

Date: 5th May 2026

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National Stock Exchange of India Limited Exchange Plaza, Block G, C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 Symbol: SAPPHIRE	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 Scrip Code: 543397
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Dear Sir/Madam,

Subject: Earnings Call Transcript – Q4 FY26

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith the transcript of earnings call held on Tuesday, 28th April 2026, in relation to the financial results of the Company for the quarter and year ended 31st March 2026.

The said Earnings Call Transcript is also available at the website of the Company (<https://www.sapphirefoods.in/investors-relation/financials>) under FY 2025-26 Quarter 4 section.

Request you to kindly take the same on record.

Thanking you,
For Sapphire Foods India Limited



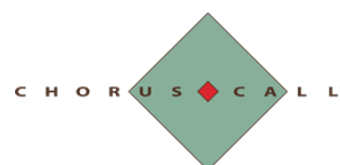
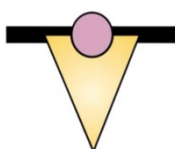
Sachin Dudam
Company Secretary and Compliance Officer

Encl: a/a



“Sapphire Foods India Limited
Q4 FY26 Earnings Conference Call.”

April 28, 2026



**MANAGEMENT: MR. SANJAY PUROHIT – WHOLE TIME DIRECTOR AND
GROUP CHIEF EXECUTIVE OFFICER – SAPPHIRE
FOODS INDIA LIMITED
MR. VIJAY JAIN – EXECUTIVE DIRECTOR AND CHIEF
FINANCIAL OFFICER – SAPPHIRE FOODS INDIA
LIMITED
MR. KAUSHIK VANKADKAR – HEAD OF INVESTOR
RELATIONS – SAPPHIRE FOODS INDIA LIMITED**



Moderator:

Ladies and gentlemen, good day, and welcome to the Sapphire Foods Q4 FY '26 Earnings Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

I now hand the conference over to Mr. Sanjay Purohit from Sapphire Foods. Thank you, and over to you, sir.

Sanjay Purohit:

Good afternoon, everybody. Welcome to the quarter 4 and full year 2025-2026 business performance highlights. I'm joined by my colleague and fellow Board member, Vijay Jain, who is our Executive Director and CFO. Both of us will take you through the presentation. Q4 FY26 has been our best quarter in the last 12 quarters in terms of both SSSG and adjusted EBITDA growth. This has come on the back of a strong new consumer recruitment, performance by KFC as well as strong performance in Sri Lanka also.

And you will all know this is despite the LPG-related availability that we have faced both in India and Sri Lanka and some inflationary challenges. I think this uplift in performance is really encouraging as we move into the new fiscal. We delivered a revenue of INR7.9 billion with 11% growth Y-o-Y in the quarter, revenue for KFC grew by 15%, which is the highest in the last 8 quarters and Pizza Hut India revenue declined by 6%.

Sri Lanka grew in revenue by 15% in LKR. In the quarter, we added 19 KFC restaurants, two Pizza Huts in India and three Pizza Huts in Sri Lanka. Our total restaurant count was 1,052 as of 31st March '26. Our consolidated restaurant EBITDA grew 21% year-on-year and margin was 13%, up 100 basis points. Adjusted EBITDA was INR61 crores, grew 20% year-on-year, and consolidated adjusted EBITDA was 7.7%. Consolidated EBITDA post Ind AS was INR125 crores, up 15.8%, and this grew 10% year-on-year, it's actually down 20 basis points.

Consolidated adjusted PBT before exception was INR8 crores, 1.1%. And PBT, before exception was negative INR2.7 crores or minus 0.3%. Consol PBT with exceptional items was negative INR15.5 crores or minus 2% and these exceptional items include the impact of INR6.2 crores on account of Labour Code changes and INR6.6 crores towards merger-related costs, really the ESOP modification for employee-retention. Let's look at the full year numbers.

Full year numbers, we delivered 8% revenue growth. So clearly, the quarter at 11% was better than the full year number. Adjusted EBITDA declined by 9% at 7.6%, 150 basis points down. KFC grew by 11% with a restaurant EBITDA of 16.3%, down 100 basis points. We opened 73 KFC restaurants during the year, 575 total restaurants. Pizza Hut revenue for the year declined by 7%, revenue of INR507 crores with a restaurant EBITDA of minus 3.3%, 570 basis points below last year. We opened 7 restaurants during the year, a total of 341 restaurants.



Sri Lanka business grew 16% in LKR terms, with restaurant EBITDA of 14.9%, down 50 basis points. We opened 9 restaurants during the year. 136 is our total count in Pizza Hut. The KFC performance has been driven by the two-pronged consumer recruitment strategy. Plus, with the merger announcement with Devyani International, we think that this will enable a unified brand strategy on both the brands and this future proves the growth in the coming years.

I'm going to go straight to KFC on Page number 19. As I said, KFC SSSG grew at 4%. 6% without the impact of Navratri last year, 2 days were in March and 7 days were in April. This year entire Navratri was in March. So underlying growth is 6%. And the 6% is highest in 14 quarters. So, it really bodes well. And there's a clear 2-pronged consumer recruitment strategy for the more evolving markets where chicken consumption is slightly lower than the more developed chicken consuming markets.

Our recruitment strategy of advertising plus an entry-level burger meal is working really well. This is being promoted only in our dine-in, takeaway channels, and it is really driving SSSG. And then in more developed markets, we have got disruptive value at the higher price point. So, we ran a BOGO, 4 pieces of Hot & Crispy 4 free and 8 pieces of Hot & Crispy 8 free.

Quite incredibly, this is also driving new consumer recruitment in some way. This is only in select markets on one day in the month, only on dine-in and takeaway. From an innovation's perspective, we have had 2 big innovations. Typically, we used to run 3 to 4 innovations in a year. We have upped our innovation intensity. Dunked, many of you would have tried, which is a global Saucy concept where sauces are not added over the chicken, but the entire piece of chicken is dumped into a pot of sauce. I mean tastes absolutely fantastic.

And then we launched this KFC ShaWOWrma innovation, which has also done really well. I'm moving to the digital agenda. Our digital kiosks now have been implemented in 73% of restaurants. And clearly, there's an APC upside that we get from the kiosks compared to what we would get at the counter. You can see some of the new stores that we have opened, Epicah Mall in Delhi, Punjab, Sathyamangalam in Tamil Nadu and Mumbai.

And quickly Vijay will handle the financial numbers.

Vijay Jain:

I'm on Slide 25, channel-wise sales mix. After a few quarters of declining trend in dine-in and takeaway channel mix, we are seeing a really healthy performance on that front. The dine-in and takeaway mix for the quarter remained stable at 57% same as last year. This was on account of improved performance we have seen in those channels, backed by the value campaigns, which Sanjay spoke about, which are exclusively available in dine-in and takeaway channels only.

From SSSG point of view, 4% SSSG, 6% ex Navratri. And overall revenue grew by 15% with addition of 19 stores in the quarter. Gross margin improved by 70 bps over last year. And remains similar to previous quarter, Q3. This, along with the operating leverage, which we generated out of positive SSSG, meant that we improved our restaurant EBITDA by 110 basis points, which came in at 16.8%.

Slide number 28 gives the 4-year and 5-quarter trend. And while the annual restaurant margin dropped by 100 bps, the last 2 quarters, Q3 and Q4, saw an improvement in margin, which was



generated on back of positive SSSG and this augurs really well as we move into the new fiscal view.

Sanjay Purohit:

Let me take the Pizza Hut business performance. It continues to be challenging. However, our strategy of dine-in forward omni-channel with emphasis on great food and great dine-in experience, it continues to deliver double-digit SSSG and EBITDA delta in Tamil Nadu, the only exclusive Sapphire market versus the rest of the country.

So, we believe very strongly that this is the playbook for the future. For our number two brand, we've got to invest behind advertising, creating top of mind and consideration amongst consumers, and there is a big market share play that is possible. Vijay, the financial numbers, please.

Vijay Jain:

Slide number 34, channel-wise sales mix, dine-in and takeaway mix for the brand came at 49% and delivery at 51%. This has largely remained stable quarter-on-quarter and over last year as well. From our SSSG perspective, minus 7% and overall revenue declined by 6% for the brand. Gross margin improved by 40 basis points over last year. However, restaurant EBITDA decline came in at 6% on account of operating deleverage.

Slide number 37 gives a 4-year and 5-quarter performance. It can be seen that the overall performance for the brand continues to remain a challenge. However, as mentioned by Sanjay, that the Tamil Nadu delivered double-digit delta on both SSSG and restaurant EBITDA performance, and this acts as the playbook for the future.

Sanjay Purohit:

Our Sri Lanka performance was very healthy. We delivered our sixth consecutive quarter of double-digit SSSG, along with healthy transaction growth. We opened 9 restaurants during the financial year. This has been the highest over the last 3 years. And this really shows that Sri Lanka is a highly promising market for Pizza Hut. We should be able to continue this restaurant pace of expansion going forward in the next 2, 3 years.

Vijay Jain:

Slide 41, channel-wise sales mix, again, Sri Lanka as well, our dine-in and takeaway, which remains stable and healthy at 62%. From SSSG perspective, 11% for the quarter, which was from a revenue perspective, 15% in LKR and 16% in INR terms. While gross margin improved by 290 basis points, which was a combination of reduction in discount as well as increase in price.

We had a margin which came at 14.6%, down by 20 basis points, and the entire benefit of the operating leverage because of the SSSG did not flow through the bottom line on account of high minimum wages being experienced in a particular country, and there were 2 increases last year. Slide number 45 gives 4-year and 5-quarter trend. As can be seen, the business continues to deliver healthy performance and we continue to retain and consolidate our number 1 QSR position in the country.

Sanjay Purohit:

Our business performance in terms of numbers comes on the back of certain foundational work that we do. Last time, I said that we have been ranked the number 1 QSR in the country and the number 3 QSR in the world on ESG metrics as per the Dow Jones Sustainability Index. This is



a matter of great pride for us and the two areas where we perform outstandingly well are in the social and governance areas.

And indeed, when we look at our social scores, there's another validation of the unique culture that we have at Sapphire. We've been recognized by Gallup as an exceptional workplace in the world, this is among the -- about 70 companies around the world, who have been recognized in this manner. To to qualify for this also there is a need to be among the top quartile of all companies globally on employee engagement scores for 4 to 5 years in a row.

Only then does Gallup invite you to take part in this. And we took part and we were recognized as a Gallup Exceptional Workplace, only Indian QSR organization recognized in the country, only 4 Indian organizations recognized globally. So, with this, we conclude our numbers and our business performance highlights. Again, the quarter performance, especially on KFC as well as on Sri Lanka bodes well as we get into the new fiscal. April also is trending similarly and that gives us confidence for the new fiscal.

I want to reiterate here; the KFC performance is work that has been done to improve new consumer recruitment and you would have heard me speak about this several times over the last quarters. It has taken us time to find the right marketing mix to deliver on this intent, but we think we've got it now, and that's very heartening.

Over to you all. Now over to you for questions.

Moderator: The first question is from the line of Saurabh Kundan from Goldman Sachs.

Saurabh Kundan: I want to ask you, is the early value initiatives in KFC now rolled out across your network, especially the North and West, where you have the INR99 initiative?

Sanjay Purohit: So, we started it, Saurabh, in about 150-odd stores in the month of November, December, then rolled it out to perhaps 200 stores in January, February, March. And as of April, all our stores, except our Tamil Nadu stores are running this new consumer recruitment value offer. So, it's not a promotion. I want to underline that this is not a promotion. This is a permanent value layer that we are building.

Vijay Jain: So this is in North and West, and South, we are implementing a different strategy.

Saurabh Kundan: Understood. And what's the same-store transaction growth that you are seeing? And if you could remind us what the trend has been last, let's say, 4 quarters?

Vijay Jain: So, we have not given out the numbers, but yes, our SSTG has been closer to the SSSG performance in the previous quarter. It follows a similar trend line. It's closer to our SSSG performance.

Saurabh Kundan: All right. All right. Last question from me. You've also stepped-up marketing in KFC. Could you give us an idea the margin that we are seeing in KFC, the restaurant margin, how much has the marketing and ad spend gone up as a percentage of KFC sales? What was it earlier? And what is it now? Earlier as in, before these initiatives were introduced?



- Vijay Jain:** So, while I'm not giving the exact number, anywhere between 75 basis points to a 100-bps additional marketing spend we have put behind the brand.
- Sanjay Purohit:** And we have put, additional...
- Vijay Jain:** The regular amount which we end up spending as per the contract, which is over and above the regular amount.
- Saurabh Kundan:** And this will continue as long as -- I mean, this becomes a permanent now, right?
- Vijay Jain:** It becomes permanent or not. Because right now, the focus in getting -- focus is on getting the transactions and getting the SSSG. So, marketing investment or the gross margin investment right now becomes a bit secondary in terms of the focus. As long as we are able to get a positive SSSG in transaction and thereby finally create a accretive bottom line, I think that's the focus area.
- Saurabh Kundan:** Got it. Can I just ask one more question on gross margin. So, in the previous quarter, you were not fully rolled out. This quarter, you are fully rolled out, yet your gross margin is similar to the previous quarter. Is there any price hike as well involved here or...
- Vijay Jain:** So, the primary reason is that this particular offer has been also supported by our vendor partners as well. As a result, we've been able to hold on to the gross margin. That's the reason. Having said that, if I look into the future and if the vendor partner support goes away, we expect the gross margin impact of anywhere or a gross margin investment of anywhere between 50 to 70 basis points. That's our estimate.
- Moderator:** The next question is from the line of Tejash Shah from Avendus Spark Institutional Equities.
- Tejash Shah:** So, the last quarter had two distinct shades in terms of operating environment, Jan, Feb at one end and March was very volatile, especially on operational front. But despite that numbers came out very well compared to what the quarter was painted operationally. So just wanted to know, Jan, Feb had a very good momentum, which got disrupted. I'm assuming it got disrupted in March? Or was it uniform throughout?
- Sanjay Purohit:** Yes. So, March was also good. I would say, while there was a disruption on LPG and indeed, there's significant inflation that has happened on LPG, we were still able to manage to keep our stores alive. Now that when I say the manage, it's a day-to-day activity, so our teams on the ground just do an incredible amount of work. So, we have not -- store closures have been restricted significantly in wherever we have still been able -- in some cases, we've still been able to operate with a truncated menu.
- Tejash Shah:** And sir, how is the current operating environment?
- Vijay Jain:** Just to add to that. So, KFC had zero closures, okay? So, while availability was a challenge. I think we've been able to manage the situation quite well. So, there was a zero closure on KFC, and there continues to be zero closure on KFC, few stores would have been impacted by



truncated menu, few stores would have been impacted by truncated timings, but those are a handful of the stores. Hence, March went very well from that perspective.

In Pizza Hut, we had closures, which I would say for 10 days, 15 days, but the number of stores would be less than 5% of the overall brand for Pizza Hut. So, the bigger challenge right now is the LPG price where the impact could be anywhere between 25% to 40% increase in terms of the cost, which could impact the EBITDA by 30 to 50 basis point. But as long as we're able to keep the store open, I think that 30 to 50 basis points impact right now in relative theory, it's not so material.

Tejash Shah: And sir, there are consensus expectation on energy price increase, coming quarters or coming months. So, any price hike that we have planned or already rolled out? And in general, if inflation picks up, what will be our strategy because inflation is coming after a long time.

Vijay Jain: So currently for KFC, the price hike has happened in the range of 1-odd percent. And in March, also a small amount of price hike happened. If I add up both the price hikes, it's in the range of 1.5% to 2% price hike for KFC. Similar price hike has been taking place for Pizza Hut or has taken place for Pizza Hut as well in the month of April, around about 2%.

We don't see any further price hike in the immediate future, unless we see the situation at the ground going dramatically southwards whether raw material prices or for that matter, specifically oil prices go out of the whack. Unless that happens, we don't see any other price hike happening in the near future.

Tejash Shah: Perfect. And just one clarification on the reply to previous participant question, you said that despite the broader rollout of the value offering, the margins did not come under pressure because it was supported by vendor partners. But I thought it was largely for dine-in, right?

Vijay Jain: Dine-in, takeaway. And when I say vendor partners, the raw material suppliers, the supply of the chicken, fries and the beverage partners.

Sanjay Purohit: Largely the fries and beverage partners.

Tejash Shah: So, they cross subsidize, is it?

Sanjay Purohit: Yes.

Vijay Jain: Yes. Because they get volume. So...

Sanjay Purohit: They get substantial volumes.

Moderator: The next question is from the line of Gaurav Jogani from JM Financial.

Gaurav Jogani: Sir, my question is with regards to KFC again, and specific to margins. Would it be prudent to say that your confidence in terms of the new strategy and the way you have managed the cost that the margins now have bottomed down and we can see only recovery in margins going ahead?



- Vijay Jain:** Sorry, if you can -- the margins of what? Come again.
- Gaurav Jogani:** Have they bottomed out -- have the margins, bottomed out? And can we only see recovery margins going ahead despite the raw material inflation, etc.
- Vijay Jain:** Yes. So as long as we're able to hold on to the SSSG, we feel confident that we should be able to hold or improve the margins. So, the SSSG is the key, and that's what we've been saying for the last 2 years. So, the drop of margin has been a direct result of lack of SSSG for last 2 years. So yes, the Q3 and Q4 the moment we hit the SSSG, it has helped us improve the margins.
- Sanjay Purohit:** So, there are two margins. One, gross margin and restaurant EBITDA, Vijay was mentioning, restaurant EBITDA.
- Gaurav Jogani:** Just was referring to the restaurant EBITDA margins, right? That's what...
- Vijay Jain:** Yes. That is what I was alluding to. Yes.
- Gaurav Jogani:** Just further on this. Given that now we have a very low base to hit and also the strategy started to work for us so-- how confident are you of achieving mid-single digit kind of an SSSG in KFC over the next couple of years?
- Vijay Jain:** So, I don't think the confidence comes from the low base. If that was the case, I think for last 3 years, we will be still struggling, right? Every year, we think the base has gone low. And yet, it was now 3 years for us to get a 4% SSSG. So, the confidence does not come from the low base. It comes from the strategy, which is right now working at the ground which has been now in operation for last 4 months or so.
- We have been quite cautious of expanding from 150 stores to 220 now to 400-plus stores. So, I think that the traction at the ground gives us the confidence and the way April has also gone so far gives us the confidence that we should be able to deliver a reasonable SSSG as we move forward.
- Gaurav Jogani:** What I was trying to ask you is that what has really worked in changing that traction? Is it your strategy that is working? Is it the consumers are coming back? Are you seeing a shift in the consumer sentiment that is helping? What is actually leading to this recovery.
- Vijay Jain:** It's a combination of 2 things. Certainly, we believe the consumer environment from a demand perspective is certainly improved in Q4, and this is what we were alluding to when we had a Q3 con call as well. But that backed by our specific strategy in terms of driving consumer recruitment, the twofold strategy which is INR99 Chicken Krisper Burger Meal, for driving customers or recruitment in North and West, which is the more or less developed or less evolved markets in terms of chicken eating pattern.
- And then another which is abundant and disruptive value. I think has clicked and it has not been easy to be fair. Over the last 1.5 years, we did several experiments, several pilots. We did the Epic Savers campaign as well. We ran it for the first 9 months. So, it has been a hit and miss.



Good part is that we have finally been able to arrive at something which has clicked with the customers, resonate with them and we are able to see traction. So that gives us the confidence.

Gaurav Jogani: And just 1 last question on the Sri Lanka bit. Sri Lanka has also faced challenges in terms of LPG shortage and the intensity of the issues there were a bit higher versus India. So how do you see Q1 so far panning out for Sri Lanka in specific and the margin profile?

Vijay Jain: So, it's a tough situation from being able to manage both fuel for our transport vehicles as well as LPG. The quarter has started okay, has started well only, but we've got to see how it lands over the next couple of weeks. So, this LPG situation is ever evolving situation. It's very difficult to say how the quarter looks like taking that particular parameter into consideration. So that's evolving in India as well as evolving in Sri Lanka as well.

Gaurav Jogani: So, it was the question more in context of- are the consumers also feeling the pain? And have they cut down on their discretionary spend in any way, which then could have a ripple effect on the demand?

Vijay Jain: But from that perspective, I think April has gone reasonably okay. Of course, we have been delivering double-digit SSSG for last 2 years. So, it's a really high base. So, coming out of that kind of a base. But yet, we continue to deliver positive SSSG in April as well.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Sir, firstly, I wanted to understand this April commentary. So, when you say trends have continued, you mean the overall quarter SSSG trends or the comparable SSSG trends? So maybe if you could help me better understand that comment?

Vijay Jain: Sorry, when you say -- you're asking SSSG trend. What does it mean?

Devanshu Bansal: For April.

Vijay Jain: For the quarter, we delivered 4%, ex Navratri, 6%. So that kind of momentum we are seeing in April as well from an SSSG point of view.

Devanshu Bansal: Okay. But Vijay, that loss that happened, which got preponed to Q4, that should have benefited you, right? So, in April?

Vijay Jain: So, I'm calling out the another like-for-like scenario. So just like 4% becomes 6%. So, I'm comparing on both sides, I'm comparing the underlying number ex Navratri benefit, or ex Navratri impact, whichever the quarter you're looking at. So, I'm stripping that off.

Devanshu Bansal: Okay. Okay. So underlying consumption, if we say for Q4 was 6%, then in Q1 also that similar trend is sort of shaping up right, like-for-like.

Vijay Jain: Looking at a similar trend.



- Devanshu Bansal:** Okay. Vijay, a few sorts of clarification from balance sheet front. So, I noticed that in financial assets, both current and non-current if we combine them, there is some INR100 crore increase, right? So, what can this be attributed to?
- Vijay Jain:** So right now, that balance sheet, which we are facing is post Ind AS 116 impact, right? So, there are a lot of other impacts in terms of how lease accounting comes into the picture, however, right of use comes into the picture, the tenure of the agreement. So right way to be able to look at after keeping up that particular impact. And maybe in that case, we can take this question offline. You can connect with us separately.
- Devanshu Bansal:** Okay. Sure. And from a capex perspective, also, there is about INR320 crores of capex that we have done, and we have opened about 90-odd stores, so how should we see this because it seems to be a tad higher, right?
- Vijay Jain:** So, the capex has three components, which are a material components. One is, of course, the new store opening. It also has a component on the refurb capex, which every 5 years and 10 years, the store needs to be refurbished as per the agreement. There's also a renewal fee, which comes into the picture now apart from the initial.
- So, renewal fee because now as a Sapphire, we have completed 10 years. So, there's a renewal fee component which kicks in every year. So, it's not just the capex on the stores. These are the several components which adds up to the overall capex. When I look at the coming year, we see a similar number of capex, similar number in terms of the capex spend for FY '27 as well.
- Devanshu Bansal:** Okay. Possible to break them into these 3 buckets, broad numbers, if you could help us understand.
- Vijay Jain:** From a initial fee or renewal fee, we are not allowed to share that number publicly to be fair. If you're trying to do a modelling, we have always called out what the kind of a KFC number looks like per store, right? So, KFC number looks like anywhere between INR2.1 crores to INR2.2 crores per store. So that's pure capex without any initial fee or renewal fee as a part of it. Pizza Hut, we have always called out that per store capex is like INR1.35 crores to INR1.4 crores per store. So that's the number you can look at from a modelling perspective.
- Devanshu Bansal:** That's fair, but that number -- INR170 crores, INR180 crores, right? So, there is an additional INR140 crores of capex that has been done. So that was what I was inquiring about.
- Vijay Jain:** So also what gets probably missed out in this is, let's say, the store closures in Pizza Hut, while store opening for the calendar year '25 was zero, there were close to 15 to 20 stores, which we shut down and we opened something else. So that's another angle which gets missed out in the overall capex, when we are looking at the overall number. But yes, largely, these are the components.
- Moderator:** Next question is from the line of Avi Mehta from Macquarie.
- Avi Mehta:** Two questions. First, this April SSSG of almost about 6% is a very stark contrast with what other discretionary peers are at least suggesting that there's a cautious consumer sentiment post



the Iran conflict. Now I wanted to kind of get your thoughts on whether the strength is more due to what we have done? Would it be right? Or is it also seen -- is it because the industry is going up? So, any thoughts or any -- if you could give some thoughts over here, please.

Vijay Jain: Just to correct, you said April SSSG of 6%. I never quoted April SSSG of 6%. I also...

Avi Mehta: Yes. Sorry, sir...

Vijay Jain: I wanted to quote it, before Sanjay pitches in.

Sanjay Purohit: I wanted to understand, Avi, what are other people saying because we don't have access to that. So, you seem to have better access. So, at this moment, from our perspective, I mean, if I look at the change that has happened from, say, Q3 to Q4 and April, something that we are doing seems to be working undoubtedly. We are -- Let's see as to how this pans out.

Avi Mehta: No, Sanjay, where I was coming from is if I were to look at other apparel retailers, not exactly comparable, but they have kind of stated that there is a some sign of a caution in the consumer sentiment. And hence, I was -- because you have at least -- I was just trying to kind of read maybe from a food industry perspective, whether there is moderation that has been seen by other peers, which you have bucked the trend and that is where the context. So, the impact from your initiatives is actually very strong. But any sense over there if you could give.

Sanjay Purohit: So, we believe that it is work that we have done. But we are the first to go off the block in terms of announcing full year and quarter 4 results. So, we'll wait for all other results before making a definitive statement there.

Avi Mehta: Okay, sir. So then in that sense, the other bit that I wanted to kind of understand is more from a structural thing. While it's encouraging to see KFC deliver 15% growth, when I contrast it with aggregators, like Eternal just kind of reported today as well. They saw almost 19% NOV growth. I wanted to get your thoughts on this on how do you see your -- this gap in growth rates behaving over time?

Sanjay Purohit: So, I guess if we have to -- I've not seen the Eternal numbers. But one of the things that we've just got to check here is how much is coming in from both advertising revenues and improved take rates. So, I'm not making any judgment on either front. But without seeing this, it's difficult to comment. If we look at our own business, with the aggregators, this is in line, more or less with our overall SSSG number.

Vijay Jain: Having said that what's different this quarter has been, the performance of the dine-in and takeaway, the delta, which used to exist between the dine-in and takeaway vis-a-vis delivery that is certainly reduced by a big margin. And also, over the last 1, 1.5 years or 2 years for that matter, our own delivery channel, our own app performance has continuously exceeded the delivery partners in terms of the SSSG and the growth. And that's by quite a bit of margin in terms of the performance of our own delivery app vis-a-vis aggregators.



Avi Mehta: Would it be okay if I read this comment as, over time, the way we would foresee is our growth rate as a brand could kind of at least equal or become ahead of aggregator industry growth. Is that something that you see panning out?

Sanjay Purohit: Very difficult to comment, but in the very, very long run, eventually, the brand and the aggregator growth it has to fall in the same line, right? As long as there's kind of arbitrage which is available. So, for today, also in India, the delivery convenience comes at a price, which is slightly lower.

And we have seen in more developed markets, that over a period of time, the cost of delivery eventually goes up. And then the arbitrage available to few of the customers who look at it from a dine-in versus a delivery channel, this goes away. So, in the very long run, we expect the mix to stabilize. But now when will that happen, it's very difficult to comment.

Moderator: The next question is from the line of Rehan Saiyyed from Trinetra Asset Managers.

Rehan Saiyyed: Sir, I want to get an understanding regarding your Sri Lanka business. So, despite macro-volatility, Sri Lanka has delivered consistent double-digit same-store sales growth. So how much of this is actually market share gain versus recovery-made normalization? And also, do you see any opportunity to express store additions in Sri Lanka given the stronger profitability profile related to India?

Vijay Jain: So yes, the country has gone through multiple macro or geopolitical situation impact, starting from a few years ago, where the economy went down dramatically, prior to that there was a COVID impact, now there is the geopolitical situation, yes. So, something or other has been going on. I think the strength of the brand and the organization structure, which we have in the ground that has helped us tide over the situation.

And also, I think the belief in the value strategy. One of the very strong things which we have done over the last 2 years in Sri Lanka also that we have not taken price increase in line with the inflation that country had seen, a year or 1.5 years ago, the country saw a combined inflation of almost 90 - 95% over a period of 18 months. And at that time, also, our price increase was restricted to 50-odd percent.

So, a huge focus on making sure that we make our products more affordable in terms of value that has played a really good hand in helping us drive this double-digit SSSG. This, of course, backed along with the innovations which we have done over the years, be it Melts. So, while Melts started off well in India and then it lost momentum because of the lack of the marketing budget. But in Sri Lanka, we continued to back it for a very long time. So those kind of innovations have also helped us deliver a double-digit SSSG.

From a store opening point of view, I think we have opened 9 stores this year, which is the highest in the last 3 financial years. I think from where we are in terms of the margin, the SSSG, the overall business condition, we should be able to accelerate store expansion as well as in Sri Lanka, which would be anywhere between, let's say, a high single digit or low early double digits as well. So that's possible for the next 2 to 3 years.



- Moderator:** The next question is from the line of Bharat Ghyanani from MC Research.
- Bharat Ghyanani:** Sir, you mentioned that in Q4, the LPG while the KFC was at zero closure and about...
- Moderator:** Sorry to interrupt, Bharat, can you please use your handset mic?
- Bharat Ghyanani:** Is it better now?
- Sanjay Purohit:** Yes. It's better.
- Bharat Ghyanani:** Sir, my question is that you have given comments on the LPG shortage leading to about zero closure in KFC and approximately 5% stores in Pizza Hut that was for Q4. So, sir, just wanted to check on the current status. I mean, what you are seeing on ground? Is the situation same as Q4? Or has it worsened? Or has it improved? So just wanted your comments on that?
- Vijay Jain:** So, while you're saying Q4, I'm just clarifying that the situation was March. So, Jan, Feb felt comfortable. March was also, while availability was lesser of a issue than the inflationary energy prices or the gas prices were more of a concern. The April remains the same. So, we haven't seen any KFC closure in April as well. And in fact, in case of Pizza HUT, the closures, which was less than 5% in March, it has come down and now it's less than 3% in case of Pizza Hut, and KFC continues to be zero closer.
- Bharat Ghyanani:** Okay. So, it is -- so this commentary that was therefore that was specifically for March and you're saying that in April, situation has improved basically?
- Vijay Jain:** The situation has remained same for KFC because it was zero and slightly improved for Pizza Hut.
- Bharat Ghyanani:** Slightly improved for Pizza Hut, okay.
- Moderator:** The next question is from the line of Kaivalya Baing from IIFL Capital.
- Percy:** This is Percy here. So, my question was, you mentioned earlier that over the last 4, 5 months, you have done a lot of work, and that is giving you rewards in terms of improved sales performance. And one of the things you mentioned is that you have a sort of very strong focus on value. So apart from the BOGO recruitment tool. Can you elaborate what exactly you mean when you say you have a strong focus on value?
- Does it mean that you have launched more products at entry price points? Or does it mean that you have increased the intensity of promotion and thereby delivered more value? Or does it mean something else? And a related question to that is that if you have given more value to the consumers, why you would have, of course, gotten more transactions, what is the impact on the bill value because of this initiative?
- Sanjay Purohit:** Yes. So, Percy, in the past, we have run INR99 product offers. And they have not worked as well. Remember, we had a snacker range at INR99 and so on and so forth. So I think what is working here is -- I don't know whether you've seen the advertising that we have run along with the INR99 product, that advertising has really addressed directly at aware non-users and it



encourages them to come to KFC and see the kind of range because that is the consumer that's a simple consumer insight.

There are people who are aware of the brand, but they still don't come in because of misplaced thoughts in their head about the brand. I think this -- it's a combination of behaviour changing advertising along with the core meal at INR99. So, these are the two things that are working. So, we ran a core meal at INR299, didn't work as well.

Also, our advertising there didn't call out and didn't address this aware non-trier as effectively as we wanted. So, this has been a -- I think, it's a learning experience that we have had. And perhaps this did well in November, December, we extended it in about 1/3 of our stores in -- by January. And now in April, all our stores, except the Tamil Nadu stores are on this.

Percy: And sir, impact on bill value?

Sanjay Purohit: So initially, we find that there is an impact on -- there's a difference of transactions are higher than -- and the bill value is negative. But over a period of time, this closes quite rapidly. So, it is also showing that the person comes in and then buys other things also. The consumer comes in and buys other things. But there'll be about 300 to 500 basis points difference in transactions will be higher than SSSG.

Vijay Jain: So again, Percy, we are talking about 2-pronged strategy, right? The INR99 meal, there is a difference or there's a lower APC over there and higher transaction. But then what we run in the South market, which is the BOGO is at a higher end in terms of the ticket price. So, while there's a drop in dropping ticket prices in North and West because of one particular kind of offer, the idea is to drive through a higher ticket price to a different kind of offer, which is a BOGO offer on select base.

So, at the organization level, what's Sanjay is saying, probably anywhere between 2% to 3% from an impact on an APC on these offers per se. There are other sales which happens where we also drive the pricing up or the ticket price up, not the pricing up, the ticket price up, but this is a very specific to this particular offer, a 2% to 3% drop.

Percy: Understood. And while you mentioned that in BOGO, the vendors are also participating and it therefore doesn't impact your gross margins, but what about the INR99 meal. I mean I'm sure that is at a significantly lower GM versus the rest of your average portfolio. So, is there any kind of impact of GM on that? And if so, how are you mitigating it?

Vijay Jain: So, Percy, it's actually other way around. We called out that the INR99 Krisper Chicken Burger Meal, that's where the participation is there from the vendor partners, not on the BOGO side. I think you understood other way around. And I also called out that as we move forward, probably the impact is the vendor partner support is not there also depending upon what kind of mix we drive and generate. There could be a potential impact of 50 to 70 basis points on gross margin as we move forward.

Percy: So, in that case, my question would be, is there any significant impact from the BOGO offer on the gross margin?



- Vijay Jain:** The answer is yes, there is the impact of BOGO the gross margin, but it's there for that particular day because we don't run it on a continuous basis. It's on a select day or a couple of days in a month. So even if that margin impact is more than it's made up by the kind of volumes and throughput we see on that particular day. Overall, at a restaurant EBITDA margin percentage level also, it is accretive.
- Moderator:** Next question is from the line of Kevin Gandhi from CapGrow Capital.
- Kevin Gandhi:** I just had one question. Just wanted to understand that the expected time – merger with Devyani. So, when is it expected to be completed?
- Vijay Jain:** Your voice is very feeble, but I guess I got your question. It was about the timeline of mergers and when it's expected to get consumed. Am I correct? Is that your question?
- Kevin Gandhi:** Yes. Yes. That's the question.
- Vijay Jain:** So, from a process point of view, when we announced it on first of Jan, we called it out, it's a 12 to 15 months process. In that process where we are currently, our registered office change got approved by shareholders. Initially, Subsequently, we have received an approval from the authority also for the registered office change. The formalities will get completed in the next 2-odd weeks.
- So that's one agenda which we have done. The second big ticket item is getting approval from SEBI. We have already had a few round of queries from NSE and BSE. That's got cleared now. It's moved to the SEBI. We expect that clearance probably to happen over the next 30 to 45 days. Once that happens, with the register office change in place and the SEBI approval in place, we should be able to go to NCLT and make an application.
- And NCLT approval process can be anywhere between 7 months to 10 months from approval process. Parallely, we will make a CCI application as well. So, I would say it looks like by the end of this financial year, we should be in a position to consume the merger. That's the likely scenario by the end of this financial year.
- Moderator:** That was the last question for today. I now hand the conference over to Mr. Sanjay Purohit for closing comments. Over to you, sir.
- Sanjay Purohit:** Thank you, everybody. Like I said, good quarter bodes well for the fiscal going forward. And it's been an all-round performance. So, when you see our ESG scores and our employee engagement scores, these are what contribute to the -- and continuing to iterate on strategy till we get it right. I think this is what is enabling us to deliver this result. That's it from us. Thank you so much.
- Moderator:** Thank you very much. On behalf of Sapphire Foods, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.