

We maintain BUY on Sapphire with an unchanged TP of Rs300, supported by a step-up in normalized SSG to 6% in Q4, after remaining in flat to negative zone for 11 straight quarters. The momentum has sustained in Q1TD as well, aided by an improved recruitment and frequency strategy, with Krisper Meal at Rs99 and BOGO bucket offers in select markets on specific days. Despite higher promotional and ad spends, KFC brand margins notably improved ~100bps, likely helped by a 1.5-2.0% price hike and support from vendors. However, margins might face headwinds from a likely increase in fuel costs and a potential withdrawal of vendor support, which might have a combined margin impact of ~100bps. PH India continues to struggle, while PH Sri-Lanka delivered another resilient quarter with ~15% EBITDA growth. Sapphire incurred capex of Rs3.2bn toward the opening of 80 stores (largely KFC) and expects a similar run-rate to continue going ahead as well.

#### KFC sees a strong SSG recovery; SL continues its healthy growth trajectory

KFC saw robust YoY revenue growth of 14.6% in Q4, led by SSG of 4% (6% ex-Chaitra Navratri; highest in the last 14 quarters) and healthy store additions. Encouragingly, KFC restaurant EBITDA margins improved 110bps YoY to 16.8%, led by a 70bps expansion in gross margin (1.5-2% price hikes and vendor support for value offering) and operating leverage. Pizza Hut (PH) continued its weak revenue performance with a YoY decline of ~6%, owing to a 7% dip in SSG. However, in Tamil Nadu (Sapphire's exclusive territory), the brand continues to exhibit better performance, delivering double-digit delta on both SSG and EBITDA vs other territories. Sri Lanka (SL) reported strong 16% revenue growth, led by 11% SSG (in local currency terms). SL gross margin (GM) expanded by ~290bps, led by reduced discounts and price hikes, but restaurant EBITDA margin contracted by ~20bps, due to a significant hike in minimum wages. Overall, at the consol level, Q4 has been the best quarter over the last 12 quarters in terms of SSG and Adj EBITDA growth (~20% YoY growth) on the back of strong new consumer recruitment by KFC and continued strong performance in SL, despite supply-side challenges.

#### Strategic initiatives yielding strong initial benefits for KFC

KFC's growth was driven by the management's strategic two-pronged customer recruitment approach, featuring a Rs99 *Krisper Chicken Burger Meal* in the evolving chicken market of the North and West, and a *Hot & Crispy buy-one-get-one* (BOGO) offer in the South, both limited to dine-in and takeaway. The management emphasized that these are structural value initiatives, not short-term promotions. The Rs99 offer has been scaled from 150 stores to the entire network (ex-TN) and has been vendor-supported, helping protect GM. The management expects a potential 50-70bps GM impact if the support is withdrawn. While the BOGO offer is margin-dilutive, its selective offering (once a month) and strong throughput help offset the impact, resulting in no material EBITDA dilution. Management also highlighted an increased focus on its innovation strategy this year, launching KFC's global 'Dunked' saucy range and KFC 'shaworms', both of which have seen strong initial traction.

Target Price – 12M	Mar-27
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	72.4

Stock Data	SAPPHIRE IN
52-week High (Rs)	368
52-week Low (Rs)	140
Shares outstanding (mn)	321.4
Market-cap (Rs bn)	56
Market-cap (USD mn)	592
Net-debt, FY27E (Rs mn)	(787.8)
ADTV-3M (mn shares)	1.0
ADTV-3M (Rs mn)	193.0
ADTV-3M (USD mn)	2.0
Free float (%)	49.0
Nifty-50	23,995.7
INR/USD	94.5

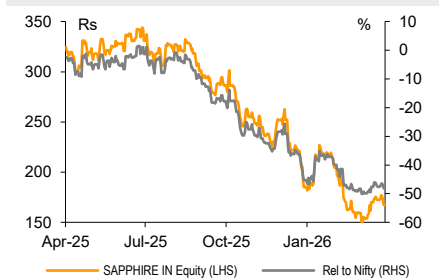
#### Shareholding, Mar-26

Promoters (%)	26.1
FPIs/MFs (%)	29.0/37.5

#### Price Performance

(%)	1M	3M	12M
Absolute	9.5	(8.2)	(45.6)
Rel. to Nifty	4.1	(3.0)	(44.9)

#### 1-Year share price trend (Rs)



#### Sapphire Foods: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	25,943	28,819	31,253	35,430	39,690
EBITDA	4,613	4,768	4,736	5,829	7,113
Adj. PAT	520	320	(80)	253	747
Adj. EPS (Rs)	1.6	1.0	(0.2)	0.8	2.3
EBITDA margin (%)	17.8	16.5	15.2	16.5	17.9
EBITDA growth (%)	7.7	3.4	(0.7)	23.1	22.0
Adj. EPS growth (%)	(77.7)	(39.1)	0	0	195.9
RoE (%)	4.0	2.3	(0.6)	1.8	5.1
RoIC (%)	9.4	7.8	3.7	7.6	11.3
P/E (x)	106.6	335.1	(175.3)	221.8	75.0
EV/EBITDA (x)	11.7	11.3	11.7	9.5	7.8
P/B (x)	4.1	4.0	4.0	4.0	3.8
FCF yield (%)	0.9	4.2	1.5	4.7	6.0

Source: Company, Emkay Research

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## Key takeaways from the earnings call

### Demand environment and impact of LPG disruption

- April trends are broadly in line with Q4 in terms of overall demand.
- SSTG has been closer to SSG performance and follows a similar trendline.
- The company managed to keep the stores running despite LPG disruption in March (store closures were minimal; KFC had 0 closures). While PH stores were closed for 10-15 days, only <5% of stores were impacted.
- The biggest challenge currently is the rising price of LPG, which could lead to 25-40% increase in costs (30-50bps impact on EBITDA). However, the focus remains on keeping stores operational.

### KFC

- KFC followed a two-pronged approach to drive customer recruitment: 1) strong value offering (Rs99 Krisper Chicken Burger Meal) in the evolving chicken market of the North and West; 2) disruptive, abundant value offers on select days in more developed chicken-consuming markets such as the South—limited to select markets and offered once or twice a month. Both offers are promoted only through dine-in and takeaway channels.
- The company rolled out its value meal strategy in 150 stores initially in Nov/Dec and then rolled out to 200 stores in Q4. In April, the new consumer recruitment value offer is active across all stores, except those in Tamil Nadu.
- The value offer (Rs99 Chicken Krisper Burger Meal) is supported by vendor partners (supplying key raw materials such as chicken, fries, and beverages), thereby helping maintain gross margins. In the event of withdrawal of vendor support, a GM impact of 50-70bps is expected. The gross margin impact of the BOGO offering is limited as the offer is run only once or twice a month.
- New KFC initiatives witnessed additional marketing spends of 75-100bps.
- Earlier Rs99 value offerings had not worked (eg the snackers range). However, a focus on behavior-changing advertising, along with a core Rs99 meal has led to strong traction in the new offering. The company expects a 2-3% impact on APC from the two new offers combined.
- The company took price hikes of ~1.5-2% in KFC and a similar ~2% increase in PH (in April). It does not anticipate any further price hikes in the immediate future unless raw material/oil prices surge sharply.
- The company is witnessing an increase in APC due to the addition of kiosks (vs counter). Digital kiosks are now installed in 73% of stores.
- It launched KFC Shawowrma which has seen a good initial response.

### Sri Lanka

- The company has recorded its sixth consecutive quarter of double-digit SSSG. It is a highly promising market for PH.
- The company expects to continue the current pace of store expansion for the next two years. It expects store additions in the high single-digit to low double-digit range.
- In Sri Lanka, the company's conviction in its value strategy has played out as it did not take price increases in line with inflation over the last two years. (~50% price increase taken vs 90-95% inflation seen over the 18-month period).

### Others

- The company's growth on aggregators platform is in line with SSSG.
- Exceptional items include the impact of Rs62mn due to labor code changes and Rs66mn toward merger-related costs (ESOP modification for employee retention).
- Per store capex for KFC is in the range of Rs21-22mn and Rs13.5-14mn for Pizza Hut.

## Story in charts

Exhibit 1: Performance across key metrics over the past few quarters

Key metrics (Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
<b>KFC India</b>									
<b>Number of stores</b>	<b>429</b>	<b>442</b>	<b>461</b>	<b>496</b>	<b>502</b>	<b>510</b>	<b>529</b>	<b>556</b>	<b>575</b>
<b>SSG (%)</b>	<b>-3</b>	<b>-6</b>	<b>-8</b>	<b>-3</b>	<b>-1</b>	<b>0</b>	<b>-3</b>	<b>1</b>	<b>4</b>
<b>ADS (Rs)</b>	<b>114,000</b>	<b>122,000</b>	<b>111,000</b>	<b>115,000</b>	<b>108,000</b>	<b>116,000</b>	<b>103,000</b>	<b>112,000</b>	<b>109,000</b>
Revenue	4,285	4,770	4,527	4,948	4,793	5,275	4,856	5,509	5,495
Gross margin (%)	68.3	68.2	68.3	68.2	68.0	67.1	67.2	68.6	68.7
<b>Brand contribution margin (%)</b>	<b>18.7</b>	<b>18.8</b>	<b>16.5</b>	<b>18.2</b>	<b>15.7</b>	<b>15.7</b>	<b>13.8</b>	<b>18.8</b>	<b>16.8</b>
<b>Pizza Hut India</b>									
<b>Number of stores</b>	<b>319</b>	<b>320</b>	<b>323</b>	<b>339</b>	<b>334</b>	<b>336</b>	<b>338</b>	<b>339</b>	<b>341</b>
<b>SSG (%)</b>	<b>-15</b>	<b>-7</b>	<b>-3</b>	<b>5</b>	<b>1</b>	<b>-8</b>	<b>-8</b>	<b>-12</b>	<b>-7</b>
<b>ADS (Rs)</b>	<b>41,000</b>	<b>48,000</b>	<b>47,000</b>	<b>48,000</b>	<b>42,000</b>	<b>44,000</b>	<b>42,000</b>	<b>41,000</b>	<b>39,000</b>
Revenue	1,188	1,397	1,376	1,430	1,248	1,320	1,296	1,275	1,174
Gross margin (%)	75.5	76.1	76.5	75.6	74.8	74.6	74.4	74.9	75.2
<b>Brand contribution margin (%)</b>	<b>-2.7</b>	<b>4.6</b>	<b>4.1</b>	<b>4.7</b>	<b>-4.6</b>	<b>-2.5</b>	<b>-1.8</b>	<b>-3.1</b>	<b>-6.0</b>
<b>Sri Lanka (Pizza Hut)</b>									
<b>Number of stores</b>	<b>120</b>	<b>120</b>	<b>121</b>	<b>126</b>	<b>127</b>	<b>128</b>	<b>130</b>	<b>133</b>	<b>136</b>
<b>SSG (%)</b>	<b>4</b>	<b>11</b>	<b>9</b>	<b>14</b>	<b>16</b>	<b>12</b>	<b>14</b>	<b>11</b>	<b>11</b>
<b>ADS (Rs)</b>	<b>75,000</b>	<b>89,000</b>	<b>93,000</b>	<b>103,000</b>	<b>95,000</b>	<b>103,000</b>	<b>109,000</b>	<b>114,000</b>	<b>104,000</b>
Revenue	816	978	1,024	1,159	1,066	1,164	1,264	1,342	1,237
Gross margin (%)	61.9	60.6	61.1	62.1	60.6	60.9	63.3	63.7	63.5
<b>Brand contribution margin (%)</b>	<b>12.3</b>	<b>13.2</b>	<b>15.5</b>	<b>17.8</b>	<b>14.8</b>	<b>12.7</b>	<b>15.4</b>	<b>16.7</b>	<b>14.6</b>
<b>Sapphire – Consolidated</b>									
<b>Number of stores</b>	<b>872</b>	<b>886</b>	<b>909</b>	<b>963</b>	<b>963</b>	<b>974</b>	<b>997</b>	<b>1,028</b>	<b>1,052</b>
<b>Store additions (no of)</b>	<b>22</b>	<b>14</b>	<b>23</b>	<b>54</b>	<b>0</b>	<b>11</b>	<b>23</b>	<b>31</b>	<b>24</b>
Revenue	6,297	7,165	6,940	7,550	7,099	7,748	7,401	8,112	7,898
<b>Gross margin (%)</b>	<b>69.1</b>	<b>68.8</b>	<b>69.0</b>	<b>68.7</b>	<b>68.2</b>	<b>67.4</b>	<b>67.8</b>	<b>68.7</b>	<b>68.8</b>
<b>Brand contribution margin (%)</b>	<b>13.7</b>	<b>15.1</b>	<b>13.7</b>	<b>15.4</b>	<b>12.0</b>	<b>12.2</b>	<b>11.3</b>	<b>15.0</b>	<b>13.0</b>
Overhead opex/revenue (%)	5.0	5.3	5.2	4.7	4.9	5.1	5.3	5.5	5.3
Consolidated EBITDA	544	707	590	811	508	548	450	774	610
<b>EBITDA margin (%)</b>	<b>8.6</b>	<b>9.9</b>	<b>8.5</b>	<b>10.7</b>	<b>7.2</b>	<b>7.1</b>	<b>6.1</b>	<b>9.5</b>	<b>7.7</b>

Source: Company, Emkay Research; Note: EBITDA/margins are pre IndAS-116

Exhibit 2: Actual vs estimates (Q4FY26)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	7,922	7,811	7,810	1.4%	1.4%	Revenue was a tad higher than estimates, led by higher growth in KFC and Sri Lanka.
EBITDA*	1,245	1,156	1,169	7.7%	6.5%	EBITDA was higher, led by flow through of revenue.
EBITDA margin*	15.7%	14.8%	15.0%	91	74	
PAT	-126	-74	-22	NA	NA	PAT miss led by labor code impact and merger-related costs.

Source: Company, Bloomberg, Emkay Research; Note: \*Post IndAS-116 EBITDA

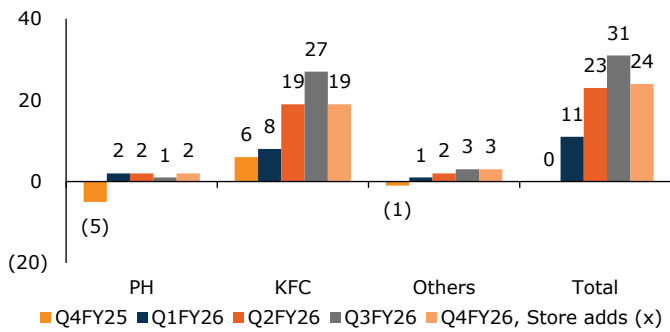
This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

**Exhibit 3: Actuals vs Emkay estimates – Segment-wise (Q4FY26)**

(Rs mn)	Revenue		Brand-EBITDA		Variance	
	Actual	Estimate	Actual	Estimate	Revenue	EBITDA
KFC	5,495	5,412	923	874	1.5%	5.6%
Pizza Hut	1,174	1,187	-70	-54	-1.1%	NA
SL	1,253	1,212	179	182	3.4%	-1.4%
<b>Total</b>	<b>7,922</b>	<b>7,811</b>	<b>1,032</b>	<b>1,003</b>	<b>1.4%</b>	<b>2.9%</b>
HO costs			422	447		-5.6%
<b>Total</b>			<b>610</b>	<b>556</b>		<b>9.8%</b>

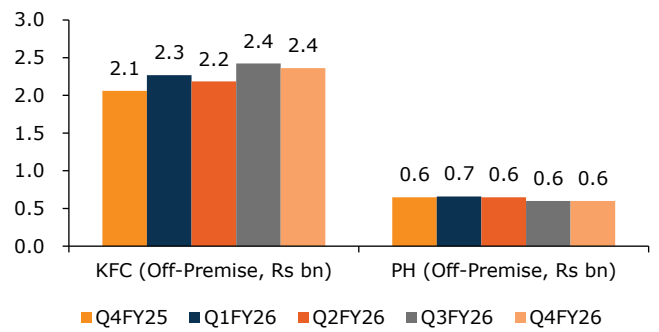
Source: Company, Emkay Research

**Exhibit 4: Sapphire added 19 KFC stores and 2 PH India stores; effectively 24 stores in Q4**



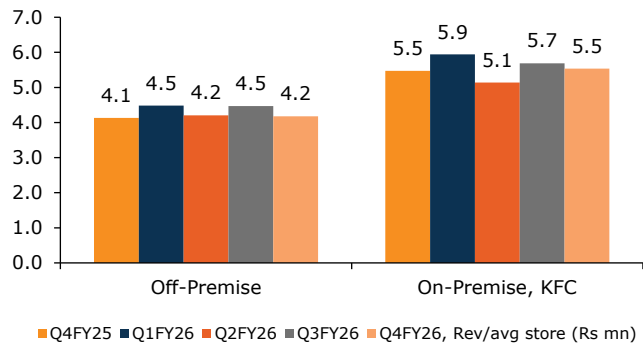
Source: Company, Emkay Research

**Exhibit 5: Channel-wise off-premise sales grew ~15% YoY for KFC, led by new value initiatives; PH saw a decline of ~8%**



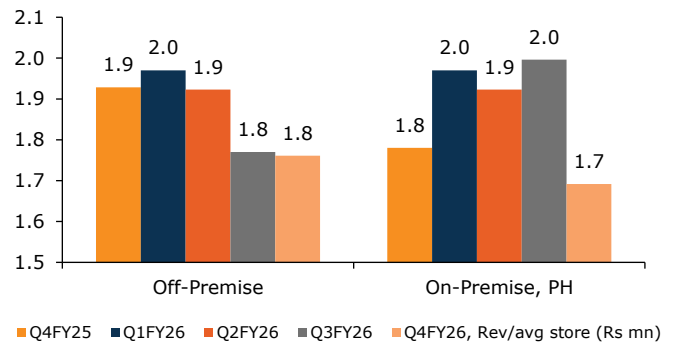
Source: Company, Emkay Research

**Exhibit 6: For KFC, both on/off-premise sales per average store increased by ~1%**



Source: Company, Emkay Research

**Exhibit 7: For PH, off-premise/on-premise revenue per average store declined ~9%/5% YoY in Q4**



Source: Company, Emkay Research

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## Exhibit 8: Summary of quarterly results

Y/E Mar (Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)	FY25	FY26	YoY (%)
<b>Revenue</b>	<b>7,113</b>	<b>7,768</b>	<b>7,424</b>	<b>8,138</b>	<b>7,922</b>	<b>11.4</b>	<b>-2.7</b>	<b>28,819</b>	<b>31,253</b>	8.4
<b>Expenditure</b>	<b>6,051</b>	<b>6,640</b>	<b>6,403</b>	<b>6,796</b>	<b>6,678</b>	<b>10.4</b>	<b>-1.7</b>	<b>24,051</b>	<b>26,517</b>	<b>10.3</b>
Consumption of RM	2,266	2,533	2,394	2,550	2,474	9.2	-3.0	9,068	9,951	9.7
as a % of sales	31.8%	32.6%	32.2%	31.3%	31.2%			31.5%	31.8%	
Employee cost	977	1,023	1,058	1,090	1,109	13.4	1.7	3,864	4,279	10.7
as a % of sales	13.7%	13.2%	14.2%	13.4%	14.0%			13.4%	13.7%	
Other expenditure	2,808	3,083	2,952	3,156	3,095	10.2	-2.0	11,119	12,286	10.5
as a % of sales	39.5%	39.7%	39.8%	38.8%	39.1%			38.6%	39.3%	
<b>EBITDA</b>	<b>1,062</b>	<b>1,129</b>	<b>1,021</b>	<b>1,342</b>	<b>1,245</b>	<b>17.2</b>	<b>-7.3</b>	<b>4,768</b>	<b>4,736</b>	<b>-0.7</b>
Depreciation	850	920	972	1,020	1,010	18.9	-1.0	3,639	3,921	7.8
<b>EBIT</b>	<b>213</b>	<b>209</b>	<b>48</b>	<b>322</b>	<b>235</b>	<b>10.4</b>	<b>-27.2</b>	<b>1,128</b>	<b>815</b>	<b>-27.8</b>
Other income	130	68	92	71	50	-61.8	-29.8	372	280	-24.6
Interest	298	295	307	315	311	4.6	-1.2	1,116	1,228	10.0
<b>PBT</b>	<b>45</b>	<b>-18</b>	<b>-166</b>	<b>78</b>	<b>-27</b>	<b>-160.1</b>	<b>-134.5</b>	<b>384</b>	<b>-133</b>	<b>-134.6</b>
Total tax	-14	-1	-38	15	-29			64	-53	
<b>Reported PAT</b>	<b>59</b>	<b>-17</b>	<b>-128</b>	<b>64</b>	<b>2</b>	<b>-97.1</b>	<b>-97.3</b>	<b>320</b>	<b>-80</b>	<b>-125.0</b>
Extraordinary items	-39	0	0	-112	-128			-153	-240	
<b>PAT before minority interests</b>	<b>20</b>	<b>-17</b>	<b>-128</b>	<b>-48</b>	<b>-126</b>	<b>-723.7</b>		<b>167</b>	<b>-320</b>	<b>-291.3</b>
Minority interests	2	1	0	0	0			-22	0	
<b>PAT after MI</b>	<b>18</b>	<b>-18</b>	<b>-128</b>	<b>-48</b>	<b>-126</b>	<b>-803.9</b>	<b>163.2</b>	<b>189</b>	<b>-320</b>	<b>-268.8</b>
<b>EPS (Rs)</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-795.9</b>	<b>163.2</b>	<b>0.6</b>	<b>-1.0</b>	<b>-266.8</b>
<b>(%)</b>	<b>Q4FY25</b>	<b>Q1FY26</b>	<b>Q2FY26</b>	<b>Q3FY26</b>	<b>Q4FY26</b>	<b>(bps)</b>	<b>(bps)</b>	<b>FY25</b>	<b>FY26</b>	<b>(bps)</b>
EBITDAM	14.9	14.5	13.8	16.5	15.7	80	-80	16.5	15.2	-140
EBITM	3.0	2.7	0.7	4.0	3.0	0	-100	3.9	2.6	-130
EBTM	0.6	-0.2	-2.2	1.0	-0.3	-100	-130	1.3	-0.4	-180
PATM	0.3	-0.2	-1.7	-0.6	-1.6	-180	-100	0.7	-1.0	-170
Effective tax rate	-31.7	5.7	22.9	18.6	NA			16.7	39.9	2,310

Source: Company, Emkay Research; Note: Post IndAS-116 EBITDA

## Exhibit 9: Changes in estimates

(Rs mn)	FY27E			FY28E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	35,141	35,430	0.8	39,393	39,690	0.8
<b>EBITDA*</b>	3,042	3,163	4.0	4,184	4,182	(0.1)
<i>EBITDA margin (%)*</i>	8.7	8.9	30 bps	10.6	10.5	-10 bps
Net profit	265	253	(4.5)	882	747	(15.3)
EPS (Rs)	0.8	0.8	(4.6)	2.7	2.3	(15.3)

Source: Company, Emkay Research; Note: \*Pre IndAS-116 EBITDA

## Exhibit 10: Peer comparison

Company	CMP (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	P/E (x)			EV/EBITDA (x)		
					FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
JUBI	482	318	BUY	600	88.1	67.8	49.3	26.8	22.7	18.8
DEVYANI	112	138	BUY	160	NA	1,178.2	127.0	33.3	25.4	19.3
WESTLIFE	478	75	ADD	550	270.4	333.5	90.3	38.2	30.7	21.3
<b>SAPPHIRE</b>	<b>174</b>	<b>56</b>	<b>BUY</b>	<b>300</b>	<b>NA</b>	<b>221.8</b>	<b>75.0</b>	<b>23.2</b>	<b>17.7</b>	<b>12.9</b>

Source: Company, Emkay Research; Note: Pre IndAS-116 EBITDA

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## Sapphire Foods: Consolidated Financials and Valuations

## Profit &amp; Loss

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
<b>Revenue</b>	<b>25,943</b>	<b>28,819</b>	<b>31,253</b>	<b>35,430</b>	<b>39,690</b>
Revenue growth (%)	14.5	11.1	8.4	13.4	12.0
<b>EBITDA</b>	<b>4,613</b>	<b>4,768</b>	<b>4,736</b>	<b>5,829</b>	<b>7,113</b>
EBITDA growth (%)	7.7	3.4	(0.7)	23.1	22.0
Depreciation & Amortization	3,239	3,639	3,921	4,401	4,925
<b>EBIT</b>	<b>1,374</b>	<b>1,128</b>	<b>815</b>	<b>1,428</b>	<b>2,189</b>
EBIT growth (%)	(16.3)	(17.9)	(27.8)	75.3	53.3
Other operating income	-	-	-	-	-
Other income	334	372	280	200	260
Financial expense	1,009	1,116	1,228	1,291	1,452
<b>PBT</b>	<b>699</b>	<b>384</b>	<b>(133)</b>	<b>337</b>	<b>996</b>
Extraordinary items	0	(153)	(240)	0	0
Taxes	180	64	(53)	84	249
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
<b>Reported PAT</b>	<b>520</b>	<b>167</b>	<b>(320)</b>	<b>253</b>	<b>747</b>
PAT growth (%)	(77.7)	(67.8)	0	0	195.9
<b>Adjusted PAT</b>	<b>520</b>	<b>320</b>	<b>(80)</b>	<b>253</b>	<b>747</b>
<b>Diluted EPS (Rs)</b>	<b>1.6</b>	<b>1.0</b>	<b>(0.2)</b>	<b>0.8</b>	<b>2.3</b>
Diluted EPS growth (%)	(77.7)	(39.1)	0	0	195.9
<b>DPS (Rs)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Dividend payout (%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
EBITDA margin (%)	17.8	16.5	15.2	16.5	17.9
EBIT margin (%)	5.3	3.9	2.6	4.0	5.5
Effective tax rate (%)	25.7	16.7	39.9	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>1,021</b>	<b>940</b>	<b>490</b>	<b>1,071</b>	<b>1,642</b>
Shares outstanding (mn)	318	321	321	321	321

Source: Company, Emkay Research

## Cash flows

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	365	(141)	(413)	137	736
Others (non-cash items)	-	-	-	-	-
Taxes paid	(180)	(64)	53	(84)	(249)
Change in NWC	(40)	190	(336)	3	(111)
<b>Operating cash flow</b>	<b>4,393</b>	<b>4,740</b>	<b>4,453</b>	<b>5,747</b>	<b>6,753</b>
Capital expenditure	(3,894)	(2,472)	(3,615)	(3,150)	(3,430)
Acquisition of business	0	0	0	0	0
Interest & dividend income	334	372	280	200	260
<b>Investing cash flow</b>	<b>(3,560)</b>	<b>(3,537)</b>	<b>(1,930)</b>	<b>(2,950)</b>	<b>(3,170)</b>
Equity raised/(repaid)	339	397	243	-	-
Debt raised/(repaid)	(166)	(78)	(143)	0	0
Payment of lease liabilities	(2,144)	(2,392)	(2,406)	(2,665)	(2,932)
Interest paid	(50)	(23)	(80)	0	0
Dividend paid (incl tax)	0	0	0	0	0
Others	0	0	0	0	0
<b>Financing cash flow</b>	<b>(2,021)</b>	<b>(2,096)</b>	<b>(2,386)</b>	<b>(2,665)</b>	<b>(2,932)</b>
Net chg in Cash	(1,188)	(893)	138	132	651
OCF	4,393	4,740	4,453	5,747	6,753
Adj. OCF (w/o NWC chg.)	4,433	4,550	4,789	5,744	6,864
FCFF	499	2,268	838	2,597	3,323
FCFE	783	2,617	1,038	2,797	3,583
OCF/EBITDA (%)	95.2	99.4	94.0	98.6	94.9
FCFE/PAT (%)	150.7	1,566.5	(324.8)	1,107.6	479.5
<b>FCFF/NOPLAT (%)</b>	<b>48.8</b>	<b>241.4</b>	<b>171.1</b>	<b>242.5</b>	<b>202.4</b>

Source: Company, Emkay Research

## Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	637	642	643	643	643
Reserves & Surplus	12,754	13,338	13,263	13,516	14,263
<b>Net worth</b>	<b>13,391</b>	<b>13,981</b>	<b>13,906</b>	<b>14,159</b>	<b>14,906</b>
Minority interests	7	(19)	(21)	(21)	(21)
Non current liab. & prov.	10,420	11,843	13,264	13,700	14,056
<b>Total debt</b>	<b>276</b>	<b>199</b>	<b>56</b>	<b>56</b>	<b>56</b>
<b>Total liabilities &amp; equity</b>	<b>24,095</b>	<b>26,003</b>	<b>27,205</b>	<b>27,894</b>	<b>28,997</b>
Net tangible fixed assets	9,593	10,068	11,303	11,822	12,305
Net intangible assets	744	797	839	851	832
Net ROU assets	9,818	10,935	11,967	12,185	12,226
Capital WIP	681	567	603	603	603
Goodwill	1,622	1,583	1,583	1,583	1,583
Investments [JV/Associates]	-	-	-	-	-
<b>Cash &amp; equivalents</b>	<b>1,676</b>	<b>2,219</b>	<b>712</b>	<b>844</b>	<b>1,495</b>
Current & ex-cash	3,139	3,126	4,280	4,619	5,120
Current Liab. & Prov.	3,177	3,292	4,081	4,613	5,168
<b>NWC (ex-cash)</b>	<b>(39)</b>	<b>(166)</b>	<b>199</b>	<b>6</b>	<b>(47)</b>
<b>Total assets</b>	<b>24,095</b>	<b>26,003</b>	<b>27,205</b>	<b>27,894</b>	<b>28,997</b>
Net debt	(1,400)	(2,021)	(656)	(788)	(1,439)
Capital employed	24,095	26,003	27,205	27,894	28,997
<b>Invested capital</b>	<b>11,920</b>	<b>12,282</b>	<b>13,923</b>	<b>14,261</b>	<b>14,673</b>
BVPS (Rs)	42.1	43.5	43.3	44.1	46.4
Net Debt/Equity (x)	(0.1)	(0.1)	-	(0.1)	(0.1)
Net Debt/EBITDA (x)	(0.3)	(0.4)	(0.1)	(0.1)	(0.2)
Interest coverage (x)	0.7	0.4	-	0.3	0.7
<b>RoCE (%)</b>	<b>12.8</b>	<b>10.8</b>	<b>7.8</b>	<b>11.6</b>	<b>16.8</b>

Source: Company, Emkay Research

## Valuations and key Ratios

Y/E March	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	106.6	335.1	(175.3)	221.8	75.0
P/CE(x)	24.1	23.2	25.2	19.5	15.1
P/B (x)	4.1	4.0	4.0	4.0	3.8
EV/Sales (x)	2.1	1.9	1.8	1.6	1.4
EV/EBITDA (x)	11.7	11.3	11.7	9.5	7.8
EV/EBIT(x)	39.3	47.8	68.0	38.8	25.3
EV/IC (x)	4.5	4.4	4.0	3.9	3.8
FCFF yield (%)	0.9	4.2	1.5	4.7	6.0
FCFE yield (%)	1.4	4.7	1.9	5.0	6.4
Dividend yield (%)	0	0	0	0	0
<b>DuPont-RoE split</b>					
Net profit margin (%)	2.0	1.1	(0.3)	0.7	1.9
Total asset turnover (x)	1.9	2.0	2.1	2.3	2.4
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
<b>RoE (%)</b>	<b>4.0</b>	<b>2.3</b>	<b>(0.6)</b>	<b>1.8</b>	<b>5.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	3.9	3.3	1.6	3.0	4.1
IC turnover (x)	2.4	2.4	2.4	2.5	2.7
<b>RoIC (%)</b>	<b>9.4</b>	<b>7.8</b>	<b>3.7</b>	<b>7.6</b>	<b>11.3</b>
<b>Operating metrics</b>					
Core NWC days	(0.5)	(2.1)	2.3	0.1	(0.4)
<b>Total NWC days</b>	<b>(0.5)</b>	<b>(2.1)</b>	<b>2.3</b>	<b>0.1</b>	<b>(0.4)</b>
Fixed asset turnover	1.5	1.5	1.4	1.4	1.4
Opex-to-revenue (%)	51.0	52.0	53.0	51.9	50.3

Source: Company, Emkay Research

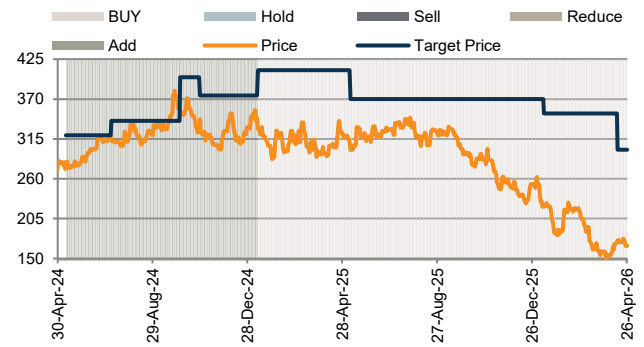
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## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
14-Apr-26	174	300	Buy	Devanshu Bansal
02-Mar-26	197	350	Buy	Devanshu Bansal
08-Feb-26	215	350	Buy	Devanshu Bansal
10-Jan-26	222	350	Buy	Devanshu Bansal
19-Oct-25	288	370	Buy	Devanshu Bansal
07-Oct-25	291	370	Buy	Devanshu Bansal
02-Oct-25	296	370	Buy	Devanshu Bansal
16-Sep-25	326	370	Buy	Devanshu Bansal
18-Aug-25	314	370	Buy	Devanshu Bansal
24-Jul-25	342	370	Buy	Devanshu Bansal
01-Jul-25	327	370	Buy	Devanshu Bansal
08-May-25	300	370	Buy	Devanshu Bansal
09-Apr-25	293	410	Buy	Devanshu Bansal
07-Apr-25	292	410	Buy	Devanshu Bansal
07-Feb-25	323	410	Buy	Devanshu Bansal
10-Jan-25	329	410	Buy	Devanshu Bansal
28-Oct-24	342	375	Add	Devanshu Bansal
03-Oct-24	351	400	Add	Devanshu Bansal
31-Jul-24	330	340	Add	Devanshu Bansal
23-Jul-24	312	340	Add	Devanshu Bansal

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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