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Initial Public Offering of Sapphire Foods Limited

Price Band ₹ 1,120 - ₹ 1,180 per Equity Share

Initial public offering of up to 17,569,941 equity shares of face value of ₹ 10 each ("Equity Shares") of Sapphire Foods Limited ("The Company" or "The Issuer") for cash at a price of ₹ 1,180* per equity share (including share premium of ₹ 1,170* per equity share) (The "Offer Price") aggregating up to ₹ 20,733* million by way of offer for sale (17,569,941 shares) (The "Offer"). The offer shall constitute 27.7%* of the post-offer paid up equity share capital of the company.

* Assuming aggregate shares, amounts and/or percentage calculated at higher Price Band of ₹ 1,180.

Overview of the Company

Business Overview	<ul style="list-style-type: none"> • One of YUM's franchisee operators in the Indian subcontinent with revenue from operations of ₹ 13,404.12 million and ₹ 10,196.19 million for the financial years 2020 and 2021, respectively • Sri Lanka's largest international QSR chain, in terms of revenue for the financial year 2021 (with revenue of ₹ 1.90 billion representing 35% of the total market revenue), and number of restaurants operated as of March 31, 2021 (with 68 restaurants representing 39% of the total number of outlets in the market) • Restaurants: As of June 30, 2021, Sapphire owned and operated 209 KFC restaurants in India and the Maldives, 239 Pizza Hut restaurants in India, Sri Lanka and the Maldives, and two Taco Bell restaurants in Sri Lanka. • Key Pillars of customer Proposition: <ul style="list-style-type: none"> – Differentiated product offerings with KFC, Pizza Hut and Taco Bell as a market leader in chicken, pizza and Mexican-inspired food, respectively (Source: Technopak Report); – Products which are freshly made every day at their restaurants; – Wide variety of menu offerings with both meal and snack options for multiple parts of the day; – System-wide operating procedures and hygiene that are consistent with the global standards of KFC, Pizza Hut or Taco Bell, as the case may be, with respect to product quality, taste parameters, food preparation methods, food safety, cleanliness and customer service standards; – Value offerings at entry and premium price points, enabling Sapphire to drive new customer acquisition and, at the same time, upsell products through the use of meal combos and add-ons; – Easy access through their omni-channel platform consisting of dine-in, take-away, own delivery and delivery aggregators
Promoter & Management Background	<ul style="list-style-type: none"> • Sapphire Foods Mauritius Limited, and QSR Management Trust are the Promoters of Sapphire Foods Limited • Sanjay Purohit, CEO: Work experience >30 years across consumer product categories including food and apparel retail, packaged food, and paints. • Vijay Jain, CFO: He holds a bachelor's degree in commerce from Mumbai University. He is an associate of the Institute of Chartered Accountants of India. >18 years' experience in finance. • Deepak Taluja, CEO, KFC: He holds a bachelor's degree in commerce from University of Delhi and holds a diploma in hotel management from Bhartiya Vidya Bhavan, New Delhi. He has >24 years of experience in operational functions. • Vikrant Vohra, CEO, Pizza Hut: He holds a diploma in hotel management and catering technology from National Council for Hotel Management and Catering Technology, New Delhi. He has >19 years of experience.

<p>Competitive Strengths</p>	<ul style="list-style-type: none"> • Leading QSR brands with a substantial market presence and scale <ul style="list-style-type: none"> – One of YUM’s franchisee operators in the Indian subcontinent with revenue from operations of ₹ 13,404.12 million and ₹ 10,196.19 million for the financial years 2020 and 2021, respectively – Sri Lanka’s largest international QSR chain, in terms of revenue for the financial year 2021 (with revenue of ₹ 1.90 billion representing 35% of the total market revenue), and number of restaurants operated as of March 31, 2021 (with 68 restaurants representing 39% of the total number of outlets in the market) – Owned and operated 209 KFC restaurants in India and the Maldives, 239 Pizza Hut restaurants in India, Sri Lanka and the Maldives, and two Taco Bell restaurants in Sri Lanka – Wide variety of vegetarian and non-vegetarian value offerings at entry and premium price points – Omni-channel player, leveraging brick-and-mortar restaurants and digital stores to provide dine-in, delivery and take-away services • Strong relationship with YUM <ul style="list-style-type: none"> – One of YUM’s franchisee operator in the Indian subcontinent with revenue from operations of ₹ 13,404.12 million and ₹ 10,196.19 million for the financial years 2020 and 2021, respectively – Non-exclusive rights to operate restaurants under three of YUM’s leading brands, namely, the KFC, Pizza Hut and Taco Bell brands – Franchisee Arrangement provides company with rights to YUM’s system and system property covering all aspects of business operations, as well as the flexibility to undertake, with YUM’s approval, local or regional promotions • Continuous focus on delivering great customer experience <ul style="list-style-type: none"> – Monitor the quality of the customer experience through a sophisticated Guest Experience Survey (“GES”) system – Strive to create a best-in-class experience for customers by developing the right work culture and environment at the restaurant level and motivating employees for the same • Operational excellence <ul style="list-style-type: none"> – Significant investments in operations and have a well-defined process that helps restaurant teams to consistently deliver great tasting products, food safety, hygiene, and guest experience – Multiple levels of supervision and quality control for restaurant operations including 3rd party audits covering quality control, operating processes & hygiene in accordance with protocols defined by YUM • Scalable new restaurant economic model for expansion <ul style="list-style-type: none"> – Enhancing value and affordability proposition of global brands to drive more transactions and higher ticket sizes and acquire new customers through offerings such as KFC’s entry-level burgers and value chicken buckets, Pizza Hut’s ‘Every Day Value’ pizzas, and meal combos for one, two and four persons – Omni-channel strategy of utilizing brick-and-mortar restaurant assets and digital stores across multiple revenue channels of dine-in, take-away, own delivery and aggregator delivery services – Optimizing the restaurant size (both the front-of-house customer area and back-of-house kitchen area) to reduce capital expenditure, occupancy and operating costs without impacting revenue • Great place to work led by experienced management team and backed by institutional capital <ul style="list-style-type: none"> – Led by a professional management team with robust corporate governance practices – Management team has diverse experience of an average of over 20 years across industries including consumer, retail and QSR which brings cross-industry perspectives to operations and growth, and have demonstrated ability to build and profitably grow businesses – Company has received awards such as National Best Employer Brands 2020 by WORLD HRD Congress, The Economic Times Best Workplaces for Women 2021 and Asia’s Top 25 Great Places to Work in Sri Lanka in 2020 from Great Place to Work – Marquee investors such as affiliates of Samara Capital, Goldman Sachs, CX Partners, Creador, NewQuest, TR Capital and Edelweiss
<p>Strategies</p>	<ul style="list-style-type: none"> • Accelerate conversion from unorganized food services to brands <ul style="list-style-type: none"> – Continuously enhance relevance of current brands – Leverage omni-channel strategy – Leverage strength on cost efficiencies, manage unit economics and achieve economies of scale through operational leverage – Fast-paced restaurant expansion to capitalize on growth opportunities • Pursue inorganic growth

Major Shareholders	Name of Shareholder	Number of Equity shares	% of the pre- Offer Equity Share capital (%)	
	Promoters			
	Sapphire Foods Mauritius Limited	28,927,588	45.52%	
	WWD Ruby Limited	11,678,516	18.38%	
	Arinjaya (Mauritius) Limited	5,090,503	8.01%	
	Edelweiss Crossover Opportunities Fund	4,248,730	6.69%	
	Amethyst Private Limited	4,149,257	6.53%	
	Sagista Realty Advisors Private Limited (Trustee of QSR Management Trust)	3,705,590	5.83%	
	Fennel Private Limited	1,762,267	2.77%	
	Edelweiss Crossover Opportunities Fund - Series II	1,746,273	2.75%	
	Sanjay Purohit	902,778	1.42%	
	Others	1,331,039	2.10%	
	Total	63,542,541	100.00%	

Key Financials

Particulars	Q1FY 22	Q1FY 21	FY21	FY20	FY19
Restated basic and diluted earnings per share (in ₹)*	(4.94)	(14.8)	(19.04)	(31.36)	(14.95)
Return on net worth %*	(6.13)	(17.89)	(22.16)	(32.23)	(18.59)
Net asset value per share (in ₹)	80.67	82.74	84.16	97.30	84.90
Company Adjusted EBITDA (in ₹ million)**	93.45	(343.29)	381.82	661.88	434.56

*The Restated basic & diluted earnings per share & RoNW for the three months ended June 30, 2021 and June 30, 2020 has not been annualized.

** Non GAAP measure

Income Statement

Particulars (in ₹ million)	Q1FY22	Q1FY21	FY21	FY20	FY19
Store Count					
KFC India	208	186	203	187	158
PH India	171	172	162	174	153
Sri Lanka Business	69	63	70	64	63
Other Business	2	2	2	2	2
Total Store Count	450	423	437	427	376
Total Income (in ₹ million)	3,139.25	1,361.75	10,812.35	13,517.36	12,062.82
Restaurant Related Revenue (in ₹ million)	3,026.60	1,109.53	10,167.37	13,296.04	13,296.04
KFC India	1,787.51	517.32	5,897.36	7,752.95	6,584.49
PH India	660.26	217.74	2,217.08	3,343.06	3,071.35
Sri Lanka Business	555.14	365.91	1,964.90	2,037.87	1,983.88
Other Business	23.69	8.56	88.03	162.16	178.5
Restaurant EBITDA (As a % of Restaurant Related Revenue)	12.6%	(14.8)%	13.0%	12.0%	11.8%
KFC India	13.5%	(20.5)%	14.0%	13.2%	12.7%
PH India	5.8%	(39.0)%	5.0%	7.3%	7.5%
Sri Lanka Business	18.0%	9.4%	19.5%	16.2%	16.0%
Other Business	4.5%	(95.3)%	3.2%	4.8%	5.7%
Company Adjusted EBITDA (in ₹ million)*	93.45	(343.29)	381.82	661.88	434.56

*Non-GAAP measure

Objects of the Offer

- To allow Selling Shareholders to sell upto 17,569,941 Equity Shares