

Specialty Restaurants.: Average Issue

IPO Note: Sector dominated by unorganized players, High P/E Rating**



www.speciality.co.in

Issue details

Price band (Rs)	Rs.146-Rs.155
IPO Opening Date	16/05/12
IPO Closing Date	18/05/12
Issue Size	Rs.182.00 Crore

Valuations & Recommendation

Speciality Restaurants' net profit increased to Rs 15.63 crore in financial year 2011, from Rs 3.12 crore in FY2007 at a compounded rate of 49.6%. Its revenue in the same period was up 35.1% CAGR to Rs 173 crore. For the nine-months ended December 2011, it reported a net profit of Rs 15.34 crore, while revenue was Rs 149.7 crore. On the expanded equity of Rs.46.95, EPS works out to Rs. 4.34. At the higher price band of Rs.155, P/E works out to 35.0, which is very high hence we recommend to avoid but consumer goods stocks have been in much demand over the last years so one can enter at lower level after listing.

Highlights:

- Speciality Restaurants is a leading fine-dining restaurant operator. Apart from its flagship Mainland China, As of February 29, 2012, the company has 82 restaurants and confectioneries across 21 cities in India and two in Dhaka, Bangladesh.
- Strong competition in the business. The fine dining sector of the restaurant industry in India is subject to competition in respect of price, service, location and food quality.
- The Indian food services industry has a history of being fragmented and unorganized and dominated by local players.
- At Rs 146-155, the company is demanding a PE multiple of 35 on its annualized EPS of Rs.4.34 in the nine month ended Dec.2011, on its post issue capital of Rs 46.95cr.
- CRISIL has assigned an IPO Grade 4 to Speciality Restaurants Ltd IPO
- As on 31.12.11, its EPS was just Rs.4.34 (annualized)

Financial Performance (Rs.in Crore)

DESCRIPTION	Mar-11	Mar-10	Mar-09	Mar-08	Mar-07
Sales	175.1	128.70	115.61	83.30	51.88
PAT	17.9	9.66	7.50	5.04	3.42
PATM(%)	10.2	7.50	6.49	6.05	6.59

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