

Date: 30<sup>th</sup> July 2025

To,

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

**Subject: Earnings Call Transcript – Q1 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 Wednesday, 23<sup>rd</sup> July 2025, in relation to the financial results of the Company for the quarter ended 30<sup>th</sup> June 2025.

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 1 section.

Request you to kindly take the same on record.

Thanking you,  
**For Sapphire Foods India Limited**



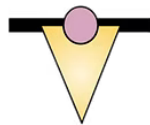
**Sachin Dudam**  
**Company Secretary and Compliance Officer**

Encl: a/a



# “Sapphire Foods India Limited Q1FY26 Earnings Conference Call”

**July 23, 2025**



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

**Moderator:** Ladies and gentlemen, good day and welcome to Sapphire Foods India Limited Conference Call.

As a reminder all participants' line 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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Sanjay Purohit. Thank you and over to you sir.

**Sanjay Purohit:** Thank you everybody. Welcome to the Sapphire Foods Q1FY26 Financial highlights presentation. I am joined by Vijay Jain; our Executive Director and CFO. As always, the two of us will play a tag team and take you through our results for Q1FY26.

Let me just jump in straightaway; we delivered a revenue of Rs. 775 crores which was 8% growth over last year. In this quarter we added 8 KFC restaurants, 2 Pizza Hut in India and 1 Pizza Hut in Sri Lanka. Our total restaurant count is 974 at the end of the June quarter.

Our consolidated restaurant EBITDA declined by 13% year-on-year, margin was 12.2% which is 290 basis points down. Our adjusted EBITDA was Rs. 55 crores. It declined 22% year-on-year and adjusted EBITDA margin was 7.1%. Our consolidated EBITDA post-IndAS was Rs. 113 crores or 14.6% and this declined 9% year-on-year, 270 basis points below last year. Our consolidated PAT was (2) crores or (0.2%) and our consolidated adjusted PAT was positive at 6 crores or 0.7%.

Let me dive into the KFC brand priorities; this is on Page # 20. We drive six priorities on the KFC brand:

One is to increase penetration and therefore increase the consumer base for KFC and drive frequency. We want to be known for craveable taste. Value is an important component of strategy. Operationally, how do we deliver a frictionless customer experience and operational excellence whether it is customer service in the store or through the aggregators and finally how do we improve accessibility. This quarter KFC had SSSG which was flat over last year. However, transaction growth was positive, which is encouraging, and transaction growth was positive because gross margin also was negative.

We invested behind the Epic Savers campaign. This Epic Savers campaign of abundant value for 9 for 299 has given us positive transaction growth. The results on SSSG are still yet to come. Apart from that we launched the gold premium range of Zinger Burger and Chicken Strips. Our kiosks are now implemented in 259 stores. There are some pictures of the new restaurants that we have launched. For the channel wise mix and other financial numbers, I will hand it over to Vijay now.

**Vijay Jain:** I am on Slide #24. It gives channel wise mix:

The dine-in and takeaway came at 57% and delivery at 43%. Delivery mix while it was similar to the previous quarter, but if you look at year-on-year, there is a 300 basis points increase in delivery mix. The SSSG was flat, however, the same store transaction growth, SSTG was positive low single digit, which was very encouraging.

Overall, revenue grew by 11% and gross margin dropped by 90 bps. This was result of the investment which we did behind the various value offers and promotions. From an inflation point of view, while there was some inflation, we were largely able to neutralize those inflation with the cost saving initiatives. The entire impact on gross margin you see is because of the investment behind the value campaign and the value offers. The drop on gross margin along with the higher delivery mix and operational deleverage because of the flat SSSG meant that restaurant EBITDA came at 15.7%.

Slide #27, which gives you a 4-year annual view and 5 quarter trend. We continue to invest behind our strategy of value campaign and we are confident that this would help us drive transactions and ultimately the SSSG.

**Sanjay Purohit:**

Let us go to Pizza Hut; the Pizza Hut, I am talking about Slide #29. We have given a clear path on revival of the brand, which apart from driving taste superiority, also had a component of investing significantly higher amounts of marketing monies behind mass media advertising to drive consumer awareness and consideration. From a number's perspective, Pizza Hut had a (5%) overall revenue growth and a (8%) SSSG.

Let me try and give you some details of what happened during the quarter:

First, we launched the Juicylicious Pizza range in April '25. This has received really positive feedback from consumers who have tried it. However, the Juicylicious Pizza campaign was supported by mass media differently in Tamil Nadu, which is an exclusive Sapphire state and the rest of the market. In the rest of the country, including the common markets of Sapphire, we supported it largely through below-the-line advertising, which means that proximity advertising in malls or in hoardings around our stores. We know that that is suboptimal. In Tamil Nadu, however, we supported it with mass media advertising. There is a YouTube link that we have provided on our presentation that will enable you to see the advertisement.

So, Yum! and Sapphire put money behind creating consumer awareness. There, the brand did well. In fact, there is a double-digit SSSG difference between Tamil Nadu and the rest of our market. In Tamil Nadu, we delivered low positive single-digit SSSG when compared to last year. If you remember, we had got a 17% sequential uplift from Jan-Feb-March 2024 to April-May-June. On top of that April-May-June 2024, Tamil Nadu delivered a low single-digit positive SSSG. It gives us confidence that this is the strategy to revive the brand, which really is a replica, and I have said this many times, of the successful strategy that we run in Sri Lanka, where omnichannel, great product, great value, and strong advertising enables the customer to choose us versus other pizza brands. A quick look at the numbers.

**Vijay Jain:**

I am on Slide #35, channel-wise mix:

That has largely remained steady quarter-on-quarter as well as when you compare to last year, it has remained steady. 50% has been contributed by delivery and the balance 50% through dine-in and takeaway. SSSG was (8%) and overall brand degrew by 6%. Gross margin dropped by 150 basis points compared to last year. And here again, a huge amount of investment behind the value offers, promotions and campaigns and very small or marginal impact on account of inflation. The gross margin drop combined with the negative impact of the SSSG or the operating leverage meant that restaurant EBITDA came down to (2.5%). And as Sanjay called out previously that if we exclude the factor of additional marketing investments, which has gone into the brand, this is over and above the agreement with Yum!, the brand is actually at a break-even level.

Slide #38, this gives you a 4 year and five-quarter trend. We continue to work with Yum! so that we can replicate the Tamil Nadu and Lanka strategy across all our markets.

**Sanjay Purohit:**

On Sri Lanka; Sri Lanka continued to show robust double-digit SSSG and SSTG. In fact, SSSG came in at 12% and system growth was 15%. We have 126 stores in Sri Lanka. Now, 12% SSSG typically would have translated into a positive operating leverage. However, we faced very steep employee cost inflation because of a change of minimum wages. There were two changes that happened, one in September, October of last year and one in May, but which was retrospective in effect from 1<sup>st</sup> of April. And both these had a sharp impact on our restaurant EBITDA, which was 30 basis points higher than last year.

**Vijay Jain:**

Slide #42, the channel-wise mix again for Sri Lanka business has largely remained steady. Dine-in and take-away at 61% and delivery at 39%. SSSG of 12% alongside the double-digit transaction growth and same store transaction growth, I am calling about. From our revenue, 15% growth in LKR terms and 19% growth in Indian rupee terms, gross margin was higher by 30 basis points over last year. Overall restaurant EBITDA came in at 12.7%. And as Sanjay called out, we couldn't really see the margin expansion because the benefit of SSSG was largely offset by the increase in minimum wages with effect from 1<sup>st</sup> of April. Slide #46 again gives you the 4-year trend and five quarter trend. The business continues to deliver robust performance and we expect to mitigate this minimum wage impact, starting Q2FY26 onwards we have taken a price increase of 3%-5% in Sri Lanka and we expect at least Q2FY26 we should be able to deliver slightly better improvement over margins QoQ at least.

**Sanjay Purohit:**

Finally, on sustainability, it is part of our everyday existence. We are really happy to announce that our KFC Raiyya store in Punjab received an Indian Green Buildings Council Platinum Award. This is the first QSR restaurant in India to receive this award and the first KFC restaurant globally also to receive this award. So, we are quite proud of this. And with this, we conclude our commentary. We will open it up now for questions.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Tejas Shah from Avendus Spark. Please go ahead.

- Tejas Shah:** Hi, thanks for the opportunity. So, the first question pertains to KFC. What is driving this disconnect between improving ADS but contracting margins?
- Sanjay Purohit:** The improving ADS that we see in Q1FY26 versus Q4FY25 is a natural seasonal uplift that we see. The contracting margins when you see 0% SSSG and now if I just look back on 3 years SSSG, 3 years ago it was 0% in Q1FY26. This is I am talking about FY23-24, '24-25 it was negative and now 0%. So, it is really operating deleverage coming into play Tejas.
- Vijay Jain:** Tejas, additionally I am sure you are referring to Q4FY25 versus Q1FY26 comparison where we have delivered higher ADS in a similar restaurant EBITDA. The biggest impact which you see in Q4FY25 versus Q1FY26 is the gross margin. We would have invested almost 100 basis points to enable us to drive transactions. So, that is the single biggest factor. There would be additional factors typically in Q1 you do wage revisions; there is a salary increment which comes in. So, those are additional costs which comes in. There is also marginally higher marketing which we would have done in KFC also for this quarter while we continue to invest behind the brand within the overall agreement range. But during the quarter we have chosen to invest slightly higher. It will get balanced out during the year. So, these are the three reasons.
- Sanjay Purohit:** And generally, April, May, June from a utility's perspective etc. also versus Jan-Feb-March we will see because of summer an increase in cost. So, Q4FY25 versus Q1FY26 is strictly not comparable.
- Tejas Shah:** No, I was just looking at 3Q also when we were at around similar number 1,15,000 and we had 18.2 obviously mixed because it is a festive season perhaps the mix changes. But in fact, not very much long back Sanjay on the call you had guided us that SSSG has a lesser forecasting significance in current environment than ADS on margins. So, I was just curious that is it true for the industry that the cost of ADS or cost of SSSG has gone up now. So, what we saw let us say 2 years back that a certain SSSG or certain ADS was delivering certain margins the cost of that ADS has gone up materially.
- Sanjay Purohit:** So, actually we were guiding that on Pizza Hut not so much on KFC. So, there is SSSG finally is important and when you see SSSG in consonance with ADS improvement that is the time when, so both are important Tejas in a sense.
- Tejas Shah:** That is clear. Second pertaining to Pizza Hut. So, you clearly mentioned that intervention that we have done in Tamil Nadu is definitely benefitting the brand and improving performance also. So, what is preventing a pan India rollout if we are seeing benefit at least I am saying parent and then you are seeing benefit of this. So, what is the hurdle there?
- Sanjay Purohit:** So, I think eventually it will happen, I am confident of this. Right now, it is a factor of our estate being very different. When you have an estate which is dine-in forward omni channel, consumers come to the store see the difference, advertising also drives consumers to the store and it gives a positive rub off. Like I have said it is not out of thin air that we believe this can work because

this is our Sri Lanka template. I am quite confident that over a period of time we should be able to get this to work in the rest of the country also.

**Tejas Shah:** Okay. And then lastly on competitive environment if you can comment has it improved or still remains the same?

**Moderator:** Sorry to interrupt. May we request you to please come back for the follow up question as there are several participants waiting.

**Sanjay Purohit:** I have heard this. Tejas has got his question in. So, I will just answer it. So, from a competitive environment I do not think anything has materially changed Tejas. So, there is nothing that has materially changed not over the quarter I would say over the year also.

**Tejas Shah:** Thanks, and all the best.

**Sanjay Purohit:** Thank you.

**Moderator:** Thank you. The next question is from Gaurav Jogani from JM Financial. Please go ahead.

**Gaurav Jogani:** Thank you for the opportunity, sir. We are seeing as you also highlighted that you know despite very low basis, we are still struggling to even touch mid-single digit SSSGs. So, if you can break this problem into two parts, one is the overall macro factor that is impacting this and the other would be you know any other thing that you can highlight that is halting the growth even on a low base.

**Sanjay Purohit:** Yes. So, the macro factor is undoubtedly present as we can see in the results that almost every consumer company has. So, however it is impossible for any of us to predict when these macro conditions will change. So, you have heard us say repeatedly, we are trying to do everything possible within these macroeconomic conditions to change our trajectory. I am quite confident on KFC that we should be able to start changing this soon. What are we focusing on? We are focusing on really at a consumer level there are two consumers. We believe that the biggest opportunity for KFC is increasing the consuming base for KFC. The ability to do that will be to focus on our core product and on value. We have seen one expression of value which is the 9 for 299. You will see a lot more of these expressions coming in in the future. We also need to have advertising that appeals to that first time user of KFC. So, that will also happen shortly. And further to drive greater frequency of consumption we have got innovation like the Gold Zinger Burger. We have got during summer we have launched a new range of drinks. Our late-night delivery is quite strong now. We have got a very initial pilot for breakfast and coffee. So, we look at consumers from two lenses increase frequency, increase penetration. I think it takes time to turn around inertia from a flat SSSG to positive SSSG. But once it turns around, I am quite confident that this will give us good results. Apart from everything else that we are doing from an operational perspective, we continue to lead in terms of our operational metrics whether it is at a customer satisfaction level, our ratings etc. So, we are quite happy on how we are

executing on store. The consumer part we have to get right, and it is taking time. But we are going to double down and get execution right more than anything else.

**Gaurav Jogani:** Thank you for the detailed answers. My second and last question is with regards to the overall margins across the three formats. Sir, overall, the margins across the three formats given the constraints that you are operating into at least we can say at the current levels the margins are bottomed out at least if not accelerating. But at least they would have bottomed out at current levels?

**Vijay Jain:** They would have bottomed out except for let us say the seasonal impacts. So, typically for example Quarter 2 for KFC is lower than Quarter 1 in terms of the various vegetarian days which the Quarter 2 encounters, Quarter 3 can be again higher. So, I would say at these SSSG levels which is a flat SSSG levels there should only be now seasonal impacts which should play out and any improvement in SSSG should probably help us get margins back.

**Sanjay Purohit:** And I am just tying this back to the question that Tejas asked. So, it is a combination of SSSG and ADS. Typically Quarter 2 shows a lower ADS and that impacts profitability. So, whatever is the SSSG if the absolute ADS levels are lower so that will have an impact. So, it is a combination of SSSG and ADS that impacts final restaurant margins.

**Gaurav Jogani:** Yes. So, my question was more on the annual and not on the quarter basis but more on the annual basis.

**Sanjay Purohit:** I think there is no point in giving longer term guidance.

**Gaurav Jogani:** Sure sir. Thank you, sir. That's all.

**Moderator:** Thank you. The next question is from Saurabh Kundan: from company Goldman Sachs. Please go ahead.

**Saurabh Kundan:** Thank you. My question is also around the margins. Vijay, you just mentioned that you have done slightly higher marketing spends in KFC. So, when you said that at flat SSSG, only the seasonal quarterly changes in margins will be seen. Are you adjusting for that ad spend? Because usually 1Q has a much higher margin than what you reported.

**Vijay Jain:** So, when I called out the overall impacts from Q4 to Q1 and this is what I was answering Tejas' question, there I was just trying to give a bridge in terms of gross margin impacts which was the bigger one, delivery mix impact which is a smaller one, the utility cost and there was a marginal impact of marketing. I would not call it a material to say that I need to adjust for the future margins. I would not call it that way.

**Saurabh Kundan:** Okay. So, the 67% odd gross margin that we have now, is it the baseline now or like Sanjay just mentioned that we are seeing just the starting of value initiatives. We will see more in such expression. Does that mean that we could --



- Vijay Jain:** I would not want to go to the baseline. I would say that whatever is required to now get the transactions and SSSG going, we are prepared to do that. So, this entire Epic Saver campaign which we ran starting May onwards is already part of the impact we are seeing in Q1. But it may not be full impact. The positive part is we have seen transaction growth for the first time, SSTG for the first time after I would say 12 consecutive quarters. Hence, I think we would be a bit more flexible on those gross margin numbers if it can eventually result into a higher transaction growth and higher SSSG. So, I would not tie down my strategy that I do not want to move away from this baseline number. We would be flexible and we will take a call as we move forward.
- Saurabh Kundan:** Got it. Interesting. Last question on Pizza Hut. You have shown that marketing does change the performance a little bit, quite a lot actually. You have mentioned double digit difference is there. So, if you can share with us then what is the future of this format pan-India then? I mean, when would Yum! take a call on how to go forward on the brand overall in India?
- Vijay Jain:** So again, when you say future of the format, this is the format which Sapphire now runs across all its market. I think the complication is that there is an overlap of the territory between us and the other franchisee. The other franchisee operates a delivery format in our territory. So, that creates confusion in terms of how do we go about the strategy. Having said that, it is nothing new. For last 7 years of Sapphire existence, this problem existed and we were able to navigate through it. It's only that the other franchisee have not seen the same kind of results the way we have seen and hence this slight difference of opinion which we were experiencing over last two quarters. But now that we have again seen a positive result in the way we have gone about it, I am sure it's only a matter of quarter or two before all the three parties are on the same page and we can execute uniformly pan India.
- Saurabh Kundan:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Hi. Thanks for the opportunity. Sir, there is a growth divergence between channels for us, right? So, for KFC specifically, dine-in growth is 5%, delivery is doing well at around 20% odd. So, we have been trying to improve this growth with, as you mentioned, Tasty Epic campaign where these are dine-in specific campaigns that we are doing. But that has so far not led to improvement in dine-in growth. So, I wanted to better understand the reason behind slower growth for this channel specifically. And a follow-up to this is you have also mentioned that the delivery mix increase has some impact on your margins as well. So, do you foresee a structural margin reset as well because of higher delivery?
- Vijay Jain:** Devanshu, while I am not clear about the numbers you quoted on the dine-in and the delivery, how you arrived at those numbers. Having said that, I have understood your question in principle that your dine-in is still not performing to the level your delivery is and that's a fair comment. The Epic Saver and the promotions and those campaigns definitely has helped us reduce the gap between the dine-in performance and delivery performance. That's for certain and sure. But not

to the extent we would have liked it. And that's also reflected in the overall SSSG been flat. And that's the endeavor that will continue to go down this route of investing behind the brand in form of value offers and campaigns. Even in the next quarter, you will see us double down on these value offers. Right now, 9 for 299 you are seeing. May be in H2, you will see even more campaign on some 100 rupees as well. So, the plans are there in place through which we believe we can get back dine-in and take away. And at the same time, the delivery can grow at its own pace. The second part of the question which was, is there a structural shift you are seeing and the delivery mix has increased? The delivery mix has increased compared to the last year Quarter 1. But if you look at the Quarter 4 of last year and current quarter, the delivery mix has largely remained stable. So again, if I want to predict the rest of the year, we would say that it should largely be range bound in terms of the delivery mix.

**Devanshu Bansal:**

Understood. So, Vijay, I was trying to understand and then say in FY23, when your margins or even in FY24, when your margins were 19% to 20% in KFC and that was at a certain delivery mix of 36% to 38%. So, at current level of delivery mix, so does that imply that we may structurally be lower at 40% to 43% delivery mix that we may not be able to do that kind of a margin? So, that was the broader question.

**Vijay Jain:**

Understood. So, if you are trying to compare with 23-24 or prior to that the 37-38 going to 43 and 5% impact would roughly impact my overall profitability by 80 bps. So, that is the structural impact. So, a 20 can be read as till 19-19.5. But coming down to 15.7 is a function of the SSSG not coming through rather than a structural shift on delivery. So, that's the only clarification. Delivery certainly will impact but the structural impact is 75-80 bps only.

**Devanshu Bansal:**

Okay, very clear Vijay. Second question that I wanted to understand, for Sri Lanka, the LKR growth is 15% and INR growth is about 19%. So, can we expect this 4% to 5% currency benefits to accrue for full year FY26 as well? And allied to this is on margins as well. So, you have indicated there is some minimum wage hike but you have taken some price hike as well. So, what is the level of margins that we can sort of look for Sri Lanka business in FY26?

**Vijay Jain:**

So, on the first part of your question on how the FOREX will play out, I would not comment on that because there are a lot of factors which goes into how a FOREX would perform for the rest of the year. At least the past one year shows that the foreign currency has been quite steady and hence we do not foresee any reason why it should be playing out any differently for the rest of the year. But I would avoid commenting in specific. Coming to the second part of the question in terms of margin, I think we would like to deliver an improvement in margin over last year. So, Sri Lanka delivered an X amount last year. We would love to have few basis points improvement at least over that last year's margin. Which did not happen in Q1 because of the wage impact, but because of the price increase and other mitigation, I think we should still be able to deliver some margin improvement for the rest of the year.

**Devanshu Bansal:**

Okay, this is for the rest of the year, but okay. Got it Vijay, yes. Thanks.

- Sanjay Purohit:** Good. Thank you so much. Thank you everybody for joining the conference. We do not have any more questions. Do we close the conference now?
- Moderator:** Okay. As there are no further questions, I handover the conference to Mr. Sanjay Purohit for closing comments.
- Sanjay Purohit:** Thank you so much everybody for joining the Q1FY26 Financial Highlights Presentation. We will see you in another three months for our Q2FY26 and First Half Results Presentation. Have a good rest of the day. Bye.
- Moderator:** On behalf of Sapphire Foods India Limited Conference Call, that concludes this conference. Thank you for joining us and you may now disconnect your lines.