

Established QSR franchisee with substantial presence

About the company: Sapphire Foods, set up in 2015, is one of the Yum brand's restaurant operators in the Indian subcontinent. It is also Sri Lanka's largest quick service restaurant (QSR) chain as per FY21 revenues. The company operates 482 stores with 219 KFC & 188 Pizza Hut stores in India. It has another 73 stores in Sri Lanka and two in Maldives.

- The company operates KFC & Pizza Hut brands in India, Sri Lanka & Maldives and Taco Bell operations in Sri Lanka
- It operates under a three-way franchisee arrangement for Yum in India

Key triggers/Highlights:

- Sapphire Foods has leading QSR brands in its portfolio of restaurant operations and enjoys a substantial presence in the QSR space in geographical markets of India and Sri Lanka
- The company enjoys a strong relationship with Yum Brands of US, which enables it to use Yum's system, system property and expertise in building and establishing brands and operating large-scale restaurants chains
- Sapphire Foods is increasingly working on its omni-channel strategy and focusing on delivery channels. The company has adopted a hybrid model of maintaining a significant owned online delivery platform and also working with third-party delivery aggregators
- The company is optimising its restaurant size to reduce the costs in form of operations costs as well as the capex incurred. This would improve the profitability & reduce the payback period of outlet as well
- Sapphire Foods is focusing on delivering customer experience. It monitors the quality of customer experience through a sophisticated Guest Experience Survey (GES) system, a third-party tool used around the world to measure customer satisfaction

What should investors do?

- We assign **UNRATED** rating to the IPO

Key risk & concerns

- Negative publicity of junk food
- Non-exclusive franchisee agreement & termination possibility
- High competition in QSR segment

Key Financial Summary

(₹ crore)	FY19	FY20	FY21	CAGR 19-21
Net Sales	1193.8	1340.4	1019.6	-8%
EBITDA	146.0	185.6	124.4	-8%
EBITDA Margin (%)	12.2	13.8	12.2	
Net Profit	-69.4	-159.2	-99.9	NA
EPS (₹)	-16.1	-31.7	-18.9	
P/E (x)	NA	NA	NA	
RoE (%)	-17.2	-30.3	-20.9	
RoCE (%)	14.6	16.7	11.8	

Source: RHP, ICICI Direct Research

IPO Details	
Issue Details	
Issue Opens	9th November 2021
Issue Closes	11th November 2021
Issue Size*	₹ 2073 crore
Issue Type	OFS
Price Band	₹ 1120-1180
No. of shares on offer (in crore)	1.8
QIB (%)	75
Non-Institutional (%)	15
Retail (%)	10
Minimum lot size (no of shares)	12

Shareholding pattern		
	Pre-Issue	Post-Issue
Promoter	60.1	50.0
Public	39.9	50.0

Objects of the issue	
Objects of the issue	
This is a pure offer for sale (OFS) with company receiving no proceeds from IPO. The company wants to achieve the benefits of listing Equity shares on stock exchanges	

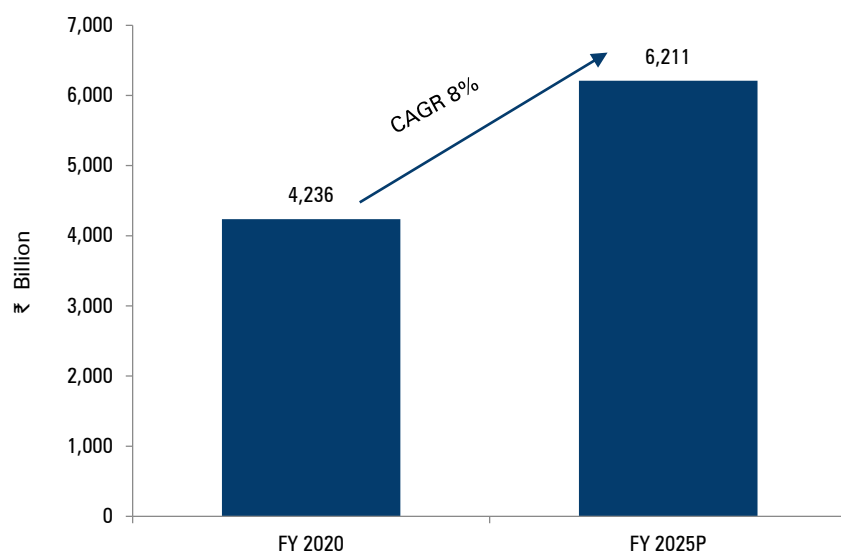
Research Analyst	
Sanjay Manyal	sanjay.manyal@icicisecurities.com
Hitesh Taunk	hitesh.taunk@icicisecurities.com

Industry overview

The food services market in India is pegged at ₹ 4236 billion in FY20 and it has witnessed a consistent growth since FY15. It is further likely to grow at a CAGR of 8% in FY20-25E to be a ₹ 6211 billion industry by FY25. The Indian food services industry has gained strong momentum in the last decade due to changing consumption patterns that have seen an increase in tendency to eat out that had not traditionally been a feature of the Indian lifestyle.

This has ensured constant growth of the Indian food services market, which has evolved considerably since the 1980s, when the numbers of organised brands operating in the country were negligible and the market was widely dominated by smaller unorganised players. A noticeable shift began in 1996 with the opening of QSR restaurants such as McDonald's, Pizza Hut and Domino's Pizza, followed by Subway, KFC, Burger King, Haldiram's, Moti Mahal and Taco Bell, among others.

Exhibit 1: FY20-25P Food service market India



Source: RHP, ICICI Direct Research

Chain food service Market

The size of the chain food service market in India is estimated at ₹ 398 billion in FY20 and the same is projected to grow at a CAGR of 20% to ₹ 993 billion by FY25.

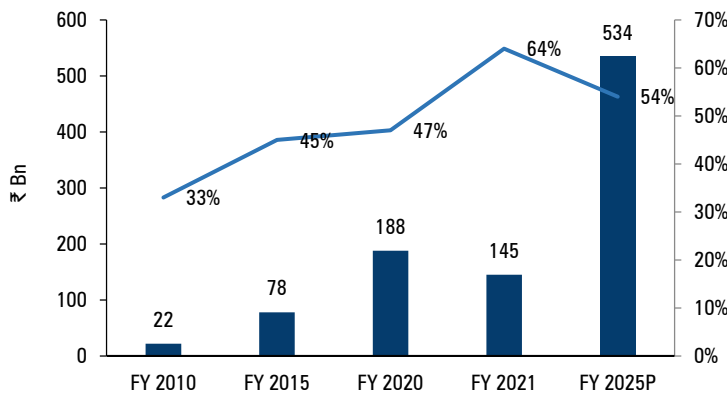
Growth in the chain market is expected to be driven in the next five years by increased presence of international brands, stronger back-end infrastructure, acceptance of new cuisines, changing lifestyles and aspirations and the emergence of entrepreneurial ventures in these segments.

Due to Covid-19, consumers have become more cautious towards hygiene and safety issues. Such change in habit of consumers is being leveraged by chain restaurants. Chain QSRs and CDRs aim to meet the requirements of consumers in the new normal, from high food quality and service standards to superior processes or delivery capabilities.

In the future after the Covid-19 pandemic, some consumers are expected to again patronise the unorganised sector but there will be some who will permanently shift from the unorganised to the organised sector. Such a gap created by the shift away from the unorganised sector can be filled by chain QSR and CDRs. Revenue of organised QSR restaurants is expected to grow at a CAGR of 20% between FY20 and FY25, which is the highest across all formats in the organised market.

The exhibit below shows the growth trend & overall size of QSR segment specifically in the chain food services:

Exhibit 2: Indian QSR industry growth trend

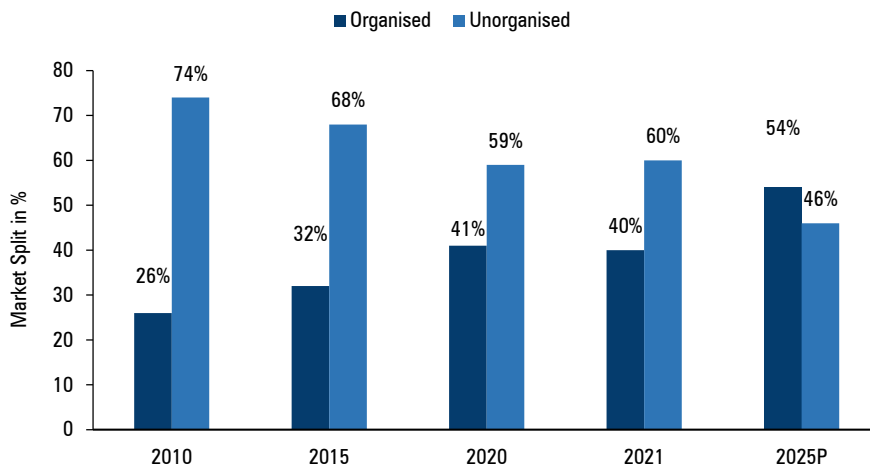


Source: RHP, ICICI Direct Research

Shift from unorganised to organised market

Revenue from the food services market amounted to ₹ 1843 billion in FY10, with 26% of such revenue generated by the organised market and 74% by the unorganised market. Due to growing demand for hygiene, safety and the presence and popularity of international food chains, the share of the organised market increased to 41% in FY20 and is expected to surpass the share of the unorganised market in FY25, as shown in the exhibit below.

Exhibit 3: Market share split of organised & unorganised sector

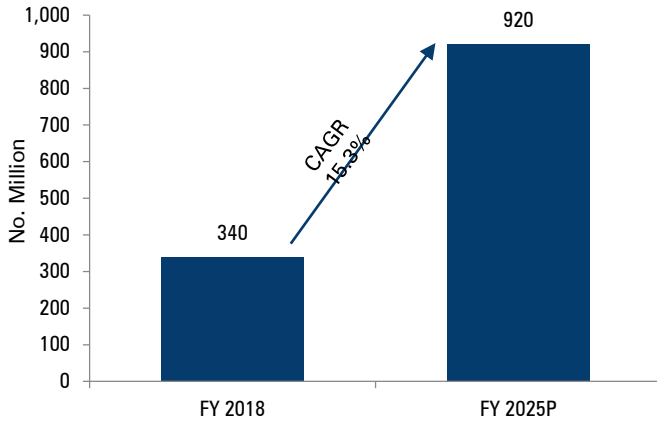


Source: Burger King RHP, ICICI Direct Research

Continuing growth of online food delivery and food tech

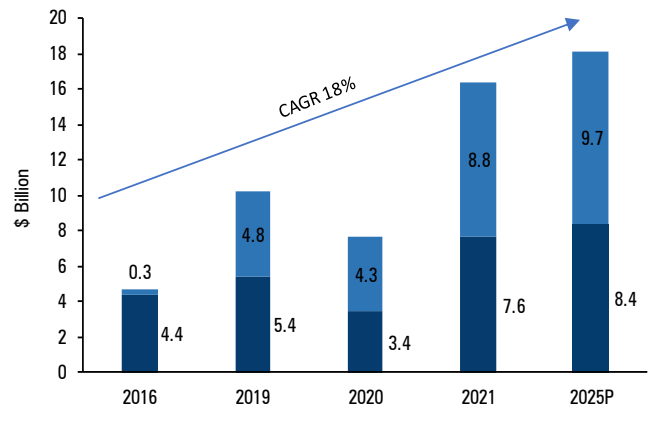
Busy lifestyles, rising smartphone users and growing disposable income are expected to continue to drive the growth of the Indian food space. The number of internet users in India is expected to exceed 975 million by 2025. Smartphone penetration is also growing at a similar pace, with the user base estimated at 340 million in FY18 and projected to reach 920 million by 2025. The food delivery market in India has grown from \$4.7 billion (bn) from FY16 to \$16.4 bn as of FY21 and is further expected to reach around \$18.1 bn by FY25. The restaurant-to-consumer (R2C) delivery segment includes the delivery of meals carried out directly by the restaurants (e.g. KFC, Pizza Hut, Domino’s). The platform-to-consumer (P2C) delivery segment focuses on online delivery services that provide customers with meals from partner restaurants that do not necessarily have to offer food delivery themselves. In this case, the platform (e.g. Zomato, Swiggy) handles the delivery process. The overall picture pans out well for recognised QSR brands and franchise operators like Sapphire Foods.

Exhibit 4: Expected growth in Indian smartphone user base



Source: RHP, ICICI Direct Research

Exhibit 5: FY20 food delivery market in India



Source: RHP, ICICI Direct Research

Chain QSR Sub-Segment

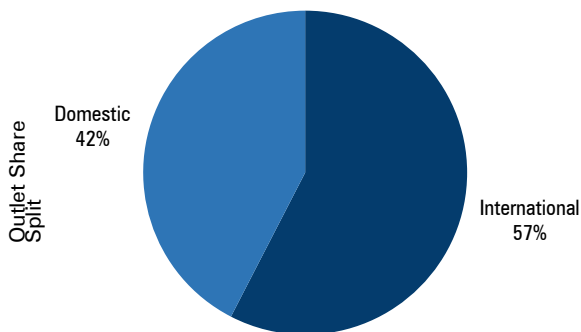
To remain competitive in a growing market, achieve scale and increase consumer acceptance, most QSR companies are adjusting their offerings (including flavours, pricing and services) to meet the demands of the Indian market. Among the initiatives to achieve these goals are innovating the menu according to the taste of Indian consumers, like for example;

- Creating non-beef and non-pork-based menus
- Separating vegetarian and non-vegetarian cooking areas
- Offering affordable entry-level products in the menu

As of FY21, in the overall QSR space, share of domestic QSR brands was at 42% while the same for international brands was 57%. Revenue wise share of domestic QSR brands was 22% while international brands had more than thrice the share at around 78%.

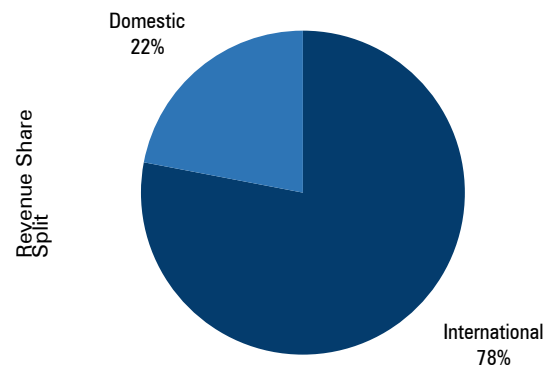
The exhibit below shows the contribution of international and domestic brands to the Indian QSR market both outlet wise and revenue wise for FY21:

Exhibit 6: FY21 Outlet share split: international & domestic QSR's



Source: RHP, ICICI Direct Research

Exhibit 7: Revenue share split for international & domestic QSRs

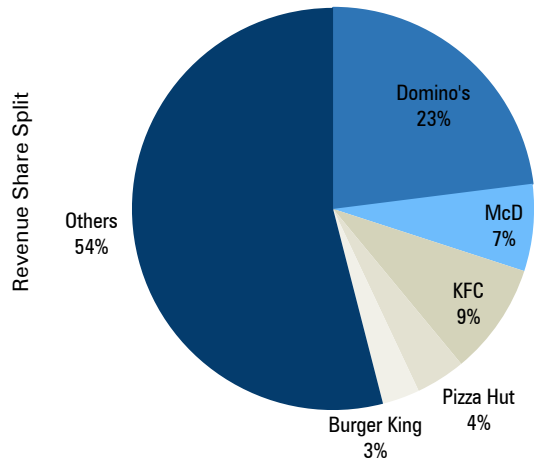


Source: RHP, ICICI Direct Research

Among key QSR brands of India, majority of market share is held by players like Domino's, McDonalds, KFC, Pizza Hut & Burger King. KFC is the largest QSR chain serving chicken in India. As of March 31, 2021, there were 488 KFC restaurants in 146 cities across India.

The market shares of key brands in the QSR market are shown in the figure below:

Exhibit 8: Market share of key QSR brands by revenue in India – FY21



Source: RHP, ICICI Direct Research

Company Background

Sapphire Foods is one of Yum's franchisee operators in the Indian subcontinent & was set up back in 2015. Its revenue from operations were ₹ 1340.4 crore and ₹ 1019.6 crore for FY20 and FY21, respectively. It is also Sri Lanka's largest international QSR chain, in terms of revenue and store counts in FY21. Company's FY21 revenue from Sri Lanka stood at ₹ 196 crore, representing 35% of total market revenue. The company has also established its presence in the Maldives. As of June 30, 2021, it 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. In 2020, KFC, Pizza Hut and Taco Bell recorded system sales worldwide of US\$26.2 billion, US\$11.9 billion and US\$11.7 billion, respectively.

Sapphire's franchisee arrangement with Yum allows it to operate, on a non-exclusive basis, under the KFC brand in several states in India and across the Maldives, the Pizza Hut brand in several states in India and across Sri Lanka and the Maldives, and the Taco Bell brand across Sri Lanka, while leveraging Yum's system and system property. The franchisee arrangement also provides it with a right to use Yum's system and system property covering all aspects of business operations as well as the flexibility to undertake local or regional promotions while meeting Yum's global quality assurance standards.

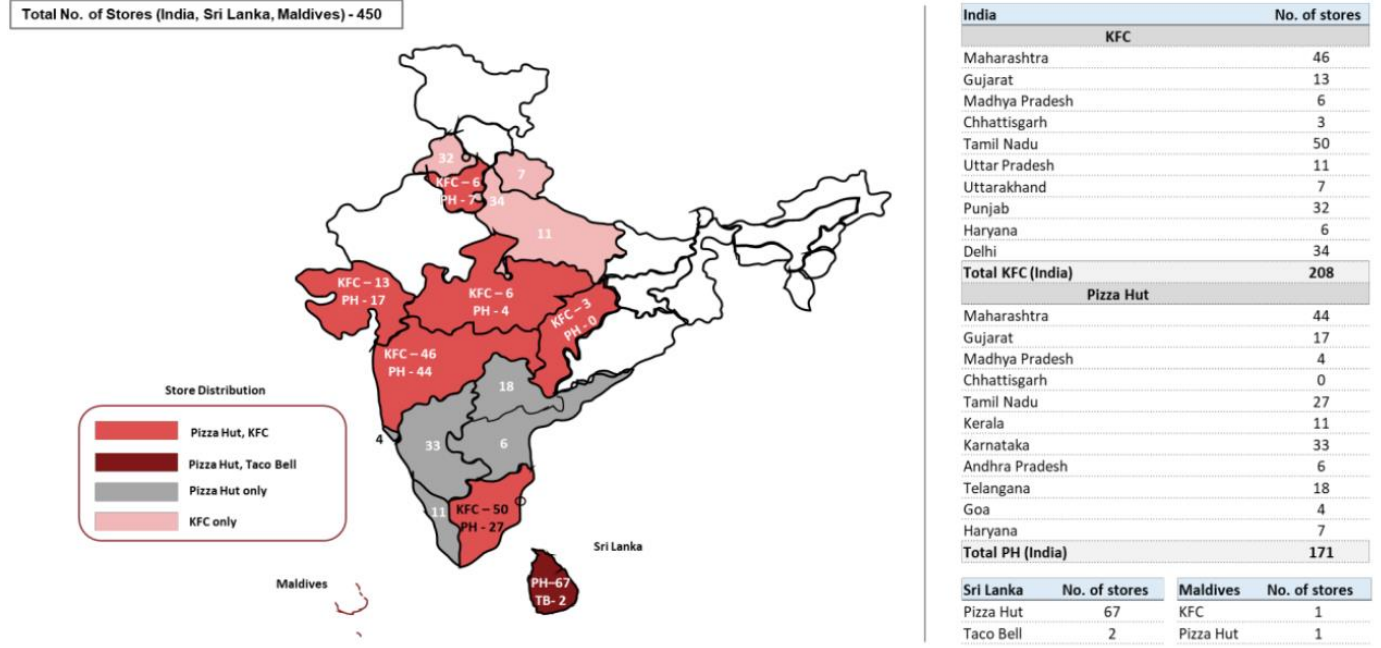
The key pillars of company's customer proposition include:

- Differentiated product offerings with KFC, Pizza Hut and Taco Bell as a market leader in chicken, pizza and Mexican-inspired food, respectively
- System-wide operating procedures and hygiene that are consistent with the global standards of KFC, Pizza Hut or Taco
- Value offerings at entry and premium price points, enabling the company to drive new customer acquisition and, at the same time, upsell products through the use of meal combos and add-ons;
- Easy access through the omni-channel platform consisting of dine in, take-away, own delivery and delivery aggregators

The company has a dedicated business development and projects team and a well-defined new-restaurant roll-out process that enables it to identify new locations, build out restaurants quickly and efficiently operate with optimal trained manpower to achieve the targeted level of sales for its restaurants. The company's total number of restaurants in the territories grew from 376 restaurants as of March 31, 2019 to 450 restaurants as of June 30, 2021.

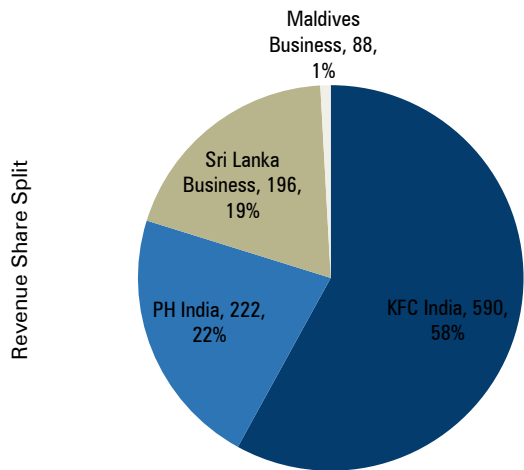
Using a cluster strategy, the company launches its brands from flagship locations in high traffic and high visibility locations in key metropolitan areas and cities across India and then develop new restaurants within that cluster. It also develops new restaurants in new cities as part of its brand and category expansion. Although the Covid-19 crisis has adversely affected its ability to open new restaurants and expand its restaurant network temporarily, it continues to evaluate the pace and quantity of new restaurant openings and to expand the restaurant network.

Exhibit 9: Presence of Sapphire Foods stores across states in India



Source: RHP, ICICI Direct Research

Exhibit 10: FY21 restaurant related revenue (₹ crore, %)



Source: RHP, ICICI Direct Research

Investment Rationale

Leading QSR brands with substantial market presence, scale

Sapphire Foods is one of Yum's franchisee operators in the Indian subcontinent which owns famous QSR brands like KFC, Pizza Hut & Taco bell. The company is also Sri Lanka's largest international QSR chain, in terms of revenue for the FY21. As of September 30, 2021, the company operated 482 stores with 219 KFC India stores, 188 Pizza Hut India stores, 73 stores in Sri Lanka and two in Maldives.

The company has renowned brands in its portfolio. KFC was the largest chicken QSR brand in the world in terms of global retail sales as of December 31, 2020, Pizza Hut was the largest pizza chain in Asia in terms of store count as of December 31, 2020 and Taco Bell was the largest Mexican-inspired restaurant chain in the world in terms of store count as of December 31, 2020. The company has a wide variety of vegetarian and non-vegetarian value offerings at entry and premium price points, enabling it to drive new customer acquisition across different income classes and, at the same time, upsell products through the use of meal combos and add-ons.

Strong relationship with Yum

The company has a strong relationship with Yum brands of the US. Its association with Yum started in 2015 and presently has the non-exclusive rights to operate restaurants under three of Yum's leading brands, namely, KFC, Pizza Hut and Taco Bell brands. It also enjoys access to Yum's system and system property and expertise in building and establishing brands and operating large-scale restaurants chains gained through over 50,000 KFC, Pizza Hut and Taco Bell restaurants operated by Yum and its franchisees worldwide as of December 31, 2020.

Its franchisee arrangement allows it to operate under the KFC brand in several states in India and across the Maldives, Pizza Hut brand in several states in India and across Sri Lanka and the Maldives and the Taco Bell brand across Sri Lanka while leveraging Yum's global best practices and system and system property. The franchisee arrangement further provides the 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, thereby meeting Yum's global quality assurance standards. The company also benefits from the 'One System' commercial negotiations where it negotiates with its suppliers, jointly with Yum and its other franchisee in India, to procure the key raw materials and equipment. The company also benefits from Yum's extensive global marketing and advertising concepts, product development capabilities and cooking techniques to drive sales and generate increased restaurant footfalls, while being guided by Yum's restaurant development procedures and standards. The company derives significant value from franchisee arrangement with Yum, which augurs well for it in the long run.

Omni-channel strategy, focus on delivery channels

The company has continuously worked on improving its new restaurant economic model in consultation with Yum. It has omni-channel strategy of utilising its brick-and-mortar restaurant assets and digital stores across multiple revenue channels of dine-in, take-away, own delivery and aggregator delivery services. In FY21, the company derived ₹ 250.6 crore, ₹ 215.5 crore and ₹ 336.4 crore from dine in, take-away and delivery services, or 31.2%, 26.9% and 41.9%, respectively.

The majority of its restaurants and menu items are configured to enable delivery and the company has adopted a hybrid model of maintaining a significant owned online delivery platform and working with third-party delivery aggregators. It intends to leverage its omni-channel strategy by using its enhanced digital ecosystem and CRM program to maximise the revenue opportunity as follows:

- Dine-in — Continue to invest in contemporising design of restaurants, refurbishing assets, menu simplification and ease of ordering through technology;
- Take away — Invest in technology such as Click and Collect, kerbside pick-up and contactless payments to ease ordering and pick up;
- Own Delivery — Continuously improve own digital restaurant experience and in-house delivery capability, strengthen CRM programme through analytics and targeted marketing, and differentiate product and price offerings on own website, app and call centre;
- Delivery via aggregators — Collaborate with aggregators to continuously improve operational efficiency and drive transaction growth and ticket size through analytics-based marketing and innovative menu offerings

It is important to note that though the company also has its own delivery channels too, it is focusing majorly on food aggregators to rope in additional revenue growth. They are an important part in the company's strategy, going forward.

Optimisation of restaurant size to improve profitability

The company is working towards optimising 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 capacity. The average size of its KFC restaurants in India declined from 2,736 sq ft as of March 31, 2019 to 1,645 sq ft for restaurants that opened in FY20 and FY21. The average size of the Pizza Hut restaurants in India declined from 2,427 sq. ft. as of March 31, 2019 to 1,480 sq ft for restaurants that opened in FY20 and FY21. The size of some of the recently opened or signed restaurants has declined to between 1,400 sq ft and 1,500 sq ft for KFC restaurants and to 1,200-1,300 sq ft for the Pizza Hut restaurants.

For FY21, FY20 and FY19, the company's capital expenditure (excluding any initial fee) per new KFC restaurant was ₹ 1.7 crore, ₹ 2 crore and ₹ 2.1 crore, respectively, while the capital expenditure (excluding any initial fee) per new Pizza Hut restaurant was ₹ 1.3 crore, ₹1.4 crore and ₹ 1.6 crore, respectively. The move has enabled the company to improve its payback periods & optimize the costs while improving the overall profitability per outlet.

Continuous focus on delivering great customer experience

The company monitors the quality of customer experience through a sophisticated Guest Experience Survey (GES) system, a third-party tool used around the world to measure customer satisfaction, to give it customer feedback on taste of food, speed of service, hygiene and overall satisfaction for all of its restaurants across its various channels. This allows the company to reward high performing restaurants, improve restaurants with issues and replicate best practices across restaurants. A vast majority of the customers provided positive feedback on the service level through the GES system for the KFC and Pizza Hut restaurants in India for the three months ended June 30, 2021 and for FY21 as well.

Key Risk

Negative publicity of junk food

Burger, pizzas, French fries & other related products with QSRs are generally perceived as junk food. Fried chicken offerings from a QSR are also not an exception. There is growing concern among consumers about the long-term health problems associated with certain conditions. Negative publicity resulting from public health campaigns and associated government measures may reduce consumer demand. The negative advertisement can further create adverse perception of QSR brands and could impact the long-term growth for the industry in general and Sapphire Foods, in particular.

Non-exclusive franchisee agreement, possibility of termination

The company relies significantly on the franchisee arrangement with Yum, pursuant to which it operates and develops its restaurants, and derive all of its revenue. The franchisee arrangement allows Sapphire Foods to operate, on a non-exclusive basis, Yum's KFC, Pizza Hut & Taco Bell brands. The franchisee arrangement provides the company with the right to use KFC's, Pizza Hut's and Taco Bell's system and system property covering aspects of business operations and requires it to be consistent with the global standards of Yum, with respect to product quality, taste parameters, food preparation methods, food safety and cleanliness and customer service standards. Any breach of terms may lead to penalties or termination.

High competition in QSR segment

The QSR chain sub-segment of the food services industry is very competitive. The company competes primarily with international QSR chains operating in India, Sri Lanka and Maldives, such as McDonalds, Burger King, Domino's Pizza and Subway, as well as local restaurants and restaurant chains in the QSR segment. These QSR chains have been introducing food products that cater to the local palate while maintaining their core offerings. Brands in the casual dining restaurant and fast dining restaurant spaces are also venturing into the QSR space, intensifying competition in the QSR chain sub-segment.

Financial summary

Exhibit 11: Profit and loss statement			
	₹ crore		
(Year-end March)	FY19	FY20	FY21
Revenue	1,193.8	1,340.4	1,019.6
Growth (%)		12.3	-23.9
Raw material expense	394.6	431.7	309.9
Employee expenses	206.3	228.8	195.6
Advertisement Exp	44.2	51.9	38.9
Other expenses	402.7	442.4	350.8
Total Operating Exp	1,047.9	1,154.8	895.2
EBITDA	146.0	185.6	124.4
Growth (%)	-	27.1	-33.0
Depreciation	154.7	191.3	209.1
Interest	72.0	72.2	75.6
Other Income	12.5	11.3	61.6
Exceptional Items	0.0	94.4	0.0
PBT	-68.3	-161.0	-98.7
Total Tax	1.1	-1.7	1.2
PAT	-69.4	-159.2	-99.9
Growth (%)	-	NA	NA
EPS (₹)	-16.1	-31.7	-18.9

Source: RHP, ICICI Direct Research

Exhibit 12: Cash flow statement TBD			
	₹ crore		
(Year-end March)	FY19	FY20	FY21
Profit before Tax	-68.3	-161.0	-98.7
Add: Depreciation	154.7	191.3	209.1
(Inc)/dec in Current Assets	-8.3	2.6	-3.3
Inc/(dec) in CL and Provisions	3.6	15.7	18.0
Others	68.3	164.5	28.9
CF from operating activities	150.1	213.0	154.1
(Inc)/dec in Investments	0.0	-14.7	-10.2
(Inc)/dec in Fixed Assets	-178.7	-141.7	-73.4
Others	-156.5	154.4	5.7
CF from investing activities	-335.1	-2.0	-77.9
Issue/(Buy back) of Equity	225.0	0.0	44.4
Inc/(dec) in loan funds	64.6	-21.8	6.1
Others	-112.8	-186.4	-102.0
CF from financing activities	176.7	-208.1	-51.5
Net Cash flow	-8.3	2.9	24.6
Opening Cash	22.8	14.5	17.4
Closing Cash	14.5	17.4	42.0

Source: RHP, ICICI Direct Research

Exhibit 13: Balance sheet			
	₹ crore		
(Year-end March)	FY19	FY20	FY21
Liabilities			
Equity Capital	43.1	50.2	52.8
Reserve and Surplus & Others	359.6	474.5	425.9
Total Shareholders funds	402.7	524.7	478.7
Total Debt	95.9	71.2	75.7
Other non current liabilities	499.3	514.2	501.2
Total Liabilities	997.9	1,110.2	1,055.6
Assets			
Gross Block	1,507.0	1,642.3	1,758.8
Less: Acc Depreciation	281.0	460.0	644.0
Total Fixed Assets	1,226.1	1,182.3	1,114.8
Investments	52.2	77.7	99.0
Inventory	38.1	44.4	47.4
Debtors	22.4	4.6	7.8
Other CA	14.7	13.0	11.6
Cash	186.5	39.2	50.0
Total Current Assets	261.7	101.2	116.8
Creditors	114.2	130.7	144.0
Provisions	14.7	15.1	16.3
Other CL	440.8	124.8	133.1
Total Current Liabilities	569.6	270.5	293.4
Net current assets	-307.9	-169.3	-176.5
Other non current assets	27.5	19.5	18.3
Total Assets	997.9	1,110.2	1,055.6

Source: RHP, ICICI Direct Research

Exhibit 14: Key ratios			
(Year-end March)	FY19	FY20	FY21
Per share data (₹)			
EPS	-16.1	-31.7	-18.9
BV	93.4	104.4	90.7
Operating Ratios (%)			
EBITDA Margin (%)	12.2	13.8	12.2
PAT Margin (%)	-5.8	-11.9	-9.8
Inventory Days	12	12	17
Debtor Days	7	1	3
Creditor Days	106	110	170
Return Ratios (%)			
RoE	-17.2	-30.3	-20.9
RoCE	-1.8	-1.0	-15.3
Valuation Ratios (x)			
P/E	NA	NA	NA
EV / EBITDA	52.2	41.1	61.3
EV / Net Sales	6.4	5.7	7.5
Market Cap / Sales	6.3	5.6	7.4
Price to Book Value	12.6	11.3	13.0
Solvency Ratios			
Debt / Equity	0.2	0.1	0.2
Current Ratio	0.5	0.4	0.4
Quick Ratio	0.4	0.2	0.2

Source: RHP, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to companies that are coming out with their initial public offerings and then categorises them as Subscribe, Subscribe for the long term and Avoid.

Subscribe: Apply for the IPO

Avoid: Do not apply for the IPO

Subscribe only for long term: Apply for the IPO only from a long term investment perspective (>two years)



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruvi Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

/We, Sanjay Manyal, MBA (Finance) and Hitesh Taunk, MBA (Finance) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. 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 Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

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 customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. 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. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and its affiliates accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Investments in unlisted Companies are highly illiquid. There is no assurance that any of the Unlisted Companies discussed in the Report will go public soon or the securities of such Unlisted Companies will become publically traded or unrestricted. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Investments in securities market are subject to market risks, read all the related documents carefully before investing.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed 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, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction

ICICI Securities Limited has been appointed as one of the Book Running Lead Managers to the initial public offer of Sapphire Foods India Ltd. This report is prepared on the basis of publicly available information