

**Sapphire's Q4 EBITDA was in line with our muted expectations. Overall/India revenue grew 13%/10%, largely led by store additions in India and a ~31% growth rebound in Sri Lanka. SSG trends were tepid, with -1%/1% SSG for KFC/PH India in Q4, and the associated negative leverage led to ~7% EBITDA decline. With impending benefits from tax-reliefs, Sapphire remains hopeful of delivering a low single-digit SSG for KFC in FY26, 70-80 KFC store additions on a 502 exit-count and stable brand margins, though Apr-25 SSG trends are muted. The PH Sri Lanka expansion is expected to accelerate, with 7-9 store additions on encouraging SSG recovery; however, the PH India expansion is likely to be guarded (~25 stores). Among channels, delivery mix for KFC continues to increase (+400bps in FY25; 20% growth), with lackluster footfall growth in the on-premise channel. To gain dine-in transactions, Sapphire's focus is on recruiting new consumers with the Rs99 offering across categories (Boneless/Strips/Burger/Rolls) and sustained marketing under the 'Taste the Epic' Campaign. Sapphire maintains that omni-channel is the right model (vs cloud kitchen), as 70% of the capex is toward the back-end kitchen. With its high fixed-cost model for QSRs, a ~2% cut in topline has resulted in 10-11% cut to our TP/EBITDA estimate. We remain constructive on Sapphire's medium-term growth potential and maintain BUY while cutting our TP by ~10% to Rs370 (unchanged multiple of 28x EBITDA).**

#### KFC targets SSG turnaround in FY26; Sri Lanka sees encouraging turnaround

KFC's revenue grew 14% in Q4, largely led by store additions, as same-store growth (SSG) was muted at -1%, albeit SSG improved vs -3% in Q3FY25 and -4% for FY25. Encouragingly, the SSG recovery was led by transactions, as bill size saw a decline. KFC aims to gain new consumers with new campaigns/launches at the entry price-point of Rs99, focus on premium consumers with Gourmet launch (KFC Gold), and build further on strong initial traction in its own delivery channel. Pizza Hut (PH) saw muted growth of 5%, owing to 1% SSG on a low base. PH is banking on new product innovations (Melts/Juicylicious Pizza launched), enhanced marketing spend in exclusive territory (Tamil Nadu), and likely return of marketing coordination with the other sister franchisee by H2FY26. However, the brand maintains caution on expansion, with focus on improving its EBITDA margin before increasing store-count. Sri Lanka (SL) reported a strong 16% SSG (LC terms), led by double-digit growth in transactions, favorable local conditions, and a lower base. KFC's store additions were moderate in Q4 with addition of only 5 stores in Q4; however, it expects a pick-up with the company targeting 70-80 new store openings for KFC, high single-digit stores for SL, and a cautious approach of adding only 20-25 PH stores in FY26.

Target Price – 12M	Mar-26
<b>Change in TP (%)</b>	<b>(9.8)</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	19.0

Stock Data	SAPPHIRE IN
52-week High (Rs)	401
52-week Low (Rs)	242
Shares outstanding (mn)	321.4
Market-cap (Rs bn)	100
Market-cap (USD mn)	1,177
Net-debt, FY26E (Rs mn)	(2,092.1)
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	184.5
ADTV-3M (USD mn)	2.2
Free float (%)	49.0
Nifty-50	24,414.4
INR/USD	84.8

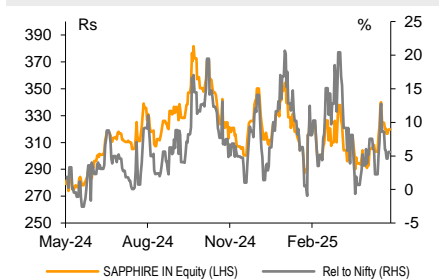
#### Shareholding, Mar-25

Promoters (%)	26.1
FPIs/MFs (%)	30.4/38.5

#### Price Performance

(%)	1M	3M	12M
Absolute	6.3	(3.8)	10.0
Rel. to Nifty	(3.5)	(7.2)	0.5

#### 1-Year share price trend (Rs)



#### Sapphire Foods: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	25,943	28,819	32,972	38,183	44,001
EBITDA	4,613	4,768	5,825	7,280	8,802
Adj. PAT	520	320	640	1,167	1,662
Adj. EPS (Rs)	1.6	1.0	2.0	3.6	5.2
EBITDA margin (%)	17.8	16.5	17.7	19.1	20.0
EBITDA growth (%)	7.7	3.4	22.2	25.0	20.9
Adj. EPS growth (%)	(77.7)	(39.1)	100.0	82.5	42.4
RoE (%)	4.0	2.3	4.5	7.7	10.0
RoIC (%)	9.4	7.8	9.9	14.1	17.7
P/E (x)	190.0	311.9	156.0	85.5	60.1
EV/EBITDA (x)	21.1	20.4	16.7	13.4	11.1
P/B (x)	7.4	7.2	6.8	6.3	5.7
FCFF yield (%)	3.8	6.2	6.6	8.2	9.8

Source: Company, Emkay Research

#### Devanshu Bansal

devanshu.bansal@emkayglobal.com  
+91-22-66121385

#### Mohit Dodeja

mohit.dodeja@emkayglobal.com  
+91-22-66242481

### Negative leverage and value offerings cause margin dip; SSG turnaround to help protect margins

Overall gross margin (GM) dipped by ~70bps in Q4, led by a 30bps drop in KFC and a higher 70-130bps fall PH India/Sri Lanka, on account of increased value offerings. The better value proposition led to higher growth in Sri Lanka and ~250bps increase in the rest. However, PH India did not see a commensurate growth in topline which resulted in a ~200bps margin dip. Resultantly, the overall brand margin saw a high fall, by ~170bps to 12%, on account of negative leverage led by a 200-300bps dip in PH/KFC India margin, and offset by ~250bps increase in the Sri Lanka business. The overall company EBITDA margin decline was relatively lower at ~150bps to 7.1%, on account of 20bps savings through lower HO cost. For FY25, KFC/PH India brand margins fell by ~250bps to 17.3%/2.4% due to negative leverage (GM was stable), while SL brand margin improved by 170bps to 15.4%, on account of positive leverage (GM dipped by ~50bps).

### Earning call KTAs

- Sapphire was ranked the #1 QSR in India for a second consecutive year by the Dow Jones Sustainability Index. The Yum! Global Franchisee Convention recognized Sapphire as one of the world's top-four PH franchisees, the best PH franchisee for people practices, and the best KFC franchisee.
- The 'Taste the Epic' campaign aims to boost awareness and penetration of core offerings—Chicken Bucket, Boneless, Zinger Burger, and Rolls. The company anticipates benefits in coming quarters, as this has already led to some transaction improvements.
- KFC has launched the Gold Premium range, featuring Zinger Burgers, chicken strips, and popcorn, with a stronger focus on appealing to the younger generation through these offerings. PH launched 'Juicylicious Pizza' in Apr-25.
- Sapphire will maintain its expansion pace for KFC with addition of 70–80 KFC stores, while adopting a cautious approach for PH.
- Roll out of Digital Kiosks in KFC continue, and these are now implemented across 238 restaurants (of the total 502), offering a frictionless consumer experience.
- KFC's restaurant EBITDA decline was driven by operating de-leverage, lower ADS, and higher delivery mix. Despite two challenging years in terms of SSG, the brand has delivered healthy EBIT margin of 17.3% in FY25.
- PH continues its value-for-money strategy and mass media advertising, boosting ADS from 41k to 48k in 9MFY25. However, disagreements with its sister franchisee on marketing have impacted Q4FY25 transactions. The company remains hopeful of improvement in the next two quarters, as the campaign has driven stronger performance in Tamil Nadu (Sapphire's exclusive market) compared with other markets.
- PH saw a 70bps GM dip due to increased value and promotional offerings. Combined with low ADS and higher marketing spend, this led to a -4.6% restaurant EBITDA (vs -2.7% in Q4FY24).
- Overall FCF was positive in FY25, partially helped by loan repayment by the Sri Lanka subsidiary (Rs0.2bn). However, FY26 may see some utilization of balance sheet cash, with contract fee up for renewal for select stores in FY26, additional store openings, and refurbishment of existing stores.
- Sri Lanka: Q4 saw an impressive turnaround in the Sri Lanka business with strong double digit SSG of 16% (in LKR terms) and ADS increasing to Rs95,000 (vs Rs75,000 YoY).

## Story in charts

Exhibit 1: Performance across key metrics over the past few quarters

Key metrics (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>KFC India</b>									
<b>Number of stores</b>	341	358	381	406	429	442	461	496	502
<b>SSG (%)</b>	2	0	0	-2	-3	-6	-8	-3	-1
<b>ADS (Rs)</b>	1,27,000	1,38,000	1,25,000	1,25,000	1,14,000	1,22,000	1,11,000	1,15,000	1,08,000
Revenue	3,691	4,286	4,165	4,421	4,285	4,770	4,527	4,948	4,793
Gross margin (%)	66.8	68.1	67.9	68.4	68.3	68.2	68.3	68.2	68.0
<b>Brand contribution margin (%)</b>	19.1	20.8	19.2	20.1	18.7	18.8	16.5	18.2	15.7
<b>PH India</b>									
<b>Number of stores</b>	286	302	311	319	319	320	323	339	334
<b>SSG (%)</b>	-4	-9	-20	-19	-15	-7	-3	5	1
<b>ADS (Rs)</b>	50,000	52,000	48,000	45,000	41,000	48,000	47,000	48,000	42,000
Revenue	1,221	1,362	1,330	1,305	1,188	1,397	1,376	1,430	1,248
Gross margin (%)	74.3	75.1	76.1	75.7	75.5	76.1	76.5	75.6	74.8
<b>Brand contribution margin (%)</b>	8.6	9.0	7.6	4.6	-2.7	4.6	4.1	4.7	-4.6
<b>Sri Lanka (Pizza Hut)</b>									
<b>Number of stores</b>	114	114	118	121	120	120	121	126	127
<b>SSG (%)</b>	-3	0	1	1	4	11	9	14	16
<b>ADS (Rs)</b>	65,000	81,000	81,000	81,000	75,000	89,000	93,000	1,03,000	95,000
Revenue	667	825	864	892	816	978	1,024	1,159	1,066
Gross margin (%)	61.0	60.5	62.2	61.8	61.9	60.6	61.1	62.1	60.6
<b>Brand contribution margin (%)</b>	14.2	13.0	15.3	14.2	12.3	13.2	15.5	17.8	14.8
<b>Sapphire – Consol</b>									
<b>Number of stores</b>	743	778	814	850	872	886	909	963	963
<b>Store additions (no of)</b>	<b>x28</b>	<b>35</b>	<b>36</b>	<b>36</b>	<b>22</b>	<b>14</b>	<b>23</b>	<b>54</b>	<b>0</b>
Revenue	5,592	6,526	6,414	6,643	6,297	7,165	6,940	7,550	7,099
<b>Gross margin (%)</b>	68.1	68.7	68.9	69.0	69.1	68.8	69.0	68.7	68.2
<b>Brand contribution margin (%)</b>	16.3	17.3	16.2	16.1	13.7	15.1	13.7	15.4	12.0
Overhead opex/revenue (%)	6.2	5.5	5.6	5.2	5.0	5.3	5.2	4.7	4.9
Consol EBITDA	563	772	678	722	544	707	590	811	508
<b>EBITDA margin (%)</b>	10.1	11.8	10.6	10.9	8.6	9.9	8.5	10.7	7.2

Source: Company, Emkay Research; Note: \*EBITDA/margins are pre IndAS-116

Exhibit 2: Actual vs Estimates (Q4FY25)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	7,113	7,056	7,201	0.8%	-1.2%	The KFC/SL beat was partially offset by miss on PH India
EBITDA*	1,062	1,088	1,112	-2.4%	-4.4%	The KFC beat was offset by the PH miss; SL was in-line
EBITDA margin*	14.9%	15.4%	15.4%	-49	-51	
PAT	20	-1	10	-1590.8%	107.2%	PAT beat was due to lower depreciation on ROU reversal

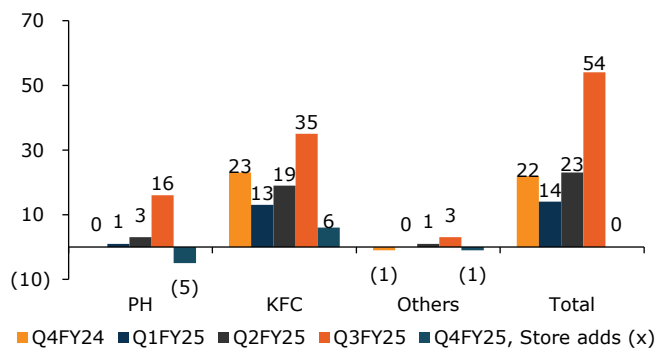
Source: Company, Emkay Research; Note: \*Post IndAS-116 EBITDA

## Exhibit 3: Actual vs Emkay Estimates – Segment-wise (Q4FY25)

(Rs mn)	Revenue		Brand-EBITDA		Variance	
	Actual	Estimate	Actual	Estimate	Revenue	EBITDA
KFC	4,793	4,756	753	728	0.8%	3.3%
Pizza Hut	1,248	1,273	-57	-28	-1.9%	103.3%
SL	1,072	1,027	161	159	4.4%	1.1%
<b>Total</b>	<b>7,113</b>	<b>7,056</b>	<b>856</b>	<b>859</b>	<b>0.8%</b>	<b>-0.4%</b>
HO costs			348	381		-8.7%
<b>Total</b>			<b>508</b>	<b>478</b>		<b>6.3%</b>

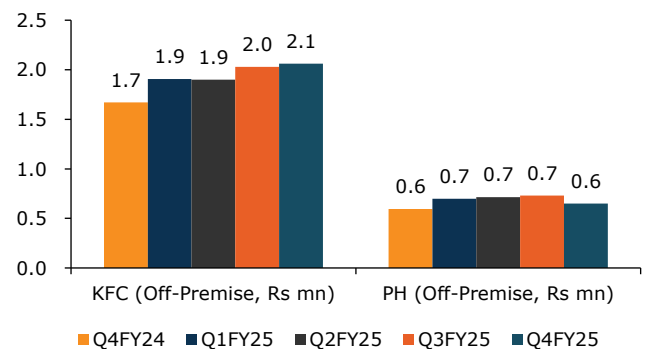
Source: Company, Emkay Research

## Exhibit 4: Sapphire added 1/6 stores for Sri Lanka/KFC, shut down 5 stores for PH, effectively none in Q4



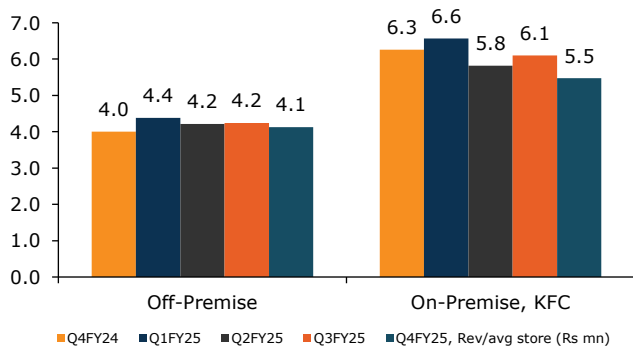
Source: Company, Emkay Research

## Exhibit 5: Channel-wise off-premise sales grew faster at 24%/9% for KFC/PH vs 12%/5% overall growth



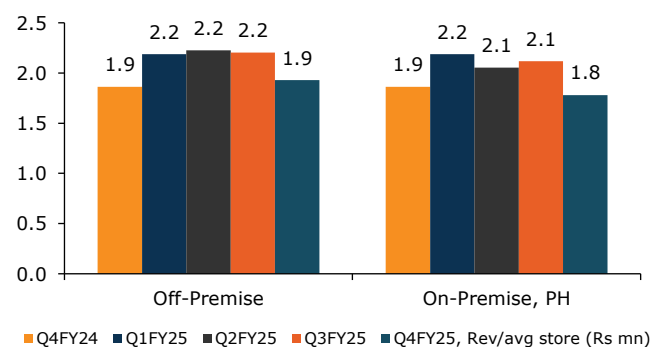
Source: Company, Emkay Research

## Exhibit 6: For KFC, On-premise sales per store dipped 13%, while Off-premise sales grew 2.5%



Source: Company, Emkay Research

## Exhibit 7: For PH, overall revenue per store was largely flat owing to 4% increase in Off-premise and 4% decrease in On-premise



Source: Company, Emkay Research

## Exhibit 8: Summary of quarterly results

Y/E, Mar (Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
<b>Revenue</b>	<b>6,317</b>	<b>7,183</b>	<b>6,957</b>	<b>7,565</b>	<b>7,113</b>	<b>12.6</b>	<b>-6.0</b>	<b>25,943</b>	<b>28,819</b>	11.1
<b>Expenditure</b>	<b>5,287</b>	<b>5,941</b>	<b>5,837</b>	<b>6,222</b>	<b>6,051</b>	<b>14.4</b>	<b>-2.7</b>	<b>21,330</b>	<b>24,051</b>	<b>12.8</b>
Consumption of RM	1,966	2,256	2,171	2,376	2,266	15.2	-4.7	8,109	9,068	11.8
as % of sales	31.1%	31.4%	31.2%	31.4%	31.8%			31.3%	31.5%	
Employee Cost	857	949	954	984	977	14.0	-0.7	3,456	3,864	11.8
as % of sales	13.6%	13.2%	13.7%	13.0%	13.7%			13.3%	13.4%	
Other expenditure	2,464	2,736	2,712	2,862	2,808	14.0	-1.9	9,765	11,119	13.9
as % of sales	39.0%	38.1%	39.0%	37.8%	39.5%			37.6%	38.6%	
<b>EBITDA</b>	<b>1,029</b>	<b>1,242</b>	<b>1,120</b>	<b>1,343</b>	<b>1,062</b>	<b>3.2</b>	<b>-20.9</b>	<b>4,613</b>	<b>4,768</b>	<b>3.4</b>
Depreciation	870	904	881	1,005	850	-2.4	-15.5	3,239	3,639	12.4
<b>EBIT</b>	<b>159</b>	<b>338</b>	<b>239</b>	<b>338</b>	<b>213</b>	<b>33.4</b>	<b>-37.2</b>	<b>1,374</b>	<b>1,128</b>	<b>-17.9</b>
Other Income	124	53	85	105	130	4.5	23.5	334	372	11.3
Interest	275	273	271	275	298	8.1	8.1	1,009	1,116	10.6
<b>PBT</b>	<b>8</b>	<b>118</b>	<b>53</b>	<b>168</b>	<b>45</b>	<b>434.0</b>	<b>-73.4</b>	<b>699</b>	<b>384</b>	<b>-45.0</b>
Total Tax	-12	36	1	41	-14			180	64	
<b>Reported PAT</b>	<b>20</b>	<b>82</b>	<b>52</b>	<b>127</b>	<b>59</b>	<b>189.3</b>	<b>-53.7</b>	<b>520</b>	<b>320</b>	<b>-38.4</b>
Extraordinary items	0	0	-114	0	-39			0	-153	
<b>PAT before minority interests</b>	<b>20</b>	<b>82</b>	<b>-62</b>	<b>127</b>	<b>20</b>	<b>-0.7</b>	<b>-84.1</b>	<b>520</b>	<b>167</b>	<b>-67.8</b>
Minority Interests	0	0	-32	7	2			-2	-22	
<b>PAT after MI</b>	<b>20</b>	<b>82</b>	<b>-30</b>	<b>120</b>	<b>18</b>	<b>-12.2</b>	<b>-85.1</b>	<b>522</b>	<b>189</b>	<b>-63.7</b>
<b>EPS (Rs)</b>	<b>0.1</b>	<b>0.3</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.1</b>	<b>-12.2</b>	<b>-85.1</b>	<b>1.6</b>	<b>0.6</b>	<b>-63.7</b>
<b>(%)</b>	<b>Q4FY24</b>	<b>Q1FY25</b>	<b>Q2FY25</b>	<b>Q3FY25</b>	<b>Q4FY25</b>	<b>(bps)</b>	<b>(bps)</b>	<b>FY24</b>	<b>FY25</b>	<b>(bps)</b>
EBITDAM	16.3	17.3	16.1	17.8	14.9	-140	-280	17.8	16.5	-120
EBITM	2.5	4.7	3.4	4.5	3.0	50	-150	5.3	3.9	-140
EBTM	0.1	1.6	0.8	2.2	0.6	50	-160	2.7	1.3	-140
PATM	0.3	1.1	-0.4	1.6	0.3	-10	-130	2.0	0.7	-140
Effective Tax rate	-143.0	30.8	2.2	24.3	-31.7	11140	-5600	25.7	16.7	-890

Source: Company, Emkay Research; Note: \*Post IndAS-116 EBITDA

## Exhibit 9: Changes in estimates

(Rs mn)	FY26E			FY27E			FY28E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	33,602	32,972	(1.9)	38,772	38,183	(1.5)	NA	44,001	NA
<b>EBITDA*</b>	<b>3,641</b>	<b>3,181</b>	<b>(12.6)</b>	<b>4,764</b>	<b>4,240</b>	<b>(11.0)</b>	<b>NA</b>	<b>5,305</b>	<b>NA</b>
<i>EBITDA margin (%)*</i>	10.8	9.6	-120 bps	12.3	11.1	-120 bps	NA	12.1	NA
Net profit	986	640	(35.1)	1,558	1,167	(25.1)	NA	1,662	NA
EPS (Rs)	3.1	2.0	(35.8)	4.9	3.6	(25.9)	NA	5.2	NA

Source: Company, Emkay Research; Note: \*Pre IndAS-116 EBITDA

## Exhibit 10: Peer Comparison

Company	CMP (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	P/E (x)			EV/EBITDA (x)		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
JUBI	707	467	ADD	775	191.2	120.0	79.8	43.0	36.5	30.5
DEVYANI	183	221	BUY	200	525.8	270.7	143.3	45.6	35.2	27.3
WESTLIFE	695	108	ADD	775	2,822.8	180.3	85.9	54.3	36.8	26.9
<b>SAPPHIRE</b>	<b>311</b>	<b>100</b>	<b>BUY</b>	<b>370</b>	<b>518.4</b>	<b>156.0</b>	<b>85.5</b>	<b>39.8</b>	<b>30.8</b>	<b>23.1</b>

Source: Company, Emkay Research; Note: \*Pre IndAS-116 EBITDA

## Sapphire Foods: Consolidated Financials and Valuations

## Profit &amp; Loss

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>25,943</b>	<b>28,819</b>	<b>32,972</b>	<b>38,183</b>	<b>44,001</b>
Revenue growth (%)	14.5	11.1	14.4	15.8	15.2
<b>EBITDA</b>	<b>4,613</b>	<b>4,768</b>	<b>5,825</b>	<b>7,280</b>	<b>8,802</b>
EBITDA growth (%)	7.7	3.4	22.2	25.0	20.9
Depreciation & Amortization	3,239	3,639	4,155	4,758	5,444
<b>EBIT</b>	<b>1,374</b>	<b>1,128</b>	<b>1,670</b>	<b>2,522</b>	<b>3,358</b>
EBIT growth (%)	(16.3)	(17.9)	48.0	51.0	33.2
Other operating income	-	-	-	-	-
Other income	334	372	440	480	520
Financial expense	1,009	1,116	1,257	1,445	1,662
<b>PBT</b>	<b>699</b>	<b>384</b>	<b>853</b>	<b>1,557</b>	<b>2,216</b>
Extraordinary items	0	(153)	0	0	0
Taxes	180	64	213	389	554
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
<b>Reported PAT</b>	<b>520</b>	<b>167</b>	<b>640</b>	<b>1,167</b>	<b>1,662</b>
PAT growth (%)	(77.7)	(67.8)	283.1	82.5	42.4
<b>Adjusted PAT</b>	<b>520</b>	<b>320</b>	<b>640</b>	<b>1,167</b>	<b>1,662</b>
<b>Diluted EPS (Rs)</b>	<b>1.6</b>	<b>1.0</b>	<b>2.0</b>	<b>3.6</b>	<b>5.2</b>
Diluted EPS growth (%)	(77.7)	(39.1)	100.0	82.5	42.4
<b>DPS (Rs)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Dividend payout (%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
EBITDA margin (%)	17.8	16.5	17.7	19.1	20.0
EBIT margin (%)	5.3	3.9	5.1	6.6	7.6
Effective tax rate (%)	25.7	16.7	25.0	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>1,021</b>	<b>940</b>	<b>1,253</b>	<b>1,892</b>	<b>2,519</b>
Shares outstanding (mn)	318	321	321	321	321

Source: Company, Emkay Research

## Cash flows

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	365	12	413	1,077	1,696
Others (non-cash items)	3,239	3,639	4,155	4,758	5,444
Taxes paid	(180)	(64)	(213)	(389)	(554)
Change in NWC	(40)	190	(388)	(164)	(190)
<b>Operating cash flow</b>	<b>7,632</b>	<b>8,532</b>	<b>9,378</b>	<b>11,485</b>	<b>13,502</b>
Capital expenditure	(3,894)	(2,472)	(2,948)	(3,460)	(3,940)
Acquisition of business	0	0	0	0	0
Interest & dividend income	334	372	440	480	520
<b>Investing cash flow</b>	<b>(3,560)</b>	<b>(3,537)</b>	<b>(2,508)</b>	<b>(2,980)</b>	<b>(3,420)</b>
Equity raised/(repaid)	339	397	-	-	-
Debt raised/(repaid)	(166)	(78)	0	0	0
Payment of lease liabilities	(2,144)	(2,392)	(2,644)	(3,040)	(3,496)
Interest paid	(50)	(23)	0	0	0
Dividend paid (incl tax)	0	0	0	0	0
Others	0	0	0	0	0
<b>Financing cash flow</b>	<b>(2,021)</b>	<b>(2,096)</b>	<b>(2,644)</b>	<b>(3,040)</b>	<b>(3,496)</b>
Net chg in Cash	2,051	2,899	4,226	5,464	6,585
OCF	7,632	8,532	9,378	11,485	13,502
Adj. OCF (w/o NWC chg.)	7,672	8,342	9,766	11,649	13,691
FCFF	3,738	6,060	6,430	8,025	9,562
FCFE	4,022	6,409	6,870	8,505	10,082
OCF/EBITDA (%)	165.5	179.0	161.0	157.8	153.4
FCFE/PAT (%)	774.1	3,836.6	1,073.6	728.5	606.6
<b>FCFF/NOPLAT (%)</b>	<b>366.1</b>	<b>645.0</b>	<b>513.3</b>	<b>424.2</b>	<b>379.6</b>

Source: Company, Emkay Research

## Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	637	642	642	642	642
Reserves & Surplus	12,754	13,313	13,953	15,120	16,782
<b>Net worth</b>	<b>13,391</b>	<b>13,955</b>	<b>14,595</b>	<b>15,762</b>	<b>17,424</b>
Minority interests	7	7	7	7	7
Non current liab. & prov.	10,420	11,843	12,276	12,524	12,507
<b>Total debt</b>	<b>276</b>	<b>199</b>	<b>199</b>	<b>199</b>	<b>199</b>
<b>Total liabilities &amp; equity</b>	<b>24,095</b>	<b>26,003</b>	<b>27,076</b>	<b>28,491</b>	<b>30,137</b>
Net tangible fixed assets	9,593	10,061	10,597	11,337	12,204
Net intangible assets	744	803	834	837	811
Net ROU assets	9,818	10,935	11,162	11,122	10,777
Capital WIP	681	567	567	567	567
Goodwill	1,622	1,583	1,583	1,583	1,583
Investments [JV/Associates]	-	-	-	-	-
<b>Cash &amp; equivalents</b>	<b>1,676</b>	<b>2,219</b>	<b>2,291</b>	<b>2,997</b>	<b>4,139</b>
Current & ex-cash	3,139	3,126	3,822	4,427	5,101
Current Liab. & Prov.	3,177	3,292	3,780	4,377	5,045
<b>NWC (ex-cash)</b>	<b>(39)</b>	<b>(166)</b>	<b>42</b>	<b>49</b>	<b>57</b>
<b>Total assets</b>	<b>24,095</b>	<b>26,003</b>	<b>27,076</b>	<b>28,491</b>	<b>30,137</b>
Net debt	(1,400)	(2,021)	(2,092)	(2,798)	(3,940)
Capital employed	24,095	26,003	27,076	28,491	30,137
<b>Invested capital</b>	<b>11,920</b>	<b>12,282</b>	<b>13,057</b>	<b>13,805</b>	<b>14,654</b>
BVPS (Rs)	42.1	43.4	45.4	49.1	54.2
Net Debt/Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBITDA (x)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Interest coverage (x)	0.7	0.4	0.7	1.1	1.3
<b>RoCE (%)</b>	<b>12.8</b>	<b>10.8</b>	<b>14.6</b>	<b>19.5</b>	<b>23.1</b>

Source: Company, Emkay Research

## Valuations and key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	190.0	311.9	156.0	85.5	60.1
P/CE(x)	42.9	41.3	33.0	25.7	21.0
P/B (x)	7.4	7.2	6.8	6.3	5.7
EV/Sales (x)	3.8	3.4	3.0	2.5	2.2
EV/EBITDA (x)	21.1	20.4	16.7	13.4	11.1
EV/EBIT(x)	70.8	86.3	58.3	38.6	29.0
EV/IC (x)	8.2	7.9	7.5	7.1	6.6
FCFF yield (%)	3.8	6.2	6.6	8.2	9.8
FCFE yield (%)	4.1	6.4	6.9	8.5	10.1
Dividend yield (%)	0	0	0	0	0
<b>DuPont-RoE split</b>					
Net profit margin (%)	2.0	1.1	1.9	3.1	3.8
Total asset turnover (x)	1.9	2.0	2.1	2.3	2.4
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
<b>RoE (%)</b>	<b>4.0</b>	<b>2.3</b>	<b>4.5</b>	<b>7.7</b>	<b>10.0</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	3.9	3.3	3.8	5.0	5.7
IC turnover (x)	2.4	2.4	2.6	2.8	3.1
<b>RoIC (%)</b>	<b>9.4</b>	<b>7.8</b>	<b>9.9</b>	<b>14.1</b>	<b>17.7</b>
<b>Operating metrics</b>					
Core NWC days	(0.5)	(2.1)	0.5	0.5	0.5
<b>Total NWC days</b>	<b>(0.5)</b>	<b>(2.1)</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
Fixed asset turnover	1.5	1.5	1.5	1.5	1.5
Opex-to-revenue (%)	51.0	52.0	50.6	49.3	48.5

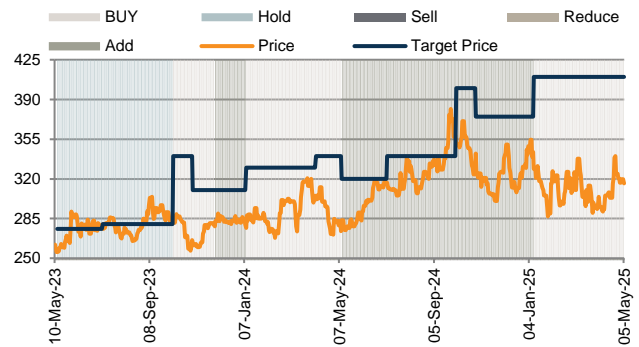
Source: Company, Emkay Research

## RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Apr-25	293	410	Buy	Devanshu Bansal
07-Apr-25	292	410	Buy	Devanshu Bansal
07-Feb-25	323	410	Buy	Devanshu Bansal
10-Jan-25	329	410	Buy	Devanshu Bansal
28-Oct-24	342	375	Add	Devanshu Bansal
03-Oct-24	351	400	Add	Devanshu Bansal
31-Jul-24	330	340	Add	Devanshu Bansal
23-Jul-24	312	340	Add	Devanshu Bansal
07-Jul-24	316	340	Add	Devanshu Bansal
28-May-24	281	320	Add	Devanshu Bansal
10-May-24	283	320	Add	Devanshu Bansal
07-Apr-24	305	340	Buy	Devanshu Bansal
11-Feb-24	276	330	Buy	Devanshu Bansal
09-Feb-24	276	330	Buy	Devanshu Bansal
09-Jan-24	277	330	Buy	Devanshu Bansal
30-Nov-23	278	310	Add	Devanshu Bansal
02-Nov-23	264	310	Buy	Devanshu Bansal
08-Oct-23	285	340	Buy	Devanshu Bansal
03-Aug-23	267	280	Hold	Devanshu Bansal
10-Jul-23	280	280	Hold	Devanshu Bansal
21-May-23	260	276	Hold	Devanshu Bansal
13-May-23	255	276	Hold	Devanshu Bansal

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

**GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.emkayglobal.com](http://www.emkayglobal.com).

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

**Disclaimer for U.S. persons only:** Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.



**RESTRICTIONS ON DISTRIBUTION**

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

**ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons<sup>1</sup> may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of May 08, 2025
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report

**Disclosure of previous investment recommendation produced:**

- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of May 08, 2025
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the May 08, 2025
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

**Emkay Rating Distribution**

Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	>15% upside
<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

**OTHER DISCLAIMERS AND DISCLOSURES:****Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) -:**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.