Speciality Restaurants Limited

Instrument	Amount (Rs. Crore)	Rating Action
Long-term/ short-term, fund-based/ non-fund based facilities	100.0	[ICRA]A+ (stable)/ [ICRA]A1 reaffirmed

ICRA has reaffirmed the **[ICRA]A+** (pronounced ICRA A plus) and **[ICRA]A1** (pronounced ICRA A one) ratings assigned to the Rs. 100.0 crore[1], long-term/ short-term, fund-based/ non-fund based limits of Speciality Restaurants Limited ('SRL' or the company)[2]. The outlook on the long-term rating is **'stable'**.

The ratings reaffirmation takes into account the company's robust capital structure, strong liquidity and healthy debt protection metrics despite weakened operating performance of the company. The ratings are also supported by the strong brand recognition for SRL's restaurant brands, which facilitates the company's entry into newer markets.

The ratings are, however, constrained by the continued negative same outlet revenue growth on account of slowdown in discretionary spending, and the declining profitability of the company. ICRA notes that despite healthy growth in revenues aided by addition of new outlets, the company's gross margins have been declining on account of a change in the product mix, with higher contribution of Indian food cuisine, where the food cost is higher as compared to Chinese cuisine. This has been on the back of introduction of the brand refresh of Mainland China as Asia Kitchen by Mainland China, thereby transforming its flagship brand. The gross margins are further constrained on account of inflationary increase in raw material cost which the company has not been able to pass on entirely to the customers in an attempt to maintain footfalls.

ICRA believes that the company will be able to maintain its credit profile in the near term despite increasing competitive intensity in the restaurant business and current subdued corporate demand. Improvement in profitability through improved same outlet revenue growth and efficient cost management remain key rating sensitivities.

Company Profile

Speciality Restaurants Limited (SRL) has presence in the fine dining industry, with restaurants across India, Bangladesh, Tanzania and Doha. Incorporated in 1999, SRL is promoted by Mr. Anjan Chatterjee, who had set up the first restaurant called 'Only Fish' (later renamed to Oh! Calcutta) in Mumbai in 1992. The Company's flagship brand is Mainland China, which offers authentic Chinese cuisine. The company's other restaurant brands include Oh! Calcutta, Sigree, Sigree Global Grill, Asia Kitchen by Mainland China, Hoppipola, Cafe Mezzuna, Machaan, Haka, Flame & Grill, Kix, Shack, Zoodles, Kibbeh and Sweet Bengal (confectionary brand). The company is also present in outdoor catering business on a small scale through Mobifeast – Speciality Outdoors. As on June 30, 2016, SRL has 123 outlets (including 18 confectionaries) across 23 cities in India, 2 in Bangladesh and 2 in Tanzania. In May 2016, SRL opened a Mainland China outlet in Doha, owned by a joint venture (JV) with the Al-Mohannadi Group, with SRL owning 49% stake.

The company completed an Initial Public Offering (IPO) in May 2012 and got listed on BSE on May 30, 2012. As of June 2016, the promoter group (Mr. Anjan Chatterjee and his family) hold ~51% shareholding in the company.

Recent Results

As per unaudited financials for the three-month period ended June 30, 2016, SRL reported a net loss of Rs. 5.8 crore on an operating income (OI) of Rs. 78.6 crore. As per audited financials for the 12-month period ended March 31, 2016, SRL reported a net profit of Rs. 0.3 crore on an OI of Rs. 322.2 crore, as against a net profit of Rs. 9.5 crore on an OI of Rs. 300.1 crore as per audited financials for the 12-month period ended March 31, 2015.

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

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