

October 01, 2025

Sapphire Foods India Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Term Loan	12.41	11.00	[ICRA]A (Stable); reaffirmed
Long-term – non-fund-based Limits	60.00	19.00	[ICRA]A (Stable); reaffirmed
Long-term/Short-term - Fund based/non-fund based – Working Capital Facilities	42.00	42.00	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed
Short-term – Fund based – Interchangeable Limits	(35.00)	(35.00)	[ICRA]A2+; reaffirmed
Long-term – non-fund based – Interchangeable Limits	(42.00)	(42.00)	[ICRA]A (Stable); reaffirmed
Long-term/Short-term – Unallocated Limits	85.59	128.00	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed
Total	200.00	200.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings consider Sapphire Foods India Limited's (SFIL) strong business position as one of the national franchisees for Kentucky Fried Chicken (KFC) and Pizza Hut (PH) in India and Sri Lanka. SFIL operates a network of 510 KFC stores and 336 PH stores (as on June 30, 2025) in India and 118 Pizza Hut and 10 Taco Bell stores in Sri Lanka. It benefits from the established brand equity of these restaurant brands, which supports footfalls. Store additions, healthy demand for quick service restaurants (QSR), and continuous product innovations led to a healthy revenue growth at a CAGR of 17% during FY2020-FY2025, despite some moderation over the past two years. SFIL has benefited from strong promoter support for its capital requirements over the years. The company is promoted by Sapphire Foods Mauritius and QSR Management Trust, with a notable investor base that includes Samara Capital, Creador, and other prominent foreign and domestic institutional investors. Moreover, the company is managed by experienced professional management, who have proven industry expertise.

SFIL witnessed a revenue growth of 11% to Rs. 2,881.9 crore in FY2025, largely driven by store additions, particularly in the KFC format (17% increase), while same store sales growth (SSSG) was negative at 4% in India, indicating sluggishness in demand. Heightened competitive intensity, especially in the pizza sub-segment, also affected the company's growth and margins. However, its Sri Lankan operations witnessed a healthy revenue growth of 19%, aided by store additions and strong double-digit growth in SSSG. Indian operations continued to record negative SSSG in Q1 FY2026. However, demand is expected to improve in H2 FY2026, driven by a rise in discretionary spending, aided by higher disposable income with tax rationalisations along with a strong festive season demand. The operating margins moderated to 16.5% in FY2025 and 14.5% in Q1 FY2026 from 17.8% in FY2024 primarily due to operating deleverage and increased promotional spendings. Improvement in SSSG and average daily sales (ADS) per store, aided by increase in demand remains critical for recovery in margins. The ratings continue to factor in SFIL's comfortable capital structure, supported by its limited reliance on external debt for store expansion and working capital requirements. The company's debt coverage metrics also remain healthy with interest cover of 4.3 times in FY2025. Its debt metrics are likely to remain healthy over the medium term.

ICRA notes the company's exit from its Maldives operations in FY2025, which included four restaurants (two KFC and two Pizza Hut), owing to sustained underperformance and adverse macroeconomic conditions.

The ratings remain constrained by the company's subdued return on capital employed (RoCE), as SFIL is still in its growth phase. The RoCE declined in the past two fiscals, driven by margin pressures due to softening consumer demand amid intense competition especially in the pizza segment, which impacted ADS. Given the store additions planned in the near-to-medium term, ICRA expects the recovery of return indicators to be gradual, hinging on timely capex execution for store additions and

successful ramp-up of operations. ICRA will continue to monitor margin trends and the subsequent impact on return indicators, with a focus on a meaningful recovery in ADS, especially in the pizza segment, in the near term.

ICRA also notes that compliance with the terms and conditions laid out in the development agreement with Yum! for ongoing operations and efficient execution for launching its targeted outlets going forward will be key monitoring factors. KFC's sales are exposed to the inherent industry risk of a disease outbreak in birds (poultry), which may impact both supply and chicken consumption, along with its related products.

The Stable outlook on [ICRA]A rating reflects ICRA's opinion that the company will record a growth in revenues and earnings supported by expected recovery in demand, its strong brand profile, and improving penetration through store additions while maintaining healthy debt metrics.

Key rating drivers and their description

Credit strengths

Established brand presence in local and global markets and geographically diversified presence in India – The Group (SFIL and Subsidiaries) is one of the two largest franchisees of the PH and KFC brands (owned by Yum!) in India and is also a leading player in Sri Lanka. Yum! Brands Inc. has established around 61,000+ restaurants in more than 155+ countries and territories, with ~98% of outlets owned and operated by franchisees, licensees and affiliates. SFIL operates 510 KFC stores in western, northern, southern and central India and 336 PH outlets in western, southern and central India as on June 30, 2025. The company also operates 118 PH and 10 Taco Bell outlets in Sri Lanka. It earlier had four outlets (two each of PH and KFC) in the Maldives through its subsidiaries/group; however, it exited Maldives operations in FY2025.

Demonstrated support from promoter towards capital requirements over the years and experienced management team – SFIL has benefited from strong promoter support for its capital requirements over the years. The company is promoted by Sapphire Foods Mauritius and QSR Management Trust, with a notable investor base that includes Samara Capital, Creador, and other prominent foreign and domestic institutional investors. Some investors, including the promoters, partially exited through the initial public offering (IPO) in November 2021, followed by a series of subsequent open-market sales. The company is managed by experienced professional management, who have proven industry expertise and steered SFIL to its present scale and size.

Financial profile characterised by healthy revenue growth, comfortable capitalisation and coverage indicators – Over the years, the company has witnessed an uptick in sales, with operating income rising to Rs. 2,881.9 crore from Rs. 1,340.4 crore in FY2020, representing a CAGR of 17%, driven by healthy store expansions over the years. The company's capital structure remained healthy, supported by consistent equity infusions along with its IPO in FY2022. The subsequent profits have strengthened its net worth, with minimal reliance on debt for capex and a comfortable working capital cycle. SFIL operates with a negative working capital cycle, as sales are made on a cash basis and its inventory holding is moderate. ICRA expects that the capital structure will remain strong. Further, the debt protection metrics remain healthy with interest cover of 4.3 times and DSCR of 2.1 times as of FY2025. It is likely to continue to remain comfortable over the near to medium term.

Credit challenges

RoCE continues to be subdued, operating margins under pressure amid intense competition and muted demand – The operating margins at the consolidated level moderated to 16.5% in FY2025 and 14.5% in Q1 FY2026 from 17.8% in FY2024 due to muted consumer demand, leading to negative SSSG. Revival in demand, aided by rising disposable income and festive season, remains critical for improvement in margins. The consolidated RoCE moderated to 5.3%¹ in FY2025 from 7.5%¹ in FY2024, largely due to moderation in the operating margins and the company's aggressive store expansion. The expansion is expected to continue in the medium term, and any RoCE improvement is likely to be gradual and will depend on SFIL's ability

¹ As per ICRA calculations

to profitably scale up its new stores while sustaining growth momentum in its existing outlets and will remain a key rating monitorable.

Compliance with development agreement with Yum! and timely execution of future capex remains critical – SFIL has plans to open a pre-determined number of KFC and PH stores as per the amended development agreement with Yum!. Compliance with the requirement to achieve the revised capex plans in the medium term remains critical for receipt of incentives from Yum!. Adherence to the developmental agreement for both PH and KFC will be an ongoing monitorable parameter and will be a key rating sensitivity.

Increasing competition from organised and unorganised markets; exposed to inherent industry risk of disease outbreak– SFIL encounters intense competition from unorganised as well as organised QSR players like Domino's, McDonald's and Burger King. The company's ability to sustain its growth and improve its profit margin amid intense competition will remain critical. As SFIL generates most of its revenues from KFC, its sales are exposed to uncontrollable factors like outbreak of diseases such as bird flu, which may impact both supply and chicken consumption and related products.

Environmental and social risks

Environmental considerations – The QSR industry is exposed to environmental risk with respect to appropriate usage and disposal of plastics in packaging, waste management, etc. Non-compliance with continuously evolving laws and regulations related to environmental protection could result in disruptions in business operations, increased costs, reputational damage, and potential loss of customer goodwill.

Social considerations – Being a manpower-intensive segment, shortage of skilled staff and high attrition can impact the operations and services of the company, which can damage its reputation and customer base. The industry is also exposed to significant risk related to health and safety of customers. SFIL conducts in-house training on food and safety and career enhancement for its employees. It also motivates and retains employees with recognition and performance-based rewards. According to the company's disclosures, fair employment terms, a value-based culture, employee training and employee engagement initiatives for talent development and growth, customer satisfaction surveys, a grievance redressal system and CSR initiatives are among the steps that company takes to mitigate its social risks.

Liquidity position: Adequate

SFIL's liquidity position is adequate. The company had cash balance and investments of Rs. 228.5 crore as of March 31, 2025. The same is expected to be used for growth capital going forward. SFIL plans to incur a sizeable capex over the medium term, which is expected to be funded through a mix of available cash balances, expected retained cash flows, and debt, if required. The cash flows are expected to remain healthy.

Rating sensitivities

Positive factors – ICRA could upgrade SFIL's rating if its revenue increases on the back of a continuous business expansion, along with the sustenance of healthy profit margins, thereby leading to sustained improvement in coverage indicators as well as profitability metrics.

Negative factors – Lower-than-expected sales growth, along with a delay in the stabilisation of new stores leading to reduced profitability can lead to ratings downgrade. Any unanticipated debt-funded capex, resulting in leveraged capital structure and moderation in debt coverage indicators marked by an interest coverage ratio of below 3.5 times on a sustained basis could also result in downward ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of SFIL. The subsidiaries of SFIL as of March 31, 2025, are enlisted in Annexure-2.

About the company

Incorporated in November 2009 as Samarjit Advisors Private Limited, the entity was renamed as Sapphire Foods India Private Limited in 2015. SFIL is a franchise partner of Yum! for Pizza Hut and KFC brands. It was promoted by QSR Management Trust (QMT), which is owned by Samara Capital. In FY2016, QMT's stake was diluted to 7.24%, pursuant to fresh investment by Sapphire Foods Mauritius Limited, Goldman Sachs and CX Partners. The Edelweiss Group subscribed to CCPS and joined the company as an investor in FY2019. The company's IPO was consummated in November 2021, whereby promoters and certain set of investors had a partial exit through an offer for sale. The company is promoted by Sapphire Foods Mauritius and QSR Management Trust. The current investor profile includes Samara Capital, Creador and other high-marquee foreign and domestic institutional investors.

Key financial indicators (audited)

SFIL - Consolidated	FY2024	FY2025
Operating income	2,594.3	2,881.9
PAT	52.0	16.7
OPBDIT/OI	17.8%	16.5%
PAT/OI	2.0%	0.6%
Total outside liabilities/Tangible net worth (times)	1.0	1.1
Total debt/OPBDIT (times)	2.5	2.7
Interest coverage (times)	4.6	4.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Chronology of rating history for the past 3 years										
	Current rating (FY2026)			FY2026		FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Oct 01, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based-Term Loan	Long Term	11.00	[ICRA]A (Stable)	Apr 11, 2025	[ICRA]A (Stable)	Oct 07, 2024	[ICRA]A (Stable)	Aug 11, 2023	[ICRA]A (Stable)	Aug 05, 2022	[ICRA]A (Stable)
Non Fund Based-Bank Guarantee	Long Term	19.00	[ICRA]A (Stable)	Apr 11, 2025	[ICRA]A (Stable)	Oct 07, 2024	[ICRA]A (Stable)	Aug 11, 2023	[ICRA]A (Stable)	Aug 05, 2022	[ICRA]A (Stable)
Unallocated	Long Tem/ Short Term	128.00	[ICRA]A (Stable)/ [ICRA]A2+	Apr 11, 2025	[ICRA]A (Stable)/ [ICRA]A2+	Oct 07, 2024	[ICRA]A (Stable)/ [ICRA]A2+	Aug 11, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Aug 05, 2022	[ICRA]A (Stable)/ [ICRA]A2+
Fund Based/Non Fund Based- Working Capital facilities	Long Tem/ Short Term	42.00	[ICRA]A (Stable)/ [ICRA]A2+	Apr 11, 2025	[ICRA]A (Stable)/ [ICRA]A2+	-	-	-	-	-	-
Fund-based- Interchangeable- Others	Short Term	(35.00)	[ICRA]A2+	Apr 11, 2025	[ICRA]A2+	-	-	-	-	-	-
Non-fund-based Interchangeable- Others	Long Term	(42.00)	[ICRA]A (Stable)	Apr 11, 2025	[ICRA]A (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term Fund based facilities – Term Loan	Simple
Long Term Non-Fund based facilities	Simple
Long-Term/Short-term – fund/non fund based – working capital facilities	Simple
Short Term - fund based - interchangeable Limits	Simple
Long Term - non fund based - interchangeable Limits	Very Simple
Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan II	February 24, 2021	7.08%	October 2026	6.05	[ICRA]A (Stable); reaffirmed
NA	Term Loan IV	June 11, 2021	9.00%	June 2027	4.95	[ICRA]A (Stable); reaffirmed
NA	Bank Guarantee	-	-	-	19.00	[ICRA]A (Stable); reaffirmed
NA	Fund/non fund based working capital facilities	-	-	-	42.00	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed
NA	Short Term - fund based - interchangeable Limits				(35.00)	[ICRA]A2+; reaffirmed
NA	Long Term - non fund based - interchangeable Limits				(42.00)	[ICRA]A (Stable); reaffirmed
NA	Unallocated Limits				128.00	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Gamma Pizzakraft (Lanka) Private Limited	100%	Full Consolidation
French Restaurants Private Limited	100%	Full Consolidation
Gamma Island Food Private Limited	74.74%	Full Consolidation

Source: Company

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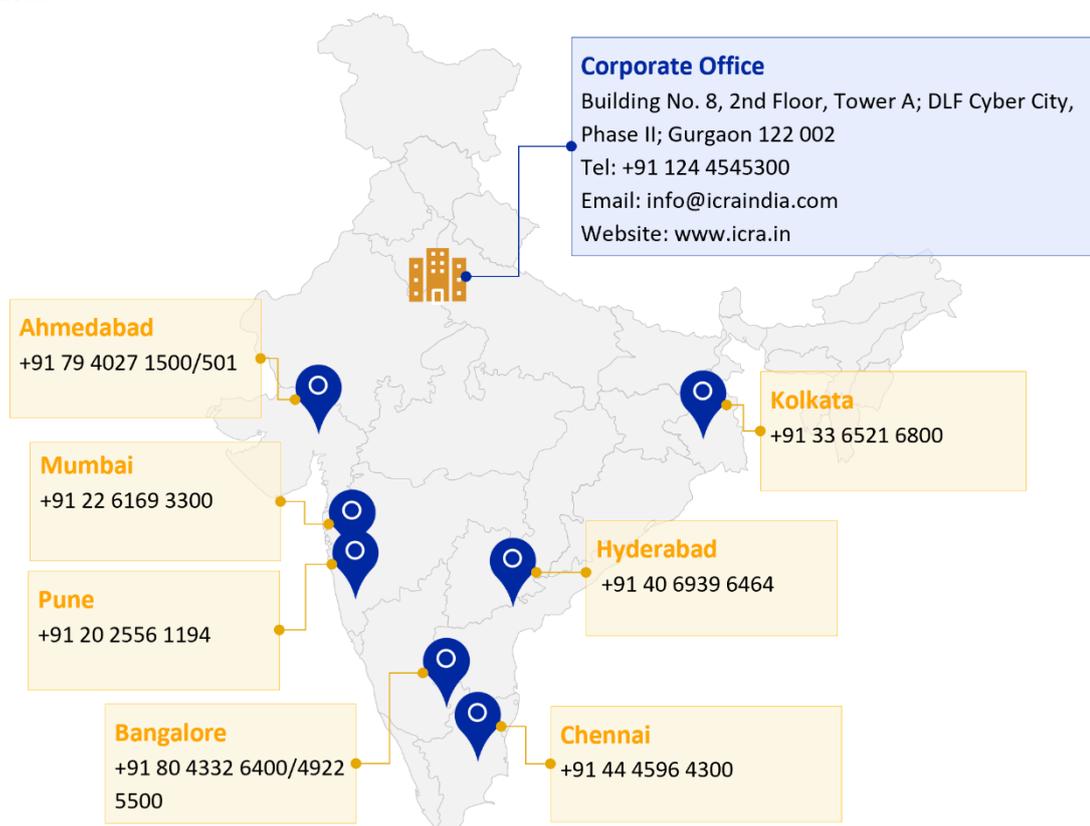
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