SapphireFoods

Date: 30th July 2026

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 – Q1 FY27

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, 24th July 2026, in relation to the financial results of the Company for the quarter ended 30th June 2026.

The said Earnings Call Transcript is also available at the website of the Company (https://www.sapphirefoods.in/investors-relation/financials) under FY 2026-27 Quarter 1 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: 2026.07.30 17:06:38 +05'30'

SAPPHIRE FOODS INDIA LIMITED MUMBAI

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Company Secretary and Compliance Officer

Encl: a/a

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"Sapphire Foods India Limited
Q1 FY27 Earnings Conference Call."
July 24, 2026

MANAGEMENT: **MR. SANJAY PUROHIT – WHOLE TIME DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – SAPPHIRE FOODS INDIA LIMITED**
MR. VIJAY JAIN – EXECUTIVE DIRECTOR AND 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 Sapphire Foods Q1 FY '27 Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be no opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Purohit from Sapphire Foods. Thank you, and over to you, Mr. Sanjay.

Sanjay Purohit: Welcome to the Sapphire Foods Q1 FY '27 business performance highlights. Let me jump in. You should have the presentation already available with you. Q1 FY '27 was our second consecutive quarter of strong performance with 15% revenue growth, best in the last eleven quarters and 32% adjusted EBITDA growth, best in the last fifteen quarters. This was led by positive SSSG across all three brand verticals, KFC India, Pizza Hut India and Sri Lanka businesses.

Our Q1 FY '27 revenue was INR888 crores, up 15%, as I said. We added sixteen KFC restaurants, five Pizza Hut in India, one Pizza Hut in Sri Lanka. Our total restaurant count was 1,074 as of 30th June 2026. Consolidated restaurant EBITDA was up 23% year-on-year. Margin was 13%, up 80 basis points. Consolidated adjusted EBITDA came in at INR75 crores, up 37% year-on-year and margin was 8.4%. Consol EBITDA, which is post Ind AS was INR140.6 crores or 15.8%, up by 24% year-on-year or up by 120 basis points. Consolidated adjusted PBT was INR27.3 crores or 3.1% and consolidated PBT was INR16.2 crores or 1.8%, up 200 basis points.

Let me now take you straight to the KFC highlights. KFC delivered 5% SSSG and 17% system growth with very strong dine-in and takeaway contribution, largely because of our two-pronged strategy to drive consumer recruitment. I've called this out in my last investor presentation also. At one level, we've got strong everyday value, the INR99 chicken crisper burger meal accompanied by advertising that enables new consumer recruitment.

We had also shared a YouTube clip of the new advertising. So we believe that it's a combination of advertising and this everyday value that is driving change of consumer behavior and moving new consumers to start considering KFC as part of their repertoire.

Apart from that in more evolved chicken markets, we also have a disruptive abundant value strategy on select base, perhaps once a month, where we offer, buy one get one on our hot and crispy buckets backed by localized advertising. These offers are only present on the dine-in and takeaway channel, and this has enabled very strong growth on these channels.

Our innovations for the quarter include KFC Shawowrma (on Slide number 21) and the Double Chicken Dynamite, and both products are fantastic products. Double Chicken Dynamite is two fillets of chicken and in between, you've got a layer of noodles and cheese. Our digital kiosks are implemented on about 75% of stores. We launched sixteen new stores last year. Vijay, could you take the numbers, please?

Vijay Jain: Yes. I'm on Slide number 24, channel-wise sales mix. Dine-in and takeaway sales for KFC improved from 57% to 59%. This is on basis of the strong dine-in takeaway value campaigns.

KFC SSSG came at 5% for the Q1 FY '27 and the overall revenue grew by 17%. Gross margin improved by 160 basis points over last quarter.

This was a combination of lower discounts compared to last year as well as price increase of 2% during the quarter. This, combined with improved dine-in and takeaway mix, better operating leverage meant that the restaurant EBITDA improved by 120 basis points over last year. And this is despite the challenges in terms of the pricing pressures which we faced on the energy cost, especially in the terms of gas cost. The overall restaurant EBITDA came at very healthy 16.9%.

Slide number 27 gives you the 4-year and 5-quarter trend. As can be seen from the last three quarters, the performance on the brand is improving, and this is quite encouraging as we move into the next quarter.

Sanjay Purohit: From a Pizza Hut perspective, we had 1% SSSG after five quarters. Both dine-in and delivery channels were similar SSSG. We launched new products, the new Crafted Flatzz product, baked chicken wings, a new line of masala beverages. And our TN continues to do well, especially the dine-in business.

I've said this now for the last 8 quarters at least: this gives us a template; a clear strategy that is differentiated from the number one. First, the customer experience is rooted in dine-in with strong omnichannel execution, great product backed by innovations, and heightened marketing spend allow us to be a strong number two in the market and for the brand to do well.

Vijay Jain: On slide number 34, channel-wise sales mix. Dine-in and takeaway mix remained same as the previous year at 50%. Pizza Hut had SSSG of 1%, as mentioned by Sanjay, after five quarters of positive SSSG. In terms of revenue growth, overall 3% and gross margin improved by 80 basis points, again, here as well on the basis of lower discounts and a price increase of 2% taken towards the end of the quarter. However, higher energy cost impacted the restaurant EBITDA, which came at loss of 3.6%, down by 110 basis points.

Slide 37 gives you 4-year and 5-quarter trend. positive 1% SSSG, including more importantly, dine-in and takeaway positive SSSG is encouraging as we move forward.

Sanjay Purohit: Our Sri Lanka business had another quarter of strong SSSG. However, profitability remained an issue because of inflationary pressures. So cost of sales increased because of the depreciation of the Sri Lankan rupee, minimum wage increase and cost of utilities and fuel increasing because of the geopolitical crisis in the Middle East.

Vijay Jain: Slide number 42 gives channel-wise sales mix. The dine-in and takeaway mix came in at 60%, almost similar to last year. SSSG was very healthy at 9% and overall revenue grew by 14% in LKR terms. Gross margin improved by 220 basis points. And while gross margin improved, as mentioned by Sanjay, the higher energy cost, wage inflation impacted the overall restaurant EBITDA, which came in at 12%.

Slide 46 gives 4-year and 5-quarter trend. The current quarter has been challenging in terms of profitability. However, just like previous challenges, whether it in terms of COVID or the political turmoil experienced by the country, our business has been resilient, and we have always bounced back strongly. We expect this impact to also be short term in nature. And in the long term, we remain quite positive about the business.

Sanjay Purohit: Finally, we had our Annual General Body Meeting on the 21st, a couple of days ago, and we are happy to release our annual report for FY 2025-26. I would urge you to go through the same. That's it from Vijay and me, and now we'll open it up for questions.

Moderator: Thank you very much. The first question is from the line of Avi Mehta from Macquarie Capital. Please go ahead.

Avi Mehta: I just wanted to check two things. One, wanted to get your thoughts on how should we look at the demand environment, we've seen in KFC; same-store sales growth is like similar-ish. We saw 6% in last quarter, adjusted for the festive in Q4 and now we've seen 5%, while Pizza Hut has moved to positive. So I wanted to get your thoughts on how do you see demand in the last quarter and trending as we speak? It would be useful to get your comments on that.

Sanjay Purohit: Yes. So I don't think there's been any material improvement in the demand environment. I would say it has remained similar. Some of the upside at KFC, that we are seeing is as a direct outcome of the work that we have done to improve sales. I think the same thing is with Pizza Hut. As Pizza Hut dine-in sales has improved, the overall brand has done well.

Avi Mehta: Okay. And has this changed as we exited the quarter or any kind of comments that you would like to make about how things are trending as we speak?

Sanjay Purohit: So it's really tough to trend on a month-on-month basis. April, May were good. June was not so good. July is good because of the difference of Shravan starting in North, earlier last year to this year. So I think it's a little tough to say.

Avi Mehta: Okay. The second bit was, I understand the profitability performance and it's kind of kudos to you on that. But on Sri Lanka, how should we look at the equation now? What measures can be taken to move that up? And that would be the only thing because on the other businesses, I think you're on the path to improving profitability or maintaining profitability. But here, I'm not very clear. So any clarity on that would be helpful.

Sanjay Purohit: First of all, on India, if SSSG comes, then profitability improves. So that's the simple adage for KFC; as SSSG improved, we were able to deliver better profitability, even in spite of pressures on fuel costs, which actually hit everyone quite hard.

In Sri Lanka, it's a little more susceptible to shocks. Our business there is absolutely incredibly strong. Our team there is incredibly strong. The way that we execute is, head and shoulders above everyone else. So through COVID, and the earlier protests that had happened in the country, we put our head down and we said, we've got to continue to drive transaction growth.

And if we do that, over a period of time, we will get back to profitability because we'll be able to either take pricing or input costs will come down, and so on and so forth. So that continues to remain our focus: drive transactions. If there is a short-term impact because of cost of sales, grin and bear it, but don't lose out on momentum in driving sales and revenue because everything else we can recover.

Avi Mehta: Got it. Sanjay, so would it be fair to say that the movement to normalization in Sri Lanka might be a few quarters away? Is that how I should read this?

Vijay Jain: At least a couple of quarters away.

Moderator: The next question is from the line of Shubhi Gupta from Trinetra Asset Managers.

Shubhi Gupta: Sir, my question is that we are seeing some operating leverage in play with the numbers. I wanted to understand at what SSSG threshold does this leverage kick in, specifically with brands like Pizza Hut?

Vijay Jain: Irrespective of the brand, typically at a 3% to 5% SSSG, when you start comparing with the last year's number, it takes care of the inflation in terms of the wage cost and the other costs in the P&L. So that's normally neutral for the P&L. Having said that, because we were able to get efficiencies this year on various cost lines, that has helped us create leverage even at 3% to 5% SSSG.

But the general benchmark is in the range of 3% to 5%. If you're below that, you will typically end up losing restaurant percentage margin. And if you are above that, you will start gaining the percentage margin. I think what has helped us over the last year in terms of generating leverage is also on the gross margin front. The reduction in the discounts, which started October last year, has helped us greatly. We have taken a small amount of price increase in this particular quarter, which has helped improve gross margin and, thereby, it has helped bottom line as well.

Moderator: The next question is from the line of Manjeet Buaria from Saamya Advisors LLP.

Manjeet Buaria: Sir, I had three questions. One was with Yum! Brands looking to sell Pizza Hut globally. How does that impact our Master Franchisee Agreement with Yum! related to Pizza Hut, if you could share some light there? Second, you alluded to SSSG being a key driver for margins, and that's quite intuitive. If you could also give us some sense on where the ADS needs to be for us to come back to that about 18% — 20% restaurant level margins, because we have had 2.5 years of soft SSSG. So I'm not able to sort of reconcile the SSSG and ADS, and the levels at which they both need to be.

And the final question, again, was from your perspective. Despite driving a strong value offering, SSSG of 5% seems low in context of 2 to 2.5 years of very low base quarters. So if you could share some light on why that is the case. Or maybe that is what you had expected when you launched the value offering. Those are my questions.

Vijay Jain: So, on the first part, we mentioned in the previous call as well that the global sale at the parent level of the Pizza Hut brand doesn't really impact us. Our current agreements in terms of the franchisee arrangement continues. In fact, if anything, we consider this to be positive because the new brand owner who comes in will have a renewed focus, because that person is putting money on the table. I'm sure they would work towards the upliftment of the brand, and it augers well for the brand as we move forward.

On the second question, on ADS levels for KFC. In a typical year, the ADS level would actually remain constant. How it works is that when you're trying to grow restaurants by 10% to 15% in terms of new store count, those new restaurants come in at 80% to 85% of ADS levels of the brand's average.

At the same time, we are looking for a 5% to 6% SSSG, which will improve the ADS level by 5% to 6%. These two lines actually neutralize each other. What has happened over the last 2 to 2.5 years is that we kept adding new restaurants, which brought the ADS levels down. Unfortunately, at the same time, we were not getting positive SSSG. So that is what happened.

Currently, the focus is not to get back immediately to 17%, 18% or 19% margin. I think the entire focus over the last few quarters has been to get the SSSG back. As long as we are able to get the SSSG back, the first thing it does is help prevent us from slipping further in terms of restaurant EBITDA margin. Even a 16.9% margin right now for the brand is a very strong and healthy margin.

And the focus in the near term would be to drive SSSG and not try to take the margin towards 18%. On the third point, regarding the value offering, it is still delivering SSSG of 5%. SSSG of 5% in a really tough conditions, we are quite happy with it. Of course, we would love to have a higher SSSG, but it's the start. Three quarters ago, we were not able to generate positive SSSG. In fact, we were on negative SSSG. We tried various campaigns, but things were not clicking.

I think we have finally found a solution where, using a two-pronged strategy in terms of value, both on everyday value and selective disruptive value, we are able to drive SSSG. Even currently, the inflationary pressures continue, and we don't really think the external macro environment is favoring demand from a consumer sentiment point of view. We are barely out of a negative SSSG over those last two quarters. So I think getting a 5% SSSG is quite positive. And if we are able to hold on to that in the coming quarters, we'll be quite happy.

Manjeet Buaria: Sir, can I ask one follow-up question, please?

Vijay Jain: Go ahead.

Manjeet Buaria: Sir, if you could also give some sense of whether the recovery on SSSG is broad-based across all our geographies? Or are there certain states which are lagging meaningfully from a demand perspective?

Vijay Jain: So over the last two quarters, we have seen a broad-based recovery. Having said that, as we called out even in the previous quarter, we believe this SSSG is a combination of two things. Certainly, some amount of consumer sentiment recovery, which we saw in the last two quarters.

But having said that, I think we are able to generate higher SSSG for the specific measures which we took, which is again, what I called out: the two-pronged strategy. In the case of Pizza Hut, our four-course meal and Buy One, Get One offer have really helped us drive dine-in and takeaway transaction, and that's the most heartening part. So it's a combination of a slight improvement in the external factors, but a lot of work which we have done over the last few quarters.

Moderator: The next question is from the line of Anuj from Antique Stock Broking.

Anuj: These are two questions from my end. So firstly, how are you looking at as of KFC network expansion for the full year? And secondly, given that we are starting to see operating costs moderate, and as you mentioned about price hikes are starting to be taken, how has the on-ground customer response been? Are you seeing any sort of progression in terms of SSSG on account of the price hike? Or how is transaction growth faring? These are two questions from my side.

Vijay Jain: I was not able to clearly understand your first query. You can come again. The voice was echoing.

Anuj: The first question is on how we look at KFC store expansion for the full year? I think earlier guidance is around 60 to 80 stores. So what is the plan for the year for KFC?

Vijay Jain: It remains the same. The earlier guidance for KFC in terms of 60 to 80 stores in a year remains the same. That continues. No change in that particular guidance. On Pizza Hut, we have called out that we will be quite cautious in terms of store expansion. That was the case for calendar year '25. That will remain the case for even calendar year '26. And I'm calling out calendar year because that's how we operate with Yum! in terms of store expansion plans. That's on a calendar year basis.

The second query in terms of price hike and how that's impacting the on-ground customer sentiment and the demand. We have been quite careful in terms of how we have approached this particular price hike. We have taken it in two instalments. One percent was taken in April, 0.5% to 1% was taken in June. The same thing for Pizza Hut, it was taken across two instalments of 1% each.

We have been quite cautious in how we approached the price hike. And when we do a price hike, it's not a flat price hike across the entire menu. We try and see the lines where the demand will be slightly more inelastic in terms of price hike. And so far, we have not seen any major impact because of the price hike on our SSSG or consumer demand. Does that answer?

Anuj: Yes. That answer my question.

Moderator: The next question is from the line of from Pratik from M3 Investments.

Pratik: I just wanted to understand how the demand environment is in the new stores of KFC, the ones that you may have opened in the smaller cities in India. Together, you and Devyani would have around 1,300 KFC stores so you would have expanded into the smaller cities. Could you give us an idea how the unit economics work in the smaller cities?

Vijay Jain: From a profitability point of view, the smaller city stores versus, Tier 1 metro stores and from a payback point of view, work similarly. What's different is the ADS levels and the cost of operating that store. While the ADS will be 20% lower in a smaller town compared to a Tier 1 metro but the cost will also be significantly lower.

As a result, from a profitability perspective as well as the payback perspective, it works similar to Tier 1 stores. So there is no difference. And in terms of the performance over the last year, the stores which we have opened continues to perform reasonably well. And that's the reason we continue with our expansion plan of 60 to 80 stores.

We have always called out that our expansion is based on looking at the metrics in terms of how the new store performs on a continuous basis. If we feel those strike rates are dropping, we would immediately drop our store expansion plan. But over the last 2 to 3 years for KFC, we have continued to perform reasonably well. As a result, we continue to expand 60 to 80 stores per year.

Pratik: Also, I would like to understand if you think that KFC in India has the potential to have about 4,000 to 5,000 stores over a fairly long period, maybe 10 to 15 years or so. And does that depend on how the smaller cities are doing, and whether you think that those cities can support so many stores?

Vijay Jain: Right now, we would try and look at a 3-year or 5-year horizon, and we have always called out that from a 5-year horizon, we would love to double our store count. Looking at the 4,000 to 5,000 stores in India eventually is, of course, possible because we have always called out both KFC and Pizza Hut in terms of QSR is a multi-decade opportunity.

And in terms of KFC, there are two things going in its favor. First, it's the protein. And second, once the per capita income increases, of course, that kind of opportunity is possible. But it would be very foolish right now to think of 4,000 to 5,000 stores in the near future. We'll keep our focus on the next five years where, we plan to double the store count.

Pratik: Sure. And my last question. I would like to know what steps you have taken in Pizza Hut recently? And if you saw any changes in demand environment for Pizza Hut due to the steps that you took or how the response has been and how you and Devyani maybe are looking to turn this brand around?

Vijay Jain: There are no new steps taken for Pizza Hut. What we have been doing over the last two years, Sapphire in particular, is our dine-in forward omnichannel strategy, and that continues for us. Tamil Nadu, being an exclusive territory, is where the focus has been for last one year, where we have been able to put additional money behind the brand. The results have been quite encouraging and significantly different compared to the rest of India.

Last year, we called out that while Pizza Hut as a brand struggled, the Tamil Nadu territory delivered double-digit delta performance in terms of SSSG, and in terms of restaurant EBITDA as well. Even in the current quarter, the Tamil Nadu performance continues.

The dine-in and takeaway performance in Tamil Nadu even currently delivers significantly superior performance compared to rest of India. So we believe we have a blueprint ready. It's just that once the CCI approval comes in, both franchisees will be able to sit across the table and decide on a common way forward for Pizza Hut brand. Until then, we continue to focus on the brand in Tamil Nadu in particular, and on the dine-in and takeaway channel.

Moderator: The next question is from the line of Harish Advani from Axis Capital.

Harish Advani: I just wanted you to give a breakdown of the SSSG number in terms of transaction growth versus ticket growth, if you could share that?

Vijay Jain: We don't really give out those numbers, to be fair. Having said that, the SSSG is positive for KFC, it's positive for Pizza Hut. And in particular, it's positive for dine-in and takeaway. And dine-in and takeaway is running ahead of delivery.

Harish Advani: Got it. And just to get a sense of the dynamics between the two aggregators that you work with; are they calling out any increased competition on that side, or has that been relatively benign this time in terms of the discounting that some of the other brands might be doing on those platforms?

Vijay Jain: We haven't heard about any heightened competition on these two aggregators, at least for the last few quarters.

Harish Advani: Perfect, sir. And last question from my side. Given the way the RM situation is evolving, are we left with any more price hikes that we may need to take, or are we able to manage it at the current level of price hikes that we have taken?

Vijay Jain: Right now, we are quite happy with the current price hikes. And again, just to refresh the strategy on price hikes, we have always called out that we never take price hikes exactly same as inflation. So we would typically restrict our price hikes to 50% to 60% of the inflation, and the rest of the impact we would try and manage through efficiencies on our supply chain and efficiencies through other lines on the P&L.

Even if we are not able to manage it, we might as well take the impact on the restaurant EBITDA, but we would never take price hikes in line with the inflation, because in the long run that would impact the customer sentiment and transactions later. Currently, this is good enough, but we really never know; with the wars coming back, what will be the scenario in the next two quarters. But currently, we are quite happy with the price hikes we have taken.

Moderator: The next question is from the line of Gautam Rathi from CWC.

Gautam Rathi: Sir, I wanted to understand two things. One, when you said you have reduced some discounts on the Pizza Hut side as well as taken up 2% of price, can you help me understand what would be the total impact on the customer bill value combined for these two changes?

Vijay Jain: So the price hike that has been taken is in the range of 2% to 3%. As I called out, Pizza Hut is at that level, and KFC is 2% or slightly lesser. Typically, when the price hike happens in the immediate term, what happens is the customer readjusts the bill, and you really never see the price hike coming through in terms of an increase in APC. So that's what happens. Price hikes are a way to manage gross margins. It's not really a way to get revenue going up by 2% or 3%. So the customer bills have remained largely similar pre and post price hikes.

Gautam Rathi: Discounts would have been reduced too, if you can help me with that. I understand the ticket value point, because a customer would have downgraded. But approximately, what was the kind of reduction in discount plus like this 2% to 3%? I'm just trying to understand that part.

Moderator: Ladies and gentlemen, stay connected. The management line is disconnected. Ladies and gentlemen, the management line is connected.

Vijay Jain: So between the price hike, where we said 2% to 3%, and the discount reduction, and it could be anywhere between 50 bps to 1%. So that's the total impact you can see that would have on the consumer. But as I said, finally the APC does not go up by that kind of amount. The APC remains in the same range. Finally, the customer balances the basket.

Gautam Rathi: I understood. And the second thing was, I just wanted to understand something fundamentally for this industry, specifically on the pizza category side. For the last two to three years, we have been seeing that broadly, pricing in this industry has become damn difficult. Across the two top players I'm talking about, both you and Domino's have been talking about not taking price hikes and giving more and more value.

Has something structurally changed for this industry or this category, which is leading to this kind of strain? I understand the strain on the consumer, right? But how long would you subsidize the customer from your P&L,? Because I understand if it's transitory: three months, six months, twelve months. But for last two to three years, we have been hearing this again and again, and it's just difficult to take commensurate price hike to match the kind of inflation. So just your thoughts will be very helpful on how you think about it?

Vijay Jain: So again, the journey for Pizza Hut has been quite different in terms of the pricing. Several years ago, we were considered quite expensive when we compare our prices to Domino's especially. And in 2021, we said, finally, we have to tick mark that value bucket, and we were considerably behind. And hence we took a call that in terms of price hikes, we won't take too many or large price hikes.

Also, we introduced a Flavour Fun range of pizzas. And today, we have reduced our gap vis-a-vis Domino's considerably. In fact, we are probably as competitive as Domino's is in terms of our pricing. So that was a strategy to make sure that the customer proposition goes strong. It was not a strategy that we were trying to subsidize or do anything of that sort. And while doing that, in the process, we were anyways giving discounts to the customers.

Those discounts to the customers were in the form of a day-wise discount on a particular day or a particular channel. All those discounts got rolled in and actually were baked into the everyday low pricing. So that was the strategy. We didn't really lose on our gross margin. So if you look at our gross margin percentages over the year, they still remain quite healthy.

The challenge is to drive transactions. And if you are able to drive transactions, especially dine-in and takeaway transactions, the business would come back. So I don't really think the challenge is in terms of not being able to pass on the inflation. In fact, if anything, our value strategy is finally helping us drive the customers back in.

And after a very long period of time, across both brands, we are able to grow both dine-in and takeaway transactions vis-a-vis delivery. So the problem is not the pricing. The problem is, are you able to generate enough demand out there? And are you able to get enough customers into your store to get the SSSG to get the desired unit economics.

Gautam Rathi: Understood. That's quite helpful. If I may follow up just on this one. So structurally, is it just that it has become quite more difficult to get the customers to the store? Delivery, I understand there are two aggregators who are pushing the throttle. But is it also structurally become difficult to get the customer to the store?

Vijay Jain: I think now both KFC and Pizza Hut have been demonstrating to us, especially over the last two to three quarters, that if we are able to deliver the right value to the customer, backed by a right marketing message to drive customer recruitment, it's not impossible to get customers back into the stores. Over the last three quarters, we have been able to drive transactions in our dine-in and takeaway channel.

Also, initially, delivery had a great run in terms of the benefit, the convenience which customers used to get also came at a greatly discounted prices. Over a period of time, the pricing has finally caught up. Today, the convenience does not come at really greatly discounted prices.

Hence, today and increasingly, we are getting a level playing field between dine-in, takeaway and delivery. And with the right value proposition backed by marketing, we have already shown that we can get dine-in and takeaway transactions.

Moderator: The next question is from the line of Avi Mehta from Macquarie Capital.

Avi Mehta: I just wanted to check with you on one conceptual bit. See, for this quarter and for the last few quarters, we've seen a divergence emerge between your headline sales growth and that of the aggregators. Now, you've obviously taken measures for some time to rekindle the dine-in and takeaway formats. But how would you, Sanjay, look at this: is that divergence likely to continue, given the way the number of restaurants or the industry growth is likely to be? So your thoughts on that would be very useful.

Vijay Jain: And just for clarification, when you say divergence, you're looking at the two different growth numbers, what Sapphire is delivering versus the growth delivered by the aggregators. That's what you're referring to as divergence?

Avi Mehta: That is correct, Vijay. I'm just essentially looking at headline order value growth for one, versus your headline, even if I take any of the formats. That is where I'm coming from.

Vijay Jain: Yes. If I look at the last year, KFC struggled in terms of SSSG. Last year, we delivered 11% growth and the SSSG was quite challenging. But if I just strip out that last year, prior to that, KFC growth was going almost hand-in-hand with the aggregator growth as well, the foodservice business, which was in the range of 18% to 20%. KFC was growing at 17%, 18%. We are back to 17% growth on KFC because SSSG is back.

Also, a component of our growth which the aggregators have been seeing over the last three-four years has been in terms of the take rates, and take rates are not just on the commission. There are various charges, platform charges, which have been increasing. So if you strip that off, as long as we get the SSSG of 5%, 6%, KFC should be able to match that kind of growth rate, which will be anywhere between 15% to 20%.

Pizza Hut, the challenge has been different. In Pizza Hut, we are not expanding unless we are able to finally fix the overall brand challenge, the brand proposition, and have a unified strategy between both the franchises, we cannot expand. And until the expansion happens, it will be difficult to drive double-digit growth or 15% growth. So those are 2 different issues for KFC and Pizza Hut. KFC can be right up there in terms of the matching the growth, which could be in the range of 15% to 20%.

Avi Mehta: Got it. Very clear. Just a follow-up, again a strategy question in a way. Looking at just the KFC format or looking at both formats, from a demand point of view, we've seen a period where growth momentum has been more or less flattish. Now at least it's flattish; it was declining for some time.

Would that entail a different thought process in terms of either store additions or in terms of what you focus on at the store? Any thoughts on that? Because clearly, then you're essentially looking at a shrinking pie, and then you would like to kind of conserve your bullets to some extent. So how do you look at this demand environment and kind of responding based on that? Your thoughts over there?

Vijay Jain: So undoubtedly, SSSG is a factor which would always be there at the back of the mind and in our calculation when it comes to store expansion. And if you see, we have slightly moderated. If you compare our numbers with, two-three years ago, when we were even adding 80-90 stores in a year, compared to that 60 to 80 on a higher base, there is some amount of moderation. And this moderation takes into account the slow or negative SSSG which we had over the last one or two years.

Having said that, we have also called out that our new store expansion is based on the metrics or strike rates, which we track internally. One is, whenever we launch x number of stores in a year, at the end of one year, what level of ADS we are delivering and what the strike rates are compared to what we have taken in payback. If that's healthy, that's a tick mark for us.

Within that cohort of stores, we try and see whether 75%, 80% of stores are actually achieving those strike rates or not. Even if that's there, that's second tick mark for us. And as long as we have those two ticks, we are quite comfortable to go out there and open stores.

And SSSG is undoubtedly a benchmark, but that will automatically reflect in poorer strike rates. If the strike rate goes poor, we are happy to moderate our store expansion even further, as has been demonstrated in case of Pizza Hut where we were opening 50-60 stores at one period of time, which came down to 30-20. And now, last calendar year, it was next to zero or actually zero. So those strike rates will be the guiding factor for us. SSSG is one of the factors, but primarily the strike rates.

Moderator: The next question is from the line of Ashutosh from MIT.

Ashutosh: Just a couple of questions. First would be, since this quarter we have seen the trend in dine-in improving, I just wanted to get some color on how the new customer acquisition has been. And typically, when you see this number accelerating, what kind of order frequency do these customers have, given the context of the very attractive value offers that we are currently having?

So any color on that? And secondly, on Sri Lanka, given the inflationary pressure currently, would there be any change in the guidance of high single-digit so add 8% to 10 that we target?

Sanjay Purohit: So it's tough to give you quarter-on-quarter absolute numbers on new consumer acquisition. Suffice to say, one proxy metric that we use is that our transaction is growing. And again, our same-store transaction growth has been higher than our same-store sales growth. So that's the positive part. On Sri Lanka, the guidance, we should be in that same region.

Sanjay Purohit: High single digit.

Vijay Jain: So we won't react. We have said this previously also, our quarter's performance, whether good performance or bad performance, is not good enough for us to react in terms of the store opening plan for the immediate future. So one quarter of challenging performance on profitability, and just mind you, we still had a really good quarter in terms of the SSSG for the brand. So the guidance remains for this particular year.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Sanjay Purohit for closing comments.

Sanjay Purohit: Thank you, everybody, for your patience and participation in the Q1 FY '27 business performance highlights. I want to emphasize this was a really strong quarter for us: KFC SSSG growth, KFC EBITDA growth, 15% consolidated growth, which was the best in our 11 quarters. 37% adjusted EBITDA growth, which is the best in our last 15 quarters. So a really good quarter.

And the fact that SSSG on KFC, Pizza Hut and Sri Lanka, all three, were positive is the heartening part, and the reason why both growth and EBITDA have come the way they have. Thank you so much. We will see you in a quarter's time. Good day. Have a good weekend.

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