



“Speciality Restaurants Limited
Q4 FY‘24 Earnings Conference Call”

May 15, 2024



MANAGEMENT: **MR. ANJAN CHATTERJEE -- CHAIRMAN AND
MANAGING DIRECTOR -- SPECIALITY RESTAURANTS
LIMITED**
**MR. AVIK CHATTERJEE -- WHOLE TIME DIRECTOR --
SPECIALITY RESTAURANTS LIMITED**
**MR. RAJESH KUMAR MOHTA -- EXECUTIVE
DIRECTOR, FINANCE AND CHIEF FINANCIAL OFFICER -
- SPECIALITY RESTAURANTS LIMITED**

MODERATOR: **MR. KARAN BHUWANIA – ICICI SECURITIES**



Speciality Restaurants Limited
May 15, 2024

Moderator:

Ladies and gentlemen, good day and welcome to the Speciality Restaurant Q4 and FY24 earnings conference call on hosted by ICICI Securities. As a reminder, all participants lines will be in 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 star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhuwania. Thank you and over to you, sir.

Karan Bhuwania:

Thank you. Good afternoon, everyone. It's our pleasure at ICICI to host Q4 FY24 results conference call of Speciality Restaurants. The management is today represented by Mr. Anjan Chatterjee, Chairman and Managing Director; Mr. Avik Chatterjee, Whole Time Director and Mr. Rajesh Kumar Mohta, Executive Director, Finance and CFO.

I would now like to hand over the call to Mr. Anjan Chatterjee for his opening remarks, post which we can open for Q&A session. Thank you. Over to you, sir.

Anjan Chatterjee:

Thank you, Karan. Good afternoon to everyone. Speciality Restaurant, as you know, has been there in this food and beverage industry for quite some time. I'll just give you a short background of the fact that we are known to be an oriental brand that's mainly in China being the flagship primarily. So during pandemic, besides the background before pandemic, because that was the most critical time of our life and so many lessons to learn.

So during pandemic, what we did was, it was initially shut, as you know, that nothing was moving. Slowly, in between, there was an interim period, but to keep the brands relevant, it was important for us to be on top of people's mind. So after 10 or 12 days of understanding that deliveries are continuing, the government allowed us to do that. We concentrated on the deliveries because dine-in was zero.

Historically, the company has been a fine dining company. In the sense, it's primarily dependent on the dine-in footfalls. But during that particular period of time, we realized that the 7%, 8% of delivery that we were getting was not a reality and this will become a trend. We quickly went back to the drawing board to understand this as the pandemic was towards the end, Omicron time, we worked back to understand that this is going to be a vertical in itself, and we put a lot of work, got a senior management person to lead and head this delivery vertical, started working on the packaging, and all the paraphernalia, went back to the aggregators, renegotiated our deals wherever possible and then we understood that this is going to be a reality. So what has happened now is that from a 7%, 8%, I don't have this specific, we have grown to a 28% on delivery, which has become a vertical within our company.

So then we are talking about now on the fine dining. As the pandemic started ending, we saw the dine-in footfalls growing, and it continued over a period of time, and that was a period of revenge eating, revenge tourism, which is completely known and understood by everyone. So



Speciality Restaurants Limited
May 15, 2024

that particular fiscal, we understood that, yes, we can now go back, because pandemic forced us to shut restaurants. We were actually on the fence sitting restaurants which were not making profit, so we were kind of compelled, which lessened, that we shut 29 units of ours, the ones which were actually not doing well enough for us to work for them.

After that, we understood that now we have to go back to the growth path. I'm happy to tell you that we have realized and we have understood that the world is changing from a Mainland China, Mainland China, which has been the flagship, we had to extend, line extend ourselves to the Asian cuisine and fortunately, we had a brand which we had done way back almost 12 years ago, which is Asia Kitchen by Mainland China, which started with Goregaon, and then we did it in Pune, and they did in Bangalore and Calcutta.

So we started looking at that brand very closely and you'll be happy to know that we did five Asia Kitchens in the last fiscal, and going forward, there'll be many more Asia Kitchens coming. It was important to understand that many of our restaurants have lived almost for above 18-20 years. So it was important to understand for us to renew them, refresh them, and renovate them.

So during this period, we have also renewed and renovated three restaurants, one of Powai, Mainland China, which is mother Mainland China, then we did another one in Andheri West, and the third one was in Pune opposite the Marriott, that's the ICC. These are all iconic stores of ours.

I mean, we had to take a shutdown -- compulsive shutdown for almost three to three and a half months, and this was important that we had to bite the bullet. We said that yes, it will be shut down, revenues will be down, profitability will be affected, but it had to be renewed, refreshed. So that's one, and we've seen F&C growing after that. As you know that everybody, there's a fatigue in terms of decor and the look and feel, and the world is changing around us. So that was one part.

Now that we talk about, we are on a growth path. As you know that these are the restaurants which are built and slow and steady growth is coming in and takes six, eight months to breakeven, but we are extremely encouraged because the anchorage of the Mainland China makes a lot of difference. Asia Kitchen is anchored by a Mainland China, which is the most familiar brand in terms of the recall and the respect.

Now the growth that we have coming forward, if the details which will be fielded in the Q&A, but I can only say this to you that within this period of time, my son Avik, who has come in and he's much younger, and not as old as me, so he came in with the concept that it is important to have certain west-lead restaurants, because the average age of Indians is low and it's important, and they're all going out to not just eat, they're also drinking, that's an experiential truth which is coming as a reality. So quickly he built a restaurant called Episode in Powai, which was piloted over a period of time and has been showing extremely good bottom line and EBITDA levels.



Speciality Restaurants Limited
May 15, 2024

Then, so now going forward, there'll be a combination of the Asia Kitchen and Episode, which is details of which will be given by Avik. One interesting thing which is important to be mentioned here, our kitchens were very large and we had an opportunity to shred them. During pandemic, we quickly adapted that all the Asian brands in the form of Mainland China, which was the mother brand, supposing it's in Andheri West, we added Asia Kitchen delivery there, and also actually pressed the button on a brand called Hakka, which has a few dine-in restaurants only in the city of Calcutta, and we got that into the kitchen. So it's called the kitchen within kitchen. So there are three delivery happening from the same unit, with manpower which is fixed, then you have the only cost is food cost, and the aggregators cost.

So that has also given us a lot of encouragement. So any restaurant that we are growing and building now, we are putting three brands coming in, because they're all Oriental, there's a synergy. So they are giving us a lot of strength in terms of deliveries, which is very much a reality and possibility.

And the combination of a westland, which is in the form of Episode, number of restaurants, etc., will be taken by Avik. And the Oriental growth with the Mainland China line extension, with the anchorage of Mainland China, will be the futuristic levels of ours. One very important thing is that we've done a lot of mistakes. We have realized that expansion without profitability has no meaning.

As you know that any entrepreneur at any given point of time, gets enthused by getting into an expansion mode, which is very right. But some of them were pre-timed like Indore and places like Chandigarh, which is now showing better colors. But Indore, Jaipur were not ready at that point of time, although we've gone to all these cities, because we understood the expansions will be. Mangalore was another one.

So now we are back to one understanding that it will be slow and steady and profitable growth, but we also realized that in the short term we will have to take some hit or the other because all these restaurants take mature stores take at least 6 months to 8 months.

So it actually builds in a little bit of short term trouble and turbulence on the bottom line, but in the longest term, we will understand that we have a formidable brand, we have a bandwidth and we will be able to win. So this is the overall understanding and background. So any Q&As on the future or any other questions, I leave it to the forum.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Deepan Sankara Narayanan, Trustline PMS. Please go ahead.

Deepan Narayanan:

Good afternoon, everyone. And thanks a lot for the opportunity. So firstly, from my side, so what is the kind of store additions happened during last year and how many stores are we planning to open next 2 years, 3 years?



Speciality Restaurants Limited
May 15, 2024

- Anjan Chatterjee:** I mean there's a bit of a jar in this particular sound, but I would like to repeat your question as we understand for my comprehension. So you're talking about the number of restaurants that we are going to be opening in next 2 years, 3 years?
- Deepan Narayanan:** Yes, sir. And also, what is the store addition happened last year?
- Anjan Chatterjee:** Yes, okay. So I will just leave this to for Avik my son Avik Chatterjee to take this question.
- Avik Chatterjee:** Sure. Hello. So last year, we opened five new Asia kitchen restaurants and we renovated three mainland China's in the last fiscal. In the years to come next this current year we are on track to open 8 new restaurants on 9th May coming. And in the next 3 years we would be opening minimum of 25 new restaurants.
- Deepan Narayanan:** Okay. And when we are talking about this renovation and of this our existing stores, so what is the kind of capex planned over there and the stores which have already renovated? So what is the kind of incremental growth we are seeing over three renovation stage?
- Avik Chatterjee:** The first point is the capex is around INR2 crores per store. This is only on the stores that have crossed 17 years to 18 years of existence and with this we've also understood that we do have a 25% overall revenue jump which includes our liquor, food, as well as delivery for the units.
- Deepan Narayanan:** Okay, so how many stores are we planning to renovate over the next 2 years, 3 years?
- Avik Chatterjee:** Over the next 2 years it would not be more than 3.
- Deepan Narayanan:** Okay. And what kind of capex we are planning for this new stores?
- Avik Chatterjee:** INR25 crores for the new expansion.
- Deepan Narayanan:** Okay, thanks a lot. I'll join back to you.
- Moderator:** Thank you. The next question is from the line of Nitya Shah from Kamayakya Wealth Management. Please go ahead.
- Nitya Shah:** Thanks for the opportunity. I wanted to ask what's the update on the inorganic expansion that was planned due to the heavy cash of books, any update on that?
- Anjan Chatterjee:** So we've been talking to an international oriental brand. The discussions are on, but as you know, many of them the ask could be difficult for us. So we don't want to get into a situation because with God's grace we've been able to create brands and have the capacity to expand them.
- So we have to take an understanding internally that if the number which they ask for is very high which is being negotiated at the moment, it may be a possibility that we would not do that, but the discussions are on, not just with one. And there's another one an association of our master franchise in the form of who could be associated with us and we could get into a



partnership with them. That's also a discussion which is on. So these are under I would say that discussion almost towards the end of negotiation and we should be giving you a new soul.

Nitya Shah: Okay. And just to understand that you had given a presentation a few months back where you had given targets of tripling the revenue over the next 6 years with margins of 25%. So I'm guessing this growth will be coming in from all inorganic expansion because if we see the last 10 years, sales growth compounded growth rate has been around 10%. So if you're guiding for 20% compounded growth over the next 6 years, I'm guessing a large chunk of it would be only through inorganic.

Anjan Chatterjee: Yes, it'll be a combo of both. And as we are understanding that the discussions are on. So, when we projected this kind of a growth which was completely based on a combination of inorganic and organic.

Nitya Shah: And, sir, you had raised money through a preferential issue. So how much of that money has been utilized and how much is still left?

Anjan Chatterjee: See, the total money which had to be coming in was how much was that so out of the 49 to be specific INR24 crores is already used.

Nitya Shah: Okay. And what is the cash on books currently after this quarter?

Anjan Chatterjee: INR169.7 crores.

Nitya Shah: And was there any reason for a sharp margin fall in this quarterly result?

Anjan Chatterjee: Because of the fact that we've added new stores five of them and as you know that they take time to become mature. So we also have to give invitation and introductory prices to get in more footfall for a period of 3 months to 4 months after which we slowly add and come back to a level. So that's the reason.

Nitya Shah: And I just wanted to understand your vision excluding the inorganic path of growth. For your current scenario what is the vision going forward just to understand for the next two to three years?

Anjan Chatterjee: I'll let Avik talk about this.

Avik Chatterjee: So for our current vision is to strengthen our stance on the Asian market, Asian food business which is with our power brands, Mainland China, Asia Kitchen, and Hakka which is our delivery-friendly brand. That is our first priority. Alongside that, our vision is also to grab a bigger market share in the wet-lead, liquor-driven businesses as well which is obviously paid by food. These are the two categories that we would be developing within the company and that would also show our future growth and expansion.



Nitya Shah: Okay. And lastly, I wanted to ask, what kind of money would you be spending on the acquisition and with the balance cash left, do you have any plans of increasing your holding to a buyback or anything of the sort?

Anjan Chatterjee: Currently, we are not looking at it because we don't want to get into a situation where we end up borrowing money, huge funds coming in. We've been always believing in a debt-free company from day one. And if required we will dilute some stakes and buyback etcetera will come as and when we go with the cycle.

Nitya Shah: And there were also some catering initiatives that were undertaken in the last one year. Any progress on that?

Anjan Chatterjee: So, we've already built one banqueting hall in Calcutta which is fairly large. It's getting into finishing stages. So, the second one is coming in Bombay where we already have an asset and we are renovating that. And there could be a possibility in Bombay City, in Bandra. We are under discussions to do that and internally we've actually got a vertical for catering which is called Speciality Experiences. And it is, I would say that it's growing slowly and steadily.

Moderator: Thank you. The next question is from the line of Gaurav Patel from Total Finserv. Please go ahead.

Gaurav Patel: Yes. Okay. So, I visited a Dadar outlet, which I think of Asia Kitchen, which recently opened in the month of October or November 2023.

Anjan Chatterjee: Yes.

Gaurav Patel: In Mumbai. So, I visited first time in the month of December, I guess, on November. And what I, sorry, on the 21st of February, I visited first time. And at 9.30, there were hardly 10 people. So, that's actually a prime time for any restaurants. But there were hardly 10 people. I asked one of the captain, and he said that it's a fairly new restaurant. So, that's why there is no awareness about the restaurant. That's why there is less crowd. Then, second time I visited on 9th of May, this month, and around 9.45, there were 15 to 20 people, including three of us. So, my question is, how much time do we give to any restaurant before we think of closing it down?

Anjan Chatterjee: See, these are, as you know, that as you open a restaurant, there's no awareness to start with. We also go slow. We don't have a celebrity coming and opening it because that's what we believe in, the customers, the celebrity. So, during the time, mid-October, we opened it. When you went in December, it was just about to be, we were pressing the button of getting amplification in terms of awareness. And then again, when you went on the second time, I don't know if you went on, I think you went on a weekday.

Gaurav Patel: Yes, both the times I went on the weekdays only.



Speciality Restaurants Limited
May 15, 2024

Anjan Chatterjee: Yes. So, weekdays, as you know, are week and it's about Friday, Saturday, Sunday, as is the peak all over the world, including India. So, if you go now on a weekday, you will continue to find limited footfall, especially during lunches, but you'll be very happy to know that the numbers have grown to a level that we should be breaking even in next few months and it's growing by the day, by the hour.

The interesting part is that, as you know, that Mainland China is a known brand and we have that kind of a regard and respect. So, the moment people come and see the Anchorage of Asia Kitchen with Mainland China, which takes a little discovery time, we see people coming in and getting into, you know, the restaurant and they use it and then believe that yes, they like the restaurant and then hence the loyal customers start coming in.

Avik Chatterjee: And another point just to add to that is sometimes markets take some time for restaurants to build up. For example, at the same year, we opened Asia Kitchen in Viviana Mall in Thane and probably the first week we were full house. So, markets also depend on the locations and locations.

Anjan Chatterjee: That's also mall specific because Dadar, as you know, is a very price sensitive market and there's, although there's a Bastion in the same building, after Bastion came in, of course, the footfalls grew. So, that Kohinoor Mall takes a little more time than maybe a Viviana or if we talk about a Wacar, which we have opened in Phoenix Mill from the day one, we've seen footfalls coming in because these malls have the, you know, capacity to attract more people because they're more popular and they've been in the business for a longer period of time.

Gaurav Patel: Okay. My second question is about why we are doing all the asset-heavy businesses. Like just now you mentioned that you have, you're working on one of the hall in, conference hall in Kolkata and one more you're looking in Bandra. So, why we are doing it on our own? Why are we not just running our own catering business?

Avik Chatterjee: So, we are actually doing a dynamic model. One space in Kolkata is a building which is again under partnership and we are the sole caterers for the banquets. In our catering division, we do also outdoor catering. That means the rental assets are not ours. We go up to a ground, a hall, a home and various locations for corporates as well. And these are the different kinds of models that we have for catering. The one which we're also trying to do in Bandra is not our own asset. It's going to be a partnership in terms of we would be the catering wing for this premise. The ownership and the capex would be from someone else.

Moderator: Thank you. The next question is from the line of Tushar Raghate from Kamayakya Wealth Management Private Limited. Please go ahead.

Tushar Raghate: Yes. Good afternoon, sir. Thank you for the opportunity. I just wanted to know any membership or loyalty program are you thinking of for the entire, all the brands of the Speciality business?



Speciality Restaurants Limited
May 15, 2024

- Anjan Chatterjee:** Very good question. In fact, last night was the final discussion to do this. You see, pre-pandemic, we had a loyalty program, speciality privilege. And during that period, it just dithered out and we couldn't get this back for many other priorities that we had. So, we are in the process of doing this. At the moment, it is, as you know, it is all digital. So, it becomes much easier for us to do it. So, very soon, you will have a Speciality Privilege Card coming back.
- Tushar Raghatate:** Very nice, sir. And so, essentially, Devyani got into JV with PVR in order to increase their reach. So, I just wanted to understand any initiatives from our end in order to, you know, expand our brand image going forward?
- Anjan Chatterjee:** See, everybody has their own priorities. But at the moment, as we are looking at, we are very bullish on the fact that we will be able to leverage the Mainland China brand, the Oriental brands, which is KitchenVision, KitchenVR, adding deliveries coming through. So, we are not looking at any opportunity to get tied up currently. But as and when anything else happens, you know, you have limited time and limited money and also the priorities that you have. So, these are the first levels of our understanding and growth. Later on in the life cycle, we will definitely consider something which is worthwhile.
- Tushar Raghatate:** Currently sir liquor is what percentage of our scales and what are the targets, our internal targets to grow that?
- Anjan Chatterjee:** Avik, would you like to take this question? Because the bars that you have built historically were dispensed bars, so.
- Avik Chatterjee:** So, in the totality of the company, currently, we are at between 11% to 12%. But we feel that there is scope to grow in this space. Hence, we will be growing with three new wet-lead outlets for this year and nine more to come in the next three.
- Anjan Chatterjee:** Yes. Interestingly, I would like to add that all restaurants, which were the ones which we are renovating and refreshing, used to be having a dispensed bar, which was not in the line of sight. Avik took this responsibility to put all the bars, the new restaurants which are being renovated, and of course, the ones which are Asia Kitchen by Mainland China have a line of sight bar, which is interactive, wherein, as you know, that it's all about, you know, getting, so there's an impulse thing.
- So you have, you know, the bar coming in, the barman doing some kind of activity at that point of time. So you get enticed to take more and more liquor, the liquor sales have slowly shown growth. And we're doing a lot of interactive packages, along with Diageo and Pernod Ricard, and they are the ones who are helping us. And going forward, there's a scope to go into a level of 15 to 18%.
- Tushar Raghatate:** Fair enough, sir. I just wanted to know, like, any new store you open, what is the target breakeven, like, how much time it would take, on an average, for any store to get breakeven?



- Avik Chatterjee:** Between six to eight months.
- Moderator:** Thank you. The next question is from the line of Nirav Seksaria from Living Root Analytics. Please go ahead.
- Nirav Seksaria:** So episode of the brand has done really good for us. So how many new stores under the same brand are we opening?
- Viraj Mahadevia:** We will be opening three more this year.
- Nirav Seksaria:** So that will be under Episode, right? And what is the totality of capex that you're planning for the year ahead?
- Viraj Mahadevia:** INR25 crores-INR30 crores.
- Nirav Seksaria:** And what about the new 25 restaurants that will be opening? So that INR25 crores-INR30 crores that you have mentioned is for 8-9 restaurants, or is it in total for the 33 restaurants that will be opening?
- Viraj Mahadevia:** No, this is for the total for this current year, which would be 8-9 restaurants.
- Nirav Seksaria:** Okay. And what is the totality for those 25 restaurants?
- Viraj Mahadevia:** INR75-INR85 crores.
- Management:** Because, you know, it depends on the kind of size of the restaurant. And some could be around 2.5 thousand, some could be three.
- Nirav Seksaria:** Okay. And just adding on to the previous person's question, Ali, how are you seeing the increase in Amazon like revenue?
- Viraj Mahadevia:** By the growth of brands like Episode One, we see our liquor ratios in that space is 60-40, which is 60% being liquor, 40% being food. Hence, whereas in an Asian restaurant of ours, it's under 20%. So when we grow Episode One, we see that 60% ratio of the food and beverage would be liquor. Hence, that adds to an overall increase in the liquor sales for the company. Hence the margin.
- Nirav Seksaria:** And just to follow up on that, primarily, we are aiming to increase our Wet-led income by Episode and not via Hoppipola or any other brand, right?
- Viraj Mahadevia:** That's correct.
- Nirav Seksaria:** So are we planning to close those four Hoppipola restaurants that we exactly had?



- Viraj Mahadevia:** No. So that's currently profitable for us and any profitable restaurants, we do not plan to close. But for new expansion, new growth, and new market entry, Episode One seems the best proposition for now for us.
- Nirav Seksaria:** And what is the expansion plan that you're going ahead with this time? Is it a cluster based approach? Since the existing outlet is in Mumbai, are we planning to open more outlets in Mumbai and expanding it into other geographies?
- Viraj Mahadevia:** Yes. So we'll be opening two new in Mumbai this year, one new in Calcutta this year.
- Nirav Seksaria:** Okay. And the nine new restaurants that are coming up are also episode?
- Viraj Mahadevia:** That's correct.
- Nirav Seksaria:** Okay. Thank you so much. Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Upadhyay from Healthcare. Please go ahead.
- Amit Upadhyay:** Okay, great. So firstly, I would like to congratulate Mr. Anjan for running the show for almost 20 years. I think it's not easy to run a brand in India.
- Moderator:** Sorry to interrupt. Could you be a little louder, please? The voice is feeble.
- Amit Upadhyay:** Okay. Just hang on. Can you hear me now?
- Management:** Yes, better. Much better.
- Amit Upadhyay:** Okay. So as I said, I'm quite happy and pleased to be a shareholder of Specialty Restaurant. And I'm quite happy with the way Mr. Anjan has led the show. And I'm also happy to see the young generation has joined the business. And as a shareholder, it's always good to see the progress in how the business is going to grow in the coming years. So my question is regarding, I understood from Avik that there is a plan to expand 25 new restaurants in the next 3 years. I would like to know what part of this expansion will be Middle East focused?
- Management:** Yes. So I think you're aware of the fact that the Middle East expansion is based on a model called Franchisee Owned Company Operated. So we have, we started with the Barjuman Mall unit, Asia Kitchen by Mainland China at Dubai, after which we did Mall of Emirates.
- And now we have Oman. Within the Gulf, we are looking at minimum two stores in Dubai. And we're looking at Saudi, because that's another market and fortunately, our master franchise Resolute has presence there because they have a brand called Chowking. So they have the footings there. So as we talked about, we are just finalizing one more location in Dubai and Abu Dhabi.



Speciality Restaurants Limited
May 15, 2024

And later on, it will be Saudi, wherein we will do one store, as you know, that we try and go to one destination, wait for a while. And you'll be very happy to know that if anybody's travel to Dubai, they will understand that all these stores of Asia Kitchen by Mainland China have not just got the footfall of the predictable Indians, they have been able to attract a huge number of almost 50% of that is non-Indians coming into our stores.

Management: And because of the presence and the response in Dubai, we have gotten franchise calls from at least 10 different countries, of which we'll be analyzing, scanning, and then taking calls to enter new markets with Asia Kitchen by Mainland China.

Amit Upadhyay: Okay, great. Good to hear that. And I can second that thought, because I live in Dubai, and I never miss a chance to go to your restaurant. So kudos to what you have done here. My next question is, when you mentioned these 25 new restaurants, so this is not part of the Middle East, so this is all purely focused on the Indian market?

Management: That's absolutely correct.

Amit Upadhyay: Okay, good. And what are the iconic brands that you will focus in the next few years for India, in these 25 plus eight restaurants that you will be targeting?

Management: So the power brands for us would be Asia Kitchen by Mainland China, which would also be supported by Mainland China by a delivery. The second power brand would be Episode One for the Wet-led space. These are the two major brands that we'd be focusing on for dine-in formats.

For our cloud or delivery formats, we would be looking at Mainland China, Asia Kitchen, and Haka as these three Asian strong brands for us in delivery space. Over and above, we'd be looking at our catering division in a very serious manner to be growing it into Calcutta and Mumbai regions.

Amit Upadhyay: Okay, thank you very much. That's it from my side.

Moderator: Thank you. The next question is from the line of Sanchita Sood from RoboCapital. Please go ahead.

Sanchita Sood: Yes, hi. Good afternoon, sir. My question was, what kind of revenues can we see for FY '25 and '26? And if we could also know what kind of margins we'll be seeing for these two years?

Management: As you know, we are restricted by not giving you any forward-looking numbers. You can imagine and understand that if you're opening around 3-4 Asia kitchens, and also adding minimum of around 1-2, 2-2.5 in this fiscal. So it'll be actually eight restaurants coming in.

So going forward, the revenues which have been historical will be added to that. And the bottom line, as I said earlier, because the new stores take 6-8 months, the initial absorption of



Speciality Restaurants Limited
May 15, 2024

that particular profitability in the sense that the breaking even time will be there. So I'm sorry, I can't tell you any forward-looking numbers, which is not published.

Sanchita Sood: Okay, okay. That's all from my side, sir. Most of my questions have been answered. Thank you.

Moderator: Thank you. Thank you. The next question is from the line of Viraj Mahadevia from MoneyGro India. Please go ahead.

Viraj Mahadevia: Hi, sir. Congratulations on managing the ship through the difficult period. You did have some cost escalations on the food side. How are you thinking about using pricing as a lever going forward?

Management: Interesting question. The basis on which we had, you know, formed this company was with the proposition of five-star food and service at non-five-star prices. We're extremely careful.

And in spite of the fact that there's been an inflation, for example, of the 40%, you know, inflation, which has come only on one of the proteins that we sell in the form of chicken. In spite of that, we've been able to absorb it because certain things can be negotiated with the suppliers in terms of, you know, giving them, since we have so much of money lying, we give them advances, they need money for expansion, etcetera. But there is a headroom of going to at least 10%-12% in terms of pricing.

Some of them are introductory pricing, so they anyway will fall into the original pricing in the next six months. And there is enough scope. As we see the competition coming in, we don't get enticed by the kind of levels they serve. We believe in value. For example, if the average competitive restaurants, if they are, they will be giving a portion size of around 140 grams, we continue to give 180 grams. And the fact that the Indian consumer is extremely sensitive about the value that they get.

And hence, we have continued to do it slow and steady. But as you said, there is enough headroom for us to go and increase our prices.

Viraj Mahadevia: Great hope. We hope to see some of that in the quarters to come.

Anjan Chatterjee: Thank you. Yes, Inshallah.

Moderator: Thank you. The next question is from the line of Nitya Shah from Kamayakya Wealth Management. Please go ahead.

Nitya Shah: Yes, regarding the international business, I heard very good reviews about Chourangi restaurant in London. So what are your plans on your further expanding on this brand?

Anjan Chatterjee: We'd gone to the city of London with the with the restaurant, which is Indian, but we had a differentiation because we came in with the food of the city of Calcutta, which has historical



Speciality Restaurants Limited
May 15, 2024

sense. We were also inspired by the old Calcutta, which has shown us that regional cuisine is here to stay. As you rightly said that you got good reviews. Thank you very much. And we want to do another Chourangi within the city of London outskirts. But as you know, again, that the whole scenario in UK is not been the most favourable one.

And currently we are waiting for things to settle down. But we are in Marble Arch in the heart of London at this point of time. But this has been deferred or passed, if I may say, there have been so many of these approaches, which is coming from either master franchises or some other people.

But we intend doing this also here. And as you know, we had gone to Houston, city of India if you ask me. So Dallas and Houston, but Houston was another first stop of ours pre-pandemic. But as pandemic came in, we stopped that expansion. Very interesting to understand that all these brands of ours, particularly of mainland China, has a huge demand in any footfall area where you have Indian diaspora. So as and when our priorities come in and we understand that UK, since your question was about Chourangi, we will surely and definitely expand that within UK and US also.

Karan Bhuwania: And you don't plan on bringing this brand to India because I thought you want to address the Indian market also. Is there too much competition?

Anjan Chatterjee: It's not just competition because that's a brand we have created for the international diaspora. And we will be able to do this going forward. But any brand which is given birth there, for example, there's a brand of ours called Riyasat, which was at St. Regis in Doha, which was showing very good colors. But since St. Regis decided to do their own restaurant, so they continue to do that. And these two brands like Chourangi, mainland China, of course, and the Riyasat are the three areas which they're catering to different kinds of audiences. We would definitely not bring at least the Chourangi at this point of time to India for the fact that we actually have built it and planned it for an international market.

Nitya Shah: Right. And just to understand what has been your marketing spend for FY'24 as a percentage of sales and do you plan on further increasing this to boost your brand awareness?

Avik Chatterjee: Yes, that's around 4% to 5% for the percentage of revenue for last year.

Nitya Shah: So do you plan on increasing this going forward to increase brand awareness?

Anjan Chatterjee: So as you understand and you may have heard that we have now two animals to fight. One is the dine-in and the other one is the delivery. Now in delivery, if you see, there is an important thing that you need eyeballs on that page.

So we've been spending a considerable amount in that area. And when we launch a brand, we do our advertising, of course, the social media. Apart from that, we've been doing tactical holdings and also print, as you know, is the traditional medium, which is not necessarily the best of it.



Speciality Restaurants Limited
May 15, 2024

So we've been having a combination of social, that's digital media. And when we launch, we do a tactical awareness campaign in that zone. But beyond that, I think it's only based on festivals and any other sports which come in during the year, like a Mother's Day, Friendship Day or a Father's Day, that we do our promotions, some interactive ones.

Going forward, it is all an A to S ratio, you understand that. As the sales goes up, I would not like to increase it from 4.5% to anything which is more than that. But if there is an opportunity of some kind which is coming in in a particular market where we are not so popular, we will increase the A to S ratio.

Nitya Shah: Okay, understood. Thank you.

Moderator: Thank you. The next question is from the line of Shubham Jain from NV Alpha Fund. Please go ahead.

Shubham Jain: Hi, thank you for the opportunity. I just had one question. You mentioned that incrementally, you want to focus on two formats in terms of Dine-In, which is Asia Kitchen, Mainland China and the Episode 1. Could you just help me with store economics? So my sense is it's about INR2.5 crores to INR3 crores of capex per store. But you know, what does the peak revenue look like? What kind of gross margins and margins do we see from these two formats at peak?

Rajesh Mohta: See here, Rajesh Mohta, this side. On the matrix, basically, let's say what Mr. Avik had already indicated that we spend around 3, between INR3 crores to INR3.5 odd crores on a standard 2,500 square feet new restaurant. The gross margins in an Oriental restaurant is between 26 to 27, sorry, let's say cost is 26%, 27%, which translates into a margin of 74% to 75%. Considering the other elements of expenditure, etc. We do work on an EBITDA of between 16%, to 18% at restaurant level.

Shubham Jain: And this is post-trend, right? 16% to 18%?

Rajesh Mohta: Yes.

Shubham Jain: Okay. And would the economics be similar for an Episode 1 as well?

Rajesh Mohta: Here, what happens is the throughput in a bar restaurant is much higher, where the EBITDA percentages increase substantially, because 40% is the liquor consumption there. So we work on an EBITDA between 22%, to 24% there.

Shubham Jain: And what is like the peak revenue that you can do from like a 2,500 square foot store on an average?

Rajesh Mohta: See, there is a big range here. It could be between INR60 lakhs to INR90 lakhs of, depending upon the location and the delivery.

Shubham Jain: INR60 lakhs to INR90 lakhs per month. Is that the right understanding?



- Rajesh Mohta:** Correct.
- Shubham Jain:** Okay, understood. Thank you so much. That was super helpful.
- Moderator:** The next question is from the line of Nirav Seksaria from Living Root Analytics. Please go ahead.
- Nirav Seksaria:** I just wanted to know what's the split between the dining and delivery for this quarter and for the whole year?
- Rajesh Mohta:** It ranges between 28% to 29% of the total revenues is delivery and the balance is dining.
- Nirav Seksaria:** Could you repeat it, sorry?
- Rajesh Mohta:** 28%, to be specific, was delivery and the balance is dining.
- Nirav Seksaria:** And so, since we have revamped a few of our Mainland China restaurants, are we seeing an increase in alcohol consumption there?
- Anjan Chatterjee:** Yes. So, historically, it used to be around nine. It has already grown between 10 and 12. And with the Bar coming in the line of sight, because they're all new restaurants renovated, we see a lot of interaction happening there. As I said earlier, we are also tying up with the Diageo's of the world to get us better discounts in terms of the packages. So, we've gone very aggressive on offers so that the ratios go up.
- Nirav Seksaria:** So, is the ratio similar for the new Mainland China restaurants that we have opened?
- Anjan Chatterjee:** They are slightly more because they start from day one with the line of sight Bar, and they're a little more bistro-ish [50:01]. If you see the Asia Kitchen by Mainland China, it's slightly more casual than Mainland China, which is fine dining.
- Nirav Seksaria:** And just to clarify, the alcohol contribution in episode is 40% or is it 60%?
- Anjan Chatterjee:** My bad. It was actually 60 and 40 is food.
- Nirav Seksaria:** 40 is food, right? Okay. Thank you so much.
- Moderator:** The next question is from the line of Mayank Aggarwal, who is an individual investor. Please go ahead.
- Mayank Aggarwal:** Hi, good afternoon, sir. My only question is you have been expanding the business that is wonderful. But I could see that this severely affects the margins. So, do you think that you are still planning to go on opening the new restaurants, 25 in the next three years? So, will the margins go on being affected? And can we see the profits like the tune of FY'23?



Speciality Restaurants Limited
May 15, 2024

Anjan Chatterjee: A very important question and very pertinent question. Now, as that it's important growth is expansion is growth. These are interrelated because any corporation which has got enough funds and has relevance of a brand, any relevant brand, it is but natural that we have to expand. Now, even if we have to take some bite the bullet and take some absorption of profitability, we are very careful about the store matrix, the zones where we are opening, the kind of diaspora and the density of population.

So, in the short term, there may be some pain, but you will see over a period of time, everything changes around because we have to add number of stores. But this time, very carefully looking at the matrix and the diaspora, city, etc. which we are very careful about but it will be slow and steady growth.

Mayank Aggarwal: Okay. Thank you, sir.

Anjan Chatterjee: Thank you.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Anjan Chatterjee: Yes. So, first of all, heartfelt thank you to all the individuals and the corporations which have come in and have given us an opportunity to talk to all of you. As you know that currently, we are not wanting to raise any funds unless otherwise there is a tie-up which is coming in our organic at a point of time, which is not on the table currently as we talk. And going forward, I would like to be informing you this coming in every quarter. We will keep on telling you our progress and we are on right track at this point of time and things should show you better and better strategic inputs coming in.

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