Date: 14th May 2025

To,

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

Dear Sir/Madam,

Subject: Earnings Call Transcript – Q4 FY25

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, 7th May 2025, in relation to the financial results of the Company for the quarter and year ended 31st March 2025.

The said Earnings Call Transcript is also available at the website of the Company (https://www.sapphirefoods.in/investors-relation/financials) under FY 2024-25 Quarter 4 section.

Request you to kindly take the same on record.

Thanking you,
For Sapphire Foods India Limited
Sachin Tukaram Dudam
Digitally signed by Sachin Tukaram Dudam
Date: 2025.05.14 12:57:38 +05'30'
SAPPHIRE FOODS INDIA LIMITED MUMBAI
Sachin Dudam
Company Secretary and Compliance Officer

Encl: a/a

+91 022 67522300
info@sapphirefoods.in
www.sapphirefoods.in
702, Prism Tower, A-Wing, Mindspace, Link Road, Goregaon (W), Mumbai- 400062

"Sapphire Foods India Limited
Q4 and Full Year FY25 Earnings Conference Call"
May 07, 2025

MANAGEMENT: **MR. SANJAY PUROHIT – WHOLE-TIME DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – SAPPHIRE FOODS INDIA LIMITED**
MR. VIJAY JAIN – PRESIDENT AND 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 the Sapphire Foods Q4 and full year FY25 Earnings Conference Call hosted by Vogabe Advisors.

As a reminder all participants' 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 this 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 from Sapphire Foods. Thank you and over to you sir.

Sanjay Purohit: Welcome to Sapphire Foods Q4 and Full Year FY25 Consolidated Financial Highlights. I am joined by my colleague Vijay Jain, who is our CFO.

First, a quick briefing on the full year performance highlights:

In what was a difficult year we still delivered double digit restaurant count and restaurant growth. Number of restaurants grew at 10%, we added 91 restaurants during the year to close at 963 restaurants. Our sales grew at 11%. Adjusted EBITDA declined by 4% in the entire year. KFC for the full year was at negative 4% SSSG and with negative 4% SSSG with our store openings we delivered a double-digit revenue growth of 11% and despite the negative SSSG and the operating deleverage as a result, still our EBITDA margins were healthy at 17.3% and we crossed a significant milestone of 500 restaurants during the year, thereby doubling our count over 3 years.

Pizza Hut had very good three quarters from April to December and then we slid back in the 4th Quarter, which we will talk about a little later. We ended the year at -1% SSSG, in the quarter we were +1% SSSG. Sri Lanka had a very strong turnaround in the full year. We grew revenue in LKR terms by 14% and restaurant EBITDA margins were healthy at 15.4% first time in 3 years that we have been able to clock above 15% restaurant EBITDA.

We were rated the number one QSR in India for the second consecutive year on the Dow Jones Sustainability Index. It's a big achievement for the organization. And then in the recent Yum! Global Franchisee Convention we were recognized as the world's top four Pizza Hut franchisee. Among thousands of franchisees we were rated as "World's Top Four Pizza Hut Franchisee", the "World's best Pizza Hut Franchisee" for people practices. And finally, the big award was of that of the "World's Best KFC Franchisee". So, these awards mean a lot. As I said many years ago, we aspired to be India's best restaurant operator. Certainly, we are among the top 1-2 best global Yum! franchisees certainly.

Quickly the Q4FY25 highlights:

We delivered a revenue of Rs. 710 crores, 13% growth led by KFC, Indian Pizza Hut. Sri Lanka, we added 6 KFC restaurants and took our total count to 963 as of 31st March, 2025 also. Consolidated restaurant EBITDA decreased 1% year-on-year and margin was at 12%. Adjusted EBITDA of Rs. 50.8 crores was a 7% decline year-on-year and our adjusted EBITDA margin was 7.2%. Consol EBITDA was 16% or 113 crores and increased year-on-year by 3%. Consol PAT was Rs. 2 crores or 0.3%. Adjusted PAT was Rs. 3.3 crores or 0.5%.

Let me now take you to the KFC slide:

In Q4FY25 our SSSG trajectory was continued to improve upon versus the last previous two quarters. However, on a base of last year where we had declined in terms of SSSG, our delivery mix continued to increase vis-à-vis dine in and take away. And our big campaign for the quarter was to focus on what we call new consumers of KFC and it centered around our epic core variety campaign with also value around our core offerings being called out. This is the going forward focus of the brand, how do we represent our core variety to consumers with value, Chicken Bucket, Zinger Burger, Boneless Chicken and Roll.

And apart from this, the other positive of the quarter was our own delivery business after 2 or 3 years of being stable or slight decline, actually improved and had the greater SSSG uplift in this quarter versus even the aggregator channel. It's still a small part of our business. The drop in ADS that you see from a quarter-to-quarter basis really reflects new store and some amount of seasonal movement from Q3FY25 to Q4FY25.

The brand priorities are quite clear. This is the Slide #21 and this is something that I have spoken about earlier. We have launched a premium burger called KFC Gold. Apart from being the premium burger, it has also been launched in our popcorn and in our boneless range. So, it's really a lot of sauces and a lot of dips that are very popular with younger generation.

On Slide #23 you can see our emphasis on boneless that we are trying to drive. Digital kiosks continued to be rolled out. Now it's implemented in about 238 restaurants.

Over to Vijay for the financial numbers.

Vijay Jain: I am on Slide #26 which presents channel wide sales contribution:

Dine-in plus takeaway came at 57% and the delivery was at 43%. Sanjay mentioned about our own delivery growth. Our own platform growth was 3x the growth which we experienced on the aggregator platform so that was a big positive for us. In terms of SSSG, the trend continued to improve. We were at -1% and overall revenue grew by 12% on back of 73 restaurant additions which we had in last one year. Gross margin dropped marginally.

However, restaurant EBITDA dropped to 15.7%. This was a result of operating deleverage lower ADS which we experienced in Q4FY25 compared to Q3FY25 and a higher delivery mix. Slide #29 shows 4 year trend; clearly seen that despite two challenging years now back-to-back two challenging years in terms of SSSG, the brand has still delivered a healthy bit of 17.3% in the last financial year.

Sanjay Purohit: Let me now take you through Pizza Hut and I am referring to Slide #31 in our deck:

Our six pillars of the Pizza Hut strategy continue as articulated earlier to drive taste superiority through pizza and sides innovation, differentiated dine-in experience like casual dine-in restaurants and a hot and fresh delivery experience. We should offer competitive value for money, mass media advertising to drive consumer awareness and consideration and be cautious in terms of store expansion. So, this strategy actually resulted in improved performance in the nine months between April and December 2024 when our ADS moved from 41,000 to 48,000. However, starting JFM Quarter Q4FY25, we have not been able to invest in mass media advertising and that's resulted in an impact on our transactions and that's really arising out of a difference of view between two franchisees, between us and our sister franchisee with respect to marketing strategy and the additional investment that we have been doing from April to December behind mass media advertising.

Now while Yum! is aligned with investing similar to us, the difference in opinion has meant that we have not been able to advertise in markets which are common markets and so we still spent money, but we spend money below the line and that below the line advertising was not as effective. We believe that this difference we should be able to resolve in the next couple of months. Having said that, one of the pillars of our strategy was a continuous innovation pipeline. In accordance with that strategic pillar, we have had a really exciting refresh of our core pizzas which is the Juicylicious Pizza that we launched in April 2025. Now while we are not able to do mass media advertising in parts of our market which are common markets between us and our sister franchise, at least in Tamil Nadu, which is a Sapphire exclusive market, we will be going behind mass media advertising and then we will spend money on below the line in other markets. And clearly, we see that Tamil Nadu is driving differential performance versus the rest of the market on because consumers are being aware of this range before they come and that's pushing them to come to our stores and that's driving them, that's driving transactions. Whereas in other markets without the help of mass media advertising, we are not able to address new consumers and not able to tell them about this innovation. Like I said, we expect this to get resolved in a couple of quarters and we will see it play out. You can see the pictures of Juicylicious Pizza on Slide #33. We will get Vijay to talk about the financial numbers.

Vijay Jain: Slide #36 channel wide sales contributions; dine-in in takeaway mix at 48% and delivery at 52% in line with the previous quarters. In terms of SSSG; positive SSSG of 1% for the quarter however the ADS dropped to 42,000 and overall revenue grew by 5%. Gross margin dropped by 70 basis points and on back of the increased value and promotional offerings, this combined with low ADS and increased marketing spends although below the line but we continue to spend behind additional marketing as well meant that the restaurant EBITDA was impacted which came in at 4.6% negative. Slide #39 gives 4 year trend, the gains made in the first nine months of the last financial year where were able to clock 48,000 ADS and hit 5% profitability clearly has been eroded in Q4FY25 due to pullout of mass media campaign and as mentioned by Sanjay, we will need a slightly longer horizon on the brand and once we are able to resolve this in the next couple of quarters we are sure we will be again back on the path of recovery for the brand.

Sanjay Purohit: Quick update on Sri Lanka, Q4FY25 has capped a year of a very impressive turnaround for this Sri Lanka business. We have grown SSSG and SSTG double digit and restaurant EBITDA has crossed 15% after 2 years of coming well below 15%. From new launches perspective, we continue to support Melts has come out in a singles form, we have introduced some really good fries, we opened one store in Enderamulla and for the numbers over to Vijay.

Vijay Jain: Slide #43; dine-in and takeaway mix at 62% similar to previous two quarters. The SSSG was 16% backed by a double-digit transaction growth. Overall revenue grew by 19% in LKR terms and 31% in INR terms. Gross margin dropped however, restaurant EBITDA improved by 250 basis points YoY and came in at 14.8%. Slide #47 which gives a 4-year trend clearly seen the business has made a strong comeback and has delivered the highest restaurant EBITDA margin in the last 3 years at 15.4%.

Sanjay Purohit: That's the update for the quarter. It's been a difficult quarter, especially on Pizza Hut, but we expect that we believe that the strategy still is the right strategy to pursue and we will sort the differences in opinion that we have. The good part is that Yum! is aligned on what we plan to do and we should start we should see an uptick in performance in the coming months/quarters. I will stop here now and open this to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Sanjay Purohit: We can start with Vidisha from Ambit Capital.

Moderator: The first question is from the line of Vidisha Seth from Ambit Capital. Please go ahead.

Vidisha Seth: Hi, good evening team. I hope I am audible. My first question was if you can give some color on the broader demand scenario and specifically on KFC SSSG. Although the momentum of SSSG has improved, it's still in the negative territory. So, if you could comment on whether with the high single digit decline in the base, is it logical to assume that SSSG would turn positive in the first half of FY26?

Sanjay Purohit: Yes. So, the demand situation continues to be neutral. It's not improved or it is not worsened off over the last three or four quarters. So, it's still a tight demand situation and then coupled with heightened competitive pressures has meant that growth has been difficult to come by. You are seeing -1% SSSG in Q4FY25 on the back of I think again very low single digits the previous year. So, as we move forward certainly, we will see a more stable SSSG, but it is on the back of earlier low SSSG quarters.

Vidisha Seth: Understood.

Vijay Jain: The current trend is flattish SSSG. That's the current trend which we are experiencing.

Vidisha Seth: Got it, right sir. The second question was on your commentary on Pizza Hut. You have talked about the longer horizon required in terms of reviving the brand. So, is the visibility on even early double-digit margins deferred given that attaining the 50,000-55,000 ADS threshold would be difficult in the medium term? Basically, how should one think of margins when it comes to Pizza Hut? Those are the two questions from my side. Thanks.

Sanjay Purohit: I think you got the intention right that once we move towards 55,000 ADS, that's when we will deliver double digit. We were expecting in a scenario when all of us were aligned, we would have expected this to happen between 12 and 18 months. I think perhaps that has got extended a bit.

Vijay Jain: In the immediate scenario when I look at the coming year, I think it would still be range bound to a flattish kind of to low single digit restaurant EBITDA which we experienced last year. Because the first step would be how do we get the movement back from that 41,000-42,000 level, we have reached 42,000 level. It's the same place where was probably a year ago. So, it's the same journey we have to start again. So, in the next 12 months I don't see this EBITDA moving beyond low single digit number.

Vidisha Seth: Thank you for your answers. I will get back in the queue for follow ups.

Sanjay Purohit: Thank you Vidisha.

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

Gaurav Jogani: Thank you for the opportunity, sir. So, my first question is with regards to the network addition guidance, in the current week in environment scenario, if you can help us how are you looking to now alter the store addition network both in the KFC and the Pizza Hut format?

Sanjay Purohit: I think our last guidance still stands. In the previous quarter call, we said KFC we can look at opening 70 to 80 stores or anywhere between 60 to 80 stores, that guidance still stands and that's a medium term guidance, not just for this particular year. I think we can continue to add 60 to 80 stores. For Pizza Hut we said our restaurant expansion strategy will be extremely cautious and that's what we continue to follow. So, we don't see additions which are let's say beyond 20-25 stores in a year max.

Gaurav Jogani: And this would be the net additions or the gross additions that you would be guiding?

Sanjay Purohit: These are net additions.

Gaurav Jogani: Sure. And so the next question is with regards to KFC margins, we have been doing a very resilient performance when it is coming to the margins, despite that ADS remaining where it is, still the 17.5% margin is very commendable. Now I just wanted to take your sense given that given the environment as you mentioned, this is where it is right now. What kind of margins can we expect in the next 12 to 18 months going ahead?

Vijay Jain: I think holding onto the current level margins would be a good achievement. And for holding the current level margins we will require some SSSG even if it means low single digit SSSG. And I think that's what our immediate task would be, to get back into positive SSSG territory. Currently we are experiencing flattish, but as we move into a territory which is positive SSSG, holding these margins would be important. So that's what I think the near term 12 to 18 month guidance would be.

Gaurav Jogani: So, sir, just to follow up here, given that I am assuming that you would have peaked your cost structures which would have helped you to achieve this kind of a margin despite a lower ADS.

Vijay Jain: Yes.

Gaurav Jogani: This wouldn't mean, experiencing a better ADS then would flow through the margins and then could boost the margins slightly going ahead.

Vijay Jain: So, if we start getting SSSG of 5% and plus then definitely we can see improvement in margin. So, it's all linked to the SSSG. I said that if we are experiencing flattish and maybe even low single digit, if we are getting a low single digit, we should be able to hold margins. If we are able to get beyond 5%-6% we should be able to improve margins as well.

Gaurav Jogani: And sir just last question from my end on KFC only. If you can highlight what really is the problem that you are facing with the KFC franchise. I mean, is it the macro slowdown which is impacting the business here, is it competition or is it something else that is taking longer than expected for the brand to recover?

Sanjay Purohit: I think it's a combination of macros with the combination of also competitive intensity. So, I don't think, we were expecting in the coming financial year because of tax SOPs and inflation reducing, we are expecting discretionary spends to increase. However, Q4FY25, the earlier trend continued and that's reflected really in the SSSG that we saw and hence in the EBITDA margins.

Gaurav Jogani: Okay. So if I summarize it right, you are saying that it's a combination of slowdown and the competitive intensity which is kind of leading to this slowdown and you are still hopeful that these tax SOPs and inflation should, the reducing inflation should help to drive the demand improvement going ahead?

Sanjay Purohit: Correctly captured.

Gaurav Jogani: Sure. So, thank you for this.

Moderator: Thank you, ladies and gentlemen. In order to ensure that the management is able to address questions from all the participants in the conference, please limit your questions to two per participant. The next question is from the line of Saurabh from Goldman Sachs. Please go ahead.

Saurabh: Yes, thank you very much for the opportunity. My question is on the comment made earlier by Sanjay that you are confident that in the next 1 to 2 months the difference of opinion in Pizza

Hut will be resolved. So just wanted to ask what gives you the confidence that in the next 1-2 months you will resolve that difference with the sister franchise?

Sanjay Purohit: No, I never said 1-2 months. I said in the coming months it might take one to two quarters rather than 1 to 2 months. I guess what gives us the confidence is the fact that, so the difference of opinion really stems from our belief whether spending on or investing behind mass media advertising is resulting in increased transactions or not. We have certainly seen that joy and if there are questions in someone else's mind on that, that is perfectly alright. I think the only way to do that is through data and through actually proving that this can work. And therefore, we continue to invest behind mass media advertising in Tamil Nadu which is a Sapphire exclusive territory and being able to showcase differential performance there, should convince everyone that this indeed is the right strategy to adopt. And, therefore perhaps let's look at internal execution and see what we can do to actually capture the additional footfalls that this can offer us.

Saurabh: Understood. My second question is on the CAPEX number. I am just looking at the cash flow statement. It appears that simply on a net store addition basis it is again close to Rs. 3 crores per store. I am taking on net basis. Now can that trend be expected to continue or were there any extra investments this year other than store additions?

Vijay Jain: Again, I don't think that's the right way to look at it. And even if I look at the net stores, we would have added roughly (+100) stores this year including our Lanka. And if I remember the number correctly, I think it's Rs. 265 odd crores which is reflected in the cash flow. So even if you do the math on a gross basis, which the way you are doing it does not touch Rs. 3 crores. So let me just clarify that. Having said that, the number consists of multiple things, not just new store additions. It also consists of the refurbishment of old stores which have completed 5 years or 10 years. It also consists of tech investments as well. So, there are a lot of components to it. If I come down to the breakup, in terms of the new store, the KFC is still in the range of Rs. 2.1 crore and Pizza Hut is in the range of Rs. 1.35 crores for per store.

Saurav: All right, thank you very much.

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, question on KFC. Q1 typically is the strongest quarter with the last three quarters having some days where the consumption is weaker. This time around it was also preponed to Q4FY25 where I am suspecting that consumption may be lower. So, we have a relatively cleaner Q1FY26 this time around versus last year. So how should we read this flat SSSG? Is there actually some demand improvement happening or it has further worsened in April so far?

Sanjay Purohit: So again, in April, we had Navaratra this year. So, on top of that, the flat SSSG really says that there is no material improvement or deterioration in the demand condition. So that's all that it says. And it's really too early. May-June are in the quarter the better months. It's too early to comment on May.

Devanshu Bansal: And sir, we are sustaining with this epic campaign for KFC which was launched last quarter also. So, what are the key benefits that we have gained during Q4 and what are the expectations from this campaign going ahead?

Sanjay Purohit: So, the campaign is really focusing on the variety that we offer in our core range. And through that we expect to get more consumers who are aware of the brand but not tried the brand to come into our stores that we have identified over the medium term as the biggest opportunity on KFC increasing consumer penetration while continuing to hold on to brand loyalists. So that is what really this campaign is aiming to do. Now this is not going to happen in one or two campaigns and one or two quarters. And we should sustain the intensity and the thought behind this idea that we present our variety in core and offer great value on core to pull new consumers in. This is the intention. You see this continue for over a period of time.

Vijay Jain: In terms of the benefit, we have definitely seen transaction improvement. So, while our SSSG was negative in H1 of last year, our transactions were also negative. And what we did experience in the last two quarters of last year, which is H2, that the decline in transactions was definitely lower than the decline in the overall revenue for the same stores. So definitely the focus on the value has helped us arrest the transaction decline. Now we are largely neutral on the transactions. Hopefully from here we can grow the transactions as well.

Devanshu Bansal: Sir, last question from my end.

Moderator: Sorry to interrupt you sir, but I may request you to rejoin the question queue.

Devanshu Bansal: Sure. No issues.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar: Thank you, sir and congratulations, for a decent set of numbers in a very tough environment. Sir, a couple of things which I wanted to understand that given the fact that Pizza Hut as a brand is changing, seeing some challenges, are we looking to add more brands to our repertoire? And secondly sir, when I am seeing the percentage of delivery from dine-in, even for KFC it's down to 30s and constantly declining. So is a pure takeaway or a pure cloud kitchen concept is something which you might want to think about for some point of time?

Vijay Jain: The second question pertains to Pizza Hut or KFC or both?

Ashish Kumar: Both. Pizza Hut is at 26%. So basically, our business is starting to become more and more takeaway business.

Vijay Jain: Okay, so let me just take it one by one. On multi brand retail strategy, we have always called out that our people, tech, process, investments over the years in a way to handle multiple brands. And while we believe both KFC and Pizza Hut has a multi decade runway, we would love to add a third brand at some point in time. However, the parameters and the benchmarks which you have laid out are quite high so that we don't end up wasting resources and the bandwidth behind the third brand which becomes inconsequential. So, the two key elements are that it has to be scalable or a scale brand which can give us success. So, we are only interested in success at scale. Anything which is where either of the two stuff is missing, we will not be too keen to adopt that third brand or acquire that third brand. And to identify whether a brand can be successful at scale, we have called out seven specific filters or seven Sapphire mantras. I will not go into the details right now. You can refer annual report, or we can have a separate conversation. And each of those seven parameters are key for us to ensure that we achieve success at scale. So that's the view on the third brand. On your second part to do a takeaway or a cloud kitchen, we have always called out two things. First from a brand or customer propositions and especially this works in case of Pizza Hut. We want to be different compared to the number one brand. I think that the positioning of just a delivery brand is taken by somebody else. If we have to be relevant and relevant number two in the long run, we need to offer a point of view of difference and hence dine-in forward omnichannel strategy I think works best for us in the long run. And while currently we are seeing challenges on the brand, I am sure by having a differentiated positioning it will help us come out stronger or much stronger in the long run. That's first on the customer perspective. Second, from a financial perspective, even if you look at a cloud kitchen or a takeaway, we don't think the economics works clearly because 70% of our CAPEX goes into the back of house which is kitchen. And your delivery takeaway component, let's say is today 50%, profitability in those channels are lower compared to dine-in profitability. So, the economics doesn't work as far as we believe. So, the answer is no. We will continue with our dine-in forward omnichannel strategy on both the brands.

Ashish Kumar: Okay, thanks a lot.

Moderator: Thank you. The next question is from the line of Tejas Shah from Avendus Spark. Please go ahead.

Tejas Shah: Hi, thanks for the opportunity. Just wanted to understand if you need to break down, slow down across conversion rates, bill cuts and ticket size, where are you seeing the highest pressure in terms of consumer sentiment?

Sanjay Purohit: Sorry Tejas, I was not able to understand your question because voice broke. Can you just repeat it?

Tejas Shah: Sure. I was asking if we have further doubled down on the slowdown or consumer sentiment seeing the max pressure, is it that footfalls have been compromised conversion rates or they are coming and they are not actually consuming more than in terms of ticket size or packs?

Sanjay Purohit: Footfalls are more than anything else. But APC is all right and dine in footfalls especially have been challenging and delivery, while it's growing, it's not really growing to the extent that it used to also.

Tejas Shah: Got it, okay. Second, if I heard you correctly. I just wanted to know from your comment, do you believe that split franchise ownership structure in India is somewhere limiting our ability to drive with target to interventions to revive SSSG and sentiment?

Sanjay Purohit: So it's not ideal, but that is how it is and we have lived with it for 7-8 years and I think we can still deliver good outcomes even with a structure like this.

Tejas Shah: Those were relatively easier times. That's why I am wondering now when times are challenging in terms of consumer sentiment, of course not only for us, but other basket at large also.

Vijay Jain: To be fair, when we took over the brand, both the brand, I don't think the numbers were easy then if I remember correctly, KFC was low single digit or not low single 7%-8% restaurant EBITDA, Pizza Hut was still 5%-6%. So even those were tough times. So, I think we have been able to navigate quite well through the situation and we are confident that even right now we are hopeful of solution and we will be able to navigate through the situation as well.

Sanjay Purohit: And it's all right. We found great joy in this strategy. Someone else might have found little less joy. I think the only way, so fundamentally there is no major misalignment. It is how one wants to spend money. We believe that this still is the best way to go forward. And as we continue to spend in our exclusive market, this will play out over the next couple of months.

Vijay Jain: Next couple of quarters.

Tejas Shah: Perfect. And if I may squeeze in one more, regarding the…

Moderator: I am going to interrupt you sir, but I may request you to rejoin the question queue for follow up questions.

Tejas Shah: Thanks.

Moderator: Thank you. The next question is from the line of Aditya from JP Morgan. Please go ahead.

Aditya: Hi sir. Thank you for the opportunity. My first question is on the delivery channel for KFC. It was good to hear that your own channel grew much faster than the 3P aggregators. It would be great if you could highlight what will be the contribution of your own channel to either the overall revenue of KFC or to the delivery revenue? And as an extension to the last question as well, how do you think about scaling up the own delivery channel and is there any misalignment in that strategy versus either Yum! India versus your sister franchise? Thanks.

Vijay Jain: So, the contribution of our own channel is still small. It's closer to now double digit 10% I would say for KFC and I think that's a similar number for Pizza Hut as well. That's the first part of your question. The second part I was not very clear on the query, you were talking about whether there is any misalignment on the own channel delivery strategy between us and anybody else. That's what you are referring to?

Aditya: Yes. How do you want to scale it up aggressively? How important is this for you?

Vijay Jain: So own channel has always been a very important focus for us over the years. While the results wouldn't have been there because whatever, no matter whatever we do, I think the aggregator channel grew considerably faster compared to us. And during those times our own channel also performed very well. But yes, the aggregator channel performed much better. Especially of course with the kind of money and the horizontal play sometimes could be a tough one to beat, but it has always been an area of focus. We have been always investing behind the app as well as a lot of product or promotional offers are sometimes unique to our own app. So those measures have always been there previously and will continue to work on the similar means going forward as well.

Aditya: Thanks. My second question is a bookkeeping question. On the depreciation charge. It was lower sequentially and year-on-year this quarter. Is it because of accelerated depreciation because you had some store closures for Pizza Hut and do we expect it to revert to the Q3 run rate in the next quarter?

Vijay Jain: So, the depreciation charge was lower. That charge was lower because we had reversals on some of the, this is now post-Ind-AS accounting could be difficult probably to understand over a call, I will try it. So, when you do a post-Ind-AS accounting, you basically book higher amount during the initial period of lease under depreciation and the finance cost. And if there are store closures or you have taken a provision for store closures, those provision gets reversed. So, what we have seen is benefit of some reversals coming in this particular quarter. So, you are right, we will go back to the earlier quarter trend. You are right, we will go back to the earlier quarter trends.

Aditya: Thanks. That was very clear. I have a few more questions but I will come back in the queue.

Moderator: Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead. Mr. Subrata, please go ahead.

Subrata Sarkar: Yes, so my question is more so from our industry perspective. Since we have observed that the emergence or development of this industry in other western countries. So, this particularly this western QSR, what is our observation, its consumption generally goes up at what rate to that of a let's say premiumization or increasing the per capita income. So, is there any study like when it moved to let's say $2500 to $5000 per capita bracket, what is the elasticity of QSR generally to that of the income?

Vijay Jain: I will try and answer the question to the best of our understanding. So, $2,500, when it moves towards $3,000 per capita income. that's the time when we see exponential growth in the QSR industry. That's what we observed across various economies. And that's one parameter which is on per capita income. On especially in case of KFC, there's another angle which is a protein consumption increase, and we have seen that especially in Asian economies where chicken is a preferred source of protein compared to western economies where beef is more preferred. That's another angle which is a tailwind which actually helps us as the per capita income grows, the protein consumption also grows. And for QSR veg operates in a chicken segment KFC this is another area which helps grow the number of restaurants count and the brands faster. So, these are the two angles which we have seen in the Asian economy especially.

Subrata Sarkar: Okay and sir again your thought on that. Let's say the way we derive this kind of analysis. Is there do you think that the market which used to which we have observed let's say in developing country, that discretionary consumption bucket and right now the discretionary consumption bucket which India will experience is there a change in that like with a QSR like the way it was at that point of time the discretionary consumption out of that QSR used to get a one of the primary consumption was increasing QSR, is it still relevant in today's context sir? I think I am clear with my question?

Vijay Jain: Not too clear. I will still give it a shot. Discretionary income is always a component which we are industry like as dependent on. And as the per capita income goes that's the bucket of the consumer which grows faster and that's where we tend to benefit and grow faster along with it.

Subrata Sarkar: Let me reframe my question. Maybe it will help you, what I mean to say like let's say 20 years back or 25 years back when you let's say 30 years back when you have observed the increase in per capita income and because of that lead to a higher discretionary expenditure and QSR data one of the prime share of that, what my only question is like assumption holds. If the assumption hold good with the increase in per capita income discretionary expenditure will go up. But my only point to understand from you like the way QSR was relevant in terms as a one of the proponent one of the component of discretionary expenditure does it still hold good in terms of share of discretionary consumption QSR expenditure or there are other expenditure which will now become more relevant in the bucket of discretionary consumption and that's why QSR growth may get hampered.

Sanjay Purohit: I don't think we have done such detailed analysis of one category versus another category. I think in general when we observe the correlation of per capita income and eating out occasions you will find as Vijay was saying that once you go above a certain threshold there is exponential growth that starts to happen. I think we should just leave it at that for the moment.

Vijay Jain: Subrata, maybe we can connect offline again so that we can understand your query better as well.

Subrata Sarkar: Okay sir, no issues.

Sanjay Purohit: Thank you so much Subrata.

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

Saurabh Kundan: Thank you for the opportunity to ask question again. I just wanted to double check that we have generated positive free cash this year, right, if I am not mistaken?

Vijay Jain: Yes.

Saurabh Kundan: And this should continue I believe because margins, let's say even at a low single SSSG margins you said will be more or less stable and your CAPEX requirements are only coming down because you are adding fewer stores than last year. So free cash generation should continue into the next year at least also, right?

Vijay Jain: So, the current year we generated so our CAPEX and our EBITDA was largely similar this year. Again, this was a year where from a financial year perspective we opened 70 stores only for KFC and Pizza Hut was 15 stores only. Apart from that there were a couple of other components. For example, we had a loan which was made to our Sri Lanka subsidiary during tough times when they were facing macroeconomic crisis and there was dollar shortage. So, there was a repayment of that loan which came in that's roughly Rs. 25 odd crores. We were able to generate huge positive on a working capital cycle as well and that gave us Rs. 30 odd crores. So, there were a couple of other factors as well. But yes, we don't anticipate our cash flow vis-à-vis EBITDA, to be I would not say neutral next year. But yes, we may have to dip into small amount of our cash reserves.

Saurabh Kundan: Okay, you might have to dip into some cash reserve next year?

Vijay Jain: Yes, because apart from let's say there could be renewal fees which are coming off as Sapphire Foods, we would be now completing 10 years since our acquisition of the stores. So, there would be a renewal fees which would be coming up for Yum! payment coming here. And apart from new stores there are always agenda on refurbs and typically when you try and complete, when you complete 10 years there are a lot of refurbs which are on major sites, major refurbs other than minor. So, we don't expect the cash flow to be positive coming here. We expect will marginally dip into our resources of cash.

Saurabh Kundan: Okay. May I know about the….

Moderator: Sorry to interrupt you sir, but I may request you to rejoin the question queue for follow up questions. The next question is from the line of Ashutosh Parashar from Mirabilis. Please go ahead.

Ashutosh Parashar: Yes, hi, thanks for the opportunity. Just a couple of questions. Firstly, on the Sri Lanka now that the SSSG turnaround has sustained over the last few quarters, what do we see in terms of store additions? Do we have the opportunity to accelerate from high single digits to maybe early double digits over the next couple of years. So, any outlook on that? And QoQ we saw a bit of moderation in both Pizza Hut India as well as Sri Lanka in the gross margin. So, any comments on that? And secondly on the corporate cost side we have shown a remarkable constraint like last 2 years we have grown only by single digits. So should we expect that victory to continue, those were my two questions. Thanks.

Vijay Jain: I will try and remember all the three questions. So, the first was on the Sri Lanka store additions which was I think yes, now that it's more stable. Earlier we were looking at a low single digit restaurant addition. I think now we can look at high single digit restaurant addition at least in the coming year, maybe next 2 years as well. That's on the Sri Lanka store addition. On a gross margin perspective, you referred to both Sri Lanka as well as Pizza Hut India. I think our focus on driving value and our promotions are also tailored accordingly and that's what has led to the decline in the gross margin for both the brands. Sri Lanka, we have been able to see the joy which has come along with it which is double digit SSSG backed by transaction growth. Hence despite the dip in the gross margins, we were able to deliver a 250 basis points improvement in restaurant EBITDA. Unfortunately, while gross margins dropped in India for Pizza Hut we were not able to see SSSG and that has led to a deterioration in our restaurant EBITDA. We believe the current level of gross margins are stable level and we don't anticipate this either going upward or going downward materially. There was a third question which was I guess that I missed out third one.

Ashutosh Parashar: On the corporate cost side.

Vijay Jain: Yes, the corporate cost was single digits. Typically, the kind of thumb rule which we use is can the corporate cost grow at a two-third to three-fourth of the overall revenue growth. Our revenue growth last year was at a consol level 13%-14%. And yes a single digit growth was a good outcome. I would say if the brand and we don't target to grow revenue at low single digit or low double digit. We typically target whether revenue can grow towards 15%-20% and typical target would be then to grow, the corporate cost would grow at double digit. Let's hope this year we don't see a situation where the revenue grows in low single digit or low double digit.

Ashutosh Parashar: Got it. If I may a follow up on the value offerings. So, on the Pizza Hut it is very evident that the gross margins --

Moderator: Sorry to interrupt. I may request you to rejoin the question queue for follow up question. Thank you. The next question is from the line of Aditya from JP Morgan. Please go ahead.

Aditya: Hi. Thanks again for the opportunity. My question is on any regional or state wise, city wise divergence you are seeing in terms of SSSG and in the coming financial year, do you expect to shift your store expansion in any meaningful way in terms of city tiers or regions or states versus say what you did in FY25? Thanks.

Vijay Jain: So, we are not seeing too much variance between various cities and state in terms of the SSSG performance. Yes, in case of Pizza Hut we are investing as Tamil Nadu is an exclusive territory, we said we will invest there heavily and through a mass media campaign as well there. And it's very initial days we are seeing slightly differential performance in terms of SSSG for our Tamil Nadu territory. But again, as I said initial days. On coming to store expansion, 70% of our stores which we added even in the last 2 years are in Metro and Tier I cities. I think that ratio and mix will continue even going forward at least for the next 2 years.

Aditya: Thank you.

Moderator: Thank you. We will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Sanjay Purohit: There's one person we can take that one question.

Moderator: So, the next question is from the line of Ashutosh Parashar from Mirabilis. Please go ahead.

Ashutosh Parashar: Thanks for the follow up. Just a question on the value offering. So, while the impact on gross margin of the value offering is visible in Pizza Hut, the same is not there in the KFC. We have held up the gross margins there pretty well. So, any comments on that?

Vijay Jain: Actually, when you look at QoQ there we would have dropped very small amount of gross margin over there in case of KFC. Also, there are always an opportunity where on few product compositions or can we do some tweaking so that we can hold on to gross margin. So, some of the value offering impact has been negated by small tweaks here and there in terms of our product composition. But there is certainly a drop even in KFC when you compare Q4FY25 versus Q3FY25.

Ashutosh Parashar: Got it. Thanks a lot for the follow up. Thanks.

Vijay Jain: Thank you.

Moderator: Thank you very much. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Sanjay Purohit: Thank you everybody for joining our conference and being patient with your question. We will see you in three months' time to announce our 1st Quarter Results. So, thank you very much.

Moderator: Thank you. On behalf of Sapphire Foods, that concludes this conference. Thank you for joining us and you may now disconnect your lines.