

# Sapphire Foods

India | Consumer Discretionary | Result Update



29 April 2026

## Sustained SSSG momentum

Sapphire Foods (SAPPHIRE IN) reported 4% same store sales growth (SSSG) in Q4, with *KFC* remaining the key bright spot, aided by resilient dine-in & takeaway channels and stabilized delivery mix at ~43%. Global quick service restaurants (QSR) chains like KFC are better positioned to gain market share over standalone firms amid LPG disruption and inflationary pressures, given competitive value meal pricing. We expect KFC SSG of 5–6% in FY27E, supported by low base. However, Pizza Hut SSG decline and weak international profitability continue to weigh on consolidated earnings. Synergistic benefits from Devyani International (DEVYANI IN, **Buy**, CMP: INR 115, TP: INR 165) and operating leverage are set to drive a 232bp margin expansion to 2.1% in the next two years. We retain **Buy** with a lower TP of INR 260. KFC is trades at 25x FY28E EV/EBITDA and re-rating is contingent on sustained SSG and margin delivery.

**KFC remains a silver lining:** The company reported healthy SSSG of 4% in Q4, led by improvement in the dine-in and takeaway channels. Delivery mix, particularly for KFC, appears to have stabilized at ~43%, we do not expect a meaningful jump from the current levels. However, we believe amid LPG-related issues and recent near-term disruptions, global QSR chains are well placed to gain market share vs smaller standalone firms. First, in the current inflationary environment, pricing at global QSR companies has become significantly more competitive in the past three years via value meals and promotional offers, positioning them favorably vs peers. Second, the QSR segment has demonstrated resilience, with minimal impact from food inflation and limited negative effect from the recent West Asia crisis. Supported by these triggers and aided by low base, we expect KFC SSSG in the range of 5% to 6% in FY27E, largely led by stronger dine-in growth (35% contribution).

**Pizza Hut – continued pressure on performance:** Other businesses remain cause for concern, as Pizza Hut SSG continues to decline, although respite was visible this quarter. Losses in the Pizza Hut business and lower profitability in international operations continue to weigh on overall earnings.

**Retain Buy with a lower TP of INR 260:** Synergistic benefits with Devyani International are set to accrue via lower cost and incremental operational efficiency. We expect margin to improve by 232bp to 2.1% in the next two years, driven by operating leverage and stronger SSSG. KFC is currently trading at 25x FY28E EV/EBITDA; a rerating in valuation multiples could be triggered by better SSSG and margin improvement. However, risks persist in the other businesses, particularly Pizza Hut and international operations, which, if profitability does not improve, could continue to drag consolidated earnings. After factoring in Q4, we raise our revenue by 3% and EPS by 22% for FY28E. We retain **Buy** and expect sustained SSSG momentum to support valuation in the upcoming quarters. We lower our TP of INR 260 from INR 300 as we value KFC on 22x (from 28x) FY28E EV/EBITDA, Pizza Hut on 1x (from 2x) and Sri Lanka business on 1x (from 2x). We introduce FY29 estimates.

### Key financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	28,819	31,253	34,022	37,673	42,074
YoY (%)	11.1	8.4	8.9	10.7	11.7
EBITDA (INR mn)	4,768	4,736	6,046	6,857	7,717
EBITDA margin (%)	16.5	15.2	17.8	18.2	18.3
Adj PAT (INR mn)	320	(80)	399	780	1,540
YoY (%)	(38.4)	(125.0)	(599.2)	95.5	97.4
Fully DEPS (INR)	1.0	(0.2)	1.2	2.4	4.8
RoE (%)	2.3	(0.6)	2.8	5.3	9.7
RoCE (%)	8.1	5.8	11.6	13.2	16.6
P/E (x)	175.0	(700.2)	140.3	71.8	36.3
EV/EBITDA (x)	14.4	14.5	11.3	10.0	8.9

Note: Pricing as on 28 April 2026; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 260**

Upside: **49%**

CMP: **INR 174**

As on 28 April 2026

#### Key data

Bloomberg	SAPPHIRE IN
Reuters Code	SAPL.NS
Shares outstanding (mn)	321
Market cap (INR bn/USD mn)	56/592
EV (INR bn/USD mn)	68/724
ADTV 3M (INR mn/USD mn)	193/2
52 week high/low	368/140
Free float (%)	73

Note: as on 28 April 2026; Source: Bloomberg

#### Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY25	FY26	FY26	FY26
Promoter	26.1	26.1	26.1	26.1
% Pledge	0.0	0.0	0.0	0.0
FII	30.4	31.6	31.3	29.2
DII	38.5	37.9	37.3	37.6
Others	5.0	4.5	5.4	7.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(5.3)	(7.5)	(1.4)
Sapphire Foods	(8.2)	(37.7)	(45.6)
NSE Mid-cap	(0.2)	(2.6)	5.7
NSE Small-cap	6.9	(3.6)	7.1

Source: Bloomberg

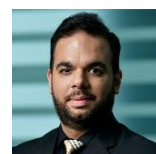
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## Financials (YE March)

<b>Income Statement (INR mn)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Total Revenue	28,819	31,253	34,022	37,673	42,074
Gross Profit	19,750	21,302	23,343	25,896	28,942
EBITDA	4,768	4,736	6,046	6,857	7,717
EBIT	1,128	815	1,644	1,939	2,638
Interest expense	1,116	1,228	1,276	996	1,090
Other income	372	280	157	83	506
Exceptional/ Extra-ordinary items	(153)	(240)	-	-	-
PBT	231	(373)	525	1,027	2,054
Tax	64	(53)	126	246	513
Minority interest/Associates income	-	-	-	-	-
Reported PAT	167	(320)	399	780	1,540
Adjusted PAT	320	(80)	399	780	1,540
<b>Balance Sheet (INR mn)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Shareholders' Equity	13,962	13,886	14,285	15,065	16,605
Minority Interest	-	-	-	-	-
Trade Payables	2,425	2,836	3,040	3,352	3,738
Provisions & Other Current Liabilities	2,022	2,484	2,713	2,871	3,062
Total Borrowings	199	56	56	56	56
Other long term liabilities	11,802	13,297	9,837	10,847	12,065
<b>Total liabilities &amp; equity</b>	<b>30,410</b>	<b>32,559</b>	<b>29,931</b>	<b>32,192</b>	<b>35,527</b>
Net Fixed Assets	10,865	12,142	10,680	9,154	8,067
Goodwill	1,583	1,583	1,583	1,583	1,583
Intangible assets	9	8	8	8	8
Business Investments / other NC assets	13,727	15,442	14,363	15,531	16,940
Cash, Bank Balances & treasury investments	583	681	346	2,780	5,571
Inventories	956	1,123	1,271	1,407	1,571
Sundry Debtors	366	350	451	499	558
Other Current Assets	2,322	1,230	1,230	1,230	1,230
<b>Total Assets</b>	<b>30,410</b>	<b>32,559</b>	<b>29,931</b>	<b>32,192</b>	<b>35,527</b>
<b>Cash Flow Statement (INR mn)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
<b>Cashflow from Operations</b>	<b>3,984</b>	<b>3,868</b>	<b>3,724</b>	<b>6,738</b>	<b>7,367</b>
Capital expenditure	(2,649)	(3,197)	(2,979)	(3,391)	(3,992)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	(719)	866	157	83	506
<b>Free Cash Flow</b>	<b>616</b>	<b>1,538</b>	<b>902</b>	<b>3,430</b>	<b>3,881</b>
Cashflow from Financing	(1,009)	(1,439)	(1,236)	(996)	(1,090)
Net Change in Cash / treasury investments	(393)	98	(335)	2,434	2,791
<b>Key assumptions &amp; Ratios</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Dividend per share (INR)	-	-	-	-	-
Book value per share (INR)	43.5	43.2	44.5	46.9	51.7
RoCE (Pre-tax) (%)	8.1	5.8	11.6	13.2	16.6
ROIC (Pre-tax) (%)	8.6	6.1	12.1	14.7	22.5
ROE (%)	2.3	(0.6)	2.8	5.3	9.7
Asset Turnover (x)	2.7	2.7	3.3	4.9	6.6
Net Debt to Equity (x)	0.0	0.0	0.0	(0.2)	(0.3)
Net Debt to EBITDA (x)	(0.1)	(0.1)	0.0	(0.4)	(0.7)
Interest cover (x) (EBITDA/ int exp)	4.3	3.9	4.7	6.9	7.1
Total Working capital days (WC/rev)	(2.9)	(23.5)	(27.5)	(3.1)	19.5
<b>Valuation</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
P/E (x)	175.0	(700.2)	140.3	71.8	36.3
P/Sales (x)	1.9	1.8	1.6	1.5	1.3
EV/ EBITDA (x)	14.4	14.5	11.3	10.0	8.9
EV/ OCF (x)	17.2	17.7	18.4	10.2	9.3
FCF Yield	0.9	2.2	1.3	5.0	5.7
Price to BV (x)	4.0	4.0	3.9	3.7	3.4
Dividend yield (%)	-	-	-	-	-

We expect a revenue CAGR of 10.4% during FY26-29E

Note: Pricing as on 28 April 2026; Source: Company, Elara Securities Estimate

**Exhibit 1: Quarterly performance**

Consolidated (INR mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Elara Est.	Diff (%)
Revenue	7,922	7,113	11.4	8,138	(2.7)	7,837	1
Gross margin (%)	68.8	68.2	61 bps	68.7	9 bps	68.5	25 bps
EBITDA	1,244	1,062	17.1	1,342	(7.3)	1,103	13
EBITDA margin (%)	15.7	14.9	77 bps	16.5	(79 bps)	14.1	163 bps
Depreciation	1,010	850	18.9	1,020	(1.0)	1,040	(3)
Interest Cost	311	298	4.6	315	(1.2)	310	0
Other Income	50	130	(61.8)	71	(29.8)	90	(45)
PBT	(155)	6	(2,653.8)	(34)	363.1	(156)	(1)
Tax	(29)	(14)	101.8	15	(296.8)	(39)	(27)
Effective tax rate (%)	18.4	(233.4)		(43.4)		25.0	
PAT	(127)	20	(724.7)	(48)	163.4	(117)	8
Adj. PAT	1	(18)	(107.2)	64	(97.9)	(117)	(101)
Adj. EPS (INR)	(0.4)	0.1	(724.7)	0.2	(299.3)	-	

Source: Company, Elara Securities Estimate

**Q4FY26 conference call key takeaways**
**KFC – growth recovery gains momentum**

- ▶ KFC reported 4% SSSG in Q4FY26, or ~6% adjusted for seasonality, marking the highest growth in the past 14 quarters.
- ▶ Revenue grew 15% YoY, supported by strong consumer traction and incremental store additions.
- ▶ Management says April trends remain healthy, suggesting continuity in demand recovery.

**KFC – consumer strategy driving traffic**

- ▶ The company is pursuing a two-pronged strategy: consumer recruitment in the underpenetrated markets and premium-value offerings in the mature markets.
- ▶ Entry-level INR 99 meal bundles and targeted advertising have helped convert non-users into active customers.
- ▶ Select-market *Buy One- Get One* campaigns are generating incremental traffic with higher ticket sizes.

**KFC – margin improving with scale benefits**

- ▶ Restaurant EBITDA margin improved to ~16.8%, led by operating leverage from better SSSG.
- ▶ SAPPHERE increased marketing spends by 75–100bp to sustain growth momentum.
- ▶ Higher gross margin sustains via vendor partnerships, although moderation may create a 50–70bp downside risk.

**KFC – channel mix and digital strength**

- ▶ Dine-in and takeaway contribution stabilized at 57%, aided by exclusive value-led campaigns.
- ▶ Digital kiosks have been rolled out across ~73% of stores, supporting better average spend per customer.

**Pizza Hut India – weak demand continues**

- ▶ Pizza Hut India reported -7% SSSG, while revenue declined 6% YoY.
- ▶ Weak demand conditions and operating deleverage continues to pressure profitability despite gross margin gains.
- ▶ Restaurant EBITDA remains subdued at ~6%.

**Pizza Hut India – turnaround strategy underway**

- ▶ Management is focused on a dine-in-led omnichannel strategy, with emphasis on food quality and store experience.
- ▶ Tamil Nadu has emerged as a successful market, delivering double-digit SSSG & EBITDA improvement, and may serve as a playbook for other regions.

**Pizza Hut India – operational challenges persist**

- ▶ LPG disruptions caused temporary closure of <5% stores in March, improving to <3% in April.
- ▶ Energy cost inflation may create a 30–50bp margin impact.
- ▶ Management remains focused on stabilizing unit economics rather than aggressive expansion.

**Sri Lanka business – strong structural growth**

- ▶ Sri Lanka delivered ~11% SSSG and 15–16% revenue growth, reflecting continued robust demand.
- ▶ This marks the sixth consecutive quarter of double-digit SSSG, indicating sustained structural strength.
- ▶ April trends remain positive despite high base.

**Sri Lanka – margin profile and expansion**

- ▶ Restaurant EBITDA stood at ~14.6%, dragged by minimum wage hikes.
- ▶ Gross margin improved meaningfully due to lower discounts and calibrated pricing actions.
- ▶ SAPPHIRE added nine stores in FY26 and targets high single-digit to low double-digit store expansion for the next 2–3 years.

**Consolidated view – capex, pricing and outlook**

- ▶ FY26 capex is estimated at ~INR 3.2bn, driven by new stores, refurbishments and renewal fees; similar intensity expected in FY27.
- ▶ Price hikes of 1.5–2% were taken across KFC and Pizza Hut units to offset cost pressures, with no immediate further hikes planned.
- ▶ Management says recovery is being led by internal execution, with KFC and Sri Lanka driving growth while Pizza Hut remains the key turnaround focus.

**Exhibit 2: Quarterly metrics**

	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
<b>KFC</b>													
Revenue (INR mn)	3,691	4,286	4,165	4,421	4,285	4,770	4,527	4,948	4,793	5,275	4,856	5,509	5,495
Gross Margin (%)	66.8	68.1	67.9	68.4	68.3	68.2	68.3	68.2	68	67.1	67.2	68.6	68.7
Restaurant EBITDA Margin (%) (pre-IndAS)	19.1	20.8	19.2	20.1	18.7	18.8	16.5	18.2	15.7	15.7	13.8	18.8	16.8
Average Daily Sales (INR'000)	127	138	125	125	114	122	111	115	108	116	103	112	109
No. of stores added (net) (no)	16	17	23	25	23	13	19	35	6	8	19	27	19
Total stores at the end of the quarter (no)	341	358	381	406	429	442	461	496	502	510	529	556	575
SSSG YoY (%)	2	-	-	(2)	(3)	(6)	(8)	(3)	(1)	-	(3)	1	4
Delivery revenue contribution (%)	38	36	38	38	39	40	42	41	43	43	45	44	43
Takeaway revenue contribution (%)	19	19	19	19	21	21	21	21	21	21	20	21	22
Dine In revenue contribution (%)	43	45	43	43	40	39	37	38	36	36	35	35	35
Delivery revenue growth (%)	18	25	26	22	19	24	20	21	23	19	15	19	15
Takeaway revenue growth (%)	13	21	19	16	28	23	20	24	12	11	2	11	20
Dine In revenue growth (%)	37	19	19	11	8	(4)	(6)	(1)	1	2	1	3	11
<b>Pizza Hut</b>													
Revenue (INR mn)	1,221	1,362	1,330	1,305	1,188	1,397	1,376	1,430	1,248	1,320	1,296	1,275	1,174
Gross Margin (%)	74.3	75.1	76.1	75.7	75.5	76.1	76.5	75.6	74.8	74.6	74.4	74.9	75.2
Restaurant EBITDA Margin (%) (pre-IndAS)	8.6	9.0	7.6	4.6	(2.7)	4.6	4.1	4.7	(4.6)	(2.5)	(1.8)	(3.1)	(6.0)

	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Average Daily Sales (INR'000)	50	52	48	45	41	48	47	48	42	44	42	41	39
No. of stores added (net) (no)	12	16	9	8	-	1	3	16	(5)	2	2	1	2
Total stores at the end of the quarter (no)	286	302	311	319	319	320	323	339	334	336	338	339	341
SSSG YoY (%)	(4)	(9)	(20)	(19)	(15)	(7)	(3)	5	1	(8)	(8)	(12)	7
Delivery revenue contribution (%)	52	50	49	49	50	50	52	51	52	50	50	47	51
Takeaway revenue contribution (%)	15	15	16	16	15	16	15	15	16	16	16	17	16
Dine In revenue contribution (%)	33	35	35	35	35	34	33	34	32	34	34	36	33
Delivery revenue growth (%)	18	19	(8)	(6)	(6)	3	10	14	9	(6)	(9)	(18)	(8)
Takeaway revenue growth (%)	18	5	1	2	(3)	9	(3)	3	12	(6)	-	1	(6)
Dine In revenue growth (%)	18	6	(6)	(4)	3	-	(2)	6	(4)	(6)	(3)	(6)	(3)
<b>Sri Lanka Business</b>													
Revenue (INR mn)	667	825	864	892	816	978	1,024	1,159	1,066	1,164	1,264	1,342	1,237
Gross Margin (%)	61.0	60.5	62.2	61.8	61.9	60.6	61.1	62.1	60.6	60.9	63.3	63.7	63.5
Restaurant EBITDA Margin (%) (pre-IndAS)	14.2	13.0	15.3	14.2	12.3	13.2	15.5	17.8	14.8	12.7	15.4	16.7	14.6
Average Daily Sales (INR'000)	65	81	81	81	75	89	93	103	95	103	109	114	104
No. of stores added (net) (no)	-	4	4	(1)	(1)	-	1	5	1	1	2	3	3
Total stores at the end of the quarter (no)	114	118	122	121	120	120	121	126	127	128	130	133	136
SSSG YoY (%)	(3)	-	1	1	4	11	9	14	16	12	14	11	11
Delivery revenue contribution (%)	36	37	36	37	37	38	38	37	38	39	38	39	38
Takeaway revenue contribution (%)	35	34	34	36	35	35	35	37	36	35	36	36	36
Dine In revenue contribution (%)	29	29	30	27	28	27	27	26	26	26	26	25	26
Delivery revenue growth (%)	(43)	-	37	25	26	22	25	30	34	22	23	22	16
Takeaway revenue growth (%)	(25)	39	13	51	22	22	22	34	34	19	27	13	16
Dine In revenue growth (%)	5	67	43	(6)	18	10	7	25	21	15	19	11	16

Source: Company, Elara Securities Research

### Exhibit 3: Valuation

(INR mn)	FY28E
<b>KFC India</b>	
One-year forward EBITDA (pre IndAS)	3,573
Multiple (x)	22
EV	76,817
EV per share (INR)	239
<b>Pizza Hut India</b>	
One-year forward sales	5,816
Multiple (x)	1
EV	3,489
EV per share (INR)	11
<b>Sri Lanka Business</b>	
One-year forward EBITDA (pre IndAS)	459
Multiple (x)	1
EV	459
EV per share (INR)	1
<b>Total EV</b>	
	<b>80,765</b>
Cash (INR mn)	2,811
Debt (INR mn)	56
<b>Equity Value (INR mn)</b>	<b>83,520</b>
Shares (mn)	321.2
<b>TP (INR)</b>	<b>260</b>
CMP (INR)	174
<b>Upside (%)</b>	<b>49</b>

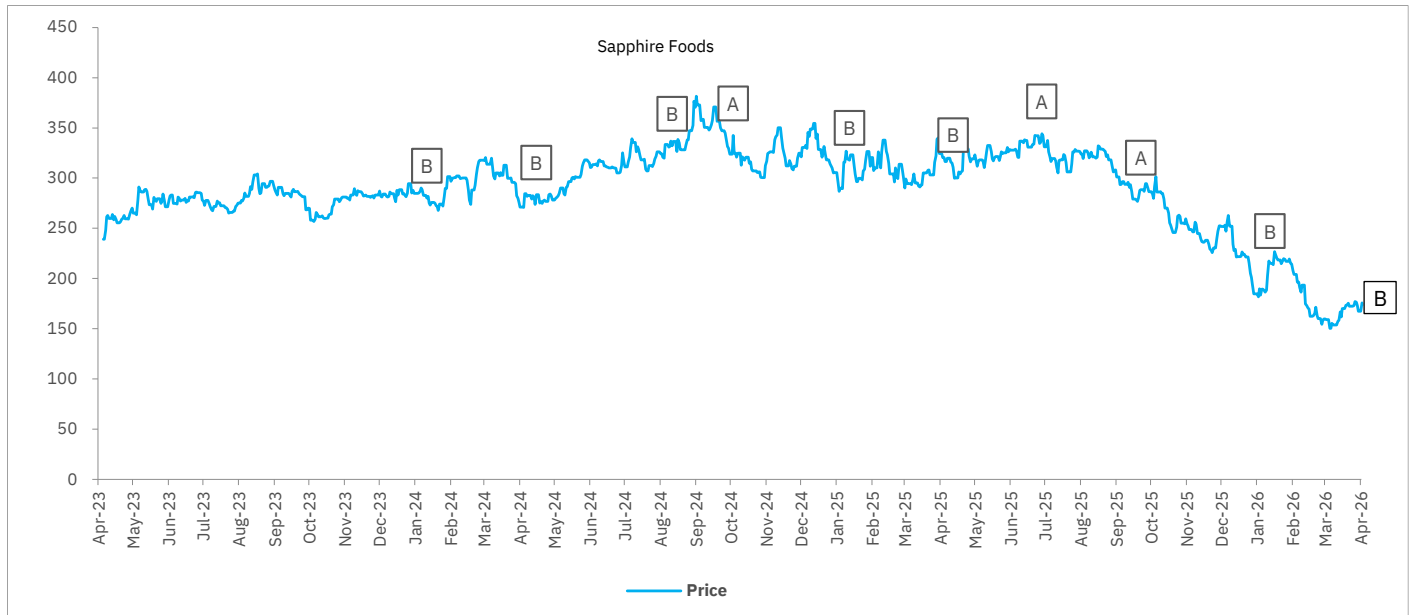
Note: pricing as on 28 April 2026; Source: Elara Securities Estimate

**Exhibit 4: Changes in estimates**

(INR mn)	Old		Revised		Changes		New
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY29E
Revenue	33,025	36,515	34,022	37,673	3.0	3.2	42,074
EBITDA	5,365	6,135	6,046	6,857	12.7	11.8	7,717
EBITDA Margin (%)	16.2	16.8	17.8	18.2			18.3
PAT	253	641	399	780	57.5	21.8	1,540
EPS (INR)	0.8	2.0	1.2	2.4	57.5	21.8	4.8
<b>TP (INR)</b>		<b>300</b>		<b>260</b>		<b>(13.3)</b>	

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
05-Feb-2024	Buy	1,740	1,401
10-May-2024	Buy	1,785	1,417
05-Sep-2024	Buy	357	332
28-Oct-2024	Accumulate	390	342
06-Feb-2025	Buy	390	318
07-May-2025	Buy	370	311
23-Jul-2025	Accumulate	370	344
17-Oct-2025	Accumulate	330	289
06-Feb-2026	Buy	300	215
28-Apr-2026	Buy	260	174

### Guide to Research Rating

- BUY (B)** Absolute Return >+20%
- ACCUMULATE (A)** Absolute Return +5% to +20%
- REDUCE (R)** Absolute Return -5% to +5%
- SELL (S)** Absolute Return < -5%

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