



SPECIALITY
RESTAURANTS LIMITED

ANNUAL
REPORT

2023

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Our Mission

To consistently provide world-class cuisine and experience at an affordable price. To create a dining experience whose uniqueness lies in elegance and refinement, brought alive by care and personalized service in a warm, vibrant environment, that makes everybody feel special.

Curtain Raiser

Heralding the beginning of a revival phase your Company left the impact of pandemic behind and started all over again with a new zeal, resolve and determination to post a strong and resilient performance in the financial year 2022-23.

The financial year 2022-23 started with improvement in consumer sentiments leading to increased consumption and spending, thus giving a thrust to the economy. We continued with our focus on controlling costs without compromising on our quality and value proposition for Guests. Delivery continued to be a significant proportion to total revenues, with increase in dine-in sales as well. The Company continued to strive to maintain profitability by mitigating inflationary pressure on input cost and improving overall margins. The results were visible as we experienced a sharp turnaround in business and reported increase of 49.6% in Revenue, 78.8% in EBITDA and 548.4% in Profit after Tax for the year 2022-23. This could be attributed to strategic decisions that we took of operating with a lean staff strength, operating a new format of 'kitchen-within-kitchens' from our existing set-up and independent 'Cloud kitchens'. Together with it, we focussed on social media marketing which helped to increase the awareness and reach of our brands in hitherto unrepresented markets and increasing our delivery sales through online ordering and take-aways.

We are one of the leading chain of restaurants in the fine dining sector with restaurants across India, UAE (Dubai), Qatar (Doha), and in UK (London). Our flagship brand Mainland China continues to serve authentic Chinese cuisine and in the phase of brand refresh with upgradation of décor and introduction of new items on the Menu. Asia Kitchen by Mainland China continues to be the avatar of the mother brand offering pan-Asian cuisine in a semi-casual dining format which is a strategic fit for Mall formats while mainland China will be in standalone locations. Haka has been a recent addition to our Cloud Kitchen format in the same genre offering Haka style Chinese cuisine and which has shown good results in terms of revenue at a pocket friendly price point. It has helped the company to scale its operations at lower costs to target the mid-market segment.

The group's power brands include Oh! Calcutta, serving unexplored flavours of Calcutta, Sigree Global Grill with live grill on each table offering unlimited grills of the world, Riyasat offers royalty inspired Indian dining and has created a big name for itself in Kolkata while Sweet Bengal serves authentic Bengali sweets made with pure cow's milk by artisans from Bengal. Your Company has expanded the Sweet Bengal brand in the Pune market and now on the verge of rapid growth since the results have been very encouraging.

The wet led formats like Episode One, BARishh and Hoppipola offers innovative mixes with added great fusion cuisine. The latest addition has been 'Bohoba' with well thought out food menu and interesting new range of cocktails to cater to all 'eligible' age groups.

Your Company's first London restaurant 'Chourangi' has received an overwhelming response even from the locals which is a very good trend. The same has been reflected in a profitable growth during FY 2022-23.

We are excited to announce that Asia Kitchen by Mainland China brand in UAE is also growing and expanding to other countries. It is soon expected to be launched in the Mall of Oman in FY 2023-24.

Chairman & Managing Director's Perspective

Anjan Chatterjee
Chairman & Managing Director



Dear Shareholders,

I am delighted to welcome you to the 24th Annual General Meeting for the financial year 2022-23. We are happy to present our Annual Report that highlights the growth path that Speciality Restaurants has been on through the year. Through our brands and businesses, we continue to build value for all our stakeholders.

Food & Beverages sector is one of the fastest growing industries in India. The F&B Industry generates 3% of India GDP and around 2/3rd of the total retail market in India. Indian Food and Beverages Market size is expected to reach nearly US\$ 504.92 Bn by 2027 with the CAGR of 11.05% (Source: CIRIL Industry-Insights F&B Sector In India August 2022). With economy opening up post-Pandemic, Indian F&B sector particularly, Hospitality and Dining, Food e-commerce, food supply chain and cloud kitchens will continue to register higher growth in years to come.

Your Company has identified and capitalizing on the opportunities by utilizing its resources strategically and nurturing the talent for innovation and productivity to create a solid foundation for success.

A profitable growth trajectory

We have successfully put the pandemic behind us and achieved the seventh consecutive quarter of sustained profitable growth. In the FY 2022-23, your company has achieved a turnover of ₹398.71 crores thereby recording a growth of ₹132 crores (49.6%) and profit after tax of ₹95.58 crores which is an increase of ₹82.06 crores (607.0%) over the last financial year, despite a volatile and high-inflationary external environment. This performance has been particularly satisfying, considering the challenges the world faces today.

In FY 2022-23 a revenue growth of 49.6%, an EBITDA growth of 78.8% and a PAT growth of 607.0% was led by same-store sales growth at 46% and gross margin of 70%.

A strategy of expansion

This year, with market sentiments improving, we have quickly ramped up expansion plans. Four (4 nos. net) cloud kitchens were opened in FY 2022-23. We have successfully raised ₹127.30 crores through an issue of 60 lakh warrants on preferential basis, convertible into equity shares to support growth initiatives and to fund the upgradation of restaurants.

We continue to dominate with our market leadership in the Asian cuisine segment and have retained our position of market leadership. Our USP is the presence of our brands in multiple formats ranging from Fine Dining, Casual Dining, Resto Bar, Cloud kitchens and Confectioneries. We will continue to build on our expertise and also keep innovating with newer formats to cater to the evolving palate of consumers.

We continue our focus on controlling the costs and enhancing our value proposition for our guests. Recognising the convenience and importance of home delivery to customers, our focus on providing last mile delivery continues. It remains a significant proportion of our total revenue. Despite the convenience of home delivery, we are happy to report that dine-in sales are also on an upswing.

We have plans to expand by opening new outlets of Asian Cuisine and dominate the space with by upgrading existing Mainland China and Asia Kitchen by Mainland China restaurants as a brand refresh exercise to further improve upon the same store sales growth.

Given that our versatile brand portfolio enjoys a strong recall and customer loyalty, we hope to further strengthen our brand presence in the minds of our customers by continuing to focus on giving every diner the perfect guest experience.

Your Company has been implementing smart technologies to save time and money to improve the business flexibility, efficiency, and revenue generation. The Hospitality industry is now technology driven wherein customers make reservations, browse menus, order food and pay bills online.

Mainland China just got a makeover!

We continue to strengthen our flagship brand 'Mainland China' which got a complete makeover after almost three decades. The first outlet to undergo this dramatic transformation was the Andheri West outlet in Mumbai. The change has brought in a breath of fresh air to the brand as it has been done without compromising the core identity and values to appeal to our loyal guests while also appealing to the younger generation. Since the opening, the restaurant has been receiving rave reviews and compliments.

Asia Kitchen by Mainland China

Asia Kitchen by Mainland China was created as a brand refresh of the mother brand offering a more relaxed and informal space to attract the younger audience. With diverse and trending offerings in the form of Pan Asian cuisine which includes gourmet dishes from Hong Kong, Singapore, Malaysia, Thailand, Japan, Korea, Myanmar in addition to China this semi-casual format is being widely relaunched in malls.

With a thriving overseas presence, Asia Kitchen by Mainland China restaurant in Burjuman Mall and Mall of Emirates in Dubai, UAE has a large and loyal customer base. We are happy to announce that Asia Kitchen by Mainland China restaurant will be launched in the Mall of Oman at Oman in the FY 2023-24.

Chourangi – an exciting impact in London

Your Company's first London restaurant Chourangi was launched during the second half of the previous year. Despite this period being fraught with the specter of Covid in the UK, the response from all quarters – from food critics to connoisseurs to the public at large - has been overwhelming. The food, the ambience and the service have all been lauded, resulting in a palpable impact in terms of increasing footfalls and enhanced brand equity.

The joint venture company holding the Chourangi restaurant has reported profitable operations during the FY 2022-23.

Food delivery – a growing vertical

The pandemic, while throwing up immense challenges, had also created new opportunities. In the area of food, it is the concept of cloud kitchens that has opened new avenues of business growth. We quickly seized the moment and pivoted our model to the hybrid model of cloud kitchens along with dine-in restaurants. Through the last year, we have successfully added 4 cloud kitchens that have exponentially expanded our reach. Strategic tie ups with delivery partners, have enabled us to provide customers with an 'at home' dining experience, providing the cuisine that best lends itself to this format. Cloud kitchens has opened up an opportunity to scale up our online business, without the level of investment that offline restaurants demand. Delivery business continues to constitute approx. 26% of our business.

People - our biggest asset

Through the pandemic, we rationalised manpower, while ensuring that every person is looked after. Post pandemic, seeing the growth, our focus on people continue. In addition to hiring the best talent, we continually focus on training and reskilling existing manpower to be ready to take on the demands of a changing market and continually evolving customer requirements. This focus on people has stood us in good stead, giving us that edge that the hospitality industry demands.

Sustainability

To this Annual Report we have annexed a Business Responsibility and Sustainability Report that covers our ESG vision, policy, agenda and progress against elements of each of the nine principles under the National Guidelines on Responsible Business Conduct. Driven by our mission, we are well-placed to continue to deliver growth that is consistent and profitable.

According to the Economic Survey of India 2019-20, 62% of India's population is in the 15-60 years age bracket, with 30% under the age of 15 years. India is poised to enjoy the benefits of a substantial working age population for a long period of time.' (Source: Food Service Industry Report of Motilal Oswal December 2021).

We believe the food sector will witness a robust sales growth in the high teens over the next few years. Your Company's strong and versatile portfolio of brands, cuisines, understanding of guest experience and customized personalized service has enabled us to deliver the current performance and build loyalty amongst your customers. Growing affluence of a young population, rising urbanisation, increased disposable income, growth of organised retail and rapid advances in digital technology are all driving consumption. We have countered the headwinds better with innovation and resilience and remain optimistic about the future and confident about harnessing newer growth opportunities in F&B space that will enable your Company to continually move towards sustainable growth and profitability to stay ahead of the curve.

I would like to take this opportunity to thank every individual who has reposed their faith in us - employees, partners, customers and all stakeholders - for their commitment and support to Speciality Restaurants. I would also like to thank the Board of Directors for their unstinted support.

Above all, I would like to thank you, shareholders, for your overwhelming trust, support and confidence in Speciality Restaurants Limited. I wish you all the very best and look forward to your continuing support in the years to come.

Warm Regards,

Anjan Chatterjee

Chairman & Managing Director

Powered by our brands

Every brand of ours has created its own niche. They operate and constitute an important aspect of our strategic roadmap over the next several years and in this pandemic the exponential growth of our delivery business has reinforced our belief in the power of our brands. Our standard SOP's have allowed a smooth run for all the franchisee's and continuing this trend will inch us closer to near and long-term goals and success.

Flagship Brands

After completing 30 years, Mainland China the flagship brand of Speciality Restaurants has undergone a brand refresh with complete makeover, with a revamp of its ambience, décor and menu offerings. The first outlet that has undergone this transformation is at Andheri West and will soon be at Powai and ICC Mall (Pune). Its offerings have been given a twist by adding in new dishes that are unique and trending in today's food gastronomy, yet retaining the subtle blending of spices, providing the perfect balance of Ying Yang flavours. To its credit it has remained one of the most favoured and popular Chinese fine dining restaurant chain continuing to acquire great reviews, acclaim amongst gourmet for over 30 years across India.

Our Chefs at Mainland China excel at preparing authentic dishes that delight the taste buds. Whether you are craving for the crunchiness of the Sushis, the crispy dim sums, baos or the fish cooked in a light sauce tempered in spices that cool the palate, the light fluffy fried rice, ideal to whet your appetite, the new menu has something for everyone to tempt you to sit back and enjoy a meal that takes you on a culinary journey from Sichuan to Jiangsu, to the bustling streets of Beijing.

 **MAINLAND
CHINA**