

Date: 27<sup>th</sup> October 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 – Q2 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 Friday, 17<sup>th</sup> October 2025, in relation to the financial results of the Company for the quarter and half year ended 30<sup>th</sup> September 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 2 section.

Request you to kindly take the same on record.

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



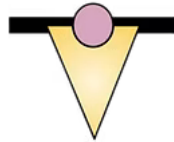
**Sachin Dudam**  
**Company Secretary and Compliance Officer**

**Encl:** a/a



## “Sapphire Foods India Limited Q2FY26 Earnings Conference Call”

**October 17, 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 OF INVESTOR  
RELATIONS, SAPPHIRE FOODS INDIA LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Sapphire Foods India Limited Q2 FY26 Earnings Call.

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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

**Sanjay Purohit:** Good afternoon, everybody. Welcome to the Q2 FY26 Financial Performance Presentation.

Our quarter has been a reasonable quarter for us and the reason why I say reasonable is one, KFC revenue grew by 7%. But if I exclude the impact of Navratri, Navratri was entirely in this quarter this year, whereas last year, it was in Quarter 3. And therefore, if on a like for like basis, actually we would have grown double digit even in this quarter.

Pizza Hut revenue declined by 6%. However, importantly in Tamil Nadu, which is a Sapphire exclusive territory, we grew double digit revenue. I think it just proves the Pizza Hut, Sapphire strategy and offers a clear hypothesis for why this brand can grow or why and how this brand can grow. Finally, Sri Lanka grew handsomely by 18% in LKR terms, owing to the continued investment that we did in brand innovation, marketing value, really the tenets of the strategy we would like to execute in India and we retained the #1 QSR position in the country. We delivered a revenue of 740 crores, overall growth of 7% year-on-year. SSSG trends for both KFC and Pizza Hut this quarter remain similar as previous quarter, except as I said, the impact of KFC due to the shift of Navratri days from Quarter 3 to Quarter 2. In Quarter 2, we added 19 KFC restaurants, 2 Pizza Huts in India, 1 Pizza Hut and 1 Taco Bell in Sri Lanka.

Our total restaurant count of 997 as on 30<sup>th</sup> September and with immense pride, we inaugurated the 1000<sup>th</sup> Sapphire restaurant yesterday at Gummidipoondi in Tamil Nadu and this is a KFC restaurant. Our consolidated restaurant EBITDA declined by 12% year-on-year. Margin was 11.3%, down 240 basis points. Adjusted EBITDA was 45 crores, declined 24% year-on-year. This also has the Navratri impact and excluding Navratri, our performance on adjusted EBITDA was better, negative over last year, but still better from a trend perspective versus Quarter 1. Our adjusted EBITDA margin was 6.1%. Consol EBITDA at 106.2 crores or 14.3%, declined 8% year-on-year or 230 basis points. Consolidated PAT was loss at 12.8 crores, (1.7%) and adjusted PAT, however, was (3.6) crores or (0.5%).

Let us now look at the KFC highlights:

I want to take you through to page #20. Our KFC brand priorities are fairly consistent. We want to drive penetration and frequency for the KFC brand. This quarter, our major marketing spends were behind the 'Taste the Epic' campaign to popularize our core buckets. We offered 9 pieces for INR 299. The promotion and the value campaign did offer some green shoots from a

transaction perspective. While KFC was (3%) SSSG for the quarter, up to Navratri we were flat on SSSG, but positive on transaction. Therefore, we have extended this campaign to Quarter 3 also but included our 3 hero innovation products of Chizza, Double Down and the Gold Burger. Much of our advertising on value was behind 9 for 299. We rolled out digital kiosks across 50% of our estate and our own delivery through the KFC app continues to be the best performing channel. Our current pace of expansion should be in the region of 60 to 80 stores a year. From an operational excellence perspective, we are now above 4 rating across Swiggy, Zomato and Google.

I will hand it over to Vijay for the financial numbers.

**Vijay Jain:**

I am on Slide #25, which gives channel wise contribution. Dine-in and takeaway for the quarter came at 55%, delivery at 45%. This delivery improved by 300 bps over last year. One of the key reasons was the way our own channel through our own app has performed. It has actually grown very healthy over the last 2 quarters or so. So that's one of the reasons as well. In terms of SSSG, it was flat ex-Navratri backed by low single digit in terms of SSTG, same store transaction growth. Overall revenue grew by 10% ex-Navratri for the brand. And we had 19 store additions during the quarter.

Gross margin while it dropped 110 bps vis-a-vis last year. This is in similar line as Quarter 1. The reason we dropped on gross margin vis-a-vis last year was as mentioned previously as well, that we continue to invest behind the value offers, namely the 'Epic Saver' campaign. The restaurant EBITDA came at 13.8%, which was impacted by the negative SSSG on account of that Navratri impact, the higher delivery mix and lower gross margin.

Slide #28 shows four year and five quarter trend. We continue to build on the transaction gains which we had in Quarter 1. And thereby we have further bolstered our 'Epic Saver' campaign in Quarter 3, as Sanjay mentioned by adding 3 more hero products. And we are confident that in Quarter 3, we should be able to deliver slightly better on the SSSG terms.

**Sanjay Purohit:**

Let us look at Pizza Hut. I will take you to Slide #30. While the brand declined revenue by 6%, our Tamil Nadu results prove that the Sapphire dine-in forward omni-channel customer promise with sustained investment in innovation and mass media can definitely revive the Pizza Hut brand. Apart from all the work that we do at the operational end, our innovation pipeline continued to be strong. You will remember we launched the Juicylicious range in Quarter 1 and Quarter 2. And in this quarter, in October, we have launched the Ultimate Cheese Pizza and the Cheesy Pocket, which emphasizes or which looks at satisfying the customer need for additional cheese. It's a great product and I invite all of you all to try it. We have also launched the Cold Coffee range and it's in about 80% of our stores now.

Apart from innovation, we also focused on dine-in value. And you will see in Pizza Hut, our dine-in contribution actually improved versus last year. Exclusive value offerings like Buy 1 Get 3, 4 course meals starting @99 and Unlimited Pizza Fridays helped ensure that dine-in SSSG was better than delivery. And finally, in Tamil Nadu, both Sapphire and Yum! continue to invest

in mass media advertising. And we saw a mid-teens delta in performance between compared to the rest of the country, both SSSG as well as SG.

On the next page, you can see the Ultimate Cheese product is being marketed as flip to the cheese. So, eat it 'ulta' starting from the crust, very interesting product. And then the Cold Coffee Cheesy Pockets, Juicylicious. On Slide #33, you will see a picture of food truck that we have just launched in Mumbai also to take care of congregation points that have started well and we will see how to scale it up later. Over to Vijay for the numbers.

**Vijay Jain:**

Slide #35 gives channel wise contribution on Pizza Hut. Dine-in and takeaway versus delivery mix came at 50-50. As you can see, the dine-in plus takeaway mix improved the several promotions which Sanjay spoke about actually helped us gain dine-in share vis-à-vis delivery.

Overall, Pizza Hut had negative SSSG and brand declined by 6%. While Tamil Nadu Sapphire exclusive territory had mid-teens delta in performance. Gross margin came at 74.4%, which is similar to Quarter 1. And as the case was in KFC, here too, we continue to invest significantly behind the value offers to try and drive the transactions. Whether it is Juicylicious, Unlimited Pizza Friday, Buy 1 Get 3, these are some of the examples on which we had investment through gross margins. Restaurant EBITDA came at 1.8%. If I exclude the additional marketing investments, which is over and above the Yum! agreements, the brand is at a breakeven level. Slide #38 gives 4-year and 5-quarter trend. And as mentioned by Sanjay, we have got the recipe to unlock the potential of the brand as proven and reflected in Tamil Nadu performance. We are sure that we should be able to replicate this model sometime in the near future, pan-India.

**Sanjay Purohit:**

Let us now look at the Sri Lanka business, which again, if I were to remind you, is what is replicated in TN and clearly works. Our business has grown their double-digit SSSG and SSTG. 2 years ago, after the country went through a very significant economic crisis, at that point in time, we remained calm, we continued to invest in our people and in offering value to consumers. We are seeing the benefits of that coming back and reflecting in our growth on both same-store sales growth as well as system revenue. And because we have largely mitigated the Quarter 1 impact of the employee minimum wage increase, our restaurant EBITDA also has come quite strong. And Vijay will take us through the numbers.

**Vijay Jain:**

Slide #43, channel-wise has remained steady in Sri Lanka year-on-year. The SSSG came at 14% in LKR terms and while overall revenue grew at 18% in LKR terms. When converted to Indian rupees, the revenue grew at 23%. The gross margin improved by 220 bps year-on-year on account of a couple of things. First, we took a 4%-5% price increase in Quarter 2. Also, there was some reduction in our promotional offers which helped us improve our margins by 220 bps. Restaurant EBITDA came in at 15.4% and if you guys would remember, Quarter 1 it was 12.7% and it was impacted by—as Sanjay mentioned—the minimum wage increase which came in somewhere in May but retrospectively from April, which we were not able to mitigate during the previous quarter but we were confident that we should be able to mitigate and that is reflected in our performance which came at really healthy number at 15.4% for restaurant EBITDA.

The Slide #44 is 4 year and 5-quarter trend. Sri Lanka is now delivering consistently and delivering strong performance. This is the same dine-in forward omni-channel format we are now trying to replicate in India, the hypothesis of which has already been now proven in Tamil Nadu. Hopefully, we should be able to replicate this across other states as well for Pizza Hut India.

**Sanjay Purohit:**

So that is it from us. I just want to repeat our messages. We think it was a reasonable quarter. KFC growing at double-digit excluding Navratri. There is a clear way forward for the Pizza Hut brand basis our experience in Tamil Nadu and Sri Lanka and Sri Lanka after a really big blow to the business 2 years ago, has recovered and recovered really fast and continues to be the #1 QSR brand in the country. Along with all the work that we are doing, the macro trends also seem positive. GST reduction should put further money into consumer wallets as indeed has the income tax reduction. So, we are hoping that as we get into the Quarter 3 and into calendar year 2026, we should see consumer sentiment improving. I will now hand it over to you all for questions.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '\*' and '1' on their touchtone telephone, if you wish to remove yourself from the question queue you may press '\*' and '2'. Participants are requested to use handsets while asking a question. In order to ensure that the management will be able to address question from all the participants in the conference, kindly limit your questions to 2, per participant. Should you have a follow up question, please rejoin the queue. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Avi Mehta from Macquarie Capital. Please go ahead.

**Avi Mehta:**

Hi Sir, I have 3 questions and with your permission, I will just put them out up front. First, your comment on Q3, any signs of recovery as the festivities kick in? And would love your thoughts on whether you believe how we did in Sri Lanka. So, something like that, levers are in place to be able to at worst maintain margins at current levels, even if demand environment takes time to recover. So that was my first question. And should I put all the questions up front, how would you prefer?

**Sanjay Purohit:**

Yes, up front.

**Avi Mehta:**

Okay. The second part, sir, I wanted to understand is now we have seen 2 quarters of stronger performance in Tamil Nadu market, you know, given and it is clearly the proof is out there. I would just like to know what is the process and your thoughts on the timelines for this to flow through to other markets. And the last bit was, just wanted to understand, this resignation that has come in a nominee director of TR Capital, what triggered it would be useful? That is all from my side. Thank you.

**Sanjay Purohit:**

Very well. So let me just take it from the back. The resignation, Mr. Rohitt Mutthoo has left TR Capital and therefore, being a nominee director backed by TR Capital; therefore, he has to move

out of the board of Sapphire Foods also. So, he has resigned from TR Capital. And therefore, he has to resign from all his obligations that he used to fulfill for TR Capital.

**Vijay Jain:** TR Capital is one of the shareholders in Sapphire Mauritius, which is our promoter entity. So, it has happened in a regular course and ordinary course.

**Sanjay Purohit:** So that is one. In Q3, we are seeing signs of recovery and really it is 16-17 days. And we are overlapping Navratri. So, the numbers look very good at this moment, Avi. But I will just let a little more time go. Perhaps at the end of November, we could say that things have started to improve. The Sri Lanka and TN case is the same. You are right, there is a clear case on how we could grow the Pizza Hut brand. And I think we have ongoing discussions with all relevant parties on how we could take this. It does call for additional investments. There is no doubt about that. So, apart from the additional investments, I must say that we are aligned on all other aspects of the brand journey. However, if we are not going to spend on building awareness and so if we are not going to spend money on that, then all our innovation, all the work that we do on value, perhaps becomes blind to consumers. So, I think those are ongoing discussions. It might take another couple of quarters for us to align.

**Avi Mehta:** And on the margin front, what the Sri Lanka example meant margins because Sri Lanka, this minimum wage increase, you were able to effectively manage it. Do you think a similar situation is true for India that even if say, worst case demand does not or takes time to recover, we would still should be at least at this margin across the brands? Is that a fair statement to make?

**Sanjay Purohit:** So, from a KFC perspective, now we have got nearly 2.5 years of flat or negative SSSG. So therefore, margins undoubtedly are impacted. If you see Quarter 1 was in the region of 15.5%, give or take a bit, Quarter 2 is lower because of lower level of sale. Quarter 3, we should recover that drop of Quarter 2. But I think margins will remain in this region which is lower than last year. So, what we require now is SSSG to come back to start increasing from these levels onwards. From the Pizza Hut perspective, it is again ADS has to improve. Once ADS improves, that is the way that margins will also start to improve.

**Avi Mehta:** Thanks, sir. Very clear. I will come back in the queue for the other questions. Thank you. And sir, wish you a Happy Diwali to the team as well.

**Sanjay Purohit:** Thank you, Avi. Nice of you.

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

**Gaurav Jogani:** Thank you for taking my questions and Diwali greetings to the management. Sir my first question is towards the negative ways that we are overlapping and the negative SSSG has been there for quite some time. So, what do you feel that, is the entire QSR market in that sense remains impacted or is it specific to our brands that we have seen this impact? So, some light on the overall macro color on the QSR space if you can give?

**Sanjay Purohit:** So, in general, and this has been consistent with what we have said up till now, we are finding that consumer discretionary spends have been constrained. And that has been compounded further by a large number of competitors, generally in food. Now, this has been the case over the last, I would say 2 years. Nothing has improved from that perspective. I think yet, it is possible for large brands to grow and large brands have the greatest ability to really change performance. I think in KFC, that is exactly what we are attempting. Perhaps it will take us a couple of quarters to really get all our initiatives in place. In Pizza Hut, we know what we could do to drive growth. So, if nothing else happens in the macro environment, this is what has caused generally growth in the QSR segment at a brand level to be muted. However, on the macro front, we are clearly seeing the government taking exceedingly bold steps on GST reduction. Therefore, prices of all their food, the household basket should reduce and put money into the consumer's wallet, which then should go behind discretionary spend.

**Gaurav Jogani:** Thanks. And just lastly on the Sri Lanka bit, though we have seen a very handsome gross margin expansion, however, at the EBITDA front, still the EBITDA margin has kind of marginally declined. So, are there any other expenses that have increased meaningfully that is leading to lower translation towards the EBITDA front?

**Vijay Jain:** In fact, that impact was seen in Quarter 1 itself. So, despite a healthy double-digit SSSG and SSTG growth in Sri Lanka in Quarter 1, if you see, we have dropped the margin bps in Quarter 1. And the drop happened because there was almost a 27% increase in minimum wages in Sri Lanka. It happened in May, effective from April, and it left us with a very small amount of time to try and mitigate that impact in Quarter 1. This is what we started in Quarter 2 with a combination of some restructuring in terms of the salaries, the incentive structures and a price increase which we took in July. Hence, the combination of this allowed us to still cross the 15% mark. So, this is the impact. Yes, generally, a 14% SSSG should have led to a probably even higher restaurant EBITDA. But unfortunately, the increase in minimum wages was too high and substantial that some of those benefits were eaten away because of that increase.

**Gaurav Jogani:** So just to follow up on this, though the performance may remain better in the next coming 2-3 quarters, however, until this cost kind of annual rises, we could possibly see this impact at least between the gross and EBITDA lines.

**Sanjay Purohit:** In Sri Lanka, yes.

**Gaurav Jogani:** Okay, sir. Thank you and that is all from me.

**Moderator:** Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

**Harit Kapoor:** Good evening. So just had 3 questions I will ask them upfront. One was on how do you look at this continued decline in dine-in shares or dine-in mix because it actually also kind of has a margin impact with every 100 basis points cut. So, do you see in any way that we believe we can kind of arrest this and keep the shares around that 35%-36% for KFC or do you believe this is slightly more structural in nature and you will see a kind of dipping trend? That is my first



question. The second one was, in KFC again, should we assume that we are starting off the quarter from a base of (+3) because that is where the impact has been. And then depending on the market macro, etc. hopefully it moves above that. And third one was on the gross margins in KFC and Pizza Hut, given that the focus is on value providing more to the consumer, etc. Our first half GM slightly the more normal for you as we look at 67% odd in KFC and 74-74.5% for Pizza Hut. Those are my 3 questions. Thank you.

**Vijay Jain:**

So, the continued decline on the dine-in, few reasons to that. So again, when you look at dine-in decline, you are looking at the mix. So first of all, there are a few reasons why the delivery mix looks significantly better. The first one, our OLO, which is our own channel, our own app performance has been really good over the last 1 year. It has grown probably 2X to 3X more than what aggregators would have delivered in terms of the growth, our own app. So that is the first reason. The second, I think I would have called out previously that our late-night operating hours, which are typically the delivery occasions, 11 PM onwards. Those are increased and continuously increasing, whether it was 11 to 1 earlier, now some of the stores going up to 2. Now even probably 10% to 15% of stores remaining open till 5 AM as well. So that is the second where occasionally are getting added, but they are getting added under delivery. So that is the second reason of delivery mix going better. The third was more structural post-COVID, a lot of our restaurants came in high street. The mall development actually stopped immediately during the COVID. And the high street, typically the delivery mix is higher compared to the mall mix. So that was the third reason. The fourth, the mall performance itself, dine-in performance in the mall itself has been a struggle. The footfalls in the mall have been challenging and mall typically is a dine-in portfolio for us. So, these are the 4 reasons where delivery mix has got improved vis-à-vis dine-in. Having said that, a lot of steps which we are taking is to try and get the dine-in footfalls back. The entire 'Epic Saver' campaign, which we re-ran and invested a lot of gross margin, was entirely on dine-in and takeaway channel. The transaction improvement you are seeing, a lot of it has come from a dine-in and takeaway channel. And even as we go forward, just like we did in Pizza Hut, most of the campaigns which we ran, Unlimited Pizza Friday, whether it is Buy 1 Get 3, the 4 course meal @99, all of these to do dine-in. And I am giving you examples of both KFC and Pizza Hut, that how the idea is to focus and get the transactions back in dine-in. So that was the first part. The second question was on KFC, if you can just repeat on KFC.

**Harit Kapoor:**

The second question was on, we are starting from (+3), should we assume that we start from (+3) and forward depending on macro your own initiative?

**Vijay Jain:**

Largely yes, except for a small difference that a 3% on a Quarter 2 base is a smaller base, that same 3% on a Diwali and a festive quarter could be 2.5 rather than 3. That is the only small change. But yes, one should assume that we are probably starting 2.5% positive as we get into a Quarter 3. The third was on the gross margin value and the gross margin percentage, the kind of investments which we have done in H1 across both the brands KFC and Pizza Hut. We have dropped roughly 100 basis points on KFC or invested 100 basis points on KFC on the 'Epic Saver' campaign in H1. And we have invested roughly 150 to 170 basis points in Pizza Hut for H1 on gross margins. Again, those are Juicylicious campaign, Buy 1 Get 3, Unlimited Pizza

Friday, currently 4 course meal @99. So yes, this investment will continue. What could change is that if the particular promotion and offers are not working, the idea is how quickly we can move on to the something next, which is we can try something out. But the investment in the gross margins, we expect to remain at this level.

**Harit Kapoor:** Thank you for answering my question. Wish you all the best.

**Vijay Jain:** Wish you the same.

**Sanjay Purohit:** Thank you, Harit.

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

**Saurabh Kundan:** Thank you, Sanjay and Vijay. I just want to check on gross margins again, while you are investing in gross margins and doing innovations in both the formats. In this quarter after the GST cut, did you see any decrease in your input prices and has that helped margins a little bit in any way now or going forward or was that completely passed on to the consumers?

**Vijay Jain:** So being a part of a QSR industry, first of all, there is no change for us in terms of the output tax rate, which continues to be at 5%. Yes, from our input prices, there is a very small or marginal benefit, which we see 0.5% or less. And that we have passed on to the customers, although we would not have received the benefit immediately because we carry inventories. But yet, in good faith, we have passed on to the customers for both KFC and Pizza Hut. The way we have passed across is that rather than now trying to spread this 0.5% or so across all the product lines, it would be meaningless for the customers. We have tried to restrict this reduction and not restrict in terms of the quantum, but this entire quantum, we have passed across the top 7% to 10% lines, so that those 7% to 10% lines see a meaningful reduction, which could be anywhere between 5% to 10%. This is done starting 22<sup>nd</sup> September.

**Sanjay Purohit:** I think the idea there, Saurabh, was the government has done something quite bold and imaginative and we have also got to respond to that move and therefore we passed this on. There are people within the industry who might have taken it across all products, but then in some cases, the impact would have been Rs. 1 or Rs. 2 on a particular product. For us, we said, let the consumer see some material change. So actually, on our highest selling products, we took material reduction in our pricing

**Vijay Jain:** And yet kept the overall quantum to that 0.5% or so.

**Saurabh Kundan:** Understood. Makes sense. Just one last question on Pizza Hut side. Assuming that this sort of logjam or whatever the situation remains, the status quo remains, the format is not in a position to fund any expansion as of now for you. Is it fair to say that you will bear that in mind?

**Vijay Jain:** You are right. And while we would have chosen a different language than what we use internally, internally what we call is the strike rates or for the payback period. So, if the brand is overall in

negative or just about breakeven, of course, the new stores would not be giving the desired paybacks. And at Sapphire, we have always called out that. Finally, our expansion would be guided by the strike rates and the paybacks we get on the new store's performance. So, while KFC, there is still a challenge on SSSG, our new store performance has been pretty healthy and reasonable. And hence, we have continued with our expansion journey. On Pizza Hut, yes, there has been a struggle. So, we work on a calendar year. Last calendar year, we opened 20 odd stores. This year, we are so far negative 1. And yes, unless we see a revival in the brand growth in terms of SSSG and growth coming back, we do not see any meaningful additions to the count.

**Saurabh Kundan:** Nice. Thank you.

**Sanjay Purohit:** Thank you, Saurabh.

**Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Hi Sanjay, Vijay, festive greetings. Sir, I wanted to check. So sorry for stretching on this. There have been multiple questions here. So, I wanted to check, so the 17 days that have happened in this quarter. So, is it fair to assume the underlying trend in KFC is still flattish or because of the pricing corrections that we have done in light of GST side, there is some pickup in like for like comparison for these 17 days?

**Vijay Jain:** Overall trend is flattish from SSSG point of view. So, Quarter 1 was flat. However, the SSTG was positive in Quarter 1 as well, low single digit. Quarter 2, while it is (3), because of the Navratri impact, ex-Navratri SSSG is flattish. And SSTG continues to remain again positive low single digit. So, the trend is flattish. The SSTG is in definite improvement. We are at least in SSSG flattish territory versus what we were at least negative a year ago or so. So that is the positive. The price reduction is 0.5% or so again, as we called out spread across few of our hero products, 5% to 10%. The Quarter 2 has only seen 8 days or 9 days of impact and that too during Navratri. So 22<sup>nd</sup> is when the GST cuts came into effect. That is when the price reduction came into effect and that is when the Navratri started as well. So, I think it is too shorter period to say that this reduction has made any meaningful impact from a customer demand perspective or not. And again, now when you look at the SSSG last year, this time, the first 10 days of October, the first and second week of October, there was Navratri. So, the numbers are not really comparable. Let us give it a bit of more time before we comment that the trajectory has changed from flattish to positive.

**Devanshu Bansal:** I understand. So, my question was more since post Navratri 17 days this year and last year. So anyways, I get your point. I was just checking on that trend. My second question is on Tamil Nadu Pizza Hut performance. You indicated that the trends are in double digit there. I wanted to check if this is largely because of same store growth or there is a component of store additions in that market as well?

- Sanjay Purohit:** There were store additions also there. But same store sales growth was about mid-single digit and balance through store additions. But it is in line with the rest of the country.
- Vijay Jain:** And the important part to look over here is the delta vis-à-vis the rest of the brand performance and the rest of the country. So that is the mid-teens delta and across all the 3 parameters, whether it is SSSG, SSTG or overall revenue growth, the delta is 15% or so or mid-teens level.
- Devanshu Bansal:** And lastly, a small follow up here. So, from a margin perspective, so is this better SSSG giving you the desired operating leverage to offset the additional marketing spend or we still on a YOY basis are seeing some dip in Tamil Nadu market?
- Vijay Jain:** So, the margins are still positive, at least in Tamil Nadu, vis-à-vis the brand showing negative performance in terms of the restaurant EBITDA. But whether they are at the desired levels, I would say no. And we have called out this entire journey that this additional marketing investment, backed by innovation has to be a 2-3 year journey. And it cannot be 6 months or 9 months. Last year, I think we started on a positive note where we invested behind the brand for the nine months. And we saw 17% uplift pan India. Post that Quarter 4 last year, we stopped investing, at least on mass media while Sapphire continued to invest BTL, they did not give results. This year, at least starting April, we are investing mass media in Tamil Nadu, and Tamil Nadu is showing results. But I think for us to reach the desired level of ADS, the investment has to continue for 2 more years at least.
- Devanshu Bansal:** And lastly, a bookkeeping question Vijay, this 97 crores of depreciation, is this a sustainable run rate for coming quarters because there is some debt, so I just wanted to check?
- Vijay Jain:** So again, when you are looking at this depreciation numbers, it is post Ind-AS 116 numbers, the underlying real depreciation will be significantly lower. But yes, when you look at even that number, we do not see this number materially altering, that is, there are no big impacts, which I would say, we need to be carved out as we move forward, the number would keep increasing. So, you cannot really look at the absolute value because as we keep adding more stores, the number would keep increasing. And there is always some impact where we look take a call on store closure. So those are some small one-offs which can come but I would not see the number is materially off the mark from a trend perspective.
- Devanshu Bansal:** Fair enough, Vijay and Sanjay. So, thanks for taking my questions sir.
- Sanjay Purohit:** Thank you, Devanshu.
- Moderator:** Thank you. The next question is on the line of Tejash from Avendus. Please go ahead.
- Tejash:** Hi, Thanks for the opportunity. Sanjay, KFC has seen a multiple deceleration and slow quarters and our explanations have ranged from our readings have ranged from post COVID high base to brand boycott in between to private final consumption also kind of slowing down. Now, given our parent's, Yum!'s depth of experience, both in terms of scale and history, what is their current

diagnosis of the sluggishness that we are seeing in this brand and how have global QSRs or this brand has historically emerged from such slowdowns?

**Sanjay Purohit:**

Yeah, so Tejash, I do not think Sapphire called out brand boycott in any of our investor presentation. So, you could go back and check. I do not think we have called this out. However, what you have been saying that we have or the brand has seen now 6-8 quarters of flat SSSG or negative SSSG is absolutely right. Like I said, it is a combination of 2 things. One is private discretionary spending has been muted. That is the reason why the government, despite strong GDP numbers is still calling out very specifically that they need to do something to increase consumption spend and a combination of that plus increased competition within the entire food space, including QSR. So, I think that is the articulation. Plus, we have also expanded stores significantly and at one point in time, our growth rates, SG numbers were quite strong. So, if you look at 3 years, we have doubled the store count. I think it is a combination of all these factors. Having now said, what is the way forward, so firstly, I think India is a little unique, because there is no other country in the world which has such a strong veg population. And therefore, internally, we say that we have 2 tasks on KFC. One is, indeed how do we grow frequency of consumption with KFC brand loyalists. And over a period of time, the big opportunity is how do we expand the consumer franchise for KFC. On the first part, which is increasing frequency, there are global models, which are really around occasions of consumption and innovation. Around the part of increasing consumer penetration, there are few markets like India. So, it is a matter of—in a sense—to some consumers, almost introducing the concept of fried chicken in a QSR format to them. All of this is not is we believe is possible to do. But it will take a degree of focus and it will take time. I think we are aligned between Yum! and us on what our journey is. And it is starting to play out. But I mean, it is not a silver bullet. Once we get some tailwinds of consumption going, I think, in general, we will see that positively reflected on KFC also.

**Tejash:**

Thanks, Sanjay, for that detailed answer. Just one follow up there. The way we have seen Tamil Nadu Pizza Hut as a very silver lining and gives us hope that it is just a matter of replicating that model. Are we doing any or are we seeing any KFC experiment at micro or macro market level, which gives us confidence at this stage that if we replicate it at pan India, we will have some better numbers there?

**Sanjay Purohit:**

There are several experiments being carried out on KFC, which give us optimism for the future. But it is really too early to specifically call out in an investor presentation at this moment, Tejash.

**Tejash:**

Perfect. And the last one, you also called out all the initiatives and interventions that government would have made in the last 15 months to revive consumption. In pockets, let us say, some of the retailers are seeing some increased footfall, at least to begin with. Are we seeing that in our formats, that at least conversions can be still there or low, but our footfalls improving?

**Sanjay Purohit:**

It is tough to make a judgment out after just a couple of days. And like I said, when we are overlapping Navaratri, the numbers at this moment from an SSSG perspective are very fine. But let us perhaps wait till November and then December and see how things pan out.

- Tejash:** Very clear. That is all from my side and Diwali wishes to you on the team.
- Sanjay Purohit:** I just want to make, just for ample clarity, I just wanted to call out, the Tamil Nadu experiment gives us a way to take the brand forward. But in no means, we are trying to say that it is a solved problem in Tamil Nadu, even there. And Vijay mentioned it in one of his answers previously, also saying that we have to keep at it for the next 2-3 years, even in TN to really get to double digit and then higher levels of profitability. So, but we all seek some models that can give us this kind of growth. Certainly, there is a model to revive the brand. So, I just want to, but there is no silver bullet, it will still take persistent work, even in Tamil Nadu to really bring the brand back to its glory days.
- Tejash:** Very clear. Thanks, and all the best.
- Sanjay Purohit:** That is it. I think that is the end of the question queue. So, again, thank you very much. We have got 151 participants at the beginning of the call. I was not sure given that it is the start of the Diwali weekend and it is a Friday, but I am just grateful to all of you all who have been on the call. Happy Diwali, spend time with the family and may all your wishes come true in the coming year. Bye.
- Vijay Jain:** A very Happy Diwali to all of you. Thank you so much.
- Moderator:** Thank you, sir. On behalf of Sapphire Foods India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.