"Speciality Restaurants Limited Q1 FY 2015 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Speciality Restaurants Q1 FY 2015 Earnings Conference Call, hosted by Kotak Institutional Equities. As a reminder, all participant lines will be in the listen-only mode. 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. Rohit Chordia from Kotak Institutional Equities. Thank you and over to you Sir!

Rohit Chordia: Thank you Shaima. Hello and welcome everybody. It is a pleasure to host the management of Speciality Restaurants on this Q1 FY 2015 Earnings Conference Call. From the senior management team, we have Mr. Anjan Chatterjee, the Founder & Managing Director of the company, Mr. Indraneil Palit, Executive Director, Projects Business Development and Strategic Planning and Mr. Rajesh Mohta, Executive Director, Finance. I will now hand the call over to Mr. Mohta for his opening remarks. Mr. Mohta!

Rajesh Mohta: Thank you Mr. Rohit. A very good evening to every participant. I shall quickly take you through the financial performance in this quarter.

To begin with, the topline grew by 17% and stood and Rs.703 million as compared to Rs.602 million. The two main catalysts for this topline growth has been one a brand refresh, which has happened from Mainland China to Mainland China Asia Kitchen and number of Sigrees getting converted to Sigree Global Grill during the last few quarters.

Second has been the consistent increase in the number of outlets, which we have opened over a period of time. With respect to EBITDA, we clocked 79 million in this quarter vis-à-vis 104 million in the previous year-on-year quarter.

The main reason for the EBITDA being low is the increase in the food cost that is the raw material cost wherein our gross margins are 67.4% during the quarter vis-à-vis 72.5% in earlier quarter.

The profit after tax for the quarter stood at 19.1 million from 48 million. The primary three factors for this has been one increase in the cost of raw material, second conversion of our two major Sigrees during the quarter to Sigree Global Grill, which were not operational during the quarter and has started end of the quarter and in month of July.

Third has been a statutory increase in the cost of depreciation because of the change in the Companies Act 2013 Schedule II, which had an additional charge of 63 lakhs during this particular quarter.

With this, I conclude my remarks and request the moderator to open the floor for questions. Thank you.

Moderator: Thank you very much Sir. Participants, we will now begin with the question and answer session. We have the first question from the line of Lancelot Dcunha from ITI Wealth Management. Please go ahead.

Lancelot Dcunha: Good evening. Just wanted to get some clarity in terms of there a drop in the operating income for this quarter and also other expenses was about 18% for this quarter. Can you throw some light on these two things?

Rajesh Mohta: This other operating income is a constituent of the royalty and management fees, which we get from our franchise restaurants number one, number two when we have a brand agreement for new franchised stores, there is an upfront fee, which gets captured. So now since the focus is not on opening more number of franchised restaurants we have not entered into a major agreement during this quarter. That is one reason for the drop in the other operating income during the quarter vis-à-vis with the previous quarter.

Lancelot Dcunha: The rise in other expenses is that because of this Global Sigree conversion or is it generally is there a rise in cost?

Rajesh Mohta: The other operating expenses are linked because we have a semi-variable component of the cost, which is getting captured. The revenues have been flat for other stores so operating expenses get increased.

Lancelot Dcunha: Then there was a plan to open around 12 to 15 new restaurants in FY 2015, so any update in terms of are we still on track to open 12 to 15 new restaurants or is there a change in the thinking going forward?

Company Speaker: I think we are absolutely on track and I think the number of restaurants in this quarter were three. They are completely on track. We will continue to commit ourselves to do the number of restaurants we have planned.

Lancelot Dcunha: There were also some initiatives on the QSR front that you are thinking of expanding, so that has that really contributed, is QSR format which you are looking at?

Company Speaker: At the moment we were earlier looking at an inorganic acquisition, but in our space of Chinese there are none, so we are actually liquibated our product and I think we should be giving it shape in the next one or two quarter and they are looking at QSR, which is based on the basic principles of Chinese both take away, delivery and **(indiscernible) 6.17** model.

Lancelot Dcunha: Could you just explain how do you think going forward you will be able to match these costs because costs are going up and price points are also difficult to increase, so how do you think it is going to play out let us say over the next six months or so, what do you think is going to be the situation?

Company Speaker: Historically, the first quarter is usually is not a very good quarter in terms of season, so going forward there are better times which are coming in. I am quite confident and we will be reviewing a cost increase somewhere around in the month of October or November, we will review that, but we do not want to get into a trap by burdening the consumer at this point in time and further going down on a footfall, so as it is flattish, so what is important is to understand that the long term play and we will have to continue to deliver the product at price, which we have sustained and wherever there is a possible increment we can take, we will surely take at the right moment.

Lancelot Dcunha: So you think margins would continue whatever we have seen in the current quarter or you expect margin improvement to happen?

Company Speaker: Definitely going forward the margin improvement should go up because the seasonality of this, we see month are usually, month of rains, etc., so this is not usually historically not been the best ones and secondly there is one important point which all of us do not to repeat this, but at the same time from as I said it in the morning in CNBC because from the chillies to the tomatoes to everything else, which is not being highlighted too much, which is exotic vegetables like broccoli, etc., which are all becoming difficult to maintain the contractual prices of not being kept by the contractors because of the pressure; however, I think that over a period of time some of it will have to be observed and understood and then we will have to take some steps to ensure that we do not let the margins go down further.

Lancelot Dcunha: Thank you.

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

Kaustubh Pawaskar: Thanks for giving me the opportunity. Sir, my first question is obviously on the input pressures, which have gone up by around 500 BPS despite the fact that you have increased the prices of menu may be in last quarter somewhere around you have increased the prices despite of that the raw material prices have moved up, so your sense going ahead do you expect it to remain at this level or you expect it to decline may be in Q2 or Q3 because revenues have grown, but margins have declined, so that is what, it is kind of hurting?

Company Speaker: Very, very simple that nobody would expect a chilli to go to 120, 130 or coriander to go to around in Chennai we buy coriander at Rs.350 now. Now the question is that it can only go down, it cannot go any up because these are various, there was a bit of fear of the monsoon and hopefully that is now through. So I think that there is no way that it should go up otherwise it will hit the roof because once having gone to this level, it has to only go down.

Kaustubh Pawaskar: But any sense when do we expect it to happen may be Q3 would be the right indicator?

Company Speaker: Q3 would be the best time, that is the best time for our season, but otherwise I think we should always, we are all talking about mantra of Shri Modi, who is talking about Ache Din, so Ache Din hurts you in the worst possible times when the raw materials go up in a way that things are slightly getting out of control, but as you know that there is a governance place and we have the best quarters coming in and the prices cannot go beyond a particular point of level. So I think that it will only be good from here.

Kaustubh Pawaskar: This growth of 17%, what could be the same-store sales growth in that or it is totally flat?

Company Speaker: It has been overall flattish.

Kaustubh Pawaskar: So whatever growth in the revenue is because of the new restaurants whatever you have added in past two, three quarters?

Company Speaker: The change from Sigree to Sigree Global Grill, which has shown us a very good topline.

Kaustubh Pawaskar: Sir, I believe that depreciation because of the new change in the depreciation policy, I believe that depreciation rate would remain at around this level only going ahead?

Company Speaker: Now that it is in place because it will remain in the same level, but it was a hit because if you compare with the last quarter, there was nothing like 63 lakh, which has come in but not a part of the qualification. So we have to follow the norm hence we have to take that hit.

Kaustubh Pawaskar: Thanks. I will get back in the queue if there are any further questions.

Moderator: Thank you. Our next question is from the line of Deepanshu Madaan from Saif Partners. Please go ahead.

Deepanshu Madaan: The question is with regard to the format of Sigree Global Grill and Machaan. In total there are 27 roughly odd outlets, I just wanted to know how many of them have been converted to the new format that we are looking for and for the ones which you converted, what are the rough **(Inaudible) 12.33** you are getting?

Company Speaker: Mr. Deepanshu, good evening. We have already converted three of our Sigree's and Machaan's to Sigree Global Grill by this time and the plan is in time to come, we would be able to convert all these Indian brands under one umbrella of Sigree Global Grill. As far as stable cover turnaround is concerned, the Sigree Global Grill slightly a larger format of restaurants, which we have opened and the cover turnaround is much higher than what we used to have in Sigree's, which let us say for instance at this particular point of time is approximately 1.96 as against the Sigree's of 1.4.

Deepanshu Madaan: Second question is with regard to the food cost. Your food cost same quarter last year was around Rs.17 Crores and is around Rs.23 odd Crores right now. Just wanted to understand that if we factor out volume growth out of this and I remove 17% topline growth out of this, it is largely staying at around 20% has been from the raw material price roughly if I have to state, is that a fair number or the input rise has gone up much more than that?

Company Speaker: That is the calculation on an average that has been the calculations of increase both for the vegetables, even for the cereals and others.

Deepanshu Madaan: But tell me that this number is an aberration for this particular quarter is even because vegetables and inputs for food companies pretty much go up in this particular quarter almost every year. So correct me if I am wrong if this is something which is pretty standard year-on-year?

Company Speaker: If we may say so this has been the abnormal increase in this particular quarter if we look at the kind of increases, which we had compared to earlier.

Deepanshu Madaan: So if I compare to earlier the company's increase earlier has been in the range of 7%, 8%, which is something which probably is a norm, am I right?

Company Speaker: Second challenge comes in when the end prices are not getting increased, had the end prices getting increased, the impact would have been neutralized or marginalized to a certain extent.

Deepanshu Madaan: That is it from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia: Sir, just wanted to know what levers do we have in terms of controlling the cost side commodity cost given that in the past we had reduced the portion sizes in the morning on CNBC you said we are also looking at domestic substitutions for imports, so apart from these anything else that we can do in order to control cost?

Company Speaker: This is a feature, which is continuously on as far as cost control measures are concerned. Let us say for instance when you talk in terms of other expenses in case of rentals, etc., we have started looking at kitchen area, which should be smaller than what we are presently having then say for instance we have done a brand refresh from Mainland China to Mainland China Asia Kitchen, where the optimization of the back area is to the front maximum possible, second we are trying to keep those restaurants in malls open between the lunch time and the break time. So these are measures and from a cost point of view, import substitution has been a critical component, we are trying to work on, we are trying to import material against our advance licenses. So that is the impact of cost duty because these are certain steps, which are ongoing.

Ankit Kedia: Sir how much could be the incremental saving on back of import substitutes in India or keeping the restaurant open in the malls or take away or home deliveries because we are talking of these things not for more than one and a half years of home delivery, on the revenue line we are not seeing any traction, if you could share some numbers, which will help us gauge the success of this services?

Company Speaker: There are various challenges in delivery. I fully appreciate what you are trying to say because what has happened there are infrastructural issues when you get into delivery of product from a fine dining restaurant. We are trying to streamline those because we would not like to dilute the experience of the food that guests have in their residences. So the efforts are on to make it full proof both in terms of packaging and the delivery time.

Ankit Kedia: Sir my next question is on the international operations. Our JV with Doha is now more than six and nine months in the system, when can we see our first international restaurant going live and by when can we see our substantial scale in that because in Dubai, we have now been more than one year waiting for the mall to get a preferred place. Will we get it in next one year or it is going to get more delayed?

Company Speaker: As far as Doha is concerned, it should have been up and running by now, but for the Qatari rules, which has delayed us, but now we start work and we hope to finish within three or four months Doha should be on. Also the Tanzania that we are opening the Mainland China and Sigree both, so therefore that also should be up within the same time about three or four months.

Company Speaker II: It is very easy to open a restaurant in Dubai, but then if you do not have the right location, we could be positioned differently because it is a big opportunity and we do not want to lose that. So hence rather than working on a place which we are getting place like Karama or areas which we do not want to be, to get a specific place and the right location is very, very important for us and the right kind of cost. So I think this combination we are on the job so it could be happening. We just do not want to prove a point because we have been very, very careful about the store opening now. We have metrics and even in Dubai there is a metric, everything has been put on, so hopefully I think some of these are in the process of being finalized, so may be by the time we come in the next quarter we will give you a good news.

Ankit Kedia: Sir just on the Tanzania bit, when you say next three or four months we can see going live, are we going on own that is also through JV or franchise route and what is the typically in international operations, you have mentioned that the realizations are much higher, margins are higher, if you can just share with us some metrics how international operations could be more profitable compared to Indian operation, it could be helpful?

Company Speaker: International rules followed on various metrics. Let us say for instance in case of Doha, we have entered into a joint venture in Tanzania, it is a franchise arrangement like we had in Bangladesh.

Ankit Kedia: What could be the profitability typically in international operations vis-à-vis Indian operations?

Company Speaker: What happens is there the component, the line items very, very substantially like say for instance in international destination what has been observed is RMC basically the raw material cost is low whereas the staff cost is high and in case of franchise it is almost from the topline and the two revenue metrics let us say for instance when you talk in terms of the covers being handled by the restaurants and the average per cover, these two are also very high as far as the international locations are concerned both in Doha and Tanzania what we have worked on, so in case the revenues are also high let us say in case of franchise from Tanzania, the topline would be much higher and in turn our management fees would also be high whereas in case of joint venture, the moment you have a higher topline with incremental cost let us say for instance from my operating leverage perspective, the profitability would also be higher.

Ankit Kedia: Sir my last question is could you just share the EPC for Mainland China and cover turnaround for Mainland China during the quarter?

Company Speaker: Mainland China average per cover had been Rs.675 to Rs.680, which has been almost through number of quarters and as far as cover turnover is concerned, it was 1.40 in quarter June ending.

Ankit Kedia: Just wanted to know on the price hikes since we have taken in December and last year August, so has that fully flown, did we see some down trading from the customer end when we took that pice hike because now for multiple quarters, we are seeing the same Rs.675?

Company Speaker: What we did was we took a price increase in November, but we also gave an option to the guests as you may be aware that we did smaller portion and a larger portion to make sure that the size of the people coming to the restaurants were varying, so whereas the margins for portion may have increased, but the average check may have not gone substantially, but the average check has remained the same, which essentially means that people are ordering the same value of items but having better variety and our margins in that sense has also increased unfortunately except for the raw material, which actually mitigated the margins, which could have actually shown very good result, but principally our idea was to design this regular portion for smaller family size and that has been taken very well. So that is I think going forward once we have the raw material prices stabilizing and the monsoon is also looking fair, it is not good. I think that should add to the bottomline.

Ankit Kedia: My last question is on the LSD acquisition, which we have done, could you share some three years to five years roadmap on that investment which we have done though it is very small, but at the bigger scheme of things, what are we looking at from that investment?

Company Speaker: See what is happening we had decided to acquire our entire due diligence process with a consultant that is happening, so it would take some more amount of time to get into a kind of a business plan, etc., at this particular point of time.

Ankit Kedia: Thank you so much Sir.

Moderator: Thank you. We have the next question from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Thanks for the opportunity. Sir, one question was on you mentioned that there were two major Sigree restaurants being converted to Global Grill. So could you give some idea on how much that impacted the topline and the profitability and secondly how big were these restaurants?

Company Speaker: The total revenues which could have got captured in this particular quarter for Sigree Global Grid would have been to the extent of Rs.1.5 odd Crores.

Kunal Bhatia: You are talking about both the restaurants together?

Company Speaker: Old Sigree, not with the new Global Grills.

Kunal Bhatia: My clarification was Rs.1.5 Crores for both the Sigree's together?

Company Speaker: That is correct.

Kunal Bhatia: My second question was you mentioned about the churn and per seat of 675 and 1.40, how much was it for the restaurants other than Mainland China on an average?

Company Speaker: It is format driven number basically let us say when you talk in terms of Oh! Calcutta, it continued at Rs.850, Rs.855. In case of Sigree, it was Rs.560 and the cover turnaround was 1.10 for Oh! Calcutta, Sigree it was 1.45.

Kunal Bhatia: Thank you so much.

Moderator: Thank you. The next question is from the line of Chitrangada Kapoor from Reliance Securities. Please go ahead.

Chitrangada Kapoor: Good evening Sir. I have two questions primarily. The first question being could you explain it to me since we have fine dining restaurant, I believe that there is a kind of a consumer stickiness to the prices when we take a menu price increase, it is kind of inelastic in nature and we do not come back. So I am trying to understand here is what is the correlation for you in terms of footfalls and price hike, the menu price increases because 4% to 5% price hike that you have taken, the menu price increase that you have taken in November last year and now you are planning to review it again in October November going forward, I mean why cannot we take a price hike immediately to curtail the gross margins. I fail to understand here Sir?

Company Speaker: Madam, I will see answer this question. See we are in a long term play. When the customer is already pinched, **(indiscernible) 27.02** spends in spite of all Ache Din kind of slogans have not come in to the market, we do not see that happening. So we can always do a 10% increase and then at least I give a pinch and may be in a flattish kind of same-store growth while the whole story, which definitely we do not want to do. We have to be very, very careful. We pass on the customer and the consumer the kind of prices immediately, softly and we have to ensure that see if the footfalls were growing and they were normal, the economy was **(inaudible) 27.46** any hike definitely taken, historically we have taken in good days, we have taken 10%, 7%, 8% regularly, minimum of that in one shot, but that I think becomes slightly difficult in this kind of a situation. So we do not definitely want to spoil our story and I think maybe there are challenges in the short term. I am very, very confident of the fact that this has to turnaround and we will get best of times coming in and anyway the bad particular quarter in terms of both in terms of seasonality and we have to take a hit on the depreciation front and there were stores, which were closed. So I think that we will have to look forward to better quarters in terms of the seasonality and in terms of people coming in to the restaurant more often and we do not definitely want to fluctuate that at this point of time and give them a big jerk or a jump and I will just get the topline to press ourselves.

Chitrangada Kapoor: You have mentioned that you want people to come to your restaurant more often which is good but what is the correlation to the footfalls I mean that every 1% price hike that you take how much your footfall decreases is what I am trying to understand?

Company Speaker: We are quite confident of the fact that looking at the competition, mapping the competition and looking at the kind of environment where even the fast foods are not growing and they are having minus same-store growth. It is extremely important for us to not to get into that, we do not want to first do it and then watch it, but I am very confident of the fact that we cannot take a sudden price rise and then pinch the customer, so may be you will see going forward there will be twice that we may have to take. I really do not know. I cannot commit at this point of time, but we will surely do this and we will be very, very watchful about this.

Chitrangada Kapoor: You have taken one menu price hike after two years, which was last November and since then we have not taken any price hike, so when you are saying you will increase prices softly going forward, so I was just trying to map what is the duration internally I appreciate you are not sharing and may be I will take it offline, no problem, but I just wanted to understand what is the duration that you are comfortable in terms of taking margin hit I mean how do I read this quarter numbers for my model going forward is what I am trying to understand?

Company Speaker: As I said that you have already known the reason, so we will explain to you. So it should not be literally on that levels, but the footfalls are directly proportional to a particular price level through which we can gauge them, so we do not want to give in a week season and the first quarter being very, very kind of a monsoon month. We do not want to suddenly increase the prices to a level where we will have further hit, so hence what I am trying to explain is that you should take it as once a year but going forward it may be twice a year that we do it and we do it may be in. I said that it used to be once a year historically, now we may have to be taking this and digesting the fact that we may have to take twice in a year, but not at a very large level, at a smaller level to absorb this.

Chitrangada Kapoor: My second question pertains to your new format. In the last interaction you had mentioned that you were very enthusiastic about Hoppipolla and Mezzuna**,** so how are those two formats tracking for you now?

Company Speaker: Because both the EBITDA margins are very respectable and in fact it is plus 30 in Mezzuna, Oh! Calcutta as well as in both the Hoppipolla we are opening five of them in the coming next six to eight months and we are absolutely on track because that is one format we did not have and we put a young team, which is driving it very well and I think that it is very, very good direction that we have taken at the right time.

Chitrangada Kapoor: All the best. Thank you so much. That is all from my end.

Moderator: Thank you. Our next question is from the line of Subrato Sarkar from Dalmia Securities. Please go ahead.

Subrato Sarkar: Good evening Sir. Just a few points I need to understand like while going through like annual report I find major cost hit like raw material, employee cost as well as rental, so like since I know that we are in a difficult situation and that is why margin are dipped, but even let us assume under a normal circumstances also like raw material is like out of this three component like how can we reduce our cost a little bit and increase our margin. So if you give some like not some figures like some roadmap like how can we reduce this to increase our margin, is there any thinking on that or is it possible like to reduce this cost as a percentage of sales I am talking about?

Company Speaker: See like Mr. Mohta was explaining a little earlier that it is an ongoing process. Now for example the very fact that we have decided to go for a smaller format as compared to the larger formats, which was the order of the day earlier would actually mean that your rent and also operating costs will go down. Now so far as the raw material is concerned, we are looking at the import substitution very strongly. We are looking at increasing efficiency of utilization of materials by reducing wastage. We are looking at the water consumption. I mean you can look at every aspect of the cost that we are looking at. When we are taking up a space, we are very careful about the infrastructure that is available there, so that we do not get surprises in operating cost at a later stage, so all these things have happened. I think cumulatively it has been a learning process. Cumulatively over the time the operating cost will stabilize. Raw material of course is dependent on the market beyond certain point, but looking at the raw material also from time-to-time to see that whether there are ways and means of increasing efficiency in any which way possible. So the multifarious activities which goes on to keep the cost at bay or reduce it even further and I think over a period of time unless the prices keep on shooting up like this, we should be able to show you some results on that.

Subrato Sarkar: Sir just to understand like I was going through your last four, five year result like EBITDA margin actually like for Speciality Restaurants, it genuinely varies between let us say 15% to 16%, so now it has come down. So like the current will be around 11% to 12%, so what I am trying to understand like under normal circumstances not in such a difficult situation like with all our efforts like can we reach in better condition obviously 16%, 17% margin again, is it possible to reach?

Company Speaker: We can of course reach there. See the point is once the topline goes up with the market improving, the raw material cost keeps on going down, 16%, 17% is not difficult to achieve at all.

Subrato Sarkar: That is a steady state kind of a margin like under normal circumstances that is the margin we can target or that we can maintain if once things improve, when comes to normal situation may be within two, three years?

Company Speaker: Mr. Sarkar, what had happened if you look at like you would have seen history, we had EBITDA margins of 22% also, so it takes more a factor of operating leverage which gets triggered the moment because our gross margins are in the range of 70%, so stable component cost is much lower, so you can very well understand it is more like a hockey stick, the moment there is a cost curve converted into a revenue curve, which will have a direct increase in the bottomline.

Subrato Sarkar: One question like employee front like can we disclose like how many employees we have got like are we operating at optimal employee level or there is some like if the economy turns up and there is expansion also like our employee cost should not go up proportionately that is what I am trying to understand. Are we operating with additional employee?

Company Speaker: We are, since we have expansion plans, we are operating with excess staff for at least two restaurants if not three, that was an impact there.

Subrato Sarkar: So that cost can be absorbed like the additional employee cost also I think in that case?

Company Speaker: In the long run, we can do that and even the running restaurants we are continuously in the process of reevaluating that how we can do engineering to see that we can optimize the productivity. There again it is ongoing process and it is showing results, but may not be very significant because of all the cost pressures are there, otherwise we have seen some kind of positivity there yes.

Subrato Sarkar: Sir just another question again on your margin front like as you disclosed like Mezzuna is operating at 30% kind of EBITDA margin, so is there any significant difference in margin across your stable formats like Mainland China operated higher margin with respect to Oh! Calcutta or the vice versa that kind of something?

Company Speaker: See every brand had its own EBITDA margins, it cannot be standardize on an average basis because companies have higher margin than the other particular brands of Indian cuisine.

Subrato Sarkar: Genuinely Mainland China will have a higher margin I suppose?

Company Speaker: Mainland China continues to be our flagship brand with 50%, 60% of the expansions focus on Mainland China.

Subrato Sarkar: Just another thing like this quarter although our profit has come down, but like we have registered a good growth in like topline. Is it entirely price driven growth or is it like volume has also gone up and particularly with the same-store sales have gone up or all the increment has come from only new additional restaurants?

Company Speaker: It is a combination of two factors basically one is that stores which were opened during last nine months have worked for the entire period in this particular quarter with a resultant of the new stores, both have been more or less stable with some there is no major improvement in those revenues, third it is not because of the price increase because we have not taken price increase during this quarter.

Subrato Sarkar: But Sir you have taken price increase in last October I suppose?

Company Speaker: That is right.

Subrato Sarkar: In that case effect of that price increase will come to this quarter whereas on a year-on-year comparison, it should come to this quarter?

Company Speaker: Very correct Sir.

Subrato Sarkar: What I am trying to understand like this is like if you can even give a ballpark figure, off this 18% growth like how much is because of price hike and how much is because of like growth in footfalls and in footfalls also whether this growth has come mainly from only additional new restaurant or like same restaurant footfalls have also gone up?

Company Speaker: Like Mr. Palit indicated that we wanted to increase the value for the guests by introducing regular and large portions in our restaurants, so we wanted to maintain that despite the price increase the average spend per cover has remained constant for us. On existing restaurants, it is almost flat kind of a scenario, but the major change in the growth which has come is primarily the conversion of Sigree into Sigree Global Grill and the new Global Grills because that is a volume driven format wherein the price is fixed and the volumes have been very substantial in those.

Subrato Sarkar: So that is I suppose or is doing well even in Calcutta Sigree which has been converted to Global Grill that is also responses very positive?

Company Speaker: Touchwood has started on a very good note Sir.

Subrato Sarkar: If you can share some numbers like I do not know whether you can share it like genuinely how much revenue we get per table sale for like Mainland China, is it possible to disclose like this kind of few numbers Sir?

Company Speaker: We do not work on table spend basically but average per cover as we have shared earlier that is there. This is what we share.

Subrato Sarkar: Thank you Sir and last thing like whatever plan on expansion we have got that is still in place Sir like 17%, 18% total yearly growth of addition of new restaurant Sir?

Company Speaker: All in place.

Subrato Sarkar: Thank you.

Moderator: Thank you. We have the next followup question from the line of Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia: Just wanted to know has been the response of Mainland China Asia Kitchen and do we plan to roll it out to other Mainland China restaurants as well?

Company Speaker: The response is very good in Oberoi mall and we are now going to other places new and also conversion of some of the Mainland China Asia Kitchen, so new places as well as conversion of the old places into new.

Ankit Kedia: Is it only a menu change or also the look and feel inside the restaurant little bit different?

Company Speaker: Complete look and feel change and may be if you had the opportunity you could possibly visit the Goregaon outlet of ours and you will realize that it is much more casual atmosphere, much more younger, much more brighter and so it is the order of the day and the expansion of the menu and cost pan Asia so that gives you a lot of advantage and we are going to some of the better locations wherever we are going now, for example Palladium, Phoenix, we are going with Asia Kitchen, so that is a new place and also very prestigious address.

Ankit Kedia: What is the capex guidance for this year given that sometime back you said four to five new Mezzuna and Hoppipolla could be opened I assume 60% incremental restaurants would be Mainland China Asia Kitchen along with that some Sigree Global Grills could be converted. So what is the capex for this year, next year we have envisaged?

Company Speaker: Mr. Ankit, we continue with let us say for instance the capital expenditure in the range of Rs.45 to Rs.50 odd Crores for opening of this restaurants including the deposits because there is no major change in cost per square feet per se. There are certain additional equipments, which get into this kind of format.

Ankit Kedia: Thank you so much.

Moderator: Thank you. Participants that was the last question; I now hand the floor back to the management for closing comments. Thank you and over to you Sir!

Rohit Chordia: Ladies and gentlemen, thank you so very much for sparing time and participating in the conference call of Q1 FY 2015 on Specialty Restaurants.

Moderator: Thank you Sir. Ladies and gentlemen, on behalf of Kotak Institutional Equities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.