



“Speciality Restaurants Limited
Conference Call”

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ANALYST: MR. ANAND SHAH

**MANAGEMENT: MR. RAJESH MOHTA
MR. PHIROZ SADRI**

Moderator: Ladies and gentlemen, good day and welcome to the Specialty Restaurant 3Q FY 2014 Earnings Conference Call, hosted by Kotak Securities. As a reminder all participants' 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 "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Shah. Thank you and over to you Sir!

Anand Shah: Thanks Chitrasu. Hi! Everyone and welcome to the 3Q FY 2014 Specialty Restaurants Earnings Conference Call. I welcome you all on behalf of on behalf of Kotak Institutional Equities. We are joined by the senior management of Specialty Restaurants represented by Mr. Rajesh Mohta – Executive Director Finance and Mr. Phiroz Sadri as a Chief Operating officer. I will now hand over the call to Mr. Rajesh Mohta to discuss the recently announced earnings. Thanks and over to you Sir!

Rajesh Mohta: Thank you Anand. Very good evening and good day to all the participants who have joined the call. We welcome you for this earnings call for Q3 Financial Year 2014. We had a Board Meeting and published the data yesterday to Stock Exchanges which I presume some of you would have opportunity to have a look out the same. Just for the reminder purposes I would just brief the numbers which we had in this particular quarter.

The income total revenues in the Q3 increased from 61.15 Crores to 72.20 Crores, registering an increase of 18.1% year-on-year basis with an increase in EBITDA from 12.64 Crores to 13.67 Crores, registering an increase of 8.15% which PAT remaining flat at 6.70 Crores vis-à-vis 6.67 Crores year on year basis.

The total revenues for the nine months period had been 196.35 Crores registering an increase of 16.5% with an EBITDA of 34.45 Crores, registering a degrowth of 1% year-on-year basis and a PAT of 15.46 Crores with a degrowth of 14.4% year-on-year basis.

Q3 increase in PAT has been attributed primarily to our price increase which we took in the month of end November. The momentum of December revenues continues to be there in January. We were very skeptical from September 2011 to take a price increase because we wanted to maintain footfalls in our Restaurants and post November 2 fortnight price increase we find that the footfalls continues to be same, resulting into a same store sales growth which has been very flat for quarters and even in Q3. These are the highlights and now I request all the participants to throw questions so that we are able to answer to the satisfaction. Thank you.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from Prakash Kapadia from I-Alpha Enterprises. Please go ahead.

Prakash Kapadia: Thanks for taking my question. Sir if you could enlighten on us since the IPO over the last few quarters, we tried and experimented with some of the new formats and some of them are being reasonably okay, so given the current environment is the focus there what we had highlighted at the time of the IPO that Mainland China would continue to be the biggest growth driver or because of lower footfalls or higher inflationary pressure we have gained some insights and some decent confidence to scale other formats? That was my first question. Secondly if you could give us some color on you know the recent JV in Doha so is that part of derisking India given the current environment or it is again a part of an international expansion so what kind of contribution you see from international market over the medium term? Thirdly we have seen a decent sales growth of almost 19% in year-to-date nine months results, despite that because of higher raw material cost and we have seen front ending of employee cost, we have seen a margin decline so, from year on given the current environment what is our sense on margins broadly these are the three questions?

Rajesh Mohta: Thank you Mr. Prakash. I will answer first question on the flagship brand. To reiterate that Mainland China continues to be the flagship brand of the company, all other brands or we may call the power brands which are there like Oh! Calcutta and Indian brands which is coming under the Umbrella Sigree Global Grill, they have seen during IPOs, that we used to have Sigree, Flame & Grill, Machaan and Just Briyani, which were all Indian Cuisine brands now the consolidation is happening that we would like to have an Indian brand which would be under Sigree Global Grill Pan India basis, so that is the only reason why we are trying to convert few of the Machaan and the Flame & Grill and the Sigree over a period of time to build a Indian Cuisine brand under the brand Sigree Global Grill which would become a power brand added to the flagship brand of Mainland China. But the focus of the management and the organization continues to be there on Chinese Cuisine and we have been expanding as committed during the IPO that 60% to 70% of the expansion centre around Mainland China.

Prakash Kapadia: Okay so no broad to change that?

Rajesh Mohta: Yes. Now answering this particular question with an added remark is like trails of Mezzuna etc., because what is happening is there is a change in the dynamics of the restauranting business. The Fine Dining continues to be for our Lunch business and Dinner business, so we wanted to get into a slot which is the B to D which would be Breakfast to Dinner, that is the only reason why we launch the Mezzuna in Pune on a palate basis in the month of April of this financial year and for the information, I would like to convey that Mezzuna Pune has been awarded the Awards in the Pune Times Food Guide, which has happened a few couple of weeks back. So this has given us an impetus and we are opening a second Mezzuna very soon, today itself we have opened Mezzuna in Forum Mall, Calcutta. The idea behind this is let us have the cycle which is already there because what is happening to have sweating of assets, have assets turnover more Breakfast to Dinner proposition is the better proposition vis-à-vis Fine Dining but Fine Dining continues to be there.

- Prakash Kapadia:** Actually the Sigree Global Grill is a very good format, I visited one in Malad. It is a wonderful concept, congrats for that.
- Rajesh Mohta:** Thank you, very much, Mr. Prakash. That is the real reason why we are opening more Global Grills, like we converted one of our Machaan Restaurant in Malad Mumbai to a Global Grill. Answering your Doha question, Doha is the first joint venture we have entered into overseas which is only for one Mainland China and idea behind this is it's not like derisking India. The India consumption would continue to be there. It is a matter of time which is been looked at, but the whole idea is the brand which has been established all across and with the Indian dais, being available in those countries we would like to capitalize in the brand so that we have international presence in the Middle East to begin with. Thirdly, you had asked about the margin pressure despite having sales growth. See primarily what had happens since there have been a pressure on discretionary spends the new restaurant which we had opened during this particular financial year from April the front end cost as you had rightly said and the breakeven which we used to have in three to six months time have got extended resulting into a pressure on margin that is one, second there has been an inflationary pull which increased our raw material cost so these are the two factors which had an impact on that margins and to neutralize impact of this kind of a price increase on inflationary basis we have taken a price increase which we have already shared with you, this cost curve in my view would turn into a revenue curves in months to come.
- Prakash Kapadia:** So next year we could expect a slightly better margin profile?
- Rajesh Mohta:** We hope so.
- Prakash Kapadia:** Lastly if you could give us some sense on the outdoor catering opportunity margins profile vis-à-vis current businesses because we were experimenting that in the eastern part so any sense you could give us on the outdoor catering I think 'Mobi-Feast'?
- Rajesh Mohta:** See 'Mobi-Feast' is more focused on Eastern India and there have been a revenue increase vis-à-vis what we used to do earlier when you talk in terms of margin those are higher than what you get into restaurants but it depends upon the scale of the catering opportunity which would do there, but since we are into niche catering we have been able to take parties which are in the range of 1500 to 2000 guests also. That is the business which has grown and since we had done IPL catering for KKR in Calcutta during the Q1 till November we have a revenue increase of roughly 45% over year-on-year basis.
- Prakash Kapadia:** That would be what 4-5 Crores business as of now?
- Rajesh Mohta:** As of now it is touching Rs.4 Crores.
- Prakash Kapadia:** Thank you. I will come back if I have more questions.

- Moderator:** Thank you. Next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia:** Sir my first question is on the new restaurant opening. I see we have two strategies, one in the same location close the existing restaurant and change it to Sigree Global Grill which you have done in couple of restaurant even Mezzuna was done the same way? Second is close on down the non-profitable restaurants, so could you share with us which restaurants we have closed because our non-profitable and going forward what will be the strategy or how many restaurants do not fall under our scrutiny of profitability which we could closures?
- Rajesh Mohta:** To answer this Mr. Ankit, what happens is the last closure which we had done which is ‘Haka Bhubaneswar,’ we did not see a visibility in continuing around that Haka Bhubaneswar and not being into a focus into that category. Most of the Hakas we would have seen from 2007 onwards we have closed two in Bombay earlier etc. so this is one closure wherein the profits were not there. Now answering the second question like conversion from an existing space what primarily happens is since that property is on a rental for a nine year or a 12 years or a 15 years basis it makes more sense for us rather than to venture into a new property than to do a format which is making more revenues. Like in case of Machaan Malad we converted from Machaan Malad to a Global Grill because the tenure of the agreement is much larger and pending is still there.
- Ankit Kedia:** So the incremental cost if we do that would be lower compared to a standalone restaurant separately we would do? How would be the Capex for a just converting the restaurant in the existing property vis-à-vis making a new restaurant completely different could you share that dynamics?
- Rajesh Mohta:** Sir what happens is the interior does change with the brand profile like say for instance when we had an Oh! Calcutta converted into a Mezzuna the interiors absolutely got changed the basic infrastructure facility which we had with respect to the back area which we call as the kitchen is called as ‘Back area’ there we utilized the existing setup itself to the extent possible No.1, No.2 new restaurants when we put we take the properties on (indiscernible) 13.03 basis so the entire civil like even the flooring etc., is done by us, so that get utilized when we convert into a second restaurant.
- Ankit Kedia:** Sure, so the cost saving could be upwards of more than a Crore?
- Rajesh Mohta:** Could be more on civil which could be in the range of Rs.50 to Rs.60 lakhs because what happens is see this closures are happening after two three years of operations so there is a depreciation which also get a charged to profit and loss account.
- Ankit Kedia:** Sir my second question was on the other operating income which we get from franchises, we have seen a strong growth are coming out there so could you share with us the breakup of this

how much is one-time which we get from the franchises and second part of that would be how much is the royalty share we get on regular basis as a percentage of topline?

- Rajesh Mohta:** This is the combination like one time and royalty management. Royalty management fee is roughly around Rs.50 lakhs a month at this point of time the kind of revenues which are getting generated on the franchise restaurant, balance come from the IAPs which we book when we get into franchise arrangements like we have taken franchise done for Tanzania Mainland China in Global Grills.
- Ankit Kedia:** In the first nine months we have clocked around 13.8 Crores so would it be fair to assume the Rs.50 lakhs run rate we would have done around?
- Rajesh Mohta:** Rs.5 Crores to Rs.5.4 Crores.
- Ankit Kedia:** Sir my third question was on the Home Delivery where Just Dial is claiming it is getting strong traction from most of its Home Delivery since we have tied up with Just Dial as well for Mumbai city how is our response on Home Delivery through Just Dial?
- Rajesh Mohta:** Ankit, my CEO is responding to yourself on this question because that is being directly handled by him.
- Phiroz Sadri:** Just to keep you posted on your query, the response itself has been very encouraging; however, there are still some back end issues in terms of support facilities and coordinations which need to be tied up seamlessly before we go national on that.
- Ankit Kedia:** Because margins would be higher for Home Delivery so can we expect more than 5% revenues for next year and next to next year on back of Home Delivery or would it still be lower than that?
- Rajesh Mohta:** Sir, you are putting numbers to my mouth but yes we look forward for that because we have certain data's of other restaurants which do 20%-25% on delivery.
- Ankit Kedia:** Thank you so much. That is all from my side.
- Moderator:** Thank you. Next question is from the line of (indiscernible) 15.55 from Idea Wealth Management. Please go ahead.
- Unknown Speaker:** I just wanted to know, what is the proportion of Home Delivery is to our total sales is that increasing or is it at a regular trend? The other was we had about 99 restaurants as of September. Have we added anymore in this quarter? Are we planning to add anymore up to March? The last question was regarding the proportion of Mainland China revenues to the total revenue? Is that still around 59% - 60% or as it come off a bit?

- Rajesh Mohta:** Answering your first question, we have opened five restaurants in this quarter one, and today total including confectioneries and franchised on the company operated-restaurant we are having 104 which is 90 restaurants and 14 sweet Bengal confectionary shops. Number two, on the delivery front have been slow and steady like as Mr. Phiroz just now answered that we are trying to overcome all kinds of backend issues which we have because launching on a national scale basis and being into service industry we would not like to get into a situation where we are not able to render services to the guest. We are trying to make it full proof before going ahead on a national scale basis. The percentages are still the same kind of a thing because it is more centered on Western India. Still Mainland China continues to be at 59% there.
- Unknown Speaker:** So proposition remains the same?
- Rajesh Mohta:** The same.
- Unknown Speaker:** Thank you very much.
- Moderator:** Thank you. Next question is from the line of Saurab Sunatra from TVC Securities. Please go ahead.
- Saurab Sunatra:** I have a very general question on the strategy that the company have adopted while thinking of conversion restaurants, so I would want to what is the total number of restaurants that are currently in your process or in the mindset that they have to be converted to Sigree Global Grill and what was the idea or the end output that the management has thought that want to achieve in terms of number contribution to the overall business by converting? What sort of savings have you thought of and what is the end goal of this? Secondly it's on the geographic expansion within India so there are certain cities where we have five to six stores as would I request you if you would let me know what is your expansion that you have thought of given that certain cities have already had Mainland China's may not be able to take more so that is the thought process on that in expanding the geographical footprint within India?
- Rajesh Mohta:** The first question for conversion of restaurants, see the idea behind Sigree Global Grill was that we would like to have a national brand across cities since we have presence in 26 cities with Mainland China being there in each an individual city and more number of Mainland China is in certain cities the idea behind this was to have a power brand. You would have seen Mr. S. M. Datta is the Chairman of our Board who is an Ex-Unilever Chairman the major concern was if you have so many Indian brands whether cuisine is more or less the same you cannot get into a building up a power brand, the way Mainland China has become for Specialty Restaurants, so we have Flame & Grills let us say today also we run five Flame & Grill and five Machaan despite one conversion so the first probability of converting those Flame & Grills into Global Grills and Machaan into Global Grills is the focus area for the company so that the brands are under one and we have a brand which could be taken on a national scale basis which gives us a let us say

leverage to advertise on a national level, because for Mainland China we are on Print Media, we are televisions etc., not for other Indian brands, so that is strategy which is very clear from the management that we would focus on the second Indian brand which is Sigree Global Grill to become a power brand along with flagship Mainland China.

Saurab Sunatra: Just a follow up on the same thing that if we convert so one was how many restaurants do we want to consolidate into Sigree Global Grill, do we want to give out Machaan and the other chain, and just get them into one and once we are done with that and we go national in terms of advertising what is the thought of ATL that is left us, the above line expenditure that is been left with us which we can either save or then comes up more in the market to bring forth the Global Grill brand?

Rajesh Mohta: See what happens is, since the revenues are growing the percentage even despite remaining 1.5% to 2% and since we also get a reimbursement from various companies as a sales promotion support we would be able to have a quantum which would be more and the idea behind Global Grill is like we have now taken various premises where we have Mainland China together with an Indian Restaurant there are economies of scale, there are areas of kitchen which get reduced so there are tangible and intangible benefits of having both the brands together at particular places.

Saurab Sunatra: But we have not thought of anything quantifiable that this is what we can do some internal approvals and savings to put into Global Grills?

Rajesh Mohta: See since we have already started now. We have four Global Grills running and it is in a phased manner we would be doing it. It cannot happen overnight but the plans are there.

Saurab Sunatra: Thanks a lot.

Moderator: Thank you. Next question is from the line of Abhishek Ranganathan from Citi Group Capital. Please go ahead.

Abhishek Ranganathan: Sir question on setting our Mainland China stores, you mentioned that we largely being a fine dining, we have not been able to set it as much as let us say other format is, but I understand that in some initiative which you have taken is some of the malls is to try an offer, have some offerings between the Lunch and the Dinner time also a) one is how far is that coverage reached and b) is that, as a result of this would we consciously look at opening these in more malls, Mainland China in more Malls rather than standalone?

Rajesh Mohta: I appreciate what you are trying to say, that is the only reason why we are getting into we have taken a premises in Oberoi Mall in Gurgaon, Mumbai wherein we wants this Mainland China format to be an all day Dining format with rechristened as Mainland China Asia Kitchen so that, during the period between Lunch and Dinner also the restaurant is open but this Mainland China Asia Kitchen would have 60% to 70% of the items which are there in Mainland China, the

balance 30% a Kaikari, Susee etc., so this is one particular format. The idea behind this was to capitalize on the break period to add on revenues because most sense we work in a very high operating leverage environment the increase in revenue contributes subsequently to the bottomline so this particular format is already in palace and which would happen in places where you know we have footfalls basically which would be into malls.

Abhishek Ranganathan: So Sir, would it be correct to say that we would be opening more amount of Mainland China in Malls?

Rajesh Mohta: Not really because what had happens it is a strategic decision when it depends upon the location per se because Mainland China is not necessary we have created destination and we continue to do that. It is only when we find that there is a big good opportunity in getting into a mall which has very high footfalls this kind of format would be tried at.

Abhishek Ranganathan: With regards to the Home Delivery portion I think we have somewhat initiated Mainland China is that somebody which you want to extend it and how can we extended to the other formats if we at all plan to do it?

Rajesh Mohta: To begin with we are doing it at Mainland China and an opportune time because what happens is if more cuisine specific so we are working towards Mainland China primarily at this particular point of time.

Abhishek Ranganathan: Just one last one is that how far you have been able to tap our clientele base based on loyalty and some promotions with that, how far we have been able to achieve that?

Rajesh Mohta: Yes we have been very successfully launched our revise Specialty Preferred Card basically where the tracking mechanism etc., have all been build, we are just getting into the software so that and we have created the team which works under a Guest Relationship Head. There are four people who just monitor the guest preferences, number of visits and the amount of spending so that preferred card possibility has already started working and we are working towards that in a big way.

Abhishek Ranganathan: So the analytics of those would aid you to customize and offer other things in the future?

Rajesh Mohta: We have let us say from a tie-up perspective we have already tied up with ICICI Bank for their offers to their members who have Debit cards and Credit cards for a year.

Abhishek Ranganathan: All the best. Thank you very much.

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

- Kaustubh Pawaskar:** Thanks for giving me the opportunity. Most of my questions have been answered. Just a couple of questions Sir, we had seen that food prices have recently softened a bit and you have taken a price increase so from margin perspective would we see better margins in the coming quarters in terms of gross margins I am talking?
- Rajesh Mohta:** Sir what happens is we get into a contractual situation. It is likely weekly, or on a monthly basis we do have an impact so it all depends because we are getting into our tendering process which would be completed by March and from first have new contracts in place. In fact this reduction which has happened recent times would be felt more in from April onwards.
- Kaustubh Pawaskar:** So from April if prices sustains at current level then you should see better gross margins?
- Rajesh Mohta:** Gross margins.
- Kaustubh Pawaskar:** Sir, what was the quantum of price increase you have taken?
- Rajesh Mohta:** We took the price increase ranging from 4.5% to 4.75%, on a blended basis it would be less than 5.
- Kaustubh Pawaskar:** What was the covered turnaround of your two key brands, Mainland and Oh! Calcutta for the quarter?
- Rajesh Mohta:** For the quarter it remind at 1.54 for Mainland China, for Oh! Calcutta it is 1.18.
- Kaustubh Pawaskar:** Sir just to understand a strategy going ahead since you are converting your Machaan and Sigree Global Grill so going ahead three focus brands will be Mainland China, Oh! Calcutta and Sigree Global Grill or you are also focusing on Mezzuna which you are planning to add on in some other cities elsewhere?
- Rajesh Mohta:** This is one pilot which had happened and the second one is open today we will wait and watch exactly what kind of revenues etc., and what profitability the brand gives us and the calls would be taken accordingly.
- Kaustubh Pawaskar:** But for the other three brands would it be the three key brands for you going ahead?
- Rajesh Mohta:** Expansion is focused on Mainland China and Global Grill.
- Kaustubh Pawaskar:** Okay so even Oh! Calcutta would be.....
- Rajesh Mohta:** Statistically if you look at the brand we will not be expanding in a big way on Oh! Calcutta.

- Kaustubh Pawaskar:** How confident are you that post the revival in overall macro environment you expect things to you know fast turnaround for you, is it going to take time or you will see quick turnaround in terms of you know sales in your restaurant at Mainland China or some of your other brands?
- Rajesh Mohta:** Sentiments will get improve when people start coming into restaurants to eat would be a beneficial position for us not for that.
- Kaustubh Pawaskar:** That is true, but do you expect it to happen in a quick succession post the revival or it will take some time for you?
- Rajesh Mohta:** It does not take much time once the sentiments improve because we had seen earlier also, the day the sentiments improve people starts spending this becomes a first spending points for them.
- Kaustubh Pawaskar:** Thanks.
- Moderator:** Thank you. Next question is from the line of Pratik Biyani from Standard Chartered Securities. Please go ahead.
- Pratik Biyani:** Sir you mentioned about the pressure on discretionary spends now in that light lot of QSR players have reported the results their performance are significantly deteriorated over the last three four quarters as chain stores sales have even went down to negative territory but somehow for us intuitively Fine Dining is supposed to be hit the most but for us we have maintained our same sale store sales growth in the flatish range for about quite sometime now. So what will you attribute this to sir, is it because of the lower base that we have or some innovative or promotional offers that we are making what will you attribute this to?
- Rajesh Mohta:** See what happens is in case of Fine Dining as far as weekend business is concerned it is all through and we are a family destination so birthdays, Anniversaries continue to be there people spend it is only the corporate which has not been spending during the week days wherein we had a Head, so we look forward for when I was referring to the sentiment the moment there are sentiment which are good at corporate level people will start coming into the restaurants during week days when the revenues for our restaurants would also increase.
- Pratik Biyani:** So has there been any significant change in your percentage of contribution from weekend sales?
- Rajesh Mohta:** Weekend sales continue to be higher for last few quarters' weekend sales is more than 60%.
- Pratik Biyani:** On Mainland China in particular your overall company level margins are around 15% if you can break it up let us say for Mainland China how much would that be margin brand wise if possible?
- Rajesh Mohta:** This is something which has not there in public domain Sir.

- Pratik Biyani:** Will it be fair to assume that it will be significantly higher than your company level margins at least 5% to 10% points higher than your company level margins?
- Rajesh Mohta:** Yes Sir.
- Pratik Biyani:** Sir, on your expansion plans so to so any plans that you have frozen as of now on how many stores you plan to open for FY 2015?
- Rajesh Mohta:** FY 2015 would be in the range of 12 to 15 what we had been saying. It will all depend because it is a dynamic situation we do decide on let say this particular financial year we would be, we have already opened 12 restaurants company on company owned operated and another few are there in this month of February and March so this number should be an historically we had been opening this numbers primarily.
- Pratik Biyani:** That is it Sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Thanks for the opportunity. Sir I just had few questions, Sir you mentioned about the churn so how much is it in absolute average spend currently for the quarter Mainland China and others?
- Rajesh Mohta:** Currently in Mainland China it is continues to be at 675 plus.
- Kunal Bhatia:** Others it would be Sir?
- Rajesh Mohta:** Let us say in case of Oh! Calcutta the average is touching 900.
- Kunal Bhatia:** Sir and how much would that be for Sigree and Global Grill?
- Rajesh Mohta:** Sigree Global Grill let us say for instance in this particular quarter it was at 625 average because we have differential pricing for the week days and the weekend.
- Kunal Bhatia:** Sir secondly in regards to our stores that are already three years old, how was the performance in that case for the current quarter like did we at least in those a restaurants or did we see a growth as far as chain store same is the concern?
- Rajesh Mohta:** Sir what happens in our case it is more like city and restaurants specific because when we say flat or it has got neutralized there are certain stores in one particular city which may not be growing at that the way we would be looking at but the other stores in that particular city maybe growing so that particular city makes it neutralized. Certain zones like eastern zone may be doing very good or a western zone may be doing good, but southern zone is once again let us say for

instance is towards Bangalore and all, so they are neutralizing the impact, which what we have positive in eastern zone or western zone. So it would be difficult on store specific basic it is more on city and region basis.

- Kunal Bhatia:** Sir and about the Doha JV, when can we expect the Restaurant coming up?
- Rajesh Mohta:** It should take around 90 days from now.
- Kunal Bhatia:** The new Mezzuna has started in Calcutta?
- Rajesh Mohta:** Today.
- Kunal Bhatia:** And just one clarification, as on date we have a total of 107 Restaurants?
- Rajesh Mohta:** 106.
- Kunal Bhatia:** One opened.
- Rajesh Mohta:** Opened in Gurgaon on February 1.
- Kunal Bhatia:** Okay, like I am talking about one Oh! Calcutta owned on third of February as well?
- Rajesh Mohta:** Yes, that is the same Mainland China and Oh! Calcutta.
- Kunal Bhatia:** Sir on any change in target like we will be doing around 15-16 in total this year for next year like because we had reduced the target to 10 to 12 so for the next year we are having same target of 15 to 16 or its lower?
- Rajesh Mohta:** Say between 12 and 15 would be the upper limit.
- Kunal Bhatia:** Thank you so much.
- Moderator:** Thank you. Next question is from the line of Utkarsh Maheshwari from Reliance General Insurance. Please go ahead.
- Utkarsh Maheshwari:** I believe just something just which caught my eye was this is little bit high expenditure proportionate rise in the other expenses on a sequential basis, is there any one of kind of thing or is it the regular features one of the in this range?
- Rajesh Mohta:** It is not question of one of what happens is the you would have seen there was certain amount of advertisement expenditure which (indiscernible) 36.19 so these are certain expenditure which

gets into one quarter in particular quarter and we need to provide it during that particular quarter but on an yearly basis it gets neutralized.

Utkarsh Maheshwari: So I mean as a proportion if I want to see that the overall proportion might be the similar for the full year?

Rajesh Mohta: That is right.

Utkarsh Maheshwari: Second point is that we have been saying about this sweating of your existing terraces and all in the new format of Hoppipolla how has been the feedback from the people how you see the traction happening in the set format?

Rajesh Mohta: Sir the traction has we have experience it has been about 7 to 8 months since we opened the first Hoppipolla. The traction and the responses been very encouraging so primarily one of things is targets the new age segment and also the fact that everything put together the property itself works, the commercials work on all existing parameters. There is not too much in terms of licensing etc., to be done, model itself is a very cheerful kind of model, a very happy model which works very well and it's been very well accepted.

Utkarsh Maheshwari: So I mean if you can just give me some house-keeping number I believe how many Hoppipolla must be operating right now?

Rajesh Mohta: We have one Hoppipolla working in Indra Nagar, Bangalore, second is opening in now in Pune, third would happen in Malad, Mumbai.

Utkarsh Maheshwari: So basically this second owned will be something like attached to a Mainland China kind of thing only?

Rajesh Mohta: Yes it is part of the existing restaurants and we are taking specific new premises for getting Hoppipolla done Sir.

Utkarsh Maheshwari: Any timelines for this new openings, are this included in the overall, I mean as you had mentioned that overall expansion does it includes these also because these are just a sweating of assets so they may now be the part of overall expansion right?

Rajesh Mohta: That is the only reason why you find we are crossing 15-16 this particular financial year though a commitment between 12 and 15.

Utkarsh Maheshwari: So I mean any time lines for these openings?

Rajesh Mohta: All should open in couple of weeks from now and Machaan should open in first quarter of the new financial year.

- Utkarsh Maheshwari:** Fair enough. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Saurab Sunatra from TVC Securities. Please go ahead.
- Saurab Sunatra:** My questions have been answered. Thank you.
- Moderator:** Thank you. We are going to take a follow up question from the line of Pratik Biyani from Standard Chartered Securities. Please go ahead.
- Pratik Biyani:** Just one follow up on the other operating income it increased significantly in the first nine months I guess because of higher royalty and the initial access premium that we earned on the franchised stores. Now going ahead in FY 2015, will your expansion will be again franchise led or will it be own expansion, so if it is your own expansion shall we expect these other operating incomes to come down for FY 2015?
- Rajesh Mohta:** When we talk in terms of our expansion it is more strategically for our own company on company operated stores, when we talk in opening of restaurants etc., but franchises are very opportunistic like say for instance in Tier II, Tier III cities of our country like Raipur, Indore, Nagpur, Vijayawada, No.2 in Pondicherry we keep on getting enquiries in from all such kind of cities where been we contemplate yes when there is an opportunity to have a good business like Jaipur we did a franchise and open to three months back and its given a very good response so we contemplate to get into Tier III cities on franchised basis based on opportunity being received.
- Pratik Biyani:** So it would be fair to assume that it might not be as high as it has been so far?
- Rajesh Mohta:** Last three years it has been continuing.
- Pratik Biyani:** Thanks sir.
- Moderator:** Thank you. Next question is from the line of Jabil Sethi from Premji Invest. Please go ahead.
- Jabil Sethi:** Sir you have mentioned that you will be opening 15 to 16 new outlets this year could you give a breakup of what formats stores it will be?
- Rajesh Mohta:** Sir the primary focus has been Mainland China and Sigree Global Grill with let us say two Mezzuna which we have opened this time and few of the Hoppipola's.
- Jabil Sethi:** So ballpark 8-9 Mainland China or more?
- Rajesh Mohta:** Yes Sir, 8-9 Mainland China.

- Jabil Sethi:** Okay and next year again a similar sort of run rate for Mainland China and probably the Hoppipola's would not be there?
- Rajesh Mohta:** No not majorly yes but it would be Global Grill, it might be and there would be few conversions, the number would not increase but the conversion of restaurants might happen.
- Jabil Sethi:** Could you tell me how many new properties you have signed under the Global Grill format, out of the Global Grills which are there today, how many of them are completely new and not converted?
- Rajesh Mohta:** See we have only converted one Global Grill at this point of time, rest are all new properties Sir, like we have Powai, Bombay which is a new property, we have opened in OMR which is the new property, we have opened in Whitefield Bangalore which is the new property, we are running to open in Kammanahalli Global Grill, which is also a new property.
- Jabil Sethi:** Okay so it is still mainly new property format it is not so much conversion led?
- Rajesh Mohta:** It is only one which we have just converted.
- Jabil Sethi:** That is all from my side. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Just one extension on the earlier question asked on raw materials. Sir I understand that you have a contractual commitment till March so but have you already seen like last time we did mention about that there was some seafoods which were on an inflation trend but have you already seen some of that coming off?
- Rajesh Mohta:** Seafood continues to be at the similar levels, but in the last two quarters there was an issue with vegetables, which has been off now, the pressure is off, earlier we have pressure on vegetables.
- Kunal Bhatia:** Okay so like post March what range of improvement can we see in case of margins on account it?
- Rajesh Mohta:** Mr. Kunal this would depend upon the kind of contract we enter into because the pricing does have an impact on the recent, which are happening in February – March so it would be fair on our part of come back to you in a month of April when we have certain contracts in place.
- Kunal Bhatia:** Thank you.

Moderator: As there are no further questions, I would now like to handover the floor to management for closing comments. Thank you.

Rajesh Mohta: It was a pleasure to have you all on our earnings conference call and we look forward for similar participations and we would continue to strive for improving the profitability of the company. Thank you so very much.

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