

Issue Snapshot:

Issue period May 16 – May 18 2012

Price Band: Rs. 146 – Rs.155

Issue Size: Rs. 171.39 crs – 181.96 crs

Issue Size: 11,739,415 equity shares

QIB upto 5,869,707 eq sh

Retail atleast 4,108,796 eq sh

Non Institutional atleast 1,760,912 eq sh

Face Value: Rs 10

Book value - Rs 38.14 (December 31, 2011)

Bid size: 40 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs 35.21 crs

Post issue Equity: Rs. 46.95 crs

Listing: BSE & NSE

Lead Manager: Kotak Mahindra Capital Company Limited

Registrar to issue: Linkintime India Pvt Ltd.

Current Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoters Group	80.92	60.69
Public (incl Employees & others)	19.08	39.31
Total	100.0	100.0

CRISIL IPO grading: 4/5 indicating above average fundamentals**Highlights of the issue:**

Speciality Restaurants Ltd (Speciality) is one of the leading fine-dining restaurant operators in India with 69 restaurants and 13 confectionaries as of February 29, 2012. Besides its flagship brand Mainland China, the company operates a chain of restaurants under various brands like Oh! Calcutta, Machaan, Sigree, Flame & Grill and Haka. SRL also operates a confectionery brand, Sweet Bengal, in Mumbai. Of the 69 restaurants, 20 are under the franchise owned and company operated (FOCO) model and the rest are owned and operated by the company (COCO).

Speciality's promoters launched their first restaurant in 1992 under the name Only Fish at Mahim, Mumbai, which was renamed Oh! Calcutta in 1996. In 1994, they launched their first Mainland China restaurant at Sakinaka, Mumbai. Speciality was incorporated on December 1, 1999 as a private limited company to expand the network of its restaurants. It also acquired the then-existing two Mainland China restaurants from its promoters in April 2002 and one Oh! Calcutta restaurant in April 2005. Since its incorporation, the company has successfully grown its business to 69 restaurants and 13 confectionaries under 11 brands in 21 cities in India and two in Dhaka, as of February 29, 2012. In FY2010, the number of guests served at its corporate restaurants was approximately 2.40 million, or, on average over 7,192 guests each day.

For FY11, it reported a total income of Rs.1750.64 million and PAT of Rs.160.23 million. For the nine-month ended December 31, 2011, it reported total income of Rs.1521.11 million and PAT of Rs. 150.18 million.

Objects of Issue:

The objects of the Issue are:

- Development of New Restaurants.
- Development of a food plaza.
- Repayment of portions of term loan facilities; and
- General corporate purposes.

Cost of Project:

		Rs. Mn
S. No.	Particulars	Amount
1	Development of New Restaurants	1316.01
2	Development of a food plaza	151.00
3	Repayment of term loan facilities	94.16
4	General corporate purposes	*
	Total	*

(Source: RHP)

Means of Finance:

The fund requirement will be met entirely from the net proceeds of the Issue.

SRL's strengths:

- A leading portfolio of core brands including flagship brand, Mainland China.
- Focus on guest needs.
- Experienced Founder and Promoter, management team and dedicated staff.
- Diversified business model.
- Strategic locations.
- Robust processes and scalable model
- Strong financial position and profitability

SRL's strategy:

- Leverage its flagship Mainland China brand while selectively expanding into existing and new markets.
- Developing new restaurant concepts focused on new demographic segments.

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- Continuing to expand mainly through ownership and selectively through franchising.
- Continue improving profitability and economies of scale

Risks & Concerns:

- SRL's business depends significantly on the market recognition of its Mainland China brand, and if it is not able to maintain or enhance its brand recognition, its business, financial condition, results of operations and prospects may be materially and adversely affected.
- Success of SRL depends heavily upon its Promoters, Promoter Group and Group Companies for their continuing services, certain key development and support activities and certain loans.
- General and industry-specific economic fluctuations could adversely affect SRL's business, financial condition, results of operations and prospects.
- SRL's business is labour-intensive and it depends on its dedicated and capable employees, and if it is not able to continue to hire, train and retain qualified employees or if labour costs increase, its business, financial condition, results of operations and prospects could be materially and adversely affected.
- Inability of SRL to identify, open and operate new restaurant locations profitably may adversely affect its business.
- SRL lease premises for all of its restaurants and confectionaries and its inability to secure its lease rights and keep up with increasing lease rentals in certain key locations may adversely affect its business, financial condition, results of operations and prospects.
- SRL depends on certain brand names and its corporate name and logo that it may not be able to protect and/or maintain.
- SRL generate a majority of its revenues from western India. Any event negatively affecting the consumer food services industry in western India could have a material adverse effect on its overall business and results of operations.
- Changes in consumer preferences that are largely beyond SRL's control could adversely affect business, financial condition, results of operations and prospects.
- Failure to successfully update SRL's menus and introduce new menu items and products may adversely affect the business.
- Food-borne illnesses and resulting negative guest perceptions could adversely affect SRL's business, financial condition, results of operations and prospects.
- Negative publicity relating to one of SRL's restaurants or to its merchandising activities could reduce turnover at some or all of its other restaurants.
- Future growth of SRL also depends on its ability to increase existing restaurant sales and penetrate deeper into existing geographic locations.
- SRL faces strong competition in its business.
- SRL's indebtedness and the conditions and restrictions imposed by its financing agreements could restrict its ability to conduct the business, which may adversely affect its business, results of operations, financial condition and prospects.
- Operating results of SRL depends on the effectiveness of its marketing and advertising programmes.
- SRL rely in part on its franchisees, and if its franchisees cannot develop or finance new restaurants or build them on suitable sites, open them on schedule or manage them successfully, its growth and success may be affected.
- SRL's costs of compliance with health, safety and environmental laws are expected to be significant, and the failure to comply with existing and new health, safety and environmental laws could adversely affect its results of operations.
- SRL's restaurant sales are subject to seasonality and job market trends.
- SRL's use of imported foodstuffs and equipment exposes it to the risk of the imposition or increase of tariffs, duties, quotas and other limitations on imported foodstuffs.
- A slowdown in economic growth in India could cause SRL's business to suffer.

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**Extract from grading rationale by CRISIL:**

"The assigned grade factors in favourable prospects of the food services industry given India's demographic profile (68% of the 1.1 bn population in 2006 are below the age of 35 years) and the rising base of working class, two major factors expected to provide impetus to the restaurant business. Also, increasing urbanisation, a growing middle class population and rising disposable income in India are leading to an increase in dining out as a lifestyle choice. The grade reflects Speciality's strong foothold in the fine dining restaurants segment in India with 82 restaurants and confectionaries under 11 brands spread across 21 cities; it also runs two restaurants in Dhaka, Bangladesh. The company has been successful in creating brands like Mainland China (its flagship brand) and Oh! Calcutta in an industry which is characterised by high brand mortality and strong competition. The grade also factors in the company's strong focus on quality food, attentive services, and ability to identify locations with high consumer traffic. Further, its strategy to introduce new brands has enabled it to attract more guests per day for all of its restaurants thereby improving the overall profitability. The grade also takes into account the company's prudent expansion strategy through internal accruals which has enabled it to manage the overall risk in this business. Further, the grade is influenced by the strong and professional management team, the strong internal control system implemented by the company and good corporate governance practices being followed therein.

However, the grade is moderated by the fact that the food service industry is highly fragmented and there is stiff competition from organised (domestic and international) as well as unorganised players. To beat competition, the company will have to consistently setup new outlets as older ones tend to mature in four-five years. Besides, Speciality's business is dominated by the success of a singular brand, Mainland China, which contributes more than 50% to revenue".

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