

Sapphire Foods (SAPPHIRE) - BUY

Result Update

Current Market Price (CMP) Rs. 174	Fair Value (FV) Rs.275
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Rationale:

- Sapphire reported 11%/20% yoy growth in revenues/EBITDA in 4QFY26.
- Growth led by healthy operating metrics in KFC and Sri Lanka.
- KFC's adjusted SSSG at 6% was at a 14-quarter high, led by its renewed thrust on value offerings in dine-in/takeaway.
- Management sounded optimistic on the momentum in KFC/SL sustaining in the near term.
- We cut adjusted EBITDA forecasts by 3-4%. Maintain BUY.
- We expect earnings to de-grow (118.1)% in FY27E and 106.0% in FY28E.
- We will review our MergeCo estimates and valuation following Devyani's results.

👍 Positives:

- Sapphire reported 11.4% yoy revenue growth to Rs7.9 bn (~1.7% beat).
- Growth driven by a 9.2% yoy increase in overall store count to 1,052.
- Gross Margins (GM) was up 60 bps yoy to 68.8% (KIE: 68.3%).
- Adjusted EBITDA grew 20% yoy to Rs61 cr (~21% beat) and margin expanded ~55 bps yoy to 7.7% (KIE: 6.5%).
- We raise revenue forecasts by 1-2% to factor in some improvement in demand trends in KFC/SL.

👎 Negatives:

- Net cash balance reduced to Rs65.6 cr (versus Rs200 cr as of March 2025).



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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