumption company remained focused on VFM, product innovation (Chicken Rolls variants, Zinger Burger variants, Snackers), focus on day parts (lunch, late night, Wednesdays) and driving value across individual and group meal occasions
- Higher competition has observed in Fried Chicken Category, major competition comes from small players
- Major store expansion has happened +1mn population in last couple of years where 20% comes under new market
- Management expects KFC store count would reach 500 by Dec 24, post that management would revisit the expansion strategy

### PH India

- Pizza Hut sales grew by 2.8%, though SSSG declined by 3.0%, ADS declined by 2.1% to Rs47K,
- PH's gross margin stood at 76.5% (+40bp) whereas restaurant EBITDA cut by 350bp to 4.1%
- To improve the performance management has added specific menus, value offerings and lunch advertising which is expected to give benefit in the upcoming quarters
- Management has guided not to aggressively open new store until meeting the below criteria: (1) Positive SSSG, (2) ADS>Rs50k and (3) minimum Restaurant EBITDA margin of 8-10% and planning to open 15-20 stores for FY25
- Management expects double digit margin with the help of >Rs55k ADS

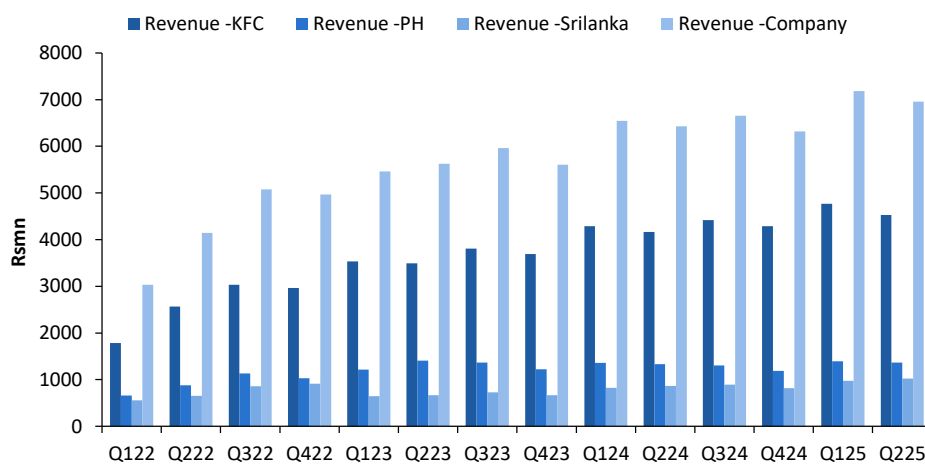
## Sri Lanka Business

- Sri Lanka – Sales increased by 19.0% to Rs1024.0mn, with +9% SSSG, though ADS grew by 5.3% to Rs92k
- Sri Lanka gross Margin stood at 61.1% (-110bp) whereas Restaurant EBITDA stood at 15.5% (+20bp)

## Margin

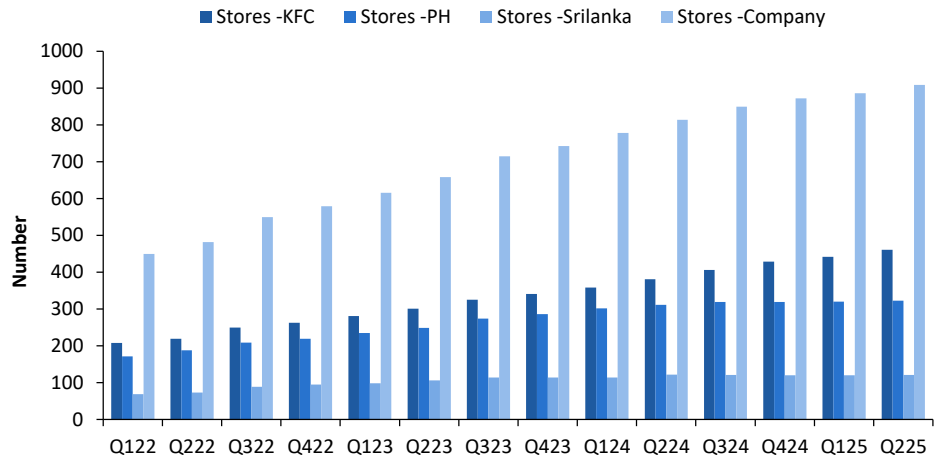
- Overall company's gross margins inched up to 68.8% (+8bp) on the back of lower input RM/PM
- Overall company EBITDA declined by 8.5% resulting in EBITDA margin at 16.1% (-295bp) due to higher other expenses (+13.5%) and employee cost (+9.1%)
- Consol. Restaurant EBITDA declined 8%, while India restaurant EBITDA margin at 13.6% (-280bp)
- Pre –INDAS EBITDA/Reported EBITDA came at 8.5%/16.1% lower by 210bp/295bp respectively
- Adjusted PAT declined by 65.9% to Rs52.0mn on the back of higher depreciation & interest cost by 14.7%/10.8% respectively
- Management guided 100bps change in channel sales (from Dine-in Delivery) would have 10-15bps negative impact in operating margin
- Maldives business (KFC:2 and PH:2) which contributed 0.4% of consol. revenues has struggled in the past one year and sales cut by 57%. With continued geo political situation SF took prudent approach by booking impairment (non-cash) of Rs114mn in Q2FY25

### Exhibit 2: Quarterly consol. net revenue growth – YoY



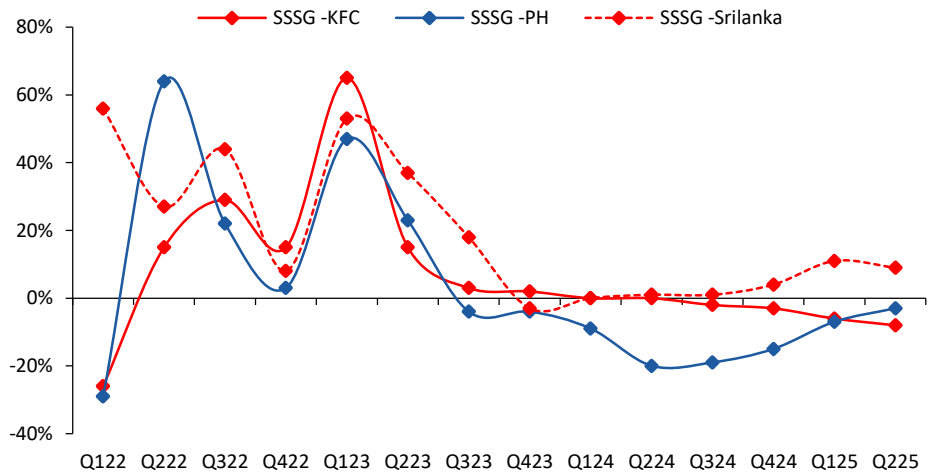
Source: Company Data, Centrum Broking

**Exhibit 3: Quarterly Store Growth trend**



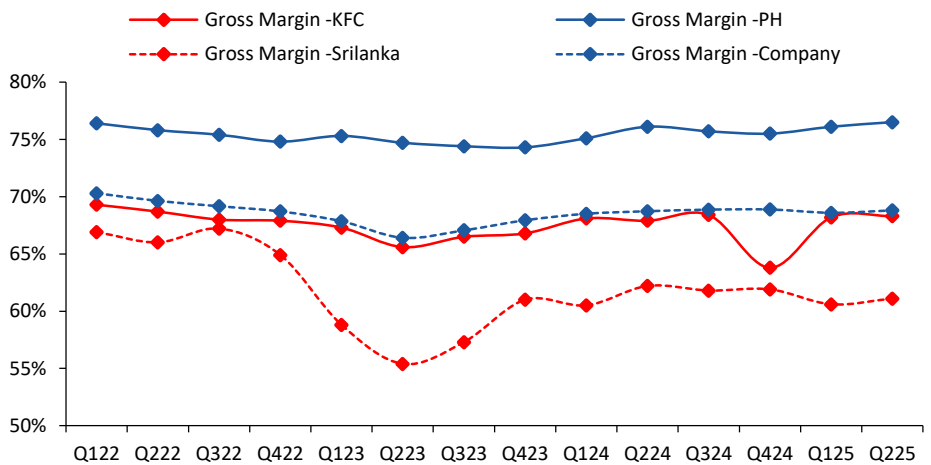
Source: Company Data, Centrum Broking

**Exhibit 4: Brand wise SSSG on a declining trend**



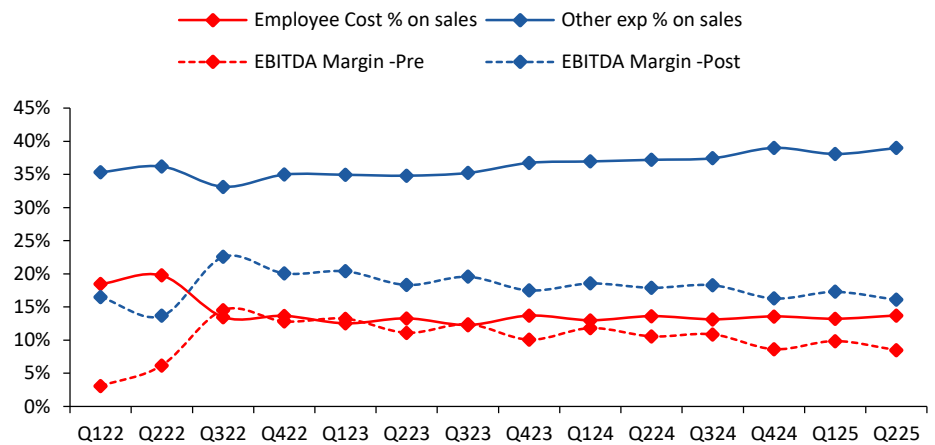
Source: Company Data, Centrum Broking

**Exhibit 5: Brand wise Gross Margin – PH on higher side while KFC expanded steadily**



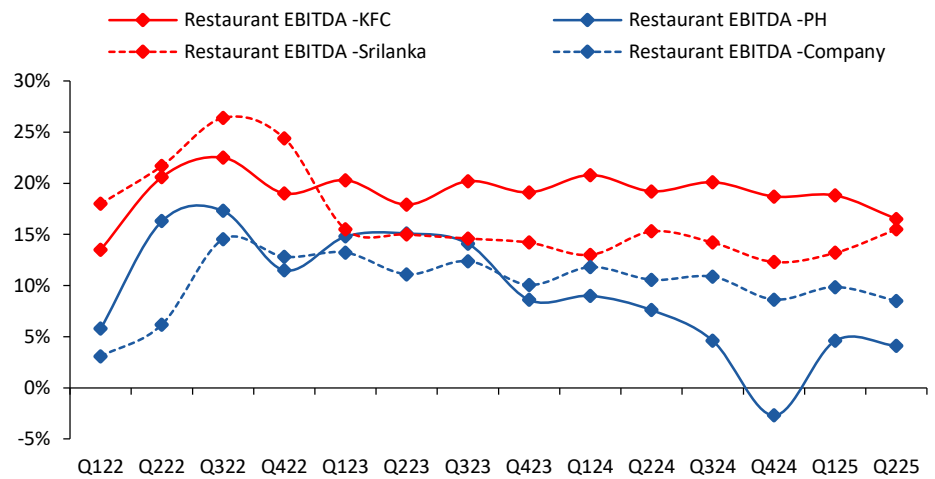
Source: Company Data, Centrum Broking

**Exhibit 6: EBITDA margin trend , Employee & Other expenses as a % on sales**



Source: Company Data, Centrum Broking

**Exhibit 7: Restaurant EBITDA trend YoY**



Source: Company Data, Centrum Broking

**Exhibit 8: KFC brand priorities**

**KFC BRAND PRIORITIES**

<p><b>Enhance Fried Chicken Category Relevance</b></p> <ul style="list-style-type: none"> <li>- Build lunch day part occasions through variety, value and mass media advertising</li> </ul>	<p><b>Craveable Taste</b></p> <ul style="list-style-type: none"> <li>- Launch of Chicken Roll sauce variants (Classic, Korean, Thai, Tandoori, Spicy)</li> </ul>	<p><b>Value</b></p> <ul style="list-style-type: none"> <li>- Address critical price points of ₹99/-, ₹149/- &amp; ₹399/- through snacking and meal options</li> </ul>
<p><b>Frictionless Customer Experience</b></p> <ul style="list-style-type: none"> <li>- Digital Kiosks</li> <li>- KFC App</li> <li>- Partnering with aggregators</li> </ul>	<p><b>Operational Excellence</b></p> <ul style="list-style-type: none"> <li>- 7 Minutes express pickup</li> <li>- Achieved &gt;4.0 consumer ratings at aggregate level across Swiggy, Zomato &amp; Google</li> </ul>	<p><b>Improve Accessibility</b></p> <ul style="list-style-type: none"> <li>- On track to double the restaurant count in ~2 years (base Dec'21 count)</li> </ul>

Source: Company

Exhibit 9: KFC operational metrics



Source: Company

Exhibit 10: Pizza hut action plan

Actionable	Status	Comment
<b>A. Build Brand:</b>		
- Product Innovation	●	Launched Melts, Thin Crust Pizza and revamped Pasta range in Mar-24 Launched Momo Mia Pizza & Appetizers in Oct-24
- Enhanced Marketing Investments	●	Doubled spends on TV, OTT, Digital & OOH segments vs last year
<b>B. Grow Dine In / Home Service:</b>		
- Operations	●	Dragon Tail (kitchen planning tool) resulting in improvement in customer service metrics
- Building Occasions	●	Achieved >4.0 consumer ratings at aggregate level across Swiggy, Zomato & Google
- Building Occasions	●	Lunch, late night & alternate channel activation underway
<b>C. Real Estate</b>		
	●	Cautious store expansion approach continues.

After seeing a 17% sequential QoQ upliftment in ADS in Q1, Pizza Hut ADS has remained stable in Q2. We remain confident of the Brand revival in the medium-term basis above actions.

Source: Company

Exhibit 11: Pizza hut brand priorities – Build Brand Salience

Build Brand Salience | Product Innovation



Source: Company



Exhibit 12: Pizza hut operational metrics



Source: Company

Exhibit 13: Sri Lanka brand innovation



Source: Company

Exhibit 14: Sri Lanka store metrics



Source: Company

**Exhibit 15: Quarterly financials**

Particulars (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Sales	5,436	5,604	5,939	5,592	6,526	6,413	6,643	6,297	7,165	6,940
Other Operating Income	27	24	23	12	18	13	13	20	18	17
Total Income	5,463	5,628	5,961	5,604	6,544	6,426	6,656	6,317	7,183	6,957
Cost of materials	1,756	1,890	1,964	1,797	2,061	2,010	2,072	1,966	2,256	2,171
Gross Profit	3,707	3,737	3,998	3,807	4,483	4,417	4,583	4,351	4,927	4,786
Employee Expenses	684	747	731	767	850	875	874	857	949	954
Other Exp	1,909	1,959	2,100	2,059	2,418	2,391	2,492	2,464	2,736	2,712
Operating Profit (Core EBITDA)	1,114	1,032	1,167	981	1,214	1,151	1,217	1,029	1,242	1,120
Depreciation	609	628	681	724	727	768	874	870	904	881
EBIT	505	404	486	258	487	384	344	159	338	239
Interest	197	206	217	249	226	245	263	275	273	271
Other Income	49	71	67	114	75	75	60	124	53	85
Profit Before Tax	356	269	336	123	336	214	140	8	118	53
Tax	(25)	1	9	(1,232)	88	62	42	(12)	36	1
Tax rate (%)	(7.1)	0.3	2.6	(1,003)	26.0	28.9	30.0	-143.0	30.8	2.2
Profit After Tax	382	269	327	1,355	249	152	98	20	82	52
<b>Margin (%)</b>										
Gross Margin	67.9	66.4	67.1	67.9	68.5	67.9	68.9	68.9	68.6	68.8
EBITDA	20.4	18.3	19.6	17.5	18.6	17.9	18.3	16.3	17.3	16.1
EBIT	9.2	7.2	8.2	4.6	7.4	6.0	5.2	2.5	4.7	3.4
Adj. PAT	7.0	4.8	5.5	24.2	3.8	2.4	1.5	0.3	1.1	0.7

Source: Company, Centrum Broking

**Exhibit 16: Brand financials**

Particulars (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>KFC</b>										
ADS (Rs. in 000')	144000	134000	136000	127000	138000	125000	125000	1,14,000	1,22,000	1,11,000
SSSG	65%	15%	3%	2%	0%	0%	-2%	-3.0%	-6.0%	-8.0%
Restaurant Sales	3537	3491	3810	3691	4286	4165	4421	4,285	4,770	4,527
Total Restaurant	281	301	325	341	358	381	406	429	442	461
Gross Margin	67.3%	65.6%	66.5%	66.8%	68.1%	67.9%	68.4%	63.8%	68.2%	68.3%
Restaurant EBITDA –Pre	20.3%	17.9%	20.2%	19.1%	20.8%	19.2%	20.1%	18.7%	18.8%	16.5%
<b>PH</b>										
ADS (Rs. in 000')	61000	64000	58000	50000	52000	48000	45000	41,000	48,000	47,000
SSSG	47%	23%	-4%	-4%	-9%	--20%	-19%	-15.0%	-7.0%	-3.0%
Restaurant Sales	1219	1410	1364	1221	1362	1330	1305	1,188	1,397	1,367
Total Restaurant	235	249	274	286	302	311	319	319	320	323
Gross Margin	75.3%	74.7%	74.4%	74.3%	75.1%	76.1%	75.7%	75.5%	76.1%	76.5%
Restaurant EBITDA –Pre	14.8%	15.1%	14.1%	8.6%	9.0%	7.6%	4.6%	-2.7%	4.6%	4.1%
<b>Srilanka</b>										
ADS (Rs. in 000')	75000	73000	75000	65000	81000	81000	81000	75,000	90,804	92,460
SSSG	53%	37%	18%	-3%	0%	1%	1%	4.0%	11.0%	9.0%
Restaurant Sales	650	669	731	667	825	864	892	816	978	1,024
Total Restaurant	98	106	114	114	114	118	121	120	120	121
Gross Margin	58.8%	55.4%	57.3%	61.0%	60.5%	62.2%	61.8%	61.9%	60.6%	61.1%
Restaurant EBITDA –Pre	15.5%	15.0%	14.6%	14.2%	13.0%	15.3%	14.2%	12.3%	13.2%	15.5%

Source: Company, Centrum Broking

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>22,656</b>	<b>25,943</b>	<b>29,693</b>	<b>35,413</b>	<b>41,824</b>
Operating Expense	7,407	8,109	10,988	13,005	15,301
Employee cost	2,929	3,456	4,043	4,730	5,440
Others	8,036	9,765	9,391	11,214	13,155
<b>EBITDA</b>	<b>4,284</b>	<b>4,613</b>	<b>5,271</b>	<b>6,463</b>	<b>7,929</b>
Depreciation & Amortisation	2,642	3,239	3,523	3,769	4,017
<b>EBIT</b>	<b>1,642</b>	<b>1,374</b>	<b>1,748</b>	<b>2,694</b>	<b>3,912</b>
Interest expenses	869	1,009	1,101	1,214	1,327
Other income	311	334	368	405	445
<b>PBT</b>	<b>1,084</b>	<b>699</b>	<b>1,015</b>	<b>1,885</b>	<b>3,030</b>
Taxes	(1,248)	180	101	188	303
Effective tax rate (%)	115.1	25.7	10.0	10.0	10.0
<b>PAT</b>	<b>2,332</b>	<b>520</b>	<b>913</b>	<b>1,696</b>	<b>2,727</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>2,332</b>	<b>520</b>	<b>913</b>	<b>1,696</b>	<b>2,727</b>
Extraordinary items	0	0	0	0	0
<b>Reported PAT</b>	<b>2,332</b>	<b>520</b>	<b>913</b>	<b>1,696</b>	<b>2,727</b>
Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Revenue	31.6	14.5	14.5	19.3	18.1
EBITDA	40.4	7.7	14.3	22.6	22.7
Adj. EPS	(4.7)	(77.7)	75.8	85.7	60.8
<b>Margins (%)</b>					
Gross	67.3	68.7	68.1	68.4	68.5
EBITDA	18.9	17.8	17.8	18.3	19.0
EBIT	7.2	5.3	5.9	7.6	9.4
Adjusted PAT	10.3	2.0	3.1	4.8	6.5
<b>Returns (%)</b>					
ROE	20.6	4.0	6.6	11.2	15.7
ROCE	14.9	9.5	13.5	18.2	22.5
ROIC	(1.5)	5.0	7.2	11.7	18.6
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	0.8	0.7	0.8	0.9	1.0
Debtors	3	4	3	2	2
Inventory	41	44	40	40	40
Creditors	103	101	99	102	103
Net working capital	(1)	3	30	66	102
<b>Solvency (x)</b>					
Net debt-equity	(0.1)	(0.1)	(0.3)	(0.5)	(0.8)
Interest coverage ratio	4.9	4.6	4.8	5.3	6.0
Net debt/EBITDA	(0.4)	(0.3)	(0.8)	(1.3)	(1.8)
<b>Per share (Rs)</b>					
Adjusted EPS	7.3	1.6	2.9	5.3	8.6
BVPS	39.5	42.1	45.0	50.4	58.9
CEPS	15.7	11.8	14.0	17.2	21.2
DPS	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>					
P/E	47.1	211.6	120.3	64.8	40.3
P/BV	8.8	8.2	7.7	6.9	5.9
EV/EBITDA	25.2	23.5	20.1	15.7	12.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	635	637	637	637	637
Reserves & surplus	11,924	12,754	13,668	15,364	18,091
Shareholders fund	12,559	13,391	14,305	16,001	18,728
Minority Interest	(20)	7	7	7	7
Total debt	443	276	196	116	36
Non Current Liabilities	7,713	10,249	11,274	12,402	13,642
Def tax liab. (net)	36	35	38	42	46
<b>Total liabilities</b>	<b>20,730</b>	<b>23,958</b>	<b>25,820</b>	<b>28,568</b>	<b>32,459</b>
Gross block	29,671	36,240	38,668	41,248	43,808
Less: acc. Depreciation	(11,217)	(13,783)	(17,306)	(21,074)	(25,091)
Net block	18,454	21,784	21,362	20,174	18,717
Capital WIP	550	673	680	687	694
Net fixed assets	18,454	22,458	22,043	20,861	19,411
Non Current Assets	450	167	184	202	222
Investments	659	0	0	0	0
Inventories	993	969	1,109	1,322	1,562
Sundry debtors	179	344	163	194	229
Cash & Cash Equivalents	2,204	1,676	4,308	8,663	14,484
Loans & advances	1,578	1,490	1,930	2,199	2,497
Other current assets	203	169	163	194	229
Trade payables	2,170	2,308	2,844	3,392	4,006
Other current liab.	2,864	1,914	2,115	2,523	2,979
Provisions	177	220	249	282	319
Net current assets	(53)	205	2,465	6,376	11,697
<b>Total assets</b>	<b>20,730</b>	<b>23,958</b>	<b>25,820</b>	<b>28,568</b>	<b>32,459</b>

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	1,084	699	1,015	1,885	3,030
Depreciation & Amortisation	2,642	3,239	3,523	3,769	4,017
Net Interest	869	1,009	1,101	1,214	1,327
Net Change – WC	(669)	(317)	359	429	484
Direct taxes	(21)	(20)	(101)	(188)	(303)
<b>Net cash from operations</b>	<b>3,904</b>	<b>4,610</b>	<b>5,897</b>	<b>7,109</b>	<b>8,554</b>
Capital expenditure	(3,825)	(3,850)	(3,108)	(2,587)	(2,567)
Acquisitions, net	0	0	0	0	0
Investments	1,656	1,829	0	0	0
Others	133	151	0	0	0
<b>Net cash from investing</b>	<b>(2,035)</b>	<b>(1,869)</b>	<b>(3,108)</b>	<b>(2,587)</b>	<b>(2,567)</b>
<b>FCF</b>	<b>1,869</b>	<b>2,741</b>	<b>2,788</b>	<b>4,522</b>	<b>5,987</b>
Issue of share capital	0	83	1,025	1,127	1,240
Increase/(decrease) in debt	(1,084)	(1,203)	(80)	(80)	(80)
Dividend paid	0	0	0	0	0
Interest paid	(864)	(1,005)	(1,101)	(1,214)	(1,327)
Others	0	0	0	0	0
<b>Net cash from financing</b>	<b>(1,948)</b>	<b>(2,125)</b>	<b>(156)</b>	<b>(167)</b>	<b>(167)</b>
Net change in Cash	(80)	616	2,632	4,355	5,821

Source: Company, Centrum Broking

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#### Sapphire Foods India Ltd



Source: Bloomberg

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