

Sapphire Foods

India | Consumer Discretionary | Result Update | Rating Upgrade



All-round performance

7 February 2025

Q3 growth for Sapphire Foods (SAPPHIRE IN) was in-line, led by KFC (better dine-in share QoQ), Pizza Hut (PH; low base) and Sri Lankan operations (continued momentum). EBITDA margin rose 94bps, on cost cut. Expect store addition at KFC to be healthy. In Q3, PH losses pared to INR 1mn (almost on the verge of a turnaround). Increased A&P spend should support traction in dine-in. Our EBITDA and EPS estimates remain broadly unchanged. We roll over to FY27E with SoTP-based TP retained at INR 390. We upgrade SAPPHIRE to Buy from Accumulate. Any disruption in same store sales growth (SSSG) is key risk to our call.

KFC – Drop in SSS arrested: KFC posted a QoQ recovery in Q3. The drop in same store sales (SSS) was at 3% YoY (8% dip in Q2) led by: a) net store addition at 35, and b) festival-season quarter leading to higher demand. The recovery may have been better had the base been low. Channel sales-wise, the share of dine-in rose by 100bps QoQ. However, channel sales dropped by 1% YoY on high base (43% share a year ago). Healthy dine-in share augurs well for restaurant margin. Gross margin for KFC was stable at 68.2% and ADS improved by 4% QoQ (though declined 8% YoY). SAPPHIRE will continue with 70-80 net store additions amid lower penetration of fried chicken category versus other QSR chains. Thus, store growth will be healthy versus peers' QSR categories. We retain our positive stance on recovery and expect 3.0% SSSG each in FY26E/27E.

PH performs on a low base: SSSG growth for PH was 5.0% YoY, on a mix of low base last year (SSS dip of 19%) and retained ADS YoY. Restaurant margins improved ~60bps QoQ, led by lower staff cost. SAPPHIRE is keen to ramp up its A&P spends on PH to cement the brand's recall and increase store footfall to support ADS. PH has added 16 stores in Q3 and expects to add 25 stores each in FY26E/27E. EBITDA (pre-Ind As) losses have reduced to mere INR 1 mn. Healthy SSSG, improved ADS and prudent A&P spends are key to a turnaround in PH.

Margin supported by overall recovery: EBITDA margin was 94bps above our estimates, led by curtailed employee expenses and other expenses. This was commendable given that Q3 witnessed the festival season and store network expansion. At KFC, SAPPHIRE will focus on: a) three-tier structure in value meals, b) maintaining store expansion and c) enhancing the relevance of the fried chicken category. And at PH, the focus will be on driving footfall by investing in A&P. Business momentum in Sri Lanka continued – Healthy 14.0% YoY SSSG and 411bps YoY gain in EBITDA margin (pre-IndAS). Revenue growth may be led by a mix of store addition and SSSG. For PH, expect EBITDA margin (pre-IndAS) at 1% each in FY26E/27E and for KFC 14-15%, respectively.

Upgrade to Buy; TP maintained at INR 390: SAPPHIRE offers a well-balanced opportunity in the QSR space on: a) store addition-led growth at KFC, b) recovery in PH and c) robust momentum at Sri Lankan operations. So, we upgrade SAPPHIRE to Buy from Accumulate. We largely retain EBITDA/EPS estimates as higher A&P spends at PH will be balanced by SL/KFC performance. Our TP is unchanged at INR 390 as we value KFC at 34x EV/EBITDA (pre-IndAS), PH at 22x EV/EBITDA (pre-IndAS) and Sri Lankan operations at 2x FY27E EV/EBITDA (pre-IndAS).

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	22,656	25,943	28,249	32,003	35,806
YoY (%)	407.1	14.5	8.9	13.3	11.9
EBITDA (INR mn)	4,284	4,613	4,928	5,988	6,934
EBITDA margin (%)	18.9	17.8	17.4	18.7	19.4
Adj PAT (INR mn)	2,332	520	297	881	1,356
YoY (%)	407.1	(77.7)	(42.7)	196.1	53.9
Fully DEPS (INR)	7.3	1.6	0.9	2.8	4.2
RoE (%)	20.6	4.0	2.2	6.2	8.9
RoCE (%)	8.7	6.2	4.8	8.3	10.2
P/E (x)	43.6	195.7	341.8	115.4	75.0
EV/EBITDA (x)	23.2	21.7	20.7	16.8	14.3

Note: Pricing as on 6 February 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 390**

Upside: **23%**

CMP: **INR 318**

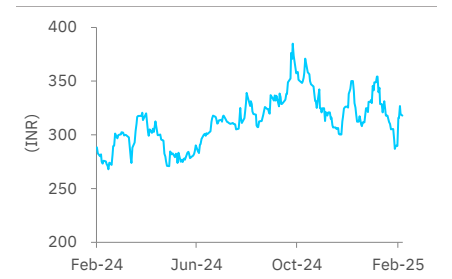
As on 6 February 2025

Key data

Bloomberg	SAPPHIRE IN
Reuters Code	SAPI.NS
Shares outstanding (mn)	321
Market cap (INR bn/USD mn)	102/1164
Enterprise Value (INR bn/USD mn)	112/1274
Avg daily volume 3M (INR mn/USD mn)	267/3
52 week high/low	401/259
Free float (%)	74

Note: as on 6 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

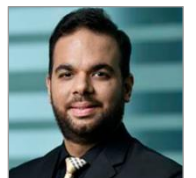
Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	30.8	30.8	26.2	26.1
% Pledged	-	-	-	-
FII	29.9	31.5	31.5	30.7
DII	32.7	31.6	37.2	38.4
Others	6.6	6.1	5.1	4.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(3.6)	(1.6)	7.6
Sapphire Foods	(0.7)	(4.0)	12.8
NSE Mid-cap	(6.7)	(3.6)	9.2
NSE Small-cap	(9.8)	(4.6)	3.7

Karan Taurani

Media & Entertainment, Alcobev, QSR, Internet
+91 22 6164 8513
karan.taurani@elaracapital.com



Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	22,656	25,943	28,249	32,003	35,806
EBITDA	4,284	4,613	4,928	5,988	6,934
Add:- Non operating Income	311	334	300	330	408
OPBIDTA	4,595	4,947	5,228	6,318	7,342
Less :- Depreciation & Amortization	2,642	3,239	3,784	3,931	4,258
EBIT	1,953	1,708	1,444	2,388	3,084
Less:- Interest Expenses	869	1,009	1,048	1,213	1,276
PBT	1,084	699	397	1,174	1,808
Less :- Taxes	(1,248)	180	99	294	452
Adjusted PAT	2,332	520	297	881	1,356
Reported PAT	2,332	520	297	881	1,356
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	635	637	637	637	637
Reserves	11,904	12,761	13,059	13,939	15,295
Total borrowings	443	276	1,276	1,276	1,276
Trade Payables	2,170	2,308	2,511	2,831	3,168
Other liabilities	10,789	12,418	11,225	11,936	12,513
Total Equity & Liabilities	25,941	28,401	28,708	30,620	32,889
Fixed Assets	8,353	10,337	10,753	10,822	10,364
Investments	659	-	-	-	-
Inventories	993	969	1,055	1,195	1,337
Trade Receivables	179	344	374	424	475
Cash & other bank balances	2,204	1,676	1,099	2,040	3,998
Other assets	13,552	15,075	15,427	16,138	16,715
Total Assets	25,941	28,401	28,708	30,620	32,889
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating Cash Flow	3,818	4,488	3,371	5,825	6,626
Less:- Capex	(3,842)	(3,851)	(4,200)	(4,000)	(3,800)
Free Cash Flow	(23)	636	(829)	1,825	2,826
Investing Cash Flow	(2,036)	(1,869)	(3,900)	(3,670)	(3,392)
Financing Cash Flow	(1,921)	(2,125)	(48)	(1,213)	(1,276)
Net change in Cash	(138)	493	(577)	941	1,958
Opening Cash	583	482	976	399	1,340
Closing Cash	444	976	399	1,340	3,298
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	31.6	14.5	8.9	13.3	11.9
EBITDA Growth	40.4	7.7	6.8	21.5	15.8
PAT Growth	407.1	(77.7)	(42.7)	196.1	53.9
EBITDA Margin	16.4	15.2	14.8	16.0	16.9
PAT Margin	10.3	2.0	1.1	2.8	3.8
Return & Liquidity Ratios					
Net Debt/Equity (x)	(0.1)	(0.1)	0.0	(0.1)	(0.2)
ROE (%)	20.6	4.0	2.2	6.2	8.9
ROCE (%)	8.7	6.2	4.8	8.3	10.2
Per Share data & Valuation Ratios	FY23	FY24	FY25E	FY26E	FY27E
Diluted EPS (INR/Share)	7.3	1.6	0.9	2.8	4.2
EPS Growth (%)	407.1	(77.7)	(42.7)	196.1	53.9
DPS (INR/Share)	0.0	0.0	0.0	0.0	0.0
P/E Ratio (x)	43.6	195.7	341.8	115.4	75.0
EV/EBITDA (x)	23.2	21.7	20.7	16.8	14.3
EV/EBITDA (pre-IndAS, x)	37.5	36.9	36.2	28.1	23.3
EV/Sales (x)	4.4	3.9	3.6	3.2	2.8
BVPS (INR)	39.2	41.9	42.8	45.6	49.8
Price/Book (x)	8.1	7.6	7.4	7.0	6.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

We expect a revenue CAGR of 11.3% in FY24-27E

We expect EBITDA margin at 19.4% by FY27E

Note: Pricing as on 6 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

Consolidated (INR mn)	Q3FY25	Q3FY24	YoY(%)	Q2FY25	QoQ(%)	Q3FY25E	Variance (%)
Revenue	7,565	6,656	13.7	6,957	8.7	7,530	0.5
Gross margin	68.6	68.9	-27 bps	68.8	-21 bps	68.7	-16 bps
EBITDA	1,343	1,217	10.3	1,120	19.9	1,266	6.1
EBITDA margin (%)	17.8	18.3	-54 bps	16.1	165 bps	16.8	94 bps
Depreciation	1,005	874	15.0	881	14.1	890	12.9
Interest cost	275	263	4.5	271	1.5	275	0.1
Other income	105	60	74.5	85	24.0	75	40.1
PBT	168	140	19.7	-61	(375.7)	176	(4.6)
Tax	41	42	(3.0)	1	3,363.6	44	(7.3)
Effective tax rate (%)	24.3	30.0		-1.9		25.0	
PAT	127	98	29.5	-62	(304.8)	132	(3.7)
Adj. PAT	127	98	29.5	52	144.8	132	(3.7)
Adj. EPS (INR)	0.4	0.3	29.5	-0.2	(304.8)	0.4	(3.7)

Source: Company, Elara Securities Estimate

Q3FY25 results highlights

- ▶ SAPPHIRE reported a revenue of INR 7.6bn in Q3FY25, largely in line with our estimate of INR 7.5bn, up 13.7% YoY and 8.7% QoQ.
- ▶ Gross profit in Q3FY25 stood at INR 5.2bn, up 13.2% YoY and 8.4% QoQ, whereas gross margin was 68.6% (down 27bps YoY and 21 bps QoQ).
- ▶ Post IndAS, EBITDA in Q3 stood at INR 1.3bn, up 10.3% YoY and 19.9% QoQ, largely led by higher other expenses, up 14.9% YoY and 5.5% QoQ. Other expenses formed 38% of revenue as against 37% in Q3FY24. Employee cost was INR 984mn (up 12.6% YoY and 3.1% QoQ).
- ▶ Post IndAS, EBITDA margin in Q3FY25 stood at 17.8% (down 54bps YoY but up 165bps QoQ), and pre-IndAS EBITDA margin was at 10.7%, down 13bps YoY and 224bps QoQ.
- ▶ SAPPHIRE reported a profit after tax of INR 127mn, up 29.5% YoY and sequentially improving after posting a loss in Q2FY25 (due to INR 114.2mn exceptional loss in one of the subsidiaries).

KFC – 3% SSS decline in Q3

- ▶ Segment-wise, revenue of the KFC business stood at INR 5.0bn in Q3FY25, up 11.9% YoY and 9.3% QoQ with an SSS decline of 3% YoY and net store addition of 35 in Q3 (40% YoY store growth).
- ▶ Q3FY25 gross margin stood at 68.2% (down 20bps YoY) and restaurant EBITDA margin (pre-IndAS) was 13.4% (improving 225bps YoY).
- ▶ Channel-wise, the contribution of delivery/ takeaway/ dine-in stood at 41%/21%/38% in Q3FY25. Total stores, as at end-Q3FY25, stood at 496.
- ▶ Average daily sales improved to INR 115,000 (down 8.0% YoY but up 3.6% QoQ) in Q3.

Pizza Hut – SSSG improves at 5% YoY

- ▶ Revenue of PH stood at INR 1.4bn in Q3FY25, up 3.9% YoY and 9.6% QoQ, with SSS improving 5% YoY and net store addition at 16 in Q3.
- ▶ Q3FY25 gross margin stood at 75.6% (down 90bps YoY) and restaurant EBITDA margin (pre-IndAS) was 4.7% (down 10bps YoY).
- ▶ As regards channel-wise sales, the contribution of delivery/takeaway/dine-in stood at 51%/15%/34% in Q3FY25. Total stores, as at end-Q3FY25, stood at 339.
- ▶ Average daily sales declined to INR 45,000 (flat YoY and 4.3% QoQ) in Q3.

Q3 conference call highlights

- ▶ Q3 performance was healthy across all the verticals (KFC, Pizza Hut and Sri Lankan operations).
- ▶ SAPPHIRE added 35 KFC and 16 Pizza Hut stores in India, closed two stores in Maldives and another two stores were closed in January 2025. SAPPHIRE has closed its all four stores in the Maldives.
- ▶ KFC SSS grew QoQ. It is focusing on value offers and core products to gain momentum. SSSG revival was led by increased occasions (late-night stores also contributed to the overall business).
- ▶ Biggest opportunity at KFC is to increase the fried chicken segment category, continuing to popularize its core category products growth.
- ▶ As regards value meals, KFC is operating a three-tier value structure – Accelerating digital kiosks (90% of its stores have 4+ rating on online food delivery platforms). The company is also working to reduce kitchen waste.
- ▶ Going ahead, KFC will continue to add 70-80 stores per year. Gross margin was largely stable. KFCs dine-in is seeing recovery.
- ▶ PH delivered positive SSSG (after eight quarters) at 5%YoY. ADS was stable. The focus is on superior product quality, improving dine-in experience and investing in brand A&P. PH is cautious as regards store expansion.
- ▶ The Sri Lankan business delivered healthy Q3. SAPPHIRE is cautious as regards store openings there. Same-store-transaction grew in double digits.
- ▶ KFC has improved its trajectory in terms of SSSG. Overall consumer sentiment was muted. SSSG was healthy despite store additions. Many companies in the QSR sector post positive SSSG, largely led by lower base effect. SAPPHIRE KFC did not see much of a base effect.
- ▶ SAPPHIRE is aiming for 15% revenue CAGR in the Sri Lankan operations in the near term, led by a mix of SSSG and store openings. It continues to expand the brand. SAPPHIRE may consider opening stores upon improved unit economics. At present, it is focusing on transaction growth.
- ▶ QSR requires at least 5% of SSSG to beat inflation.
- ▶ We do not see any tangible reduction in competitive intensity.
- ▶ Increased A&P spends may weigh on margins, but A&P spends may drive healthy SSSG.
- ▶ KFC store addition will be 70-80 in the near term. SAPPHIRE is cautious on store addition for PH (20-25 stores may be added per year).
- ▶ Sapphire Foods do not see any pressure on the rentals as the agreements are for a long period. PH has seen significant erosion in ADS in the past three years.
- ▶ The drop in ADDs was led by new stores additions and lower SSSG.
- ▶ QSR slowdown in 2023 and late 2024 impacted all the brands. SAPPHIRE has improved consumer experience and precuts quality.
- ▶ In PH, SAPPHIRE is aiming to gain consumers from the category leader, led by higher A&P spends to increase brand recall.
- ▶ Double-digit SSSG is required to improve margins. The current margin performance is expected to continue.
- ▶ Q3FY25 was better than overall H1FY5. KFC's transaction growth was flat in Q3. While entering Q4, KFC does not expect any improvement in overall consumer sentiments.
- ▶ PH's performance was led by base effect and steady ADS.
- ▶ For both the brands, delivery will continue to outperform dine-in. And dine-in should script a comeback, led by higher A&P spends.
- ▶ We do not see any major change in gross margins, while changes in the dine-in composition may impact restaurant margins. KFC is a 95% non-vegetarian brand.
- ▶ Capex spending per store has reduced significantly due to optimized store size. SAPPHIRE will use a combination of 1,000sqft and 1,200 sqft stores. SAPPHIRE has seen a 10% reduction in overall capex spend due to lower store size.

Exhibit 1: Operating metrics

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
KFC									
Revenue (INR mn)	3,810	3,691	4,286	4,165	4,421	4,285	4,770	4,527	4,948
Gross margin (%)	66.5	66.8	68.1	67.9	68.4	68.3	68.2	68.3	68.2
Restaurant EBITDA margin (%) (pre-IndAS)	20.2	19.1	20.8	19.2	20.1	18.7	18.8	16.5	18.2
Average daily sales (INR'000)	136	127	138	125	125	114	122	111	115
No. of stores added (net) (nos)	24	16	17	23	25	23	13	19	35
Total stores at the end of the quarter (nos)	325	341	358	381	406	429	442	461	496
SSSG YoY (%)	3.0	2.0	0.0	0.0	(2.0)	(3.0)	(6.0)	(8.0)	(3.0)
Delivery revenue contribution (%)	36.0	38.0	36.0	38.0	38.0	39.0	40.0	42.0	41.0
Takeaway revenue contribution (%)	19.0	19.0	19.0	19.0	19.0	21.0	21.0	21.0	21.0
Dine In revenue contribution (%)	45.0	43.0	45.0	43.0	43.0	40.0	39.0	37.0	38.0
Delivery revenue growth (%)	22.3	18.2	24.6	25.9	22.5	19.1	23.7	20.1	20.8
Takeaway revenue growth (%)	19.4	12.6	21.2	19.3	16.0	28.3	23.0	20.1	23.7
Dine-in revenue growth (%)	31.5	37.2	18.5	19.3	10.9	8.0	(3.5)	(6.5)	(1.1)
Pizza Hut									
Revenue (INR mn)	1,364	1,221	1,362	1,330	1,305	1,188	1,397	1,376	1,430
Gross margin (%)	74.4	74.3	75.1	76.1	75.7	75.5	76.1	76.5	75.6
Restaurant EBITDA margin (%) (pre-IndAS)	14.1	8.6	9	7.6	4.6	-2.7	4.6	4.1	4.7
Average daily sales (INR'000)	58	50	52	48	45	41	48	47	45
No. of stores added (net) (nos)	25	12	16	9	8	0	1	3	16
Total stores at the end of the quarter (nos)	274	286	302	311	319	319	320	323	339
SSSG YoY (%)	(4.0)	(4.0)	(9.0)	(20.0)	(19.0)	(15.0)	(7.0)	(3.0)	5.0
Delivery revenue contribution (%)	50.0	52.0	50.0	49.0	49.0	50.0	50.0	52.0	51.0
Takeaway revenue contribution (%)	15.0	15.0	15.0	16.0	16.0	15.0	16.0	15.0	15.0
Dine in revenue contribution (%)	35.0	33.0	35.0	35.0	35.0	35.0	34.0	33.0	34.0
Delivery revenue growth (%)	22.7	18.3	18.9	(7.6)	(6.2)	(6.4)	2.6	9.8	14.1
Takeaway revenue growth (%)	12.8	18.3	4.7	0.6	2.1	(2.7)	9.4	(3.0)	2.7
Dine in revenue growth (%)	23.8	18.3	5.7	(5.7)	(4.3)	3.2	(0.4)	(2.5)	6.4
Sri Lankan business									
Revenue (INR mn)	731	667	825	864	892	816	978	1,024	1,159
Gross margin (%)	57.3	61.0	60.5	62.2	61.8	61.9	60.6	61.1	62.1
Restaurant EBITDA margin (%) (pre-IndAS)	14.6	14.2	13.0	15.3	14.2	12.3	13.2	15.5	17.8
Average daily sales (INR'000)	75	65	81	81	81	75	89	93	103
No. of stores added (net) (nos)	6	0	4	4	(1)	(1)	0	1	5
Total stores at the end of the quarter (nos)	114	114	118	122	121	120	120	121	126
SSSG YoY (%)	18.0	(3.0)	0.0	1.0	1.0	4.0	11.0	9.0	14.0
Delivery revenue contribution (%)	36.0	36.0	37.0	36.0	37.0	37.0	38.0	38.0	37.0
Takeaway revenue contribution (%)	29.0	35.0	34.0	34.0	36.0	35.0	35.0	35.0	37.0
Dine in revenue contribution (%)	35.0	29.0	29.0	30.0	27.0	28.0	27.0	27.0	26.0
Delivery revenue growth (%)	(37.4)	(43.1)	(0.1)	36.7	25.4	25.7	21.7	25.1	29.9
Takeaway revenue growth (%)	(29.4)	(25.1)	39.2	12.6	51.5	22.3	22.0	22.0	33.5
Dine in revenue growth (%)	98.8	5.5	67.3	43.5	(5.9)	18.1	10.4	6.7	25.1

Source: Company, Elara Securities Research

Exhibit 2: Valuation and TP

(INR mn)	FY27E
KFC India	
One-year forward EBITDA (pre IndAS)	3,624
Multiple (x)	34
EV	121,411
EV per share	380
Pizza Hut India	
One-year forward EBITDA (pre IndAS)	62
Multiple (x)	22
EV	1,328
EV per share	4
Sri Lanka business	
One-year forward EBITDA (pre IndAS)	563
Multiple (x)	2
EV	900
EV per share	3
Total EV	123,639
Cash (INR mn)	3,998
Debt (INR mn)	1,276
Equity value (INR mn)	126,361
Total no. of shares (mn)	319.8
TP (INR)	390
CMP (INR)	318
Upside (%)	23

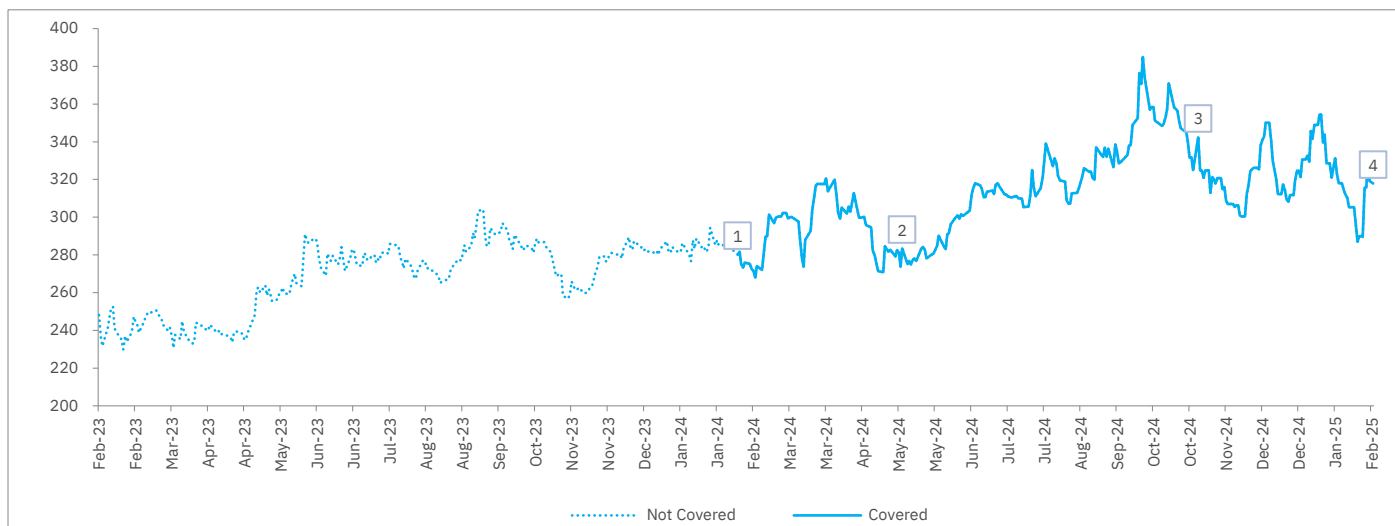
Source: Elara Securities Estimate

Exhibit 3: Change in estimates

(INR mn)	New			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	28,249	32,003	35,806	27,852	31,776	35,740	1.4	0.7	0.2
EBITDA	4,928	5,988	6,934	4,841	6,061	6,980	1.8	(1.2)	(0.7)
EBITDA margin (%)	17.4	18.7	19.4	17.4	19.1	19.5			
PAT	297	881	1,356	287	896	1,367	3.7	(1.7)	(0.9)
EPS (INR)	0.9	2.8	4.2	0.9	2.8	4.3	3.7	(1.7)	(0.9)
Rating			Buy			Accumulate			

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	5-Feb-2024	Buy	INR 1,740	INR 1,401
2	10-May-2024	Buy	INR 1,785	INR 1,417
	5-Sept-2024*	Buy	INR 380	INR 332
3	28-Oct-2024	Accumulate	INR 390	INR 342
4	6-Feb-2025	Buy	INR 390	INR 318

*Stock Split From Rs.10/- to Rs.2/-

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

Disclosures & Confidentiality for non U.S. Investors

The Note is based on our estimates and is being provided to you (herein referred to as the "Recipient") only for information purposes. The sole purpose of this Note is to provide preliminary information on the business activities of the company and the projected financial statements in order to assist the recipient in understanding / evaluating the Proposal. Nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. Nevertheless, Elara Securities (India) Private Limited or any of its affiliates is committed to provide independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Elara Securities (India) Private Limited or any of its affiliates have not independently verified all the information given in this Note and expressly disclaim all liability for any errors and/or omissions, representations or warranties, expressed or implied as contained in this Note. The user assumes the entire risk of any use made of this information. Elara Securities (India) Private Limited or any of its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for or solicit investment banking or other business from any company referred to in this Note. Each of these entities functions as a separate, distinct and independent of each other. This Note is strictly confidential and is being furnished to you solely for your information. This Note should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This Note is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Elara Securities (India) Private Limited or any of its affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. Upon request, the Recipient will promptly return all material received from the company and/or the Advisors without retaining any copies thereof. The Information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This Information is subject to change without any prior notice. Elara Securities (India) Private Limited or any of its affiliates reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Elara Securities (India) Private Limited is under no obligation to update or keep the information current. Neither Elara Securities (India) Private Limited nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. This Note should not be deemed an indication of the state of affairs of the company nor shall it constitute an indication that there has been no change in the business or state of affairs of the company since the date of publication of this Note. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Elara Securities (India) Private Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Any clarifications / queries on the proposal as well as any future communication regarding the proposal should be addressed to Elara Securities (India) Private Limited. It is important to note that any dispute with respect to this research report, would not have access to stock exchange investor redressal forum or arbitration mechanism.

Elara Securities (India) Private Limited was incorporated in July 2007 as a subsidiary of Elara Capital (India) Private Limited.

Elara Securities (India) Private Limited is a SEBI registered Stock Broker in the Capital Market and Futures & Options Segments of National Stock Exchange of India Limited [NSE], in the Capital Market Segment of BSE Limited [BSE] and a Depository Participant registered with Central Depository Services (India) Limited [CDSL].

Elara Securities (India) Private Limited's business, amongst other things, is to undertake all associated activities relating to its broking business.

The activities of Elara Securities (India) Private Limited were neither suspended nor has it defaulted with any stock exchange authority with whom it is registered in last five years. However, during the routine course of inspection and based on observations, the exchanges have issued adverse letters or levied minor penalties on Elara Securities (India) Private Limited for minor operational deviations in certain cases. Elara Securities (India) Private Limited has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has the certificate of registration been cancelled by SEBI at any point of time.

Elara Securities (India) Private Limited offers research services primarily to institutional investors and their employees, directors, fund managers, advisors who are registered or proposed to be registered.

Details of Associates of Elara Securities (India) Private Limited are available on group company website www.elaracapital.com

Elara Securities (India) Private Limited is maintaining arms-length relationship with its associate entities.

Research Analyst or his/her relative(s) may have financial interest in the subject company. Elara Securities (India) Private Limited does not have any financial interest in the subject company, whereas its associate entities may have financial interest. Research Analyst or his/her relative does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Elara Securities (India) Private Limited does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Associate entities of Elara Securities (India) Private Limited may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Research Analyst or his/her relative or Elara Securities (India) Private Limited or its associate entities does not have any other material conflict of interest at the time of publication of the Research Report.

Research Analyst or his/her relative(s) has not served as an officer, director or employee of the subject company.

Research analyst or Elara Securities (India) Private Limited have not received any compensation from the subject company in the past twelve months. Associate entities of Elara Securities (India) Private Limited may have received compensation from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities have not managed or co-managed public offering of securities for the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associates have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company or third party in connection with the Research Report in the past twelve months.

Disclaimer & Standard warning

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Disclaimer for non U.S. Investors

The information contained in this note is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Disclosures for U.S. Investors

The research analyst did not receive compensation from Sapphire Foods Limited.

Elara Capital Inc.'s affiliate did not manage an offering for Sapphire Foods Limited.

Elara Capital Inc.'s affiliate did not receive compensation from Sapphire Foods Limited in the last 12 months.

Elara Capital Inc.'s affiliate does not expect to receive compensation from Sapphire Foods Limited in the next 3 months.

Disclaimer for U.S. Investors

This material is based upon information that we consider to be reliable, but Elara Capital Inc. does not warrant its completeness, accuracy or adequacy and it should not be relied upon as such.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

Certain statements in this report, including any financial projections, may constitute "forward-looking statements." These "forward-looking statements" are not guarantees of future performance and are based on numerous current assumptions that are subject to significant uncertainties and contingencies. Actual future performance could differ materially from these "forward-looking statements" and financial information.

India

Elara Securities (India) Private Limited
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg,
Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe

Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ,
United Kingdom
Tel : +44 20 7486 9733

USA

Elara Securities Inc.
230 Park Avenue, Suite 2415,
New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific

Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047



Managing Director

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



Head of Research

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team



India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558



India, APAC & Australia

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



Corporate Access, Conference & Events

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

Access our reports on Bloomberg: Type **RESP ESEC <GO>**

Also available on **Thomson & Reuters**

Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500
CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933
Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236
Member of Central Depository Services (India) Limited | SEBI REGN. NO.: IN-DP-370-2018
Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509