

Sapphire Foods (SAPPHIRE) - BUY

Result Update

Current Market Price (CMP)

Rs.1668

Target Price

Rs. 1800

Rationale:

- Sapphire's Q1FY25 EBITDA was 6% ahead of our estimates.
- SF offers good growth (18% EBITDA CAGR FY24-27E) at reasonable valuations.
- We expect earnings to de-grow by 21.6% in FY25E & grow by 86.9% in FY26E.
- Stock is currently trading at valuation of 133.9x P/E FY26E EPS.
- We broadly maintain estimates, revise FV to Rs1,800 (from Rs1,675)

Q1FY25 Earnings Update:

Positives:

- Sapphire (SF) reported revenues of Rs718.3 cr (0.9% beat), up 9.8% yoy.
- EBITDA margin at 9.8% ((-)/195/125 bps yoy/qoq) was 40 bps above estimate.
- The Sri Lanka business recovery is visible.
- KFC margin print was decent notwithstanding adverse operating leverage.

Negatives:

- Gross margins stood at 68.6% (KIE: 68.7%), up 10/(-)30 bps yoy/qoq.
- KFC's same store sale (SSS) print was weaker than our moderated estimates.

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For detailed report dated 31st July 2024. Note: CMP & valuation may differ due to difference in dates.



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