



“Speciality Restaurants Limited
Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Speciality Restaurants Q4 FY and Full Year 2014 Earnings Conference Call, hosted by Kotak Securities Limited. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Shah from Kotak Securities; thank you and over to you sir.

Anand Shah: Thanks, Karuna. Hi, everyone, and welcome to the 4Q FY'14 and Full Year FY'14 Speciality Restaurant Earnings Call. I welcome you all on behalf of Kotak Institutional Equities, we joined by the senior management of Speciality Restaurants represented by Mr. Anjan Chatterjee, Founder & Managing Director, Mr. Indraneil Palit, Executive Director, Projects Business Development and Strategic Planning and Mr. Rajesh Mohta, Executive Director, Finance. I will now hand over the call to Mr. Mohta to discuss the recently announced earnings. Thanks, and over to you, sir.

Rajesh Mohta: Thank you, Anand. Welcome gentlemen this is Rajesh Mohta. We have pleasure in announcing the results for the quarter and the Financial Year 2014.

We closed quarter four with our revenue of 67.50 Crores vis-à-vis 58.45 Crores year-on-year registering an increase of 15.5% on revenues with EBITDA of 9.32 Crores vis-à-vis 11.19 Crores and a PAT of 3.43 Crores vis-à-vis 5.34 Crores registering a de-growth of 36%.

The financial year 2013-14 closed with the revenue of 263.85 Crores vis-à-vis 226.92 Crores registering a total increase of 16.27% with EBITDA of 43.78 Crores with the corresponding EBITDA of 45.91 Crores and PAT being 18.90 Crores vis-à-vis 23.41 Crores.

During the financial year 2013-14 company opened 18 restaurants, COCO would be 14 and FOCO 4 and we crossed the landmark of 100 restaurants and confectionaries during the financial year.

We would highlight some of the issues primarily with respect to the external macro picture and the corresponding internal sentiments which had impacted the discretionary spend during the year.

Now I leave it open for question and answer session please. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question-and-answer session. First question from the line of Prakash Kapadia from Ialpha Enterprises, please go ahead.

Prakash Kapadia: Thanks for taking my question. Sir, if I look at Q4 EBITDA margins they are almost at a three year low, so if you could give us some sense what is hitting us especially at the raw material level because we had taken price hikes few months ago and even on a sequential basis they are year-on-year obviously there are more than 300 bps so any further price hikes plan to offset this.

Rajesh Mohta: To answer your question the primary reason for the last financial year drop is primarily because what is happening there is an upfront cost of the new stores which are getting opened during the year and we are caring the staff et cetera for the new stores and the new stores breakeven period has also not extended because of the sentiments which are prevailing in the economy and the country.

Prakash Kapadia: That would be more at EBITDA level. I was more trying to understand at a gross margin level where I just look at your raw material cost they are up 340 bps year-on-year and they are up almost 60 bps on a sequential basis, so what is hitting us there because we have taken some price increases. So any further increase in prices or appreciating rupee depreciating rupee what is affecting us at the raw material level or which pocket is hitting us and do we see that changing soon is what I was trying to understand. Obviously EBITDA is also down and if I look at EBITDA it is almost 3 years in a row the EBITDA for the company has not grown despite sales growth. So there some of the below gross margin heads could be relevant, so if you could give us some understand that will help us.

Anjan Chatterjee: I will take that question. Hi this is Anjan Chatterjee here. The point here is very important I completely agree with you on these numbers, but it is a very planned call that we have taken a) I do not need to tell you about the macro and I do not want to rub anybody on the macro and obviously we are all looking forward to with the balance sheet that we have which is debt free, fact that we have been given a mandate to open restaurants, so the very calculated risk that we had to take that the real estate at this point of time is the lowest we know that there are serious headwinds, so there is an import component in all the Chinese raw material which is our flagship brand 70% so the dollar fluctuation has hit us partly and the rest I do not need to tell you that the inflation of the food raw material cost has gone unprecedented over a period of time. Although we did not raise our prices over a period of time because in a long-term play I do not want my footfalls further go down done everything to ensure that we sustain them and ensure that we wherever possible we will have incremental growth and which we have done. Now my question here is that the raw material going forward I do not

need to tell you necessarily coating the cliché called Acchhe Din Aa Rahe Hai I am saying that we were somehow intuitively we were sure that we have seen, see 22 years in this business has shown me lot of cyclicity in terms of economy.

Prakash Kapadia:

Absolutely sir I have no doubt about the history, the management, and the potential, but sir if I look at over the last three years obviously some of the issues which you said in the last three years the EBITDA of the company has not grown so three years is a reasonable amount of time so going forward how will the EBITDA change will it be improved gross margin will it be operating leverage, will it be employee cost and some of the rental cost or some of the operating expenses increasing at a lesser place so will increase sales growth drive this or will cost not increase in that proportion and when I am trying to get this perspective it is not what I am talking of June quarter I am talking over a period of time and some thought process on that. So down the line one year, two year down the line where do we see that, how do we see that is what I was trying to understand?

Anjan Chatterjee:

I will tell you that last price increase was done, it was September 2011 and then later on it was in December 2013 so obviously we suffered very badly during this period, but it was a calculated strategic call that we took and we will hold the price line. Secondly you just imagine that this revenue which is at X level if it become X plus 2, X plus 3 every component of the revenue the top-line growth we gain, secondly we are carrying a lot of load of restaurants which have not opened and we carry a load of employees cost which is loaded in this particular balance sheet and we have to have trade personnel. Now we have been holding ourselves to go on a full-fledged expansion stream we promise X but we have try and matched it, it does not make good business sense to open restaurants mindlessly to prove it to the investors but trust me we got the best leverage for example I can tell you Palladium Mall, Oberoi mall we are opening the new form of the Mainland China, Asia Kitchen which has been a huge success we have taken a precondo run I do not know anyone of you have noted because in Mainland China new going forward we want to have a, we have already given birth to it, you can check it in the Oberoi mall in Bombay where we open Mainland China Asia Kitchen now this is an all-day dining, the operational leverage here is that we are actually being able to take the advantage of the four hours which were lull and which were dead for us, we were just lunch and dinner kind of a format so it is a quantum leap on Mainland China wherever possible we are like for the Palladium mall now we have entered in the DLF hub these stores they have been able to give us during this period we have negotiated great rentals we have been able to control things internally and there is a huge level of inventory of the people we are carrying with us in our schools. So all this will get the moment the stores start opening up and they get it you will see a surge obviously there will be a revenue growth as you said Acche Din Aa Gaye Hai I would not necessarily say ag gayen hai, aa rahe hai, I always go to my restaurants and look at the

footfalls thinking Modiji nay kitne logon ko bejaa aaj, abi thak hua nahin, insha allah who hoga I can confidently tell you that this whole thing you will see in the next financial year which is coming forward that will be a completely different balance sheet and we will see the call was very simple sit tight do not expand take a lot of money from public you earn your treasury money and sit on it and the other one was okay you getting an advantage you have a balance sheet which is debt free you have money why do not you look at the expansion wherever possible get best of locations at lowest price and today with god's grace in the Chinese space or pan Asian space there is no mall which can conduct without when I am talking about the Palladium or a DLF hub these are the best malls of India and the destination we have been able to the negotiation that we have done in this period is absolutely marvelous so you will see that the rental component which started originally 21 years back to 22% of the whole cost is coming down to a level we have even gone to a 7% - 8% of revenue share to a 10% to 12% averaging around 12% - 13%. So the end and the operational leverage that we are taking over a period of time and as you know I do not need to again go back to the macro there have been serious, serious problem from all so it is a double whammy dollar going fluctuation on that and then again we have a cost so what you see this is a dismal picture of this particular quarter but obviously we are not here to run quarter-to-quarter I can reassure this to you that as the revenue grows up which 100% has to go up because the brand has not gone anywhere it is disconnected it is just a number of time the people have to go across and obviously in a long-term play sometimes you have to take calculated strategic risk which we have taken I will reassure you that and it is fortunately we are talking with a lot of forward now with a full mandated government everything changing every day we are seeing a new surprise coming in it is a business friendly environment and we are very confident of the fact that everything put together we will be able to manage all these things to our topline growth and a control of our cost as the manpower gets absorbed.

Prakash Kapadia:

And is it fair to assume if rupee was to be at even current levels forget the appreciating or the best case scenario we would automatically see our raw material cost coming down by 200 bps is that a fair assumption to make?

Anjan Chatterjee:

Left me tell you this Mr. Palit can tell you in elaboration what we have done is that while we were importing quite a lot of stuff that **(Inaudible-13.39)** what we have done now is that we are trying to understand that is it possible to do with our brand which can be home grown as you know there are lot of national brands so the chefs together, Palit will you elaborate that they are doing the domestic things that they wanted to change from the foreign company.

Indraneil Palit: Yes it is actually we are looking at replacement of some of the ingredients that we have been importing so far that is to be replaced with something which is grown domestically without compromising on the quality of the food and we have been successful and I think we are going to spread this out to all the units once we are sure of our experiments that will take a lot of pressure away.

Anjan Chatterjee: We ensure we do not want to be so import dependent a company because in the flagship brand of Mainland China even earlier on the noodles were coming in from there because we wanted great quality that time it was cheap and cheerful from China so now that it is not working out can there be a noodle manufacturer which we are developing we are working very, very closely with five, six manufacturers to ensure that the same things we are not so import dependent because some learnings have come in over a period of time.

Prakash Kapadia: And this localization should have a very clear impact and by this say first half we should be clear whether we have achieved our target whether the taste or whatever are the quality parameters we are checking is known to us and then the import component can definitely come down.

Anjan Chatterjee: For sure because we have already done the tactical experiment within Bombay city in two three restaurants there is absolutely no fluctuations and we have ensured that you see obviously everything is good it is an foreign cuisine so it needs foreign ingredient to give them the taste and simulate that experience but sometimes it so happens that it can be, if we are over dependent on that we may just lose the whole game so hence we have understood this and I think that you will see that the first half this the number is changing.

Prakash Kapadia: Great all the best just one question for Rajesh if I look at the average cash balance we are at 120 Crores last year and this year or the average investment sorry not the cash balance and if I look at the other income the other income for this year is around 98 million so specially in high rate interest environment is there some unbooked or marked-to-market gain which is accrued because the yield seems slightly lower time when interest rates are pretty high in India.

Rajesh Mohta: See our mandate to invest the treasury is into mutual funds have been managing our fund with liquid, liquid plus, and FMP so this is the basically the tax free income which we are getting at 9.8 Crores.

Prakash Kapadia: But the yields comes to around 8% if I take a 120 Crores average invested value and if I take 98 million the yield comes to 8%.

- Rajesh Mohta:** That is our mutual fund liquid, liquid plus category investments majorly.
- Moderator:** Thank you. Next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.
- Kaustubh Pawaskar:** Good afternoon sir thanks for taking my question. I have one broader question can you just give us a broader perspective of Mainland China Asia Kitchen we want to understand the model how exactly it is different from normal your Mainland China restaurant?
- Anjan Chatterjee:** I will take this question this is Anjan Chatterjee, hi. We are a very research based company so what we did was that we were tracking the space which we do every three months within the short period of time we understood that the trends in the market are changing and while Chinese continues to be the most popular foreign cuisine within the Chinese space there was a dynamism which came across that people are taking Khowsuey which is Burmese or a Thai Curry or may be a Nasi Goreng which is Malaysian as a part of the whole orient and people did not mind coming across and eating that in Mainland China. So what we did was we track this trend of course the ITC hotel has got a pan Asian restaurant I used to look and monitor that over a period of time and we introduced some of our items to understand how objectionable would this be to our average Mainland China goer would they mind a Thai Curry coming on the buffet so rather than putting on an a-la-carte we put it in some of the high selling stores all over India and put these items on the buffet interface, interactive and with some form of the other in the buffet and we took a research group and we did some FGDs to find out that none of the people who were coming to Mainland China in fact this was a great surprise for them and it was a good thing because the palate changed. See within Chinese cuisine obviously there are challenges that you can only do this much and not beyond that and everybody wants innovation coming in and as you know that historically a brand has to be refreshed so we saw an opportunity and hence we said that Mainland China being the mainstay people walk into a restaurant because of Mainland China we look at an opportunity where we can actually get the Asian cuisine which will have a bit of these not heavy sushi, sushi is not eaten by average middle classed Indian, it is slightly evolved in actually a kind of a SEC A1, A2 but we had Californian rolls, some vegetarian things and everything like a dynamite tofu so all these things were put together and we worked very hard on Asia kitchen differentiation wise one is the offering of the cuisine 60% - 65% continues to be the best of Mainland China now as you know that only 35% of any menu in any restaurant actually is the main draw and that is how the offtake happens the rest of it is filler once in a while these items move so it took those 35% can **(Inaudible-20.23)** them and put them in the main menu and the rest was taken in from the inspiration of the say like you can have a Khowsuey, you can have a Thai Curry so what is happening is that something the brand got refreshed revitalized not just in the form of

offering a food we also got the one of the best architect from the company called Super Potato we did not want to live on our internal laurels, we got this architect to actually do the master design for the first Mainland China Asia Kitchen, I wish you can visit there and see it in Oberoi mall in the third floor and we said that we will make it less formal and slightly more casual to ensure that there is less intimidation and it is not moved away from a super fine dining so we will not have a predictable hostess standing there, we will just have anybody there, people do not mind they wait to be seated today people are informal trend it is younger and the look and feel is a live kitchen and a smaller format in terms of the real estate also. So it is 2400 square feet what given us around 96 covers, the optimization of the space is more, it is more of a commissary based, we have opened a commissary in Bombay to cater to the basic butchery et cetera and the look and feel is completely different from a normal Mainland China, it is more of a casual kind of a feel wherein you can walk in anytime and the best part is there is an operational leverage that we keep this restaurant open specially in malls between the 3 o'clock shutting it down we do not shut it down we have a special menu which is running in between 3 to 7 which is combo meals which is nice cheap and cheerful combos and people actually are walking in a mall situation people are eating and moving in and out of it especially when you have footfall. So hence it is a completely it got the DNA of Mainland China but it is a differentiated model and I can tell you from that numbers and the kind of feedback that we have got through our comments card plus the Zomato that we are getting a tremendous level of boost here with 90 cover restaurant 90 – 91 cover restaurant we are making 2.5 times of turnaround and which is the very good churn for us which a Mainland China normally has not been able to do it obviously because of the economy and et cetera. So what we are doing is that now we are going to bring these items into mainland China and the going forward all formats in all formats in within the malls will be our Mainland China Asia Kitchen because it is become more variety based and whether it is a Palladium and Phoenix Mall or DLF hub or 16 other places that we are discussing on it is going to be Mainland China Asia kitchen and the existing Mainland China will have a new page there will be a different page from the walks of Asia we will introduce these and I think this is a very good brand refresh very reassuring for us that people now would like to actually get a new taste and a new direction in terms of the palate change.

Kaustubh Pawaskar: Right sir. So you would be introducing this menu in your existing Mainland China Restaurants as well.

Anjan Chatterjee: Yes there will be one and a half pages of walks up from the walks of Asia main thing will be done and we are just ensuring that we do it slow and steady with the festival first we do a Asia Kitchen festival immediately put the same items in the menu.

Kaustubh Pawaskar: Sir one more broader question is it not fair that in such a business environment where you are seeing a slowdown in footfalls rather to focus on improving footfalls of your existing restaurants rather than going for adding new restaurants because you have been consistently adding 15 restaurants per annum and I think that would be your run rate going ahead as well may be in FY'15 and 16, but in such an environment it is not fair to add 8 to 10 restaurants and focus on improving the prospects of your existing restaurants.

Anjan Chatterjee: Let me tell you one thing both the jobs are very important for a strategic call, very simple business call, one we are surely trying to improve the existing one there is no doubt about that for example in the existing months we have introduced larger regular portions which have given us a tremendous level of boost people are ordering more regular which is cheaper and cheerful for them and smaller portion. Secondly hypothetically look at our balance sheet which has been mandated to open restaurants and we have a debt free balance sheet coming in and while we know that the existing environment was not the best but we knew that today, tomorrow and the day after we have seen 21, 22 years have taught us that there are cyclicalities which come in the economy and when the upswing comes in at that point of time it is a very difficult business we cannot scale up overnight it is not opening like a fast-food counter, it is fine dining chain so when you want to do that you would not have these are will you have the real estate because real estate will dictate terms nor will you have the opportunity and the staff recruitment will also change for you the training staff. So it is good for us to ensure that we consolidate and get more and more good locations obviously very well which is falling within the metric and now as I said earlier aha din aa rahe hai or aa gaye hain I am quite confident of the fact I am not there is a mandate in the government of India that this is the economy which is going to be the focus development so in this environment and we have seen the best of environment if you see that throughout our history we have looked at EBITDA which are around 32% - 33% earlier that may be exaggerated to a level because that particular point of time we have less number of stores now we have more number of stores so realistically I understand that but this is the business call we had to take and I think we have taken everyone all investors along with this to say that we are doing calculated number of expansion not for the heck of it not to prove it to me, myself or investors that we are opening a new store just imagine that revenue going up by 5% completely balance sheet changes and obviously the costs are being controlled as I said earlier we are not going to be import dependent very soon we are ensuring that the intelligence of ensuring that the cuts in fact for example if you are a non-vegetarian I can speak a little more about the butchery, butchery we were using all breast of chicken from there we found that the breast of chicken is not necessarily which is costly we have gone to the leg and we have gone to the wings and which is nobody is affected with that but we have been able to save a lot of cost so all these initiatives have been taken over a period of

time to ensure both the things are balanced together and we do not get carried away at any given point of time.

Kaustubh Pawaskar: Sir one more thing I just wanted to know how much is your imported raw material of your overall raw material cost how much it would be.

Anjan Chatterjee: 30% to 40% is imported; soon within next six months we are going to reduce that to maximum of around 15% to 20%.

Kaustubh Pawaskar: Okay and this commissary which you are talking about in Mumbai when you set up that commissary?

Anjan Chatterjee: The commissary was set up. We already moved out to Kurla and we did one experiment to do a small one we did not want to invest too much we saw that operation working very well with air conditioned van going in and this is just next to that we have already spoken to the real estate owner that we will take the larger space we have just taken it up investing some good money on that and there will be a trade shift you will have less number of people working there plus the real estate cost saved and next three months maximum we will have a fully operation commissary in Bombay in Calcutta we already have because in our training school which has been used as a commissary.

Kaustubh Pawaskar: Even the new commissary should also help you and in terms of operating leverage.

Anjan Chatterjee: Of course.

Kaustubh Pawaskar: And just booking questions I just to what was your cover turnaround for Mainland China and Oh! Calcutta for this quarter?

Anjan Chatterjee: This quarter it remained at 1.46 for Mainland China and 1 for Oh! Calcutta.

Kaustubh Pawaskar: And the number of restaurants addition would be 15 for FY 2015.

Anjan Chatterjee: In and around we would be touching that number it could be in the range of 12 to 14 or 15.

Kaustubh Pawaskar: But Mainland China would be maybe that the run rate would remain at around 7 to 8 per annum.

Anjan Chatterjee: Yes whatever we have been doing historically.

Moderator: Thank you. Next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Hi sir most of my questions are answered actually just in continuation on Kaustubh's question so one was on as you mentioned about Asia Kitchen so I just wanted to know how are the margins different there are those higher as compared to our normal Mainland China and approximately how high they would be?

Anjan Chatterjee: See margins have not necessarily changed, but what has changed is the number of people who are coming in there so the footfalls have gone up because of the fact that it is an all day dining, we just got the operational leverage from there plus it is more of a I wish I could show it to you it is more of a less intimidating fine dining place where you eat quickly come in and so the cover churn is more so our whole operational leverage is coming from there and the number for us.

Kunal Bhatia: So your churn there was you have mentioned 2.5 times and what is the actual ticket size?

Anjan Chatterjee: We are looking at around 550 or so.

Kunal Bhatia: And just one or two additional questions sir how much was the average ticket size for Mainland China in the current quarter?

Anjan Chatterjee: It is 655.

Kunal Bhatia: And for others sir?

Anjan Chatterjee: Others let's say in case of Oh! Calcutta it remained at 850.

Kunal Bhatia: Sir you did mention at this time your imported raw material was 30% to 40% of the overall raw material cost so how was that in the last year.

Anjan Chatterjee: Trend has not changed now only it is going to change.

Moderator: Thank you. Next question is form the line of Arjun Ashar from Envision Capital. Please go ahead.

Arjun Ashar: What percentage of your customers as and those who actually pay the bill would be below the age of 27 to 28 years?

Anjan Chatterjee: At the moment I think we could give a guess estimate so rough 30% to 35%.

Arjun Ashar: And secondly in terms of your formats do not you think in your portfolio we are missing a very informal pub like format which is not as formal as the likes of Mainland China because there are restaurants chain I do not know if you are aware but pub chains like Jughead's and Pop Tate's which are even reasonably full at 4 o'clock on a Saturday afternoon so are we exploring any formats of such as those?

Anjan Chatterjee: Yes, you hit the nail because I do not know if you have tracked it properly that there are two formats that we have given birth to, one is the Café Mezzuna which is already in Pune and Kolkata clocking very good numbers and exactly on the similar format but not as I would not say that it is a gourmet place but at the same time humble belief is that low price is not equal to low quality so what we have done is that we have had great quality at a very nice price so that the number of covers there are going to 400-415 Calcutta stores and in Pune also it is going to 300 so it is a all-day dining and secondly there is another one call Hoppipolla which is basically absolutely 18 to 24 brand wherein you only have youngsters and it is more alcohol driven and less food so both these brands have taken of; Hoppipolla is in Bangalore and one in Pune and Calcutta and we are opening three four more of them and we have a separate young team which were born after the 90's post 90's team who is managing them because at our age we do not understand that business so we have taken kids who are managing these two brands very nicely successfully and you should hear and keep a watch on these numbers and I think you will get very good surprises going forward.

Arjun Ashar: How many more such outlets we are planning to roll out in for Café Mezzuna and the other one which you just mentioned.

Anjan Chatterjee: Café Mezzuna will be six of them going forward and maybe depends on the real estate that we want because you need basically malls on high street but surely Hoppipolla we have already tied up there are existing assets which are lying within the company so we want to sweat the asset, for example our Mainland China has a 200 cover restaurant somewhere like for Andheri West so we are chopping one part of that and making a Hoppipolla out of that because there are two separate entrances, what we did in Indira Nagar as an experiment. same thing we did in Aundh, it was our own asset which was lying vacant, we chopped a little bit of mainland china, made a lovely place for them and similarly we have around within our own existing assets we have six or seven of them and going forward you should see a Hoppipolla in this year opening at least 5 to 6.

Arjun Ashar: So say three years down the line what percentage of your revenue do you expect to come from these formats?

Rajesh Mohta: It would be too early to work on that particular number because just two has got opened and what is happening like Mainland China which is the flagship brand continues to contribute 60% of the revenues and these are certain added let's say additions and fillers to improve upon and to get into the category like you all younger crowd and since the demography of the country itself is changing.

Arjun Ashar: Right, because when in this election itself you made reference to the election they were like 15% of the voters who are 18 to 21 years old when they hit the workforce and before they are burdened by their home loans EMI by the time they hit 30 they have a lot of disposable income which could be aptly spent at places like these.

Anjan Chatterjee: I completely agree with you and I wish you, you could come over and see a Cafe Mezzuna and see a Mainland China Asia Kitchen and Hoppipolla which are vibrant young when I go there I feel very old.

Arjun Ashar: Certainly I look forward to it. Secondly there was some news report recently which you denied regarding some acquisition so I just wanted to know your philosophy going ahead that you all are open to acquiring such new brands or all believe in generating your own formats and own brands.

Anjan Chatterjee: I can only tell you that you see mindless acquisition of any brands is not required, one of the biggest strength in specialty restaurants with god's grace all your support is that we are a home grown country which has been able to have a sustained growth and able to give a formidable brand like Mainland China over a period of 21 years in a high mortality rate. We are the only Indian DNA company, so we have the capacity to give births to brands, well thought-out brands, for example for a new Hoppipolla or a Mezzuna all of them are the examples so under no circumstance would we ever want to get into our space and even the global grill, Sigri global grill, Sigri which is becoming global grill now slowly, so these formats are home grown done by us worked hard so my question would be that taking an acquisition at that kind of thing, trust my word, there was a complete report coming out of nowhere, **(Unclear-37.37)** Economic Times but it was just one of those things so we have no philosophy to get into this because if we did not have the capacity of home grown brands being given birth and sustained we would not be where we are today.

Arjun Ashar: Alright thanks for that and final question how is Sigri global grill as a format doing?

Anjan Chatterjee: If you live in Bombay you should track Powai, you should track Malad and Bangalore and Chennai OMR, OMR which is a god forsaken place, in spite of that we are doing a cover churn around 450 people, 460 people eat out of that. So it is one format which we are

extremely bullish on Indians want to give a fixed meal but another thing I do not want to talk about the competitive brand which unfortunately due to their own weaknesses et cetera and we got inspired by a brand but we have completely changed the way we are looking at the whole thing and consistently over a period of one year in Powai we are seeing surge of covers and in fact even on a Monday to Tuesday we are unable to give space so we are extremely bullish, and we are doing touch wood very, very well.

Moderator: Thank you. Next question is from the line of Sonal Minhas from SAIF Partners. Please go ahead.

Sonal Minhas: Hi, sir Sonal from SAIF Partners, just I have a quick question on how the table turns for Sigri Global Grill has actually changed over the last year or so, you mentioned the total covers but just if you could share the number for the table turn that will be useful?

Rajesh Mohta: Global grill let's say Powai started last year for which we have 12 months number it started at let's say 1.5 now which is plus 2 on an average throughout the year.

Sonal Minhas: Okay got it and what is the plan for you to convert the remaining Machaan's and the Sigri outlet, is it on track what is the timeline which we should expect the format to consolidate it.

Anjan Chatterjee: Giving you a tangible example, Pune is rolling out, the Sigri has been already converted into global grill and starting off in next three days for trial, Calcutta Sigri next to the ITC Hotel Sonar is rolling out in next 15 to 20 days for trials so all of them are absolutely on track and there are six more which are being converted slowly and steadily we have started the project work, wherever we are getting a weak month like the monsoons are not very good a month for restaurant business especially in Bombay and others so wherever we get Machaan's already been converted, there is another Machaan which is there in Mani Square which intends getting in during the monsoon, so it is absolutely on track.

Sonal Minhas: Got it, this has a portfolio as a different customers clientele a kind of palate for people so do you expect this to have a higher table turn than Mainland China restaurants there is a very short duration of data that you have but fundamentally this should have a table turn of 2 to 2+.

Anjan Chatterjee: Yes, I will answer that. As you know the Indian mentality even there for fixed meal all inclusive people would love to go there and hog they do not need to look at the pocket so 16 of them go and absolutely eat like there is no tomorrow.

- Sonal Minhas:** Exactly they skip lunch and they will have dinner.
- Anjan Chatterjee:** That is what I am saying. So this format cannot go wrong anywhere but look at the buffets that we do in Mainland China, if there was any scope that I could do which I cannot do it overnight I would change the whole dinner pattern to buffets so everybody wants a fixed meal at a fixed price and they love to come and sit there and then go across, but for the fact that obviously they will have more number of people coming in but I do not think that as Mainland China comes back as the economy improves you will see things happening and even both of them will match.
- Moderator:** Thank you. Next question is from the line of Manish Poddar from Motilal Oswal. Please go ahead.
- Manish Poddar:** Hi sir could you give me an idea about how many of your stores are currently under the joint location format and how much is the difference between if you look at the operational profitability under the regular format and under the joint location format?
- Rajesh Mohta:** See as far as numbers are concerned we have 28 restaurants which are in combo basically where we have joint format.
- Manish Poddar:** How much is the difference in the operating profitability if you look at between the standalone store and the joint location store?
- Rajesh Mohta:** See there are certain economies on staff cost et cetera, it gets neutralized basically because what happens is it all depends upon the format and the location when there is a combination of the Chinese and the Indian cuisine.
- Manish Poddar:** Could you just give me an idea like you are maintaining the run rate of your stores at 15 if you see the economy revising would you look at upping the guidance from let's say from 15 to about 20 to 25.
- Anjan Chatterjee:** I will be very honest with you. This is a difficult business. It is not if I want to do 30 stores it needs huge logistics, it needs manpower, it needs trained manpower, brand standards will come down otherwise, so it is not very possible for us to overnight come across and do a 25 scale it up which is actually not the best thing to do because over a period of time we have to ensure that the brand standards do not go down so we would not do any kind of crossing our limits, operations have to be there, there have to be vertical, there have to be people who are manning it and there have to be controls in place so we just do not want to do this mindless expansion and not being able to control so even if it means that it gets bullish fine

fair enough so if we are doing around a run rate of around 12-13 we may up it by 10, 6 or 8 more but we will surely not get carried away to do 25 stores.

Manish Poddar: Okay and these new stores would be in the existing cities or would you be looking to explore new cities?

Anjan Chatterjee: All stores are being done within the, wherever we have the metro focus we are doing more of them but for example Global Grill which is primarily an Indian format with a bit of it international tweak in that, there is no reason it cannot go to Indore, we are opening it in Indore. In fact we are opening one in going forward we will doing one in Jamshedpur because Chinese cuisine as it is, beyond a point, I cannot go to Ranchi, of course but I will not do the footfalls that I would do it in Bombay so it makes sense to concentrate on the four, five metros primarily where we have not saturated as yet.

Manish Poddar: Just a broader question could you give me an idea like for the franchise model how many stores roughly would you be looking about let's say it is about three years down the line?

Rajesh Mohta: It is very opportunity driven, we are not looking on expanding our franchise model but yes in tier 2, 3 cities wherever we have some opportunities we might look at franchise but there is no grand plan per se to go on franchise route.

Moderator: Thank you. Next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Thanks again for giving me the opportunity. Sir can you just throw light on your international operations, what exactly the plans are and how are you looking the international operations from next two to three years point of view?

Anjan Chatterjee: See as you know that we already operate in Dhaka and we have now gone into Doha and we are starting up in next few months and going forward there is a discussion of a joint venture or maybe a master franchise in Dubai, now my only point would be that we were looking at an international and we are extremely bullish because we have a global brand, Mainland China is a global brand all our brand standards are international so we are looking at that opportunity but let me tell you one thing our concentration and our domination is in the Indian market and we want to continue and all the more this particular ache din we will not vacate the position of leadership and I think that the Indians have to only come out and eat a little more and my life becomes easier.

Kaustubh Pawaskar: Sir any plans like how you have come out with the format of Mainland China Asia Kitchen where your operational hours, increasing the operational hours because normally it is like three, three, six to eight hours of your business but any plans to increase it further to around 12 hours or 13 hours kind of thing?

Anjan Chatterjee: For example Café Mezzuna is a format where we start in the morning at 11 and we shut it at 1 o'clock and that has already given us a direction and the Calcutta store and the Pune store shows us that there is a huge potential we have got it right, if you have somebody in Calcutta just call up and find out what is Café Mezzuna all about it has created history touch wood. We have got the formats right, we have got the master chef and we are now going to be replicating and trying to learn from these mistakes and breakfast to dinner is what we want to do going forward similarly in Hoppipolla which is exactly an all-day long especially during the day we see a nice package which we are giving to people, people may or may not want to drink excepting the weekend but surely people are coming to eat we have a DNA of good food we are a gourmet company, we cannot give bad food so we continue to open, so these two formats have already given us a direction and the global grill which anyway people eat till 4 o'clock so 4, 4:30 we close and then at 6.30 there is a queue for the kitchen.

Moderator: Thank you. Next question is from the line of Bhautik Shah from Span Capital. Please go ahead.

Bhautik Shah: Good afternoon actually I had a couple of questions you have around 100 odd restaurants today so what is your plan let's say three, to five years down the line how many restaurants are chains you plan to have do you have any three to five years plan?

Rajesh Mohta: Anjan Mentioned we are looking at expansion of 15 restaurants maximum in a year so if you look at the next three years plan we would add another 40 to 50 restaurants of which let's say for instance in that case what will happen is see today whatever numbers we have on Mainland China we would have 100 Mainland China's in let's say three to four years time.

Bhautik Shah: And you have so many brands 10 to 12 brands of restaurants which is your key or key focus area because too many brands managing those 12 brands would also be very difficult right.

Anjan Chatterjee: I would explain this to you, see what you see there, there may be a shack or a kicks bar or you may see a small here and there but the major focus continues to be on Mainland China which is our flagship brand supported by the Sigrí Global Grill which is an Indian format and we cannot go wrong, we do not want to experiment in anything else excepting the all

day dining which we have done for Café Mezzuna and the Hoppipolla because we were not in the space of 18 to 24 and let me tell you with reassurance that both these formats with god's grace have given us a tremendous level of trigger and boost that we have experimented and we have been able to succeed so hence the rest of the thing which you see Oh! Calcutta is a very niche brand excepting in Delhi that we have expanded in one place we have already shutdown our Pune restaurant we maybe shutting down another restaurant very soon so there is no way that we will, it is a niche cuisine it is one of the prestigious brands of ours, we are very proud of it is got the Asia's Top 50 Restaurant award but we will not expand that because it is a niche cuisine so it is between everything you will see going forward is between Mainland China and Sigri Global Grill coming across with Mezzuna and Hoppipolla supporting it.

Bhautik Shah: And typically in your kind of business what kind of asset turnover ratio should I see because you have a gross block of around 150 Crores so what kind of revenue is possible on this I know you can also venture into franchise model and all but let's assume on your own restaurant what kind of asset turnover ratio can we see?

Rajesh Mohta: Since it has been two times we look forward for the same.

Bhautik Shah: Sorry.

Rajesh Mohta: We look forward for the same numbers.

Bhautik Shah: So you are saying on the existing restaurant the revenue cannot go higher from here, because you are already at two times.

Rajesh Mohta: Yes what happens is primarily because of the stability of a restaurant like say earlier question there was like three hours lunch and three hours dinner we do not have the flexibility of running all through constraints on increasing that volume so that is the only reason why after stability it continues at the same levels.

Bhautik Shah: And just to understand in terms of margins what are some of your older restaurants doing are those doing a 20% - 25% plus margin some of your older restaurants which have been open two to three years.

Rajesh Mohta: Yes, the older restaurants are very steady basically because what happens is like say I said about the plateau conditions of revenues, it continues on the same levels, we do not find a major drop, but yes when the headwinds have been there, there were plus and minuses but

overall it is stable and now since everybody has been saying ache din aa gaye hain, it is bound to improve.

- Bhautik Shah:** So just on a lighter banter, ache number cub aayengay?
- Anjan Chatterjee:** Aapke mooh mein ghee shakkar, vodka shakkar, ab isi ka intazar hai, we are waiting for this, if you have fait, insha allah everything should go in because we just need a 3%, 4% revenue growing and the whole balance sheet changes. I am telling you I am extremely happy that we have been able to capture a large size of the market when things were down, rest of India rest of the restaurants were not expanding but we did the right thing and I am not a **(Unclear-52.51)** I cannot tell you what will happen in the present and future but with the government coming in everything happening it can only go up, it cannot go down.
- Moderator:** Thank you. We have the next question is from the line of Kunal Bhatia from Dalal & Broacha Stock Broking. Please go ahead.
- Kunal Bhatia:** Sir I just you could give some sense on how was the same store like the same restaurant growth in Q4 and the full year.
- Rajesh Mohta:** Q4 was down.
- Kunal Bhatia:** By how much percentage?
- Rajesh Mohta:** It would tantamount to around 4.4% and specially what happens is since February month you have lesser number of days and in any which way there was headwind and there was a pressure on margins and since the price and specially what happens is that this is fourth quarter which is generally out of the four is one of the bad.
- Kunal Bhatia:** Yes, and how much for the full year?
- Rajesh Mohta:** Full year if you look at it is almost like flat kind of a scenario.
- Kunal Bhatia:** Sir and any price increase we intent to take in the next quarter?
- Anjan Chatterjee:** I can only tell you what is happening is that to us it is a very serious call whether do we retain our footfalls are try to increase them or make it more intimidating and difficult for the customer to come in. I think we have passed the worst. The worst has gone by. There can be only good things happening and everybody is ready to give you a 5%, 7% increase and people absorb that over a period of time so I think that I cannot tell you a specific timeline but the earliest possible opportunity we have we will surely do that.

- Kunal Bhatia:** Okay sir and one last question was how is the home delivery business going on currently?
- Anjan Chatterjee:** I must tell you that that is one thing we started the endeavor and we have been very, very, very happy about this and to the extent that today we have got a special software app coming in very soon and a whole business of what is happening is that there are mom and pop stores, there are neighborhood stores giving Chinese food at a cheap and cheerful rate we obviously cannot go to that level but then we have taken step that we do not charge any service charge on the delivery. We are giving them a calculated reduction coupon so starting from a Rs.2000 to Rs.5000 people can get at least minimum of 15% to 25% to 28% so these are reduction coupons rather than giving them discounts so they come back to the restaurant and spend that money so that has been working very well.
- Moderator:** Thank you. Next question is from the line of Dhruv Changoiwala from Diligent Corporation. Please go ahead.
- Dhruv Changoiwala:** Anjan I just wanted some clarity, you said that 30% to 40% of imports were come down to 15% to 20% so what kind of impact will it have on your operational cost in terms of whether the cost savings will then be given out as savings for the customers or you will look into putting it into your margins?
- Anjan Chatterjee:** See I will not go on record to say that how much percentage would it be because we are still in the process of experimentation one thing we do not want to do at any cost the brand standard should not go down. See we have never compromised on our quality we are a quality company so that is why we are sustaining over a period of time, the delivery and the offer has to be consistent. So just in the process of being done we would not like to comment a specific number but surely as we go in and we will be able to know it in the next quarter exactly how what is the component we have been able to bring down and tell you the specific number.
- Dhruv Changoiwala:** And on the Asia kitchen part so going forward the focus largely would be on launching more of Asia kitchens and also adding value to the Mainland China offering is like you said page and a half for the new offerings.
- Anjan Chatterjee:** Yes of course I will tell you why, see it is a brand refresh and it a successful brand refresh see even Unilever to any company P&G they launched 10 brands out of that only two brands work. I am extremely thankful to god and my team and investor support that they have allowed us to take these quantum leads and experimenting and going to the untraveled horizon where out of the four brands I must tell you with a lot of pride without being arrogant touch wood, there were two things, don't expand, sit tight, have lots of money in

the treasury and look for the economy to change, do nothing. W said no here is an opportunity let's track the areas we have never gone in Hoppipolla 18 to 24 touch wood both of them are exceptionally good EBITDA margins. Second is the Mezzuna all day dining see what we did is if we wanted to get out of this three hour, three hour kind of a trap so what we did was Asia kitchen is one example where we got the operational level where does this come from it can only come from the operational leverage that we can take by increasing the number of hours and keep the store open because rest of the cost is fixed and same with Global Grill. So all four brands of ours if you track the numbers you will understand that they are all touch wood again are already on track in an economy which is very bad, just imagine as we open more of them four Sigri are being changed in next quarter within this quarter and everything is planned, very well rehearsed plan and fortunately we do not need to change everything in a Sigri because Sigri is a Sigri we are making changes in terms of the format of the furniture fixture and the kind of chimneys et cetera coming in we have a project team each of them working very, very diligently and we have a as I told you that we have got our team which is 90 plus born for this 18 to 24 space which is the bunch of very young dynamic boys and girls who are tracking the Hoppipolla and the Mezzuna kind of a space so I am saying that all of this is actually very, very encouraging for us and we are very happy that the economy is turning towards betterment and the any increase of 3% to 4% of our topline will change our balance sheet.

Dhruv Changoiwala: And the setup cost for our Mainland China as the Mainland China Asia kitchen are they more or less the same?

Anjan Chatterjee: Yes more or less the same.

Dhruv Changoiwala: It is like 2.5 Crores.

Anjan Chatterjee: Yes in and around.

Dhruv Changoiwala: And on the Machaan and Sigri do we see these brands kind of getting sidelined or moved out of the bouquet?

Anjan Chatterjee: Machaan anyway has to be going out of the bouquet for sure, what we are doing is that Sigri is becoming Sigri Global Grill Powai, if you see the Malad, Chennai and the Bangalore and the new ones everything is Sigri the crown is Sigri and then we have a global grill we have just expanded the horizon of Sigri.

Dhruv Changoiwala: And on Dubai you said that you are exploring a JV or you already discussed it.

- Anjan Chatterjee:** We are discussing.
- Dhruv Changoiwala:** Okay by first quarter, second quarter I mean it was in the next couple of quarters can we have that...
- Anjan Chatterjee:** Insha Allah again Dubai's language I think we would be able to, we have been very serious, see what we did not do is that we did not want to get tied up with the wrong partner and a short-term person, we wanted to get a right kind of DNA who is already in the space fortunately one of them is in the space they have a huge commissary, see it is not just taking money and giving somebody master franchise or doing a joint venture, the people we are dealing with should have the similar kind of long-term thinking, they should have a qualitative understanding and keeping the brand standard in the long-term so getting that kind of a DNA takes time I think we have been able to shortlist someone, in fact as of yesterday we had a morning meeting breakfast meeting so everything goes well Insha Allah, we will be able to next quarter or so we can give you a good news.
- Dhruv Changoiwala:** And since you have a commissary in Kurla you think there is a possibility of a QSR kind of a model that can take shift.
- Anjan Chatterjee:** Let me tell you one thing there could be a possibility of course but we worked 18 – 19 hours I should tell you, so as you know we are inspired by the Honorable Prime Minister Of India who sleeps only four hours so there is a passion here so I think we are all getting inspired, a corporation can only give birth to an opportunity which is given within the given time I wish there were 36 hours or 48 hours in a day so I do not want to get myself going into a level and I can only say this to you humne aaj tak koi bade chaal nahi kidney hai, karengay zaroor, bade chaal nahi karengay, kuch karengay tho soch samaj ke karengay, we would like to strengthen the space which we have
- Dhruv Changoiwala:** Any fundraising plans that you have in mind?
- Anjan Chatterjee:** Filhaal Balance sheet bari hui hai. Koi zaroorath padi tho aapko phone karengay.
- Moderator:** Thank you. We have a follow up question from the line of Prakash Kapadia from Ialpha Enterprises. Please go ahead.
- Prakash Kapadia:** Sir just a small request if we can two three page are just disseminate key parameters like same store sales growth, price increase contribution on a quarterly basis before the con call make call much more meaningful and add value to.

Anjan Chatterjee: I think that is a very good suggestion and I think we will definitely take it up and then it will be easier for all of us to be on the same page.

Prakash Kapadia: Absolutely sir a small request.

Anjan Chatterjee: Thanks for the suggestion.

Prakash Kapadia: Thanks bye!

Moderator: Thank you. As there are no further questions from the participants I would now like to hand over the call back to the management for their closing comments. Over to you sir.

Rajesh Mohta: Ladies and gentlemen it was a pleasure talking to you all and we thank you on behalf of the management and look forward to your support in the quarters to come. Thank you so very much.

Moderator: Thank you all. On behalf of Kotak Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.