Initiating Coverage

Your success is our success

Westlife Development

Refer to important disclosures at the end of this report

Still in the early days of QSR marathon

CMP	Target Price
Rs 518 as of (March 16, 2021)	Rs 600 12 months
Rating	Upside
BUY	15.8 %

Our bullish investment thesis on Westlife Development (WLDL) rests on three pillars: 1) Superior unit economics – about 30-40% higher revenue per store – relative to peers; supported by value pricing and strategies aimed at increasing in-store visits and offering complementing menus. Recent initiatives on digital could provide a further fillip. 2) Comparison with Domino's highlights a 3x store roll-out potential – offering a long visibility into penetration-led growth. We expect mid-teen revenue growth for several years with an upside risk. 3) Our relative analysis of a peer at a similar scale throws a strong case for a 500bps upside in EBDITA margins. Higher unit economics should lead to industry-leading ROEs as high upfront overheads get more corralled with scale. The pandemic has already reset the cost curve lower, commensurate with a 20% lower revenue.

Net net, we expect revenue/EBDITA CAGRs of 10%/20% through FY24, and importantly, similar growth continuing well beyond that as well. ROE should see a sharp improvement to mid-teens. We are initiating coverage with a Buy rating and a Jun'22E TP of Rs600, based on 32x Jun-23E EV/EBITDA (backed by our long-term DCF analysis). Key risk: Delay in full unlocking may pose risk to our SSG recovery assumptions.

- **Powerful brand franchise with a long growth runway:** McDonald's leads global QSRs with 38k restaurants, and enjoys superior unit revenues vs. peers, thanks to its value proposition and wide portfolio/brand extensions. With full unlocking, WLDL will likely outperform, led by digital initiatives, convenience channels and dine-in recovery. In addition, even as WLDL operates only in the South and West (S&W) region, the region accounts for 65% of QSR revenues. Comparison with Domino's (~800 stores in S&W) highlights a 3x store expansion potential. WLDL's expansion approach has been disciplined (network scale up 50% in FY15-20) to limit store closures. However, rising profits/FCFs and attractive QSR outlook may drive an acceleration.
- **Margins are suboptimal; expect strong gains with scale and cost reset:** In the past five years, WLDL's operating margins expanded 700bps to 9%, driven by product mix changes and cost efficiencies. Margins are still sub-optimal in spite of higher sales and gross profit per store vs. peers. Comparison of overhead costs vs. peers and relative analysis of JUBI at similar scale throws a strong case of 500+bps margin expansion at higher revenue scale. Cost-structure reset in the pandemic has also been impressive, reaching pre-Covid-19 margins on 20% lower sales. We forecast WLDL to reach mid-teen EBITDA margins by FY24 (+600bps gain over FY20-24E).
- **Poised for sustainable growth and profitability turnaround; initiate with Buy:** We estimate WLDL to record sales/EBITDA growth of 10%/20% in FY20-24E, despite the Covid-19-induced disruption in FY21 (16% sales CAGR ex-Covid). We assume a full recovery in sales/store in FY22E and a 9% CAGR in FY22-24E. WLDL's highly scalable franchise and improving profitability make it an attractive long-term bet. We value WLDL at 32x Jun-23E EBITDA (excl IND AS 116 impact), yielding a TP of Rs600.
- **Faster store expansion is an upside risk:** Our DCF assumptions w.r.t. expansion may be conservative at 32 stores/year over the next 20 years. Growing profits/FCFs may drive upsides. Assuming faster store additions at a 9% CAGR (last 10 years) will increase the fair value by 14%.

Please see our sector model portfolio (Emkay Alpha Portfolio): Consumer Goods & Retail (Page 30)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21E	FY22E	FY23E	FY24E
Revenue	15,473	9,508	16,302	19,095	22,346
EBITDA	2,135	670	2,718	3,504	4,300
EBITDA Margin (%)	13.8	7.0	16.7	18.4	19.2
APAT	94	(801)	270	611	1,003
EPS (Rs)	0.6	(5.1)	1.7	3.9	6.4
EPS (% chg)	(56.1)	(956.7)	0.0	126.6	64.2
ROE (%)	1.6	(15.1)	5.4	11.3	16.1
P/E (x)	862.2	(100.6)	299.1	132.0	80.4
EV/EBITDA (x)	37.9	121.5	29.7	22.9	18.3
P/BV (x)	14.0	16.7	15.8	14.1	12.0

Source: Company, Emkay Research

Change in Estimates	
EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates	FY21E	FY22E
Emkay	(5.1)	1.7
Consensus	(5.1)	3.3
Mean Consensus TP (12M)		Rs 519

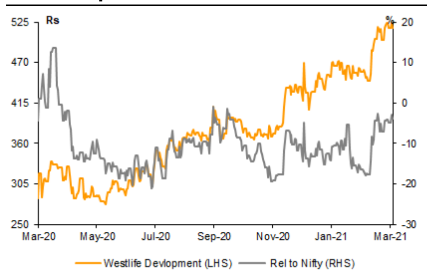
Stock Details	
Bloomberg Code	WLDL IN
Face Value (Rs)	2
Shares outstanding (mn)	156
52 Week H/L	535 / 267
M Cap (Rs bn/USD bn)	81 / 1.11
Daily Avg Volume (nos.)	3,24,762
Daily Avg Turnover (US$ mn)	2.1

Shareholding Pattern Dec '20	
Promoters	59.1%
FIIs	9.6%
DIIs	20.5%
Public and Others	10.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	10	28	51
Rel. to Nifty	17	1	-	(7)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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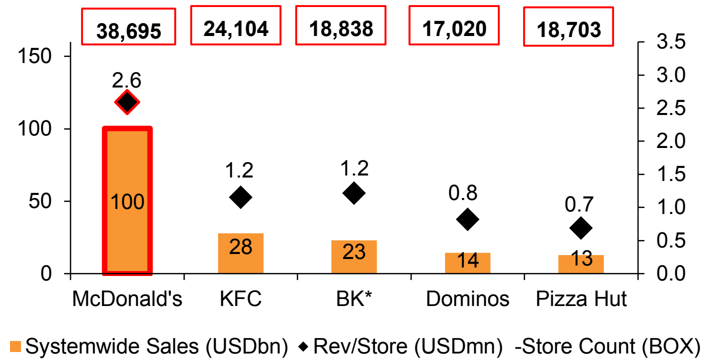
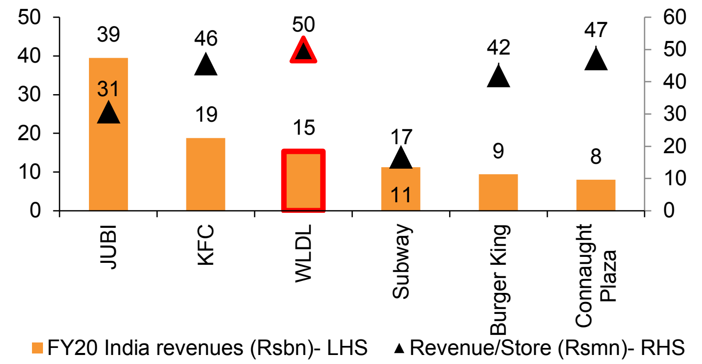
Story in Charts

Exhibit 1: McDonald's commands superior unit revenues and a much larger brand presence across markets



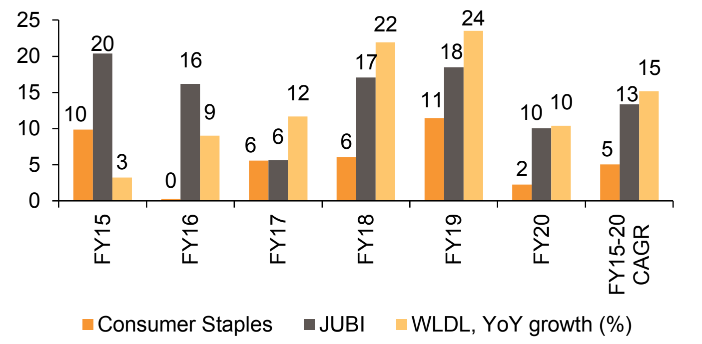
*Source: Company, Emkay Research, *BK is Burger King*

Exhibit 2: WLDL has highest unit revenues; but is underpenetrated vs market leader



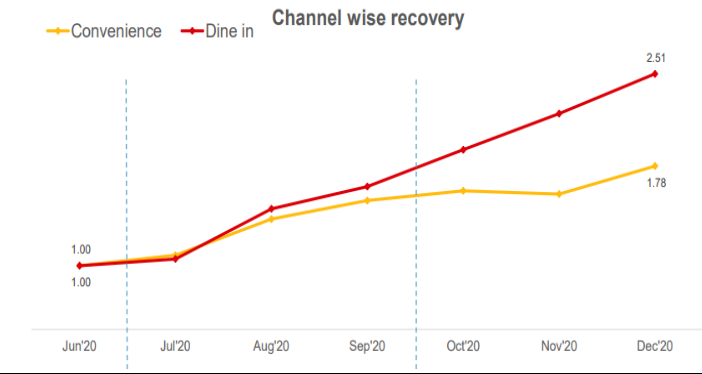
Source: Company, Emkay Research, Technopak, Cogencis

Exhibit 3: QSR franchises offer faster growth vs consumer goods



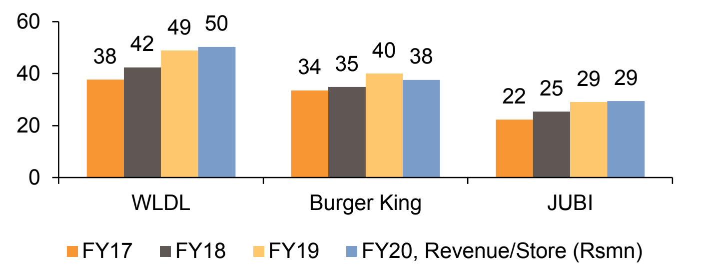
Source: Company, Emkay Research

Exhibit 4: Convenience channels have driven faster recovery post Covid-19



Source: Company, Emkay Research

Exhibit 5: WLDL unit revenue growth has been faster than peers



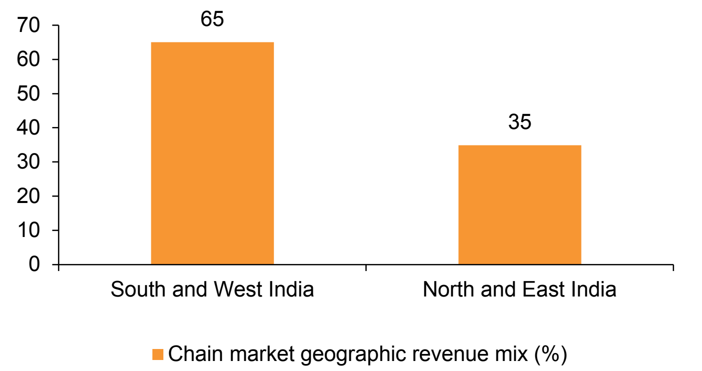
Source: Company, Emkay Research

Exhibit 6: WLDL unit metrics are attractive; offer scope for margin expansion

Unit metrics	BK		WLDL		JUBI	
Rs mn	FY19	FY20	FY19	FY20	FY19	FY20
Average Stores (#)	158	224	287	308	1,215	1,314
Revenue	40	38	49	50	29	29
Gross Profit	25	24	31	33	22	22
EBITDA	0.9	0.8	4.1	4.5	5.0	4.4
Restaurant EBITDA	3.4	2.9	7.1	7.2	NA	NA
Gross Block (total stores)	25	25	35	28	10	11

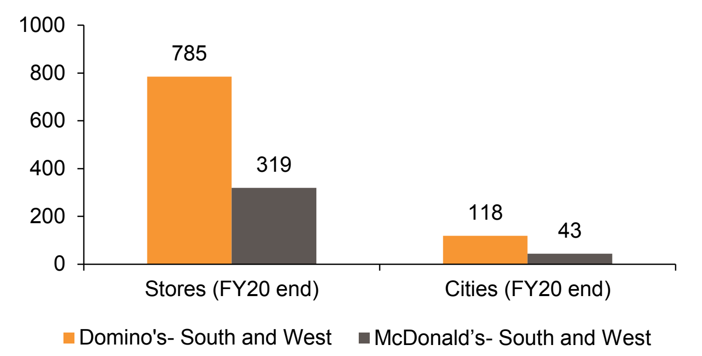
Source: Company, Emkay Research

Exhibit 7: S&W has higher share of QSR outlets & revenues



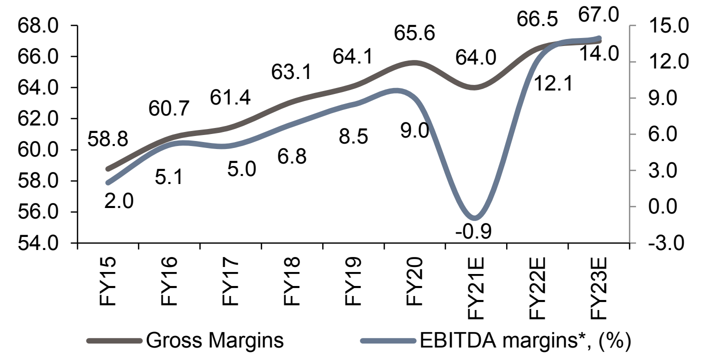
Source: Emkay Research, Technopak

Exhibit 8: WLDL has ~3x expansion opportunity when compared to Dominos presence in S&W



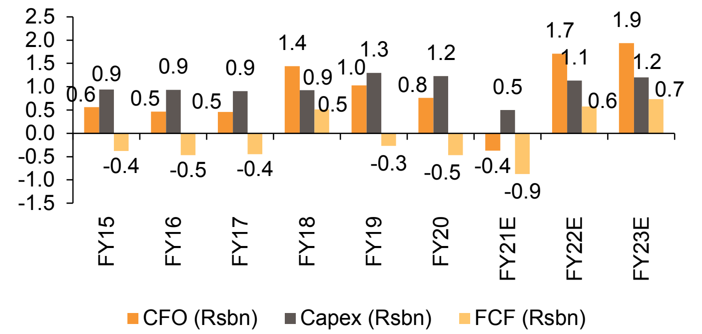
Source: Company, Emkay Research

Exhibit 9: Margin gains have been impressive but still sub-optimal; should accelerate with structural cost savings & scale efficiencies



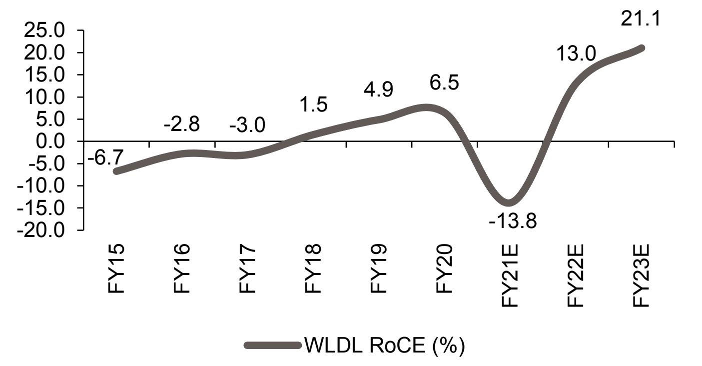
*Source: Company, Emkay Research,*Pre-IndAS116 EBITDA margins*

Exhibit 10: Cash generation to see sharp improvement with higher margins



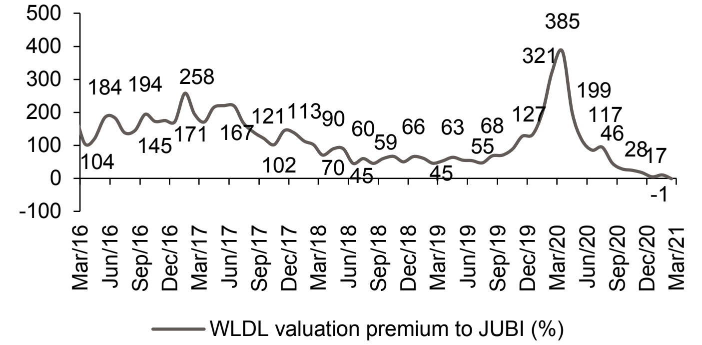
Source: Company, Emkay Research

Exhibit 11: RoCE expected to see sharp improvement



*Source: Company, Emkay Research,*Pre-IndAS116 comparable RoCE*

Exhibit 12: Valuations now appear reasonable vs JUBI



Source: Company, Emkay Research

WLDL – Still in the early days of QSR marathon

WLDL offers a solid growth franchise - McDonald's, which is the biggest player in QSR globally, with superior brand equity and unit revenues. McDonald's offers a strong value proposition with focus on affordable pricing, speed, convenience and technology. These are difficult to replicate by competition and have made McDonald's the largest and most profitable QSR in the highly fragmented space.

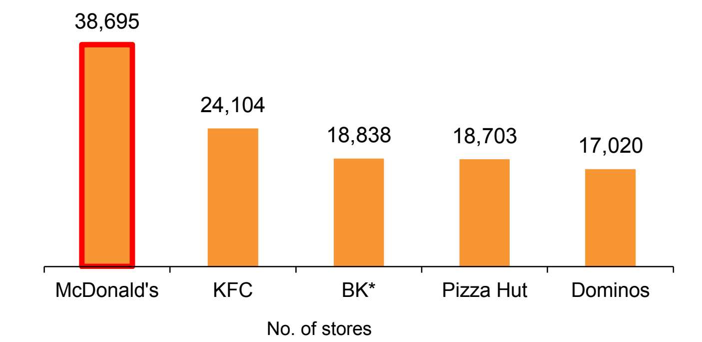
The Indian QSR market is limited to a few large successful brands, with WLDL being the second-largest QSR in terms of revenues and profits. WLDL has consistently improved its execution and track record in the last 5 years, growing sales/EBITDA at 15%/56% CAGR. Post Covid, QSR is recovering faster than other categories, and WLDL is better-placed to outperform ahead with digital initiatives, convenience channels, dine-in recovery and increased efficiencies.

McDonald's – a powerful brand

McDonald's is globally the largest QSR brand with attractive unit metrics, driven by its brand pull and wide portfolio. It has ~39K restaurants globally commanding a dominant presence in QSR across most large countries, excluding China where KFC is larger. McDonald's average sales/store are 2-3x of other QSR players, indicating its strong brand pull and greater consumer acceptance for its wide range of offerings.

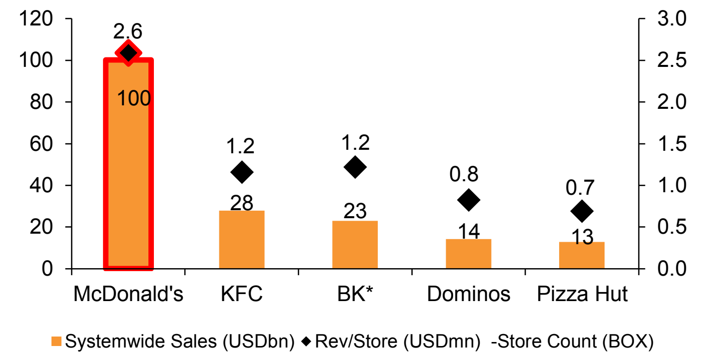
McDonald's in India operates through two master franchisees which operate South & West and North & East, respectively. Its presence in India is so far substantially under-indexed vs. other QSR peers. Despite its entry in India in 1996, the presence is low with the number of overall outlets standing at 456 vs. Dominos at 1,300+ outlets (Dec'20 end). This is due to a lack of expansion by its North & East franchisee on account of a legal dispute and modest expansion by South & West franchisee. Despite its low presence, McDonald's is a well-established brand with high consumer acceptance. With the North & East region getting a new franchise partner (MMG Group) and South & West gradually accelerating its pace of expansion, McDonald's should see a faster expansion, capturing the growth potential in domestic QSR space.

Exhibit 13: McDonald's brand is the largest within global QSRs



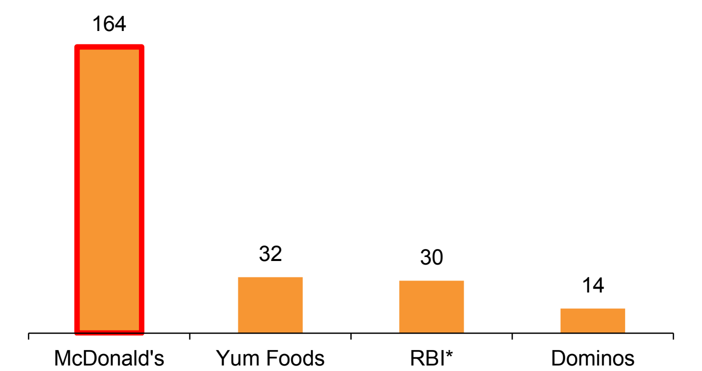
*Source: Company, Emkay Research, *BK is Burger King, CY19 end store count*

Exhibit 14: Superior unit metrics highlight brand strength



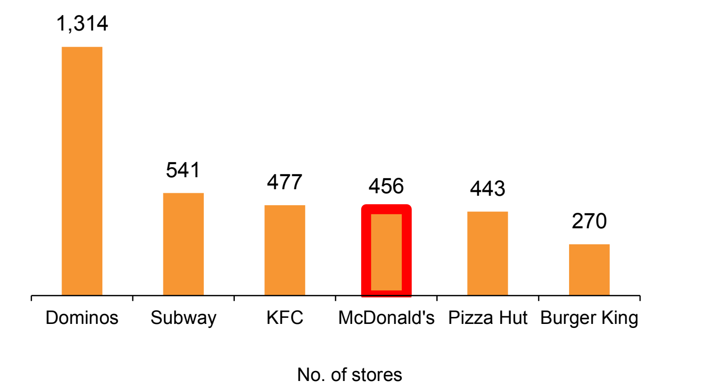
*Source: Company, Emkay Research, *BK is Burger King*

Exhibit 15: Mcdonald's parent M-cap vs peers (USD bn)



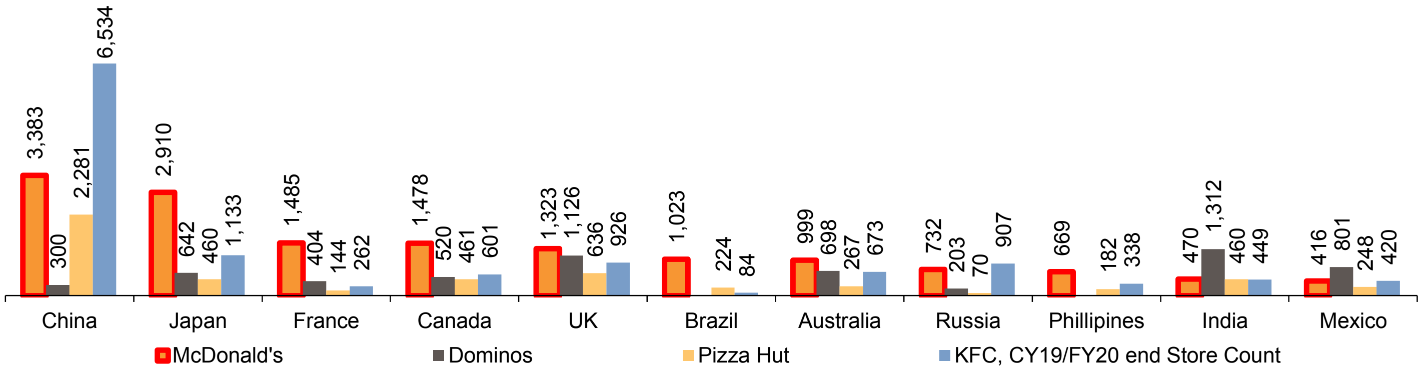
*Source: Emkay Research, *RBI is Restaurants Brand International*

Exhibit 16: India presence is under-indexed & offers huge headroom



*Source: Company, Technopak, Emkay Research, *overall India restaurant count*

Exhibit 17: McDonald's is the largest QSR brand in all major countries (ex-China); presence in India is currently under-indexed



Source: Company, Emkay Research

McDonald's offers compelling value, speed and convenience

McDonald's competes on product quality, hygiene, menu variety, price, convenience and service experience, in the highly fragmented restaurant industry. It offers a compelling value proposition that helps it draw in customers of unorganized segments/smaller restaurants. The brand's growth strategy appears to be based on Delivery, McCafe, EOTF and Digital, to help further improve upon its core benefits - food taste, convenience, compelling value and consumer trust. These are key drivers for its high store throughputs and unit revenues that are highest among its peers.

Comparison of McDonalds India product prices vs. other convenience food options highlights the superior value it offers, along with a great experience. McDonald's India product pricing (on a per calorie basis) is cheaper that competes even with the most common Indian snacks/meals offered by smaller, mostly unorganized restaurants. As restaurant-industry continues to struggle post the pandemic, WLDL's is in a sweet spot — McDonald's value platform/affordable pricing and technology investments are likely to drive market share gains from rivals.

Exhibit 18: Comparison of McDonald's pricing on per-calorie basis

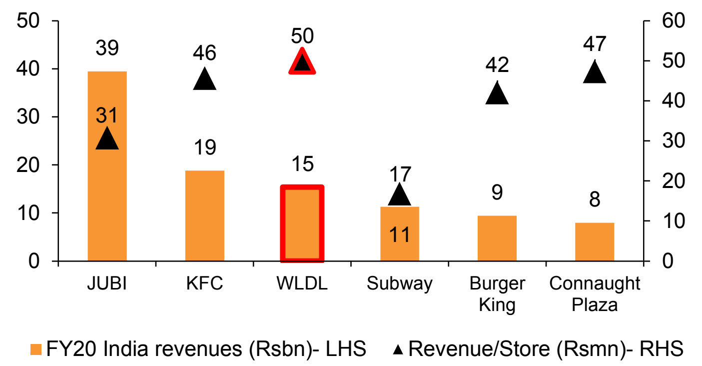
Variant	Calories	Price	Price/100 calories (Rs)
Vada-Pav	250	10	4
Mc Aloo Tikki	375	50	13
Mc Veggie	475	109	23
BK- Chicken Whopper	650	180	28
Mc Chicken	450	125	28
Medu Vada	175	50	29
BK Mutton Whopper	650	260	40
KFC (3-piece bucket)	750	300	40
Paneer wrap	375	200	53
Idli	75	50	67
Masala Dosa	175	150	86
Subway (6 inch)	225	200	89
Biryani	350	500	143

Source: Emkay Research, www.myfitnesspal.com

WLDL well-placed within top QSRs; McDonald's offers huge growth opportunity

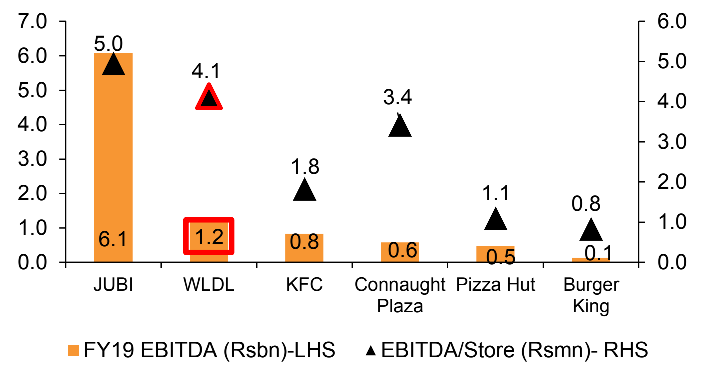
Indian QSR market is now dominated by a handful of global brands including Domino's, McDonalds, Yum brands (Pizza Hut & KFC) and recent entrant Burger King. New global entrants are likely to face stiff competition from these resulting in limited success as witnessed by some other global brands including Johnny Rockets, Nando's, US Pizza, Wendy's, etc. WLDL is the master franchisee for McDonald's in the South and West markets, and offers the best play on McDonald's growth opportunity in India, in our view. It is also the second-largest domestic QSR in terms of revenue and profitability after JUBI and has attractive unit metrics. It has been a master franchisee of McDonald's since 1996 and compared with other peers, WLDL has exhibited an improving track record with steady SSGs, store expansion and improvement in profitability and cash generation. In terms of network expansion, WLDL has been consistent and has expanded its store network at a CAGR of ~9% over FY15-20, in line with Domino's, increasing its store presence by 50% to 319 outlets in FY20.

Exhibit 19: WLDL is second largest QSR franchise with higher unit revenues



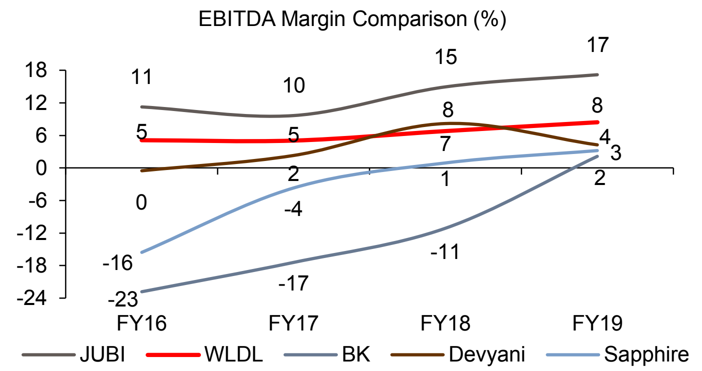
Source: Company, Emkay Research, Technopak

Exhibit 20: WLDL is also the second most profitable QSR; after JUBI



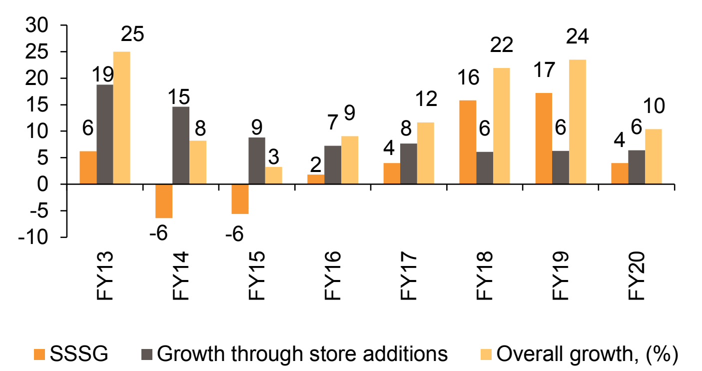
*Source: Company, Emkay, Cogencis, Technopak, *FY20 data not comparable*

Exhibit 21: WLDL has exhibited steady margin improvement; profitability higher than most peers after JUBI



*Source: Company, Emkay Research, Cogencis, *FY20 data not comparable*

Exhibit 22: Faster SSG and store expansion have delivered higher growth'- 5Yr sales growth CAGR of 15%



Source: Company, Emkay Research

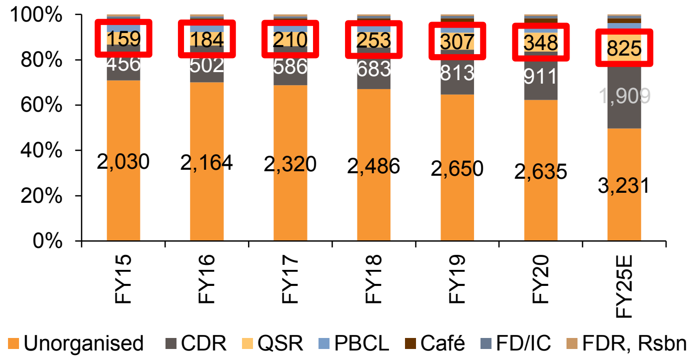
QSR's provide a fast and long runway for growth

Quick service restaurants (QSRs) in India have displayed faster growth trends than other consumer categories and offer a big opportunity with strong scalable franchises. JUBI/WLDL are growing in double digits and have recorded five-year sales CAGRs of 13%/15% vs. 5% for our consumer staples universe. Post Covid, QSR's have recovered faster and are better geared to drive growth through convenience channels and digital initiatives. These along with several closures of other chained restaurants is likely to drive faster growth and share gains.

QSRs have grown the fastest at 17% CAGR over the last five years and are still extremely small in the organized food services market. The market for QSR chains is estimated to be at Rs190bn (FY20-end), contributing to ~50% of restaurant chain market size of Rs390bn. This is extremely small considering the organized and overall food market of Rs1.6tn and Rs4.2tn, respectively.

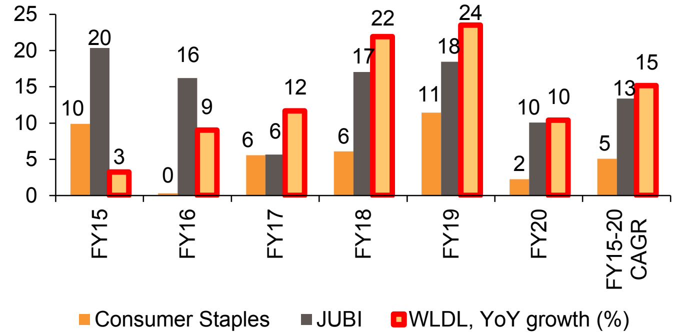
The QSR industry has added outlets at a healthy CAGR of ~9% over FY15-20. The headroom for expansion remains very large with low penetration beyond Top-8 cities as these cities contribute ~87% of chain industry revenues currently. Also, restaurant chains currently address <15% of overall population, indicating significant room for penetration increase. Within the chain QSR sub-segment, 'burgers and sandwiches' format has grown at an in-line-with-industry CAGR of ~19% in FY15-20, while the pizza/chicken formats have grown at lower CAGRs of 13%/12%. Interestingly, Indian ethnic format has grown at a stronger CAGR of 48%, albeit on a low base.

Exhibit 23: QSR's have grown more than 2x in 5 years; expected to grow faster taking share from unorganised



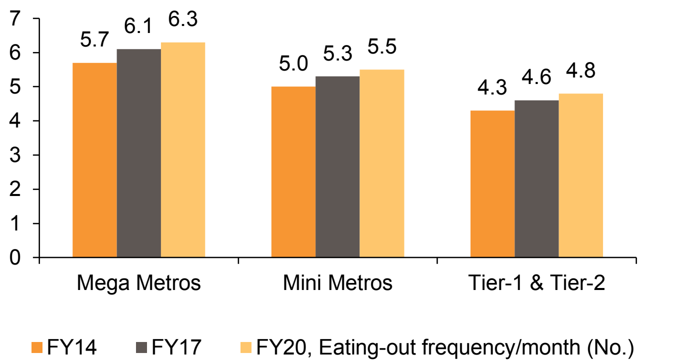
Source: Emkay Research, Technopak

Exhibit 24: Growth for JUBI/WLDL has been much ahead of consumer staples over FY15-20



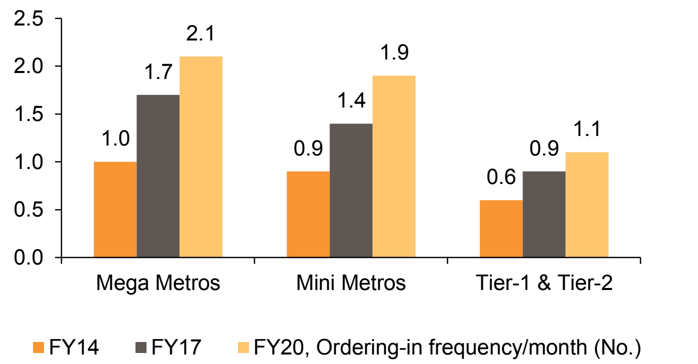
Source: Company, Emkay Research

Exhibit 25: Eating out frequency has been increasing in urban cities



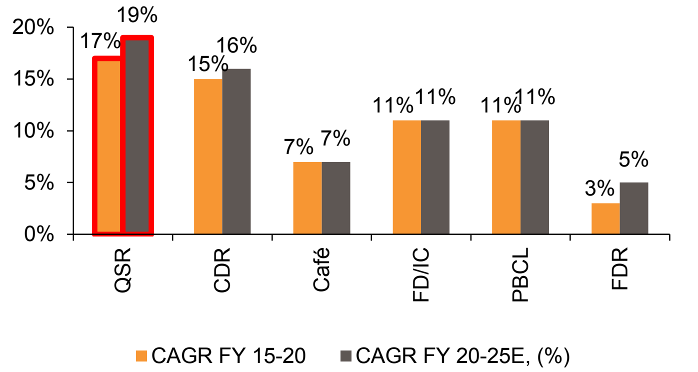
Source: Emkay Research, Technopak

Exhibit 26: Similar trends are visible in ordering-in frequency as well



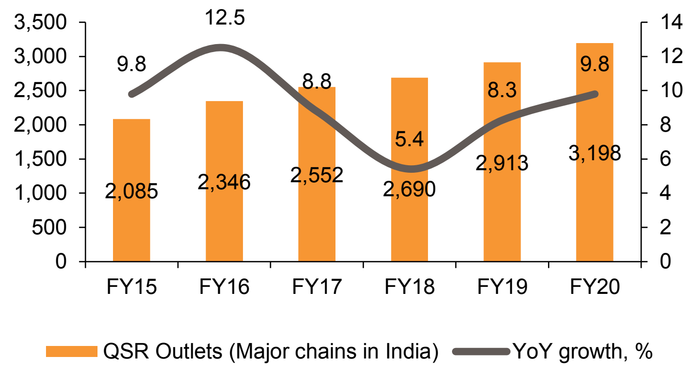
Source: Emkay Research, Technopak

Exhibit 27: QSR industry is expected to grow the fastest among all the categories with 19% CAGR over FY20-25E



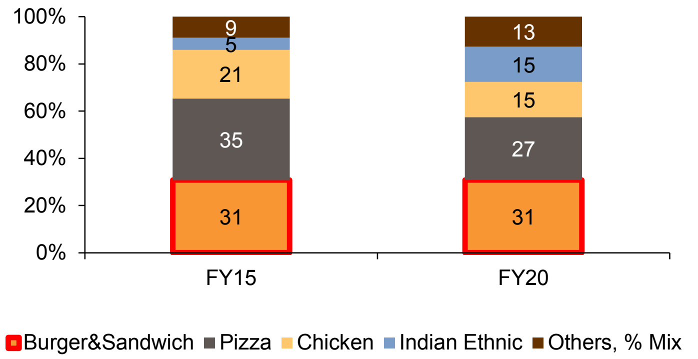
Source: Emkay Research, Technopak

Exhibit 28: Store counts of Indian QSRs has grown at a healthy ~9% CAGR over FY15-20



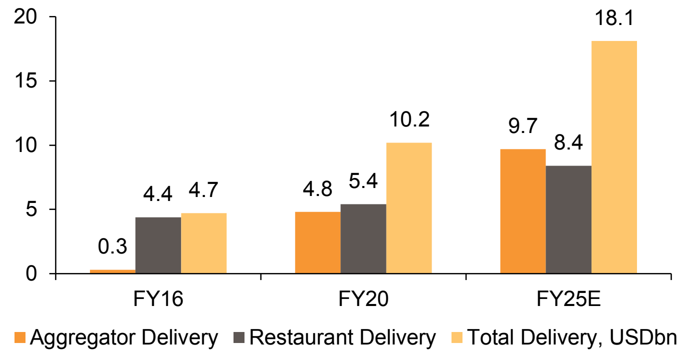
Source: Emkay Research, Technopak

Exhibit 29: With-in QSRs, Burgers & Sandwich segment has grown in line with industry



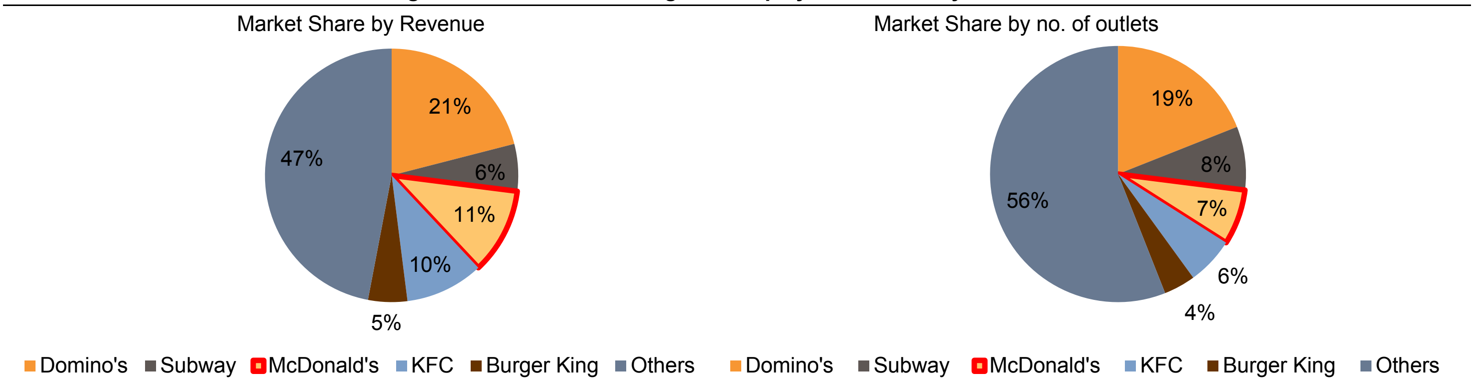
Source: Emkay Research, Technopak

Exhibit 30: Third-party aggregators have provided an additional channel of growth, helping organized players



Source: Emkay Research, Technopak

Exhibit 31: Domino's commands the largest revenue share among all QSR players followed by McDonald's and KFC

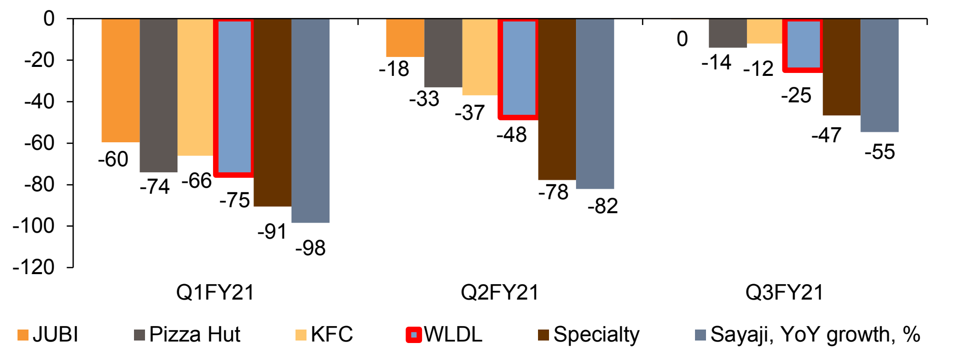


Source: Emkay Research, Technopak

Post the pandemic QSRs are recovering fast and gaining share

After strong SSSG of 15%+ in FY18-19, growth across QSR players moderated in FY20 due to restaurant closures on account of Covid-19. However, growth recovery appears to be steady with convenience channels (50-65% of sales) already returning to growth. Incrementally, post Covid-19, QSR segment has emerged stronger than other segments due to better hygiene, technology initiatives driving growth through Delivery/Takeaway channels resulting in a faster recovery. With closure of several restaurants and better traction in QSR, it is expected to emerge stronger post Covid-19 and see an acceleration in growth and market share.

Exhibit 32: QSRs have recovered much faster relative to other restaurants (Specialty Restaurants/ Sayaji Hotels)



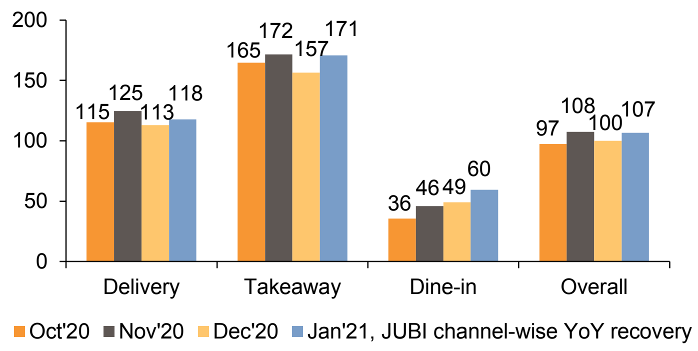
Source: Company, Emkay Research

Exhibit 33: QSRs have been relatively prompt in providing hygiene assurance and in introducing tech-initiatives to drive delivery/takeaway/On-the-Go

COVID-19 led Initiatives	QSRs	CDRs
Contactless Experience/Hygiene branding	✓	×
Takeaway/On-the-go/Curb-side (Online)	✓	×
Own Mobile Application	✓	×
Third Party Aggregators (Swiggy/Zomato)	✓	✓
Value offerings/Combo Family Packs	✓	×

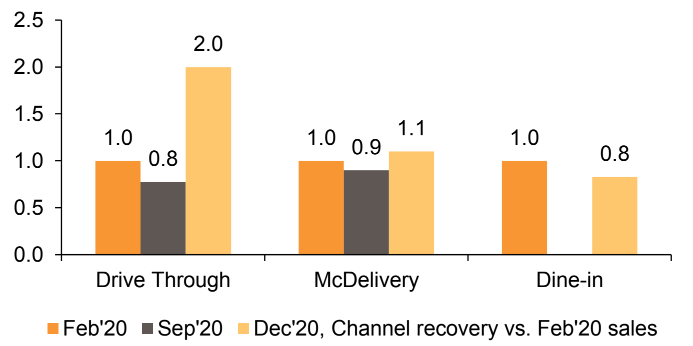
Source: Emkay Research

Exhibit 34: Convenience channels like Delivery/Takeaway have already returned to growth for JUBI



Source: Company, Emkay Research

Exhibit 35: Similar growth trends are visible for WLDL as well



Source: Company, Emkay Research

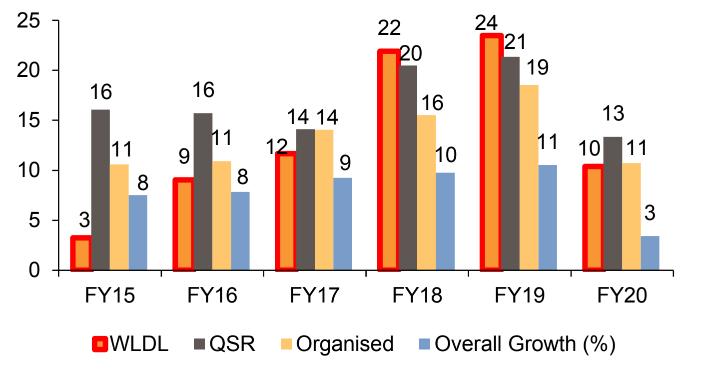
McDonald's has multiple growth levers - wide portfolio and brand extensions

McDonald's has a wide product portfolio and brand extensions catering to more eating occasions - driving higher unit revenues. WLDL has successfully expanded McCafe and McDelivery, increasing their presence by 100%/77% over the last five years, resulting in faster SSG growth and the highest unit revenues among peers. Consistent product innovation and scale up of McCafe, McBreakfast and EOTF stores offer multiple growth drivers to further increase unit revenues. Besides faster growth, WLDL has also delivered on its margin improvement targets (+700bps in 5 yrs), increasing its profitability and cash generation which should support higher growth ahead.

WLDL has a powerful franchise – McDonalds, which offers a huge runway for growth. While profitability in initial years was low due to higher investments behind brand/stores and a subscale operation, WLDL has now been consistently improving its track record and execution with better SSG's, steady expansion and improving profitability. Over the last five years WLDL has increased its store presence by 50%, more than doubled revenues and expanded operating margin by 700bps with recent years recording an acceleration till Q3FY20 before Covid-19 impacted the business. With sales recovering to pre-Covid-19 levels by Q4, reduced competition and a leaner cost structure is likely to help WLDL be in a stronger position and grow the franchise faster with higher profitability.

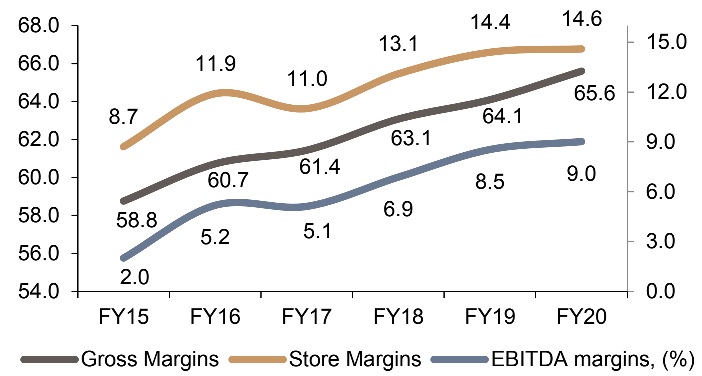
The expansion in consumer offerings, extension of formats to McCafe/Delivery and Drive Thrus, along with improved digital capabilities, have driven an acceleration in SSGs and store additions. All this has resulted in WLDL recording faster growth in sales/store and higher revenue/store (Rs50mn/store) vs. peers.

Exhibit 36: WLDL SSG performance has improved led by Delivery, McBreakfast and McCafe scale up



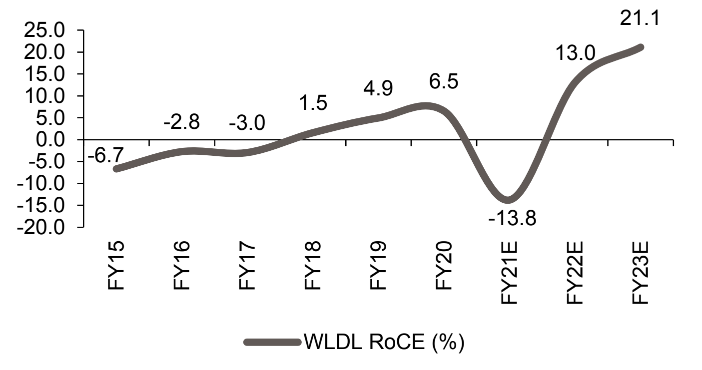
Source: Company, Emkay Research, Technopak

Exhibit 37: Margins gains driven by product mix and cost efficiencies



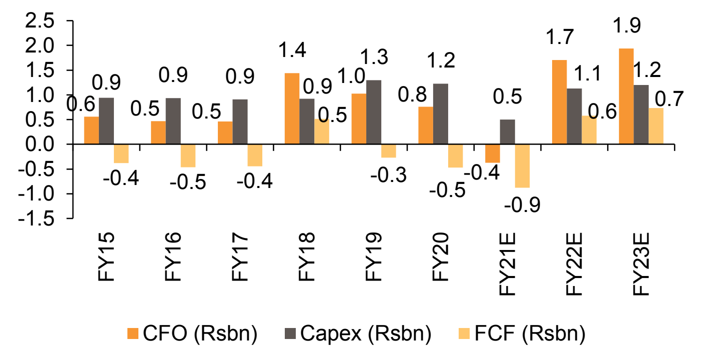
Source: Company, Emkay Research, ^Pre-IndAS116 EBITDA margins

Exhibit 38: RoCE should remain on an improving trend with strong SSSG and continued margin improvement



Source: Company, Emkay Research, ^Pre-IndAS116 comparable RoCE

Exhibit 39: Increase in FCF may provide incremental growth capex



Source: Company, Emkay Research

Exhibit 40: WLDL unit metrics are impressive – higher revenue and profits / store

Unit metrics	BK		WLDL		JUBI	
Rs mn	FY19	FY20	FY19	FY20	FY19	FY20
Average Stores	158	224	287	308	1,215	1,314
Revenue	40	38	49	50	29	29
GP	25	24	31	33	22	22
EBITDA	0.9	0.8	4.1	4.5	5.0	4.4
Restaurant EBITDA	3.4	2.9	7.1	7.2	NA	NA
Gross Block (total stores)	25	25	35	28	10	11

Source: Company, Emkay Research, ^Pre-IndAS116 EBITDA

Product innovations and brand extensions to drive impressive SSG growth

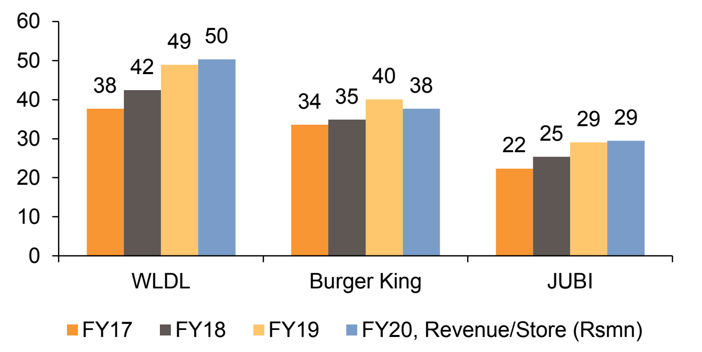
New product launches and brand extensions have been key drivers of stronger SSGs by capturing more eating occasions. These include introduction of breakfast options, Rice/Wraps/Naan options for Lunch and expansion of its brand extensions – McCafe and McDelivery across stores. These brand extensions have helped WLDL to increase revenues per store with low incremental investments, thereby improving its store profitability as well.

Revenue/store for WLDL increased from Rs37mn in FY17 to Rs50mn in FY20, led by these initiatives – ~11% CAGR which is faster than peers. With strong traction in new extensions like Breakfast, Café, Delivery, WLDL expects to move toward Rs60-65mn sales / store in near future.

SSG is expected to remain healthy due to QSR industry tailwinds (hygiene, convenience and speed), menu innovations (introduction of premium gourmet burgers, chicken in bone), brand extensions (McBreakfast, McCafé, McDelivery) and digital initiatives. WLDL expects the convenience channel to remain a key growth driver, along with a revival in the dine-in channel, upon full unlocking.

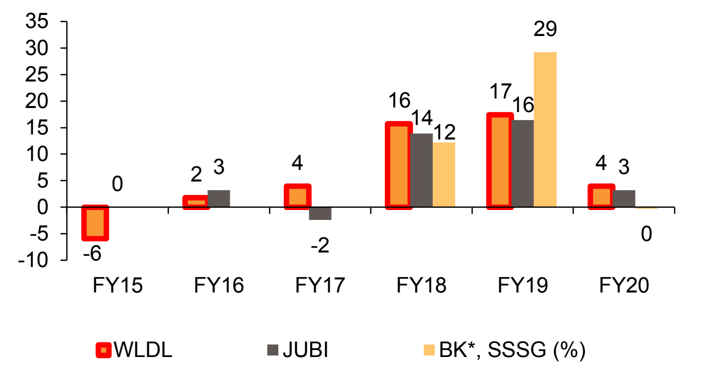
We note revenue/store of McDonald's in India is relatively much lower (50-70% lower) when compared with per-store revenues in other countries. Based on McDonald's global system-wide sales, average revenue/store is Rs180mn vis-à-vis Rs50mn in India.

Exhibit 41: Revenue/store is highest and has grown faster led by new launches/brand extensions



Source: Company, Emkay Research

Exhibit 42: SSG has been largely ahead of peers

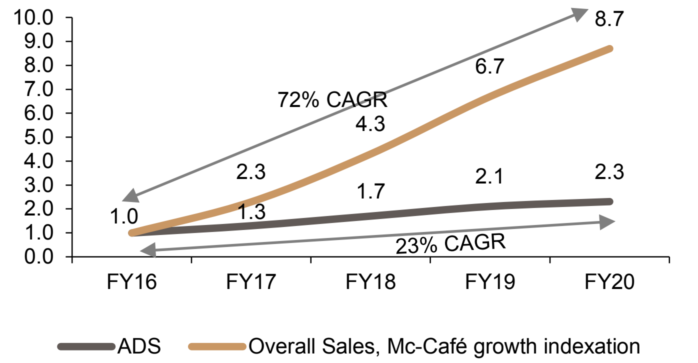


Source: Company, Emkay Research, BK's SSG growth for FY15-17 is not available

McCafe, McDelivery and McBreakfast scale-up to increase unit revenues further

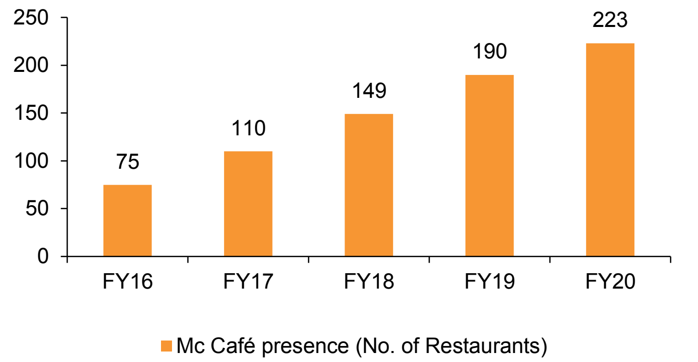
Scale up of brand extensions have helped deliver strong same store sales growth over the last few years. Total McCafé sales have grown strongly by ~9x over FY16-20 (~70% CAGR) and McDelivery sales have become ~6x over FY16-20 (~60% CAGR). Mc-Café/McDelivery/McBreakfast are currently available in 223/264/210 out of 319 restaurants as of FY20-end. While McCafe presence has been doubled in the last three years, McDelivery has witnessed a 77% increase in presence. Breakfast has been discontinued post Covid-19 due to a lack of footfalls, but this is likely to be reintroduced, driving higher unit revenues in the future.

Exhibit 43: Sales from McCafé have become ~9x over FY16-20



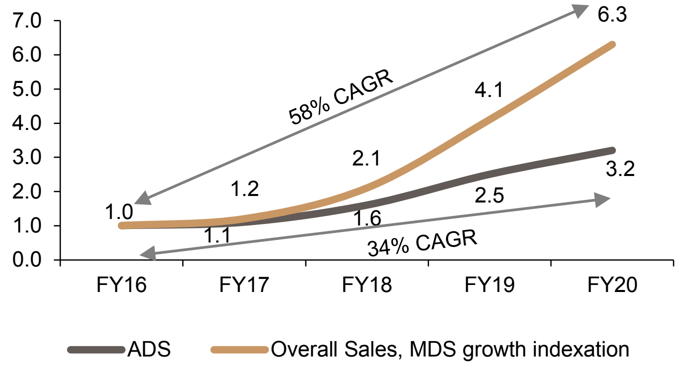
Source: Company, Emkay Research

Exhibit 44: McCafé growth has been aided by both expansion and same store sales



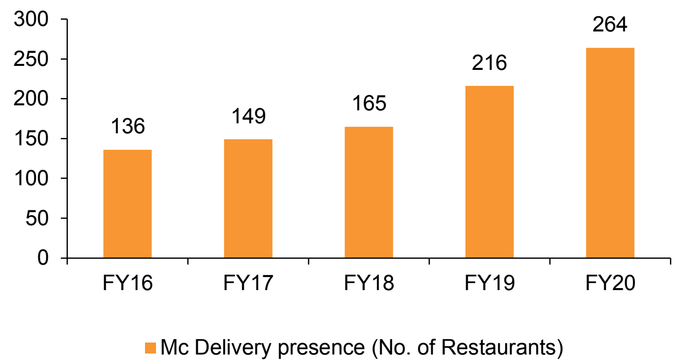
Source: Company, Emkay Research

Exhibit 45: McDelivery sales have become ~6x over FY16-20



Source: Company, Emkay Research

Exhibit 46: McDelivery growth has been added by both expansion and same store sales



Source: Company, Emkay Research

New launches catering to more eating out occasions

Exhibit 47: Premium Gourmet burger has been launched in FY21

Source: Company, Emkay Research

Exhibit 48: Fried chicken has been launched in South India in Q1FY21

Source: Company, Emkay Research

Exhibit 49: Spicy and Cheesy Rice were introduced in FY19

Source: Company, Emkay Research

Exhibit 50: Breakfast menu has been revamped in FY18

Source: Company, Emkay Research

Exhibit 51: McCafe portfolio was launched in FY14; Mc-Café has grown ~9x over FY16-20

Source: Company, Emkay Research

Convenience channels and digital capabilities are growth accelerators

QSR players have recovered relatively faster than other casual dining restaurants due to better hygiene, much better technology infrastructure for new channels of growth like Delivery/Takeaway. Convenience channels (~50% of pre-Covid sales), which includes Delivery (MDS), Drive through and On-the-Go/takeaway channels, have recovered to pre-Covid levels in Q2FY21, while the Dine-in channel remains impacted due to lower mobility.

The introduction of On-the-Go channel has effectively turned 254 out of 304 restaurants as drive-through restaurants. Earlier, WLDL was having drive-through option in only 70 restaurants. On-the-Go has seen a strong traction with 4x growth during Jul-Sep'20 time-period, although on a relatively small base. WLDL is also trying to ramp up its own delivery service by offering free delivery on its platform vis-à-vis Rs25/delivery charge earlier.

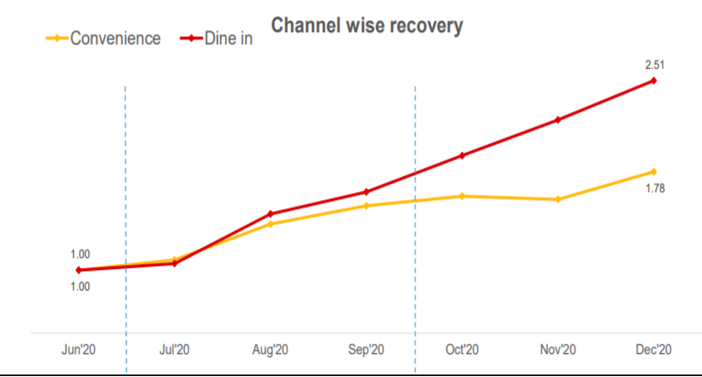
WLDL has also been ahead of peers by reimaging its stores to higher standards. It plans to ramp up Experience-of-the-future (EoTF) platform in its stores, which offer consumers greater convenience while ordering and a richer store experience. EoTF was present in 10/25/66 stores as of FY18/19/20-end. EoTF provides seamless and contactless experience to its consumers with self-ordering kiosks.

Exhibit 52: QSRs have been relatively prompt in providing hygiene assurance and in introducing tech-initiatives to capture available consumer demand

COVID-19 led Initiatives	QSRs	CDRs
Contactless Experience/Hygiene branding	✓	×
Takeaway/On-the-go/Curb-side (Online)	✓	×
Own Mobile Application	✓	×
Third Party Aggregators (Swiggy/Zomato)	✓	✓
Value offerings/Combo Family Packs	✓	×

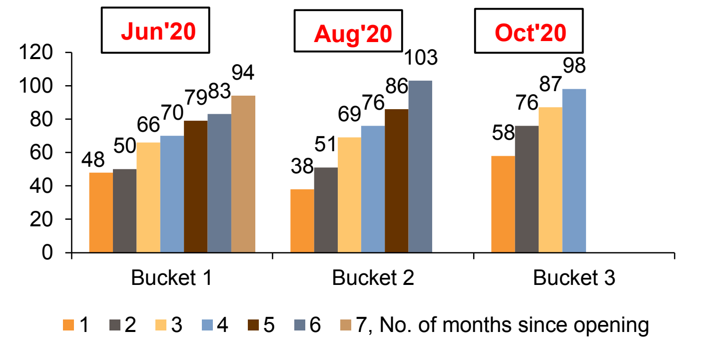
Source: Emkay Research

Exhibit 53: Convenience channels recovered faster; Dine-in seeing an acceleration on low comparables



Source: Company, Emkay Research

Exhibit 54: Easing of restrictions driving faster recovery in restaurants opened in Oct'20 vs. Jun'20

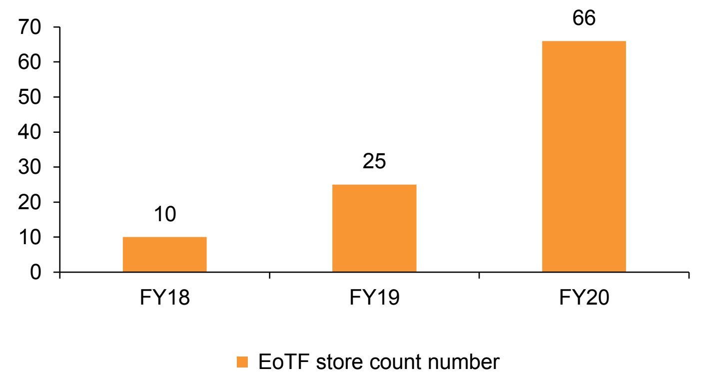


Source: Company, Emkay Research

Exhibit 55: EoTF stores with self-ordering kiosks

Source: Company, Emkay Research

Exhibit 56: EOTF is currently present in 66 out of 304 restaurants



Source: Company, Emkay Research

Exhibit 57: WLDL is offering attractive deals/lower prices to gain traction on its own app

Price Comparison (Rs)	Third Party Aggregator	Own Mobile Application
Mc Saver Chicken Maharaja Meal	334	279
Mc Saver Veg Maharaja Mac Meal	323	269
Mc Chicken Meal	247	175
Mexican McAloo Tikki Meal	182	129
McSpicy Paneer Meal	288	229
American Cheese Supreme Meal	247	195

Source: Emkay Research

WLDL offers 3x expansion opportunity in South & West

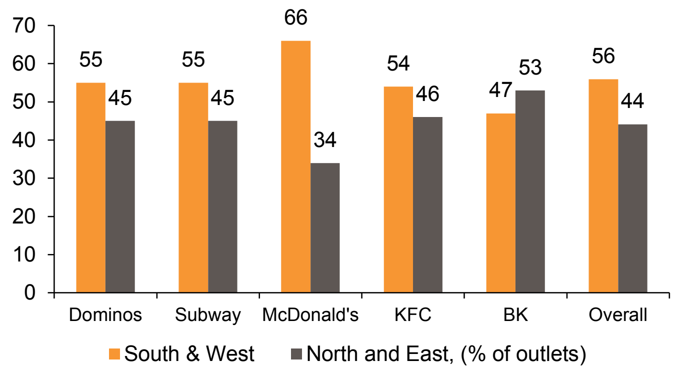
WLDL's franchisee rights to operate McDonald's are limited to South and West regions as compared to JUBI and BK which have pan-India franchisees. However, S&W still provide a sizeable multi-year growth opportunity given McDonald's huge under-penetration. A comparison with JUBI's network in South & West indicates WLDL has 3x expansion opportunity in S&W cities. In addition, South and West offer a bigger addressable market with Top-6 out of 8 metros in this region and currently forms 65% of overall chain industry. Lower competition within organized, encouraging sales recovery with higher margins and cash generation can accelerate WLDL store expansion FY22 onwards, in our view.

WLDL has franchisee rights to operate McDonald's in South and West regions vs. JUBI and BK having a pan-India franchisee. South and West India (S&W) offers a large opportunity with six out of Top-8 metros falling in these states. Top-8 metros, including Mumbai, Delhi, Pune, Bengaluru, Chennai, Hyderabad, Ahmedabad and Kolkata, account for ~87% of overall chain-food-services market in India in value terms. S&W India forms ~65% of the overall chain industry and almost all QSR chains have a higher salience of their stores in S&W India markets.

McDonald's is hugely under-penetrated and has a sizable expansion opportunity in S&W. When compared with Domino's which has 785 stores in 123 cities in S&W region, McDonald's presence was just 319 stores across 43 cities in S&W India as of FY20 end. The scope for expansion remains immense in existing 43 cities and rest 75 unexplored cities. Relative to Domino's, WLDL's concentration of stores remains low beyond Top-21 cities, also indicating huge expansion scope in smaller cities.

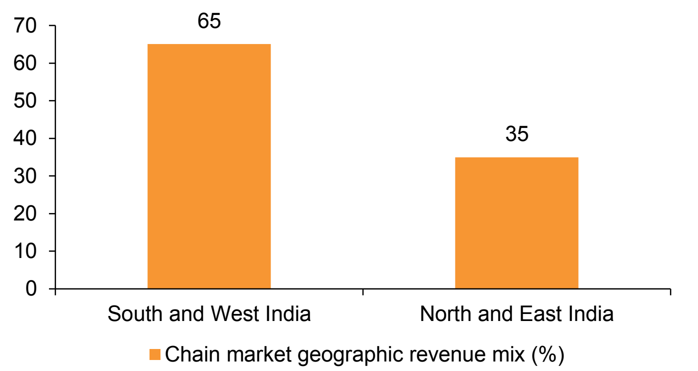
While all metros offer further penetration opportunity when compared with Domino's, Chennai specifically remains significantly under-penetrated relative to other QSR players.

Exhibit 58: - Share of outlets in South and West is higher than North and East for most of the QSR players



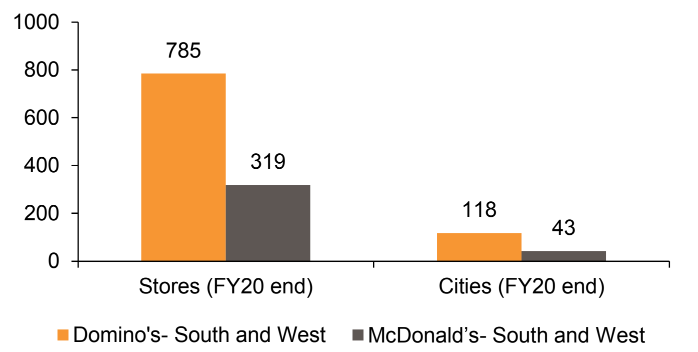
Source: Emkay Research, Technopak

Exhibit 59: Chain industry (Rs390bn industry size) derives ~65% of revenues from south and west states



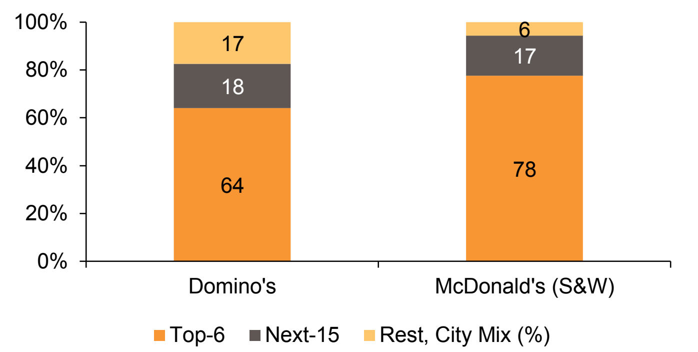
Source: Emkay Research, Technopak

Exhibit 60: Expansion scope remains healthy with 75 unexplored cities relative to Dominos



Source: Company, Emkay Research

Exhibit 61: WLDL's concentration of stores in Top-6 cities is relatively higher and its lower in Non-Top-21 cities



Source: Emkay Research

Exhibit 62: Chennai, specifically, remains underpenetrated in no. of stores for WLDL among metros

City	Westlife	Dominos	Subway	Burger King	Pizza Hut
Mumbai	80	138	65	31	31
Bengaluru	60	132	50	25	52
Pune	40	69	34	8	23
Hyderabad	33	64	54	12	28
Ahmedabad	18	30	21	7	8
Chennai	18	70	41	5	24
Vadodara	10	13	12	3	4
Surat	10	16	9	4	3

Source: Emkay Research

Exhibit 63: Territory map for WLDL and MMG Group; WLDL and MMG group operate McDonald's stores in India

Source: Company, Emkay Research

Exhibit 64: Territory-wise operators of major QSRs in India

<table>
<tr><th>Company</th><th>North</th><th>East</th><th>West</th><th>South</th></tr>
<tr><td>Domino's</td><td colspan="4">Jubilant Foodworks</td></tr>
<tr><td>Burger King</td><td colspan="4">Burger King India</td></tr>
<tr><td>McDonald's</td><td colspan="2">MMG Group</td><td colspan="2">Westlife Development</td></tr>
<tr><td>Pizza Hut</td><td colspan="2">Devyani Intl.</td><td colspan="2">Sapphire Foods</td></tr>
<tr><td>KFC</td><td>Both</td><td>Devyani Intl.</td><td>Sapphire Foods</td><td>Both</td></tr>
</table>

Source: Emkay Research

Exhibit 65: Key milestones across store openings, brand extensions and cost saving initiatives undertaken by Westlife Development

Year	Store Opening Milestones	Year	Brand Extensions Milestones	Year	Cost Saving Milestones
1996	Opened first restaurant in Mumbai	**2004**	Launched McDelivery	**2013**	Launched Web-ordering platform
2007	Reached 50 restaurants milestone	**2009**	Introduced McNuggets	**2014**	Launched Mobile ordering app
2010	Reached 100 restaurants milestone	**2010**	Introduced McBreakfast	**2016**	Launched RoP 2.0) platform which led to 20-25% savings in Capex and Opex
2012	Reached 150 restaurants milestone	**2013**	Launched First McCafé in Mumbai	**2017**	Launched EoTF to improve customer experience (self-ordering kiosks)
2015	Reached 200 restaurants milestone	**2016**	Partnered with aggregators (Foodpanda, Zomato, Swiggy) for food delivery	**2019**	More than 90% restaurants have been modernized under RoP2.0 platform
2017	Reached 250 restaurants milestone	**2017**	Revamped Breakfast Menu by introducing Masala Scrambled eggs and Masala Brioche	**2020**	66 Restaurants provide Experience of the Future (EoTF) as of FY20-end
2020	Reached 300 restaurants milestone	**2020**	Launched premium Gourmet burgers		

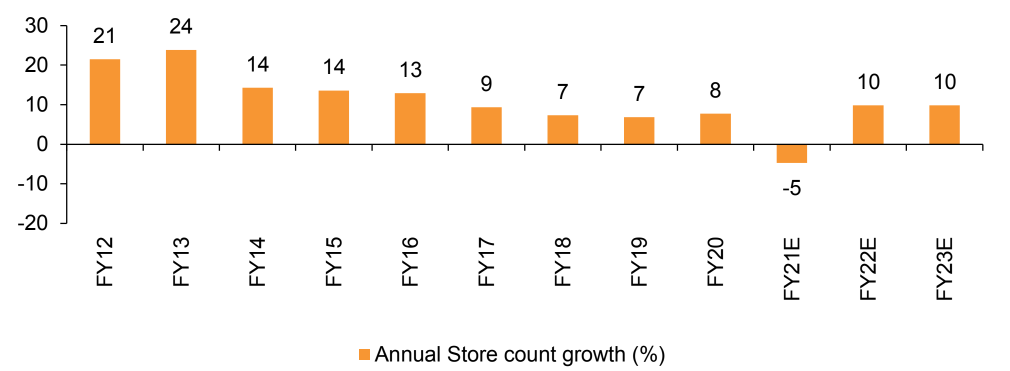
Source: Company, Emkay Research

Store expansion has been steady; improving ability to expand faster

WLDL has delivered a steady store expansion at ~9% CAGR over FY15-20 which has been in line with JUBI and better than most QSR players. While FY21 is likely to see muted expansion and a reduction in stores due to the shutdown of loss-making stores (15-20), we expect store expansion to begin and accelerate from FY22.

Improving margins, cash generation, attractive rental opportunities and stronger shift to QSR's are likely to see an acceleration in store expansion within existing QSR players. Compared with the past five years where WLDL has invested Rs5.3bn on stores vs. an operating cash generation of Rs4.2bn, we expect higher cash generation from rising profits can drive an acceleration in store expansion for WLDL as well. Our forecasts factor in margin gain to result in strong cash generation which can support a faster pace of expansion.

Exhibit 66: WLDL's store expansion pace has been steady over the years



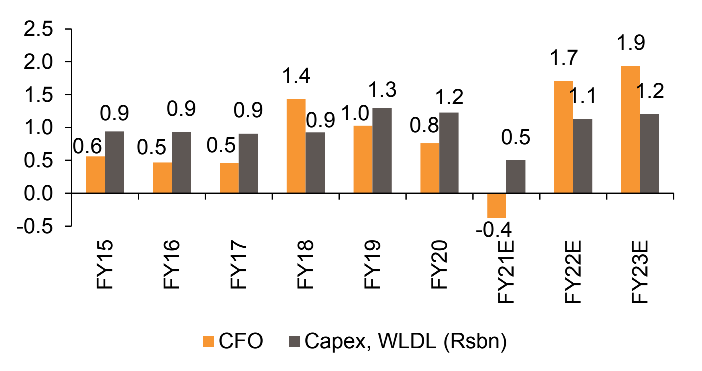
Source: Company, Emkay Research

Exhibit 67: Westlife's expansion and scale-up in line with Domino's, better than most peers

Brands	Year of Entry	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY15-20 CAGR
McDonald's- South & West		130	161	184	209	236	258	277	296	319	8.8
McDonald's- North & East	1996	152	155	185	160	157	166	170	168	170	1.2
McDonald's- Total		**282**	**316**	**369**	**369**	**393**	**424**	**447**	**464**	**489**	**5.8**
Domino's	1996	465	576	726	876	1,026	1,117	1,134	1,227	1,335	8.8
Subway	2001	330	414	476	476	568	613	638	N/A	671	7.1
KFC	2004	221	299	328	352	310	310	342	380	443	4.7
Burger King	2015	-	-	-	12	49	88	129	187	260	85.0

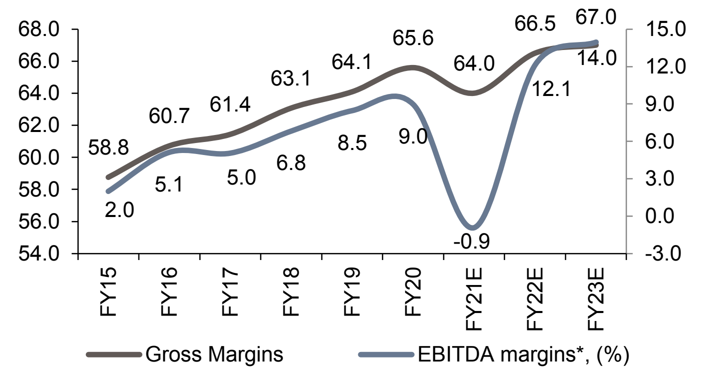
Source: Company, Emkay Research, Technopak

Exhibit 68: WLDL has invested close to Rs1bn/year on growth capex historically, rising OCF offer room to step up expansion



Source: Company, Emkay Research

Exhibit 69: Continued margin improvement should throw more cash for growth capex in coming years



*Source: Company, Emkay Research,*Pre-IndAS116 EBITDA margins*

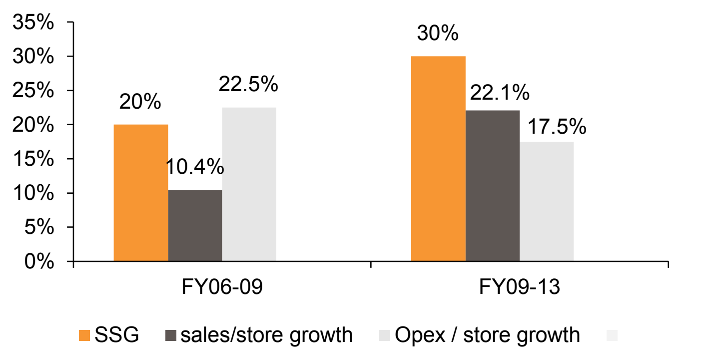
WLDL reaching critical size; scale efficiencies to accelerate margin gains

Margin expansion has been impressive from 2% to 9% over the last five years on mix improvement, operating leverage and cost-reduction efforts. Margins are still suboptimal and are targeted to reach mid-teens by FY23. With revenues and gross profit per store being the highest among peers WLDL operating margins offer substantial scope for expansion. Compared with JUBI, we believe WLDL is now reaching a critical business size where higher scale efficiencies kick in and accelerate margin gains ahead, similar to that witnessed by JUBI during FY10-13. In addition, cost savings post Covid have been impressive and structural cost savings, in our view, will make WLDL record higher margin expansion as sales recover fully. We estimate margin gains of 500 bps over FY20-23 period, driving 20%+ EBITDA CAGR.

Businesses see a sharper profitability increase as they reach a critical size. Besides faster SSG also accelerates margin expansion in QSR's as operating leverage is higher than other consumer peers. WLDL's unit revenues are the highest among peers, and while business scale was low, it is now reaching a critical size which should accelerate margin gains going ahead, in our view. We note JUBI recorded sharp margin gains during FY10-13 as it reached a critical size with sales of more than Rs10bn. Operating margins expanded from 12% to 18%, led by a combination of scale efficiencies and high SSG driving operating leverage. SSG growth was strong at ~26% during FY10-13 vs. ~20% in FY06-08. Despite the 20% SSG during FY06-10, margins remained stagnant at ~12% due to low scale as growth investments continued to be higher resulting in high overheads. Opex as a proportion of sales declined sharply in FY10-13 by 560bps, driving margin expansion. On a per store basis JUBI's opex growth was higher than revenue growth from FY06-10 (22% vs. 10% revenue growth) which then started to slow down as scale efficiencies kicked in. Opex growth per store has been even slower from FY17-20 at 6% vs. revenue growth of 10%.

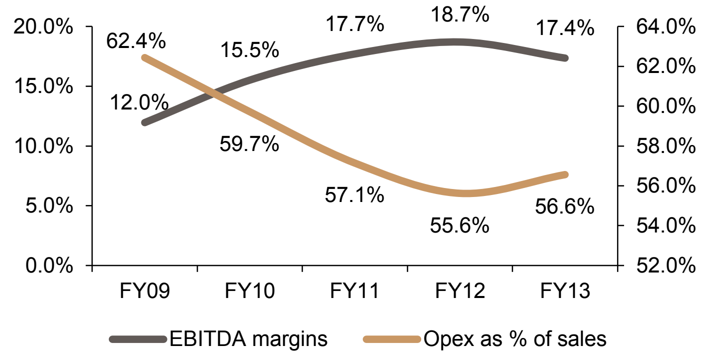
With FY20 revenues of Rs15bn, WLDL seems to have achieved critical size. SSG recovery from FY22 and scale efficiencies kicking in, WLDL seems to be well-placed to deliver an acceleration in margin expansion. Structural cost savings post Covid and benign rental inflation may also drive upsides. Our forecasts assume unit revenues to grow from Rs50mn in FY20 (Rs35mn in FY21) to Rs59mn in FY24 with margin expansion of 530bps, which is driven by 120bps gross margin expansion and 410bps opex reduction. On a per-store basis, we estimate opex growth to slow down to 1.9% from revenue/store growth of 3.9%, as compared to opex growth being in line to revenue growth at 5% during FY16-20. Our SSG forecasts of 5% for FY20-24 appear lower than historical trends due to the Covid impact in FY21, which can see upsides on a faster recovery.

Exhibit 70: JUBI – Scale efficiencies and higher SSG drive margin expansion during FY09-13



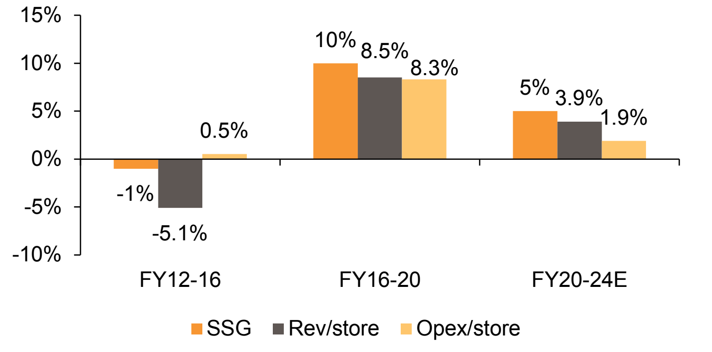
Source: Company, Emkay Research

Exhibit 71: JUBI - Margin expansion driven by reduction in Opex from scale efficiencies and operating leverage



Source: Company, Emkay Research

Exhibit 72: WLDL reaching critical size; expect opex increase to moderate ahead



Source: Company, Emkay Research

Exhibit 73: JUBI vs WLDL SSG and margin expansion; WLDL opex reduction has been low in last 4 years

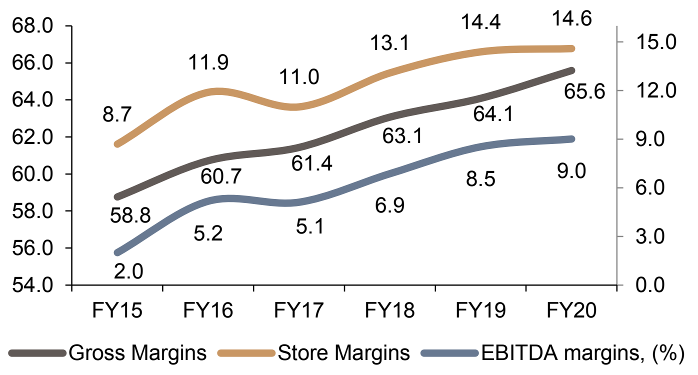
Particulars	FY16-20	FY20-24E
JUBI-SSG	7.8%	7%
JUBI-margin expansion (bps)	360	540
JUBI-Opex reduction (bps)	493	390
WLDL -SSG	8.6%	5%
WLDL-margin expansion (bps)	390	550
WLDL -Opex reduction (bps)	-100	360

Source: Company, Emkay Research

Brand extensions are margin-accretive; opex reduction remains a focus

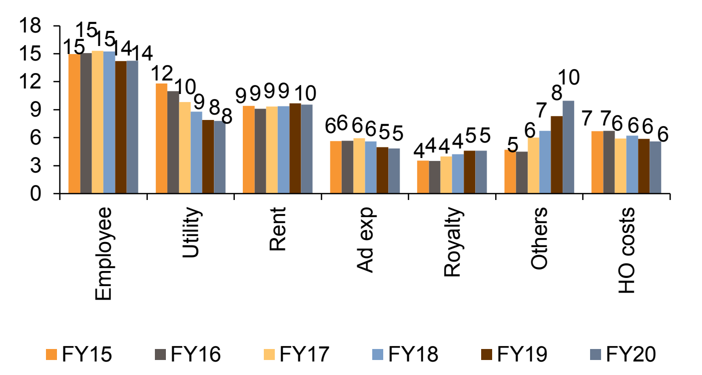
WLDL's gross margins have been on an improving trajectory from 58.8% in FY15 to 65.6% in FY20, led by higher margin brand extensions (McCafe/Delivery) supply-chain efficiencies and reduction in wastages. In addition, operating cost reduction has also been impressive with ~400bps savings in utility expenses (RoP 2.O) and 100bps savings in each of employee costs, advertisements and corporate/HO costs over FY15-FY20, leading to a 700 bps improvement in EBITDA margins. Under RoP2.O, WLDL has been able to cut both operational costs and capital expenditure by ~25%.

Exhibit 74: Product mix, supply chain efficiencies have led the margin improvement



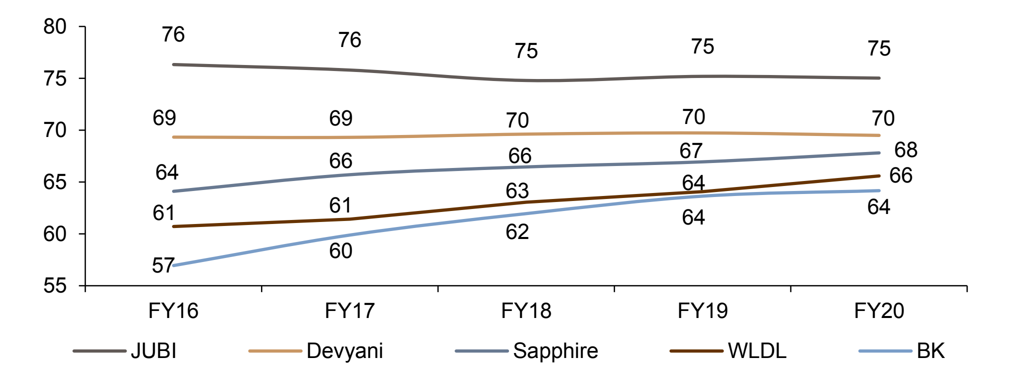
Source: Company, Emkay Research, ^Pre-IndAS116 EBITDA margins

Exhibit 75: Implementation of RoP 2.O platform has led to significant cost savings over the years



Source: Company, Emkay Research, ^Pre-IndAS116 EBITDA margins

Exhibit 76: Scope remains for further improvement in gross margins compared to other QSRs



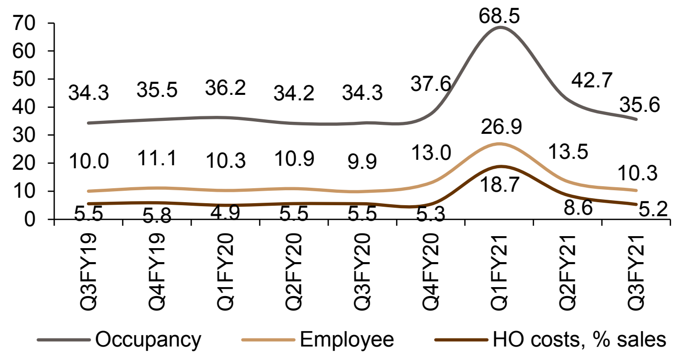
Source: Company, Emkay Research, Cogencis

Cost reset post Covid offer more margin gains ahead

WLDL has retained its mid-teens operating margins guidance by FY23 (Vision 2022). With a decline in sales post Covid it has taken meaningful efforts to reach pre-Covid margins at even 10% to 15% lower sales, indicating an improvement in margins on full sales recovery. Cost-savings initiatives in H1 have been significant - employee expenses were down 35% in Q1/Q2 whereas store expenses were down 59%/36% vs. a sales decline of 75%/48%. Reduction in costs are led by a decline in variable costs along with sales as well as some structural cost savings which are likely to sustain.

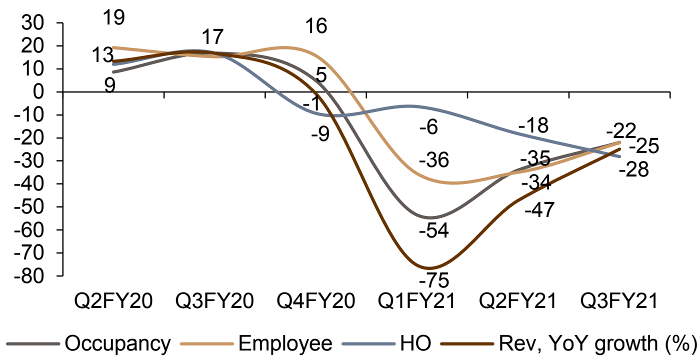
Rationalization of supply chain costs, reducing wastages and optimising its distribution costs are some of the initiatives to improve gross margins. On operating costs, focus has been on reducing store operating costs such as maintenance and repairs, utilities, optimising employee costs through variable pay/furloughs, renegotiation on rentals including office rental and reducing discretionary costs.

Exhibit 77: WLDL has been to manage costs efficiently despite significant loss of revenues



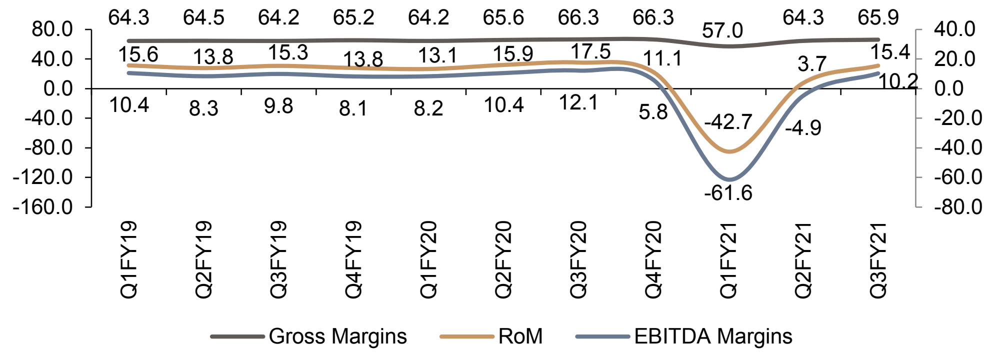
Source: Company, Emkay Research

Exhibit 78: Cost savings have been more or less in line with revenue decline



Source: Company, Emkay Research

Exhibit 79: Margins recovered to pre-Covid levels despite 25% lower revenues in Q3FY21; Leaner cost structure should lead to better-than-pre-Covid margins on full revenue recovery



Source: Company, Emkay Research

Cost comparison with peers indicate scope for further cost reduction

WLDL has highest revenues per store at Rs50mn and gross profit per store at Rs33mn, which should result in higher EBITDA per store. Cost comparison on per-store basis indicates WLDL has lower rental costs vs. BK but spends higher on utility, employee, advertising and other overheads which provide room for improvement. As compared to JUBI, WLDL's rentals and utility spends are likely to be higher due to larger stores.

Exhibit 80: Cost comparison on per store basis

Per-Store comparison	JUBI				WLDL				BK			
(Rsmn)	**FY17**	**FY18**	**FY19**	**FY20**	**FY17**	**FY18**	**FY19**	**FY20**	**FY17**	**FY18**	**FY19**	**FY20**
Revenue	22.4	25.4	29.1	29.6	37.2	42.1	48.5	50.0	33.6	34.8	40.0	37.6
COGS	5.4	6.4	7.2	7.4	14.3	15.5	17.4	17.2	13.5	13.4	14.7	13.6
Rent	2.6	2.7	2.8	2.9	3.5	3.9	4.7	4.8	6.3	5.7	5.8	5.5
Utility	1.3	1.3	1.4	1.3	3.7	3.7	3.8	3.9	3.1	3.0	3.0	3.1
Employee Costs	5.1	5.1	5.5	6.0	5.7	6.4	6.9	7.1	7.5	6.5	6.2	6.2
Royalty	0.7	0.8	1.0	1.0	1.5	1.8	2.2	2.3	1.0	1.1	1.5	1.5
Advertisement	1.3	1.2	1.4	1.9	2.2	2.4	2.4	2.4	3.4	4.9	3.4	2.2
Others	3.8	4.0	4.7	4.7	4.4	5.5	6.9	7.8	4.6	4.1	4.7	4.7
EBITDA	**2.2**	**3.8**	**5.0**	**4.4**	**1.9**	**2.9**	**4.1**	**4.5**	**-5.8**	**-3.9**	**0.9**	**0.8**

Source: Company, Emkay Research, ^Pre-IndAS116 EBITDA

Exhibit 81: Cost comparison as % of sales

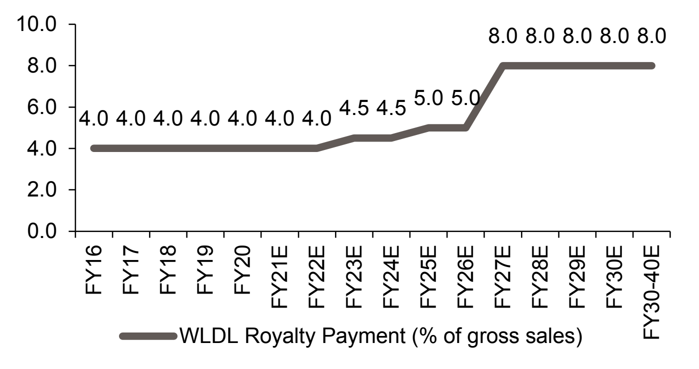
Per-Store comparison	JUBI				WLDL				BK			
(% of sales)	**FY17**	**FY18**	**FY19**	**FY20**	**FY17**	**FY18**	**FY19**	**FY20**	**FY17**	**FY18**	**FY19**	**FY20**
COGS	24.2	25.2	24.8	25.0	38.6	36.9	35.9	34.4	40.1	38.3	36.6	36.1
Rent	11.7	10.6	9.7	9.8	9.3	9.4	9.7	9.5	18.7	16.3	14.5	14.6
Utility	5.6	5.3	4.7	4.4	9.8	8.8	7.9	7.8	9.2	8.6	7.5	8.4
Employee Costs	23.0	20.3	19.0	20.2	15.3	15.2	14.2	14.2	22.3	18.8	15.4	16.3
Royalty	3.3	3.3	3.5	3.5	4.0	4.2	4.6	4.6	3.0	3.2	3.8	4.1
Advertisement	5.6	4.8	4.8	6.4	5.9	5.6	5.0	4.8	10.2	14.1	8.5	5.8
Others	16.9	15.6	16.2	15.9	11.9	13.0	14.2	15.6	13.8	11.8	11.7	12.5
EBITDA	**9.7**	**15.0**	**17.2**	**14.9**	**5.1**	**6.9**	**8.5**	**9.0**	**-17.4**	**-11.1**	**2.1**	**2.2**

Source: Company, Emkay Research, ^Pre-IndAS116 margins

Royalty increase from FY26 a concern but may only have a short term impact

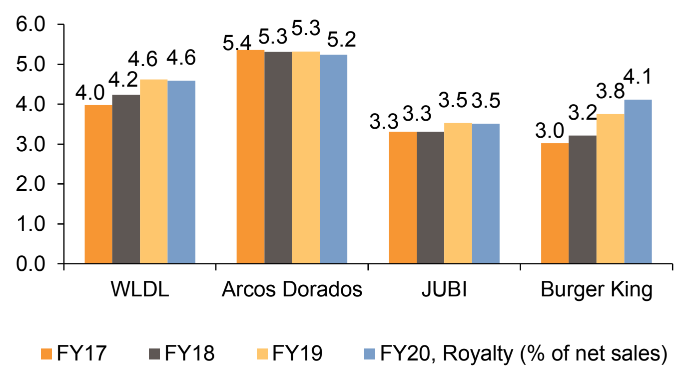
The royalty charge is expected to increase gradually from 4% of gross revenues in FY20-21 to 4.5% for FY22-23, 5% for FY24-25 and 8% thereafter. The steep jump from FY26 to 8% is relatively higher than BK/JUBI at 5%/3.5%. This has been a concern as it may have a long-term impact on profit margins. We believe WLDL has levers to expand margins gradually and offset the impact of higher royalty over time. However, a royalty charge, similar to peers would be more preferable for WLDL to generate superior/in-line profit margins and invest ahead of competition.

Exhibit 82: Royalty is expected to increase to 8% starting FY26 from 4%-5% currently



Source: Company, Emkay Research

Exhibit 83: Royalty charges for other QSRs is relatively lower in India as well as other McDonalds franchisees globally



Source: Company, Emkay Research

FCF generation to improve, providing room for faster expansion

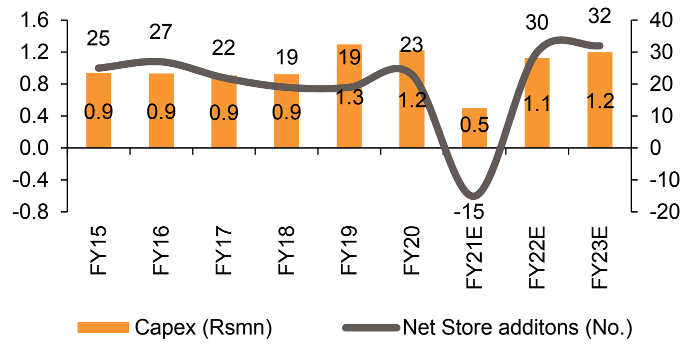
There is ample scope for new store additions given much lower penetration with presence in 43 cities in South and West India vs. Domino's presence in 123 cities in South and West India. The increase in store network has been slower in past due to higher capex requirement/store (Rs25mn for McDonald's vs. Rs10mn/store for Domino's) vs. relatively lower profitability/cash generation, higher investments to scale-up McCafe across existing outlets and focus on sustainable expansion with longer-term leases of 20 years. Management has maintained a store addition rate of 7-8% (30-35 new store additions every year) - in line with recent trends. However, with rising profitability and cash generation, we believe WLDL is in a better position to step up its store expansion.

WLDL released its Vision 2022 to have 300-350 McCafe, 300-325 McDelivery Hubs and 400-500 restaurants by FY23E in its FY18 annual report. The company had 149/165/277 cafes/delivery hubs/stores as of FY18-end. This translated to a guidance of opening 30/30/30 net new cafes/delivery/store additions every year till FY23. WLDL planned to invest Rs5bn during this period (~Rs1bn/year). WLDL incurs a capex of Rs1.0-1.2bn/year to open ~30 stores, store reimaging and 30-40 McCafé additions. Standalone capex stands at ~Rs25mn/store.

Post-tax cash flow from operations have largely mirrored EBITDA due to negative working capital requirements. WLDL operates at a negative working capital cycle of ~30 days (-8% of sales). FY20/21E cash flows are likely to be impacted due to loss of sales on account of Covid-19. But operating cash flows should improve with growth and margin improvement, starting FY22E. Further, rising OCF/FCF generation can provide scope to accelerate the pace of expansion.

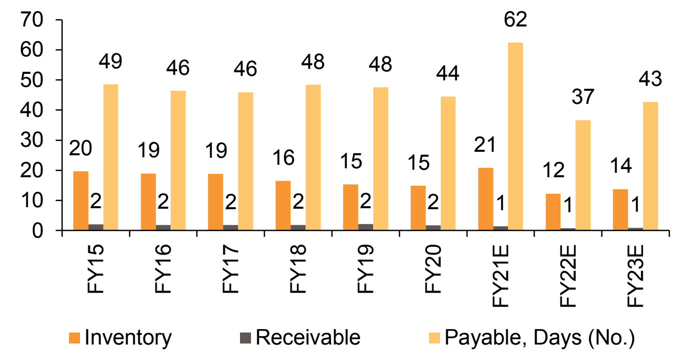
RoCE should remain on an improving trend with improvement in margins as well as asset turns. We expect RoCE to reach ~11% by FY23E. WLDL currently derives Rs50mn annual revenue/store at a store level EBITDA/EBIT margin of ~15%/9%. The asset turn is currently 2.0x and initial target is to take it to 2.5x with further ramp-up of Delivery/McCafe/Breakfast/new launches. This provides scope for further improvement in store level RoIC from ~18% currently to 25% over time. BK India operates at a store level EBITDA/EBIT margin of ~8%/2% and its asset turn is 1.6x currently, leading to a relatively lower RoIC of 3-4% vs. 18% for WLDL.

Exhibit 84: Store additions to remain steady at ~30/year



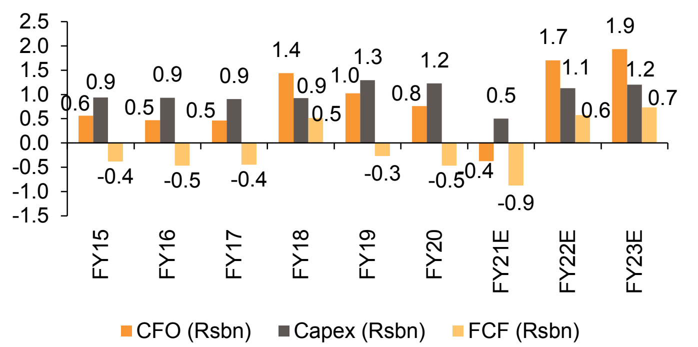
Source: Company, Emkay Research

Exhibit 85: WLDL operates at a negative working cycle of ~30 days



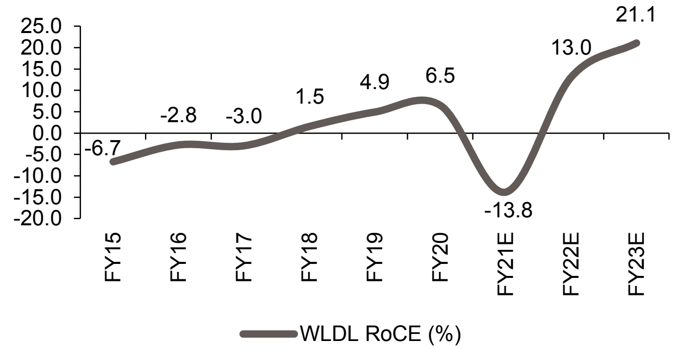
Source: Company, Emkay Research

Exhibit 86: Cash generation should improve with growth and margin improvement



Source: Company, Emkay Research

Exhibit 87: Margin and same store sales growth should aid further ROCE improvements



Source: Company, Emkay Research,^Pre-IndAS116 comparable

Valuations attractive given multi-year growth visibility

WLDL has delivered a sales/EBITDA growth of 15%/56% over the last five years. While the scale of business has increased, it is still very small given the addressable market and has a huge penetration opportunity ahead. With sales recovery being encouraging post Covid, the worst seems behind, and we expect the company to deliver growth from Q4. Margins are likely to positively surprise, led by the step-up in cost reduction as sales recover fully.

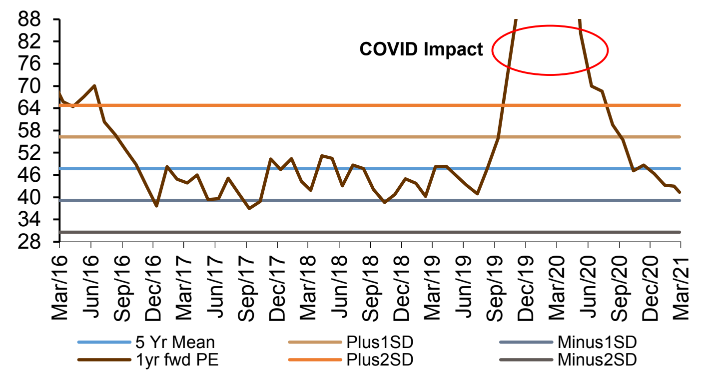
We estimate WLDL to record sales/EBITDA growth of 10%/20% over FY20-24 despite the decline in FY21 due to disruption. Excluding the low comparables driving higher growth in FY22, we estimate FY23-24 sales to grow by 17% with EBITDA growth of 30% on margin gains. Our estimates factor in a margin expansion of 600bps over FY20-24E, led by low comparables in FY20, improving mix and structural cost reduction.

Given the suboptimal earnings, which should rise at a higher pace vs. EBITDA growth, we value WLDL on EV/EBITDA multiple, based on pre-IndAS Jun-23E EBITDA. WLDL's historical EV/EBITDA multiples also look very high due to very low margins/profitability. However, we estimate EBITDA margins to improve meaningfully by FY23-24E and reach a respectable level of 14-15% (pre-IndAS). Compared with JUBI, we note QSR valuations have increased on account of higher growth and market share gain outlook from closure/slower recovery of other food service segments and margin expansion from lower rentals/employee costs and cost reduction which are likely to drive upsides.

Given lower profitability and ROCEs vs. JUBI, we assign a 10% discount to WLDL, valuing it at 32x Jun-23E EBITDA (excl IND AS 116 impact) and arriving at a fair value of Rs600, offering a 16% upside. Our TP is also backed by long-term DCF analysis.

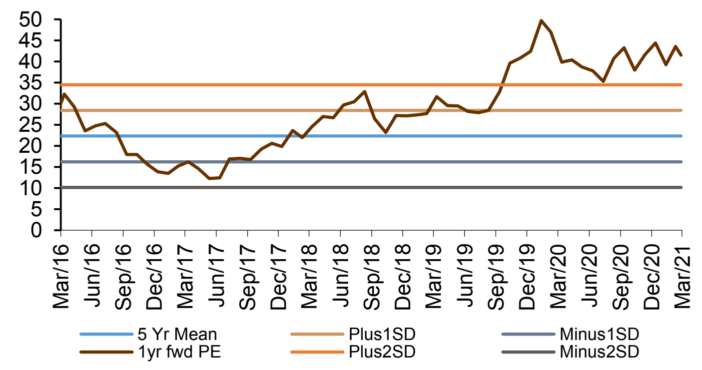
Catalysts: Stronger recovery driving higher SSGs and further delay in royalty increase.

Exhibit 88: WLDL EV/EBITDA band



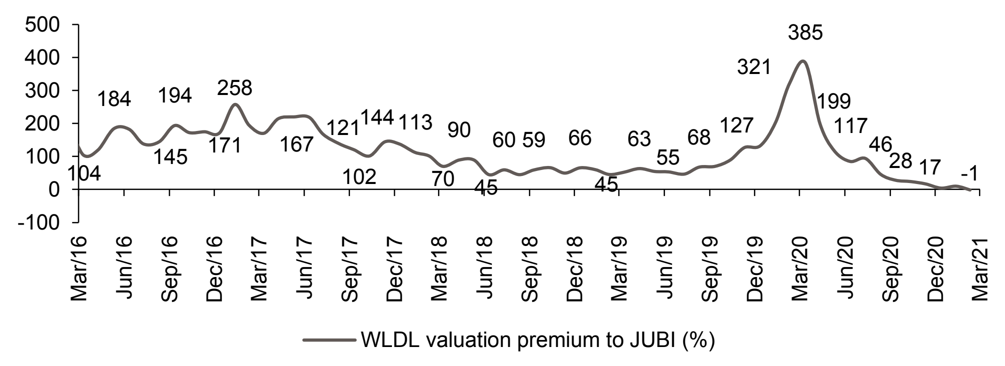
*Source: Company, Emkay Research, ***1-Yr fwd Mean/SD taken for FY16-19 period***

Exhibit 89: JUBI EV/EBITDA band



*Source: Company, Emkay Research, ***1-Yr fwd Mean/SD taken for FY16-19 period***

Exhibit 90: WLDL Premium to JUBI over the years



Source: Company, Emkay Research

Exhibit 91: Valuation of domestic and global peers

Company	CMP	M-Cap	Sales CAGR		Net Profit CAGR		EV/Sales (x)		EV/EBITDA (x)		P/E (x)	
	(Rs)	(Rs bn)	FY15-20	FY21-23E	FY15-20	FY21-23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Westlife Development	524	82	15	42	NA	NA	5	4	42	31	303	134
Jubilant Foodworks	2963	391	13	27	61	74	8	7	41	35	66	54
Global peers	**CMP (USD)**	**M-Cap (USDbn)**	**CY14-19**	**CY20-22E**	**CY14-19**	**CY20-22E**	**CY21E**	**CY22E**	**CY21E**	**CY22E**	**CY21E**	**CY22E**
McDonald's	220	164	-5	10	5	20	9	9	19	17	26	24
Yum China	63	26	5	15	NA	12	2	2	14	12	31	27
Chipotle Mexican Grill	1486	42	6	17	-5	55	6	5	36	29	64	49
Yum! Brands	108	32	-3	9	4	22	7	7	20	18	27	24
Restaurant Brands Intl.	64	30	36	10	32	71	6	5	14	13	24	21
Domino's Pizza	363	14	13	6	20	7	4	4	23	21	28	25
Papa John's Intl.	87	3	0	5	-42	24	2	2	19	17	38	32
Wendy's	22	5	-3	4	2	23	5	4	18	17	31	27
Alsea	29	24	21	22	7	NA	1	1	8	7	-44	38
Arcos Dorados	5	1	-4	19	NA	NA	1	1	9	7	44	20

Source: Company, Emkay Research, Bloomberg

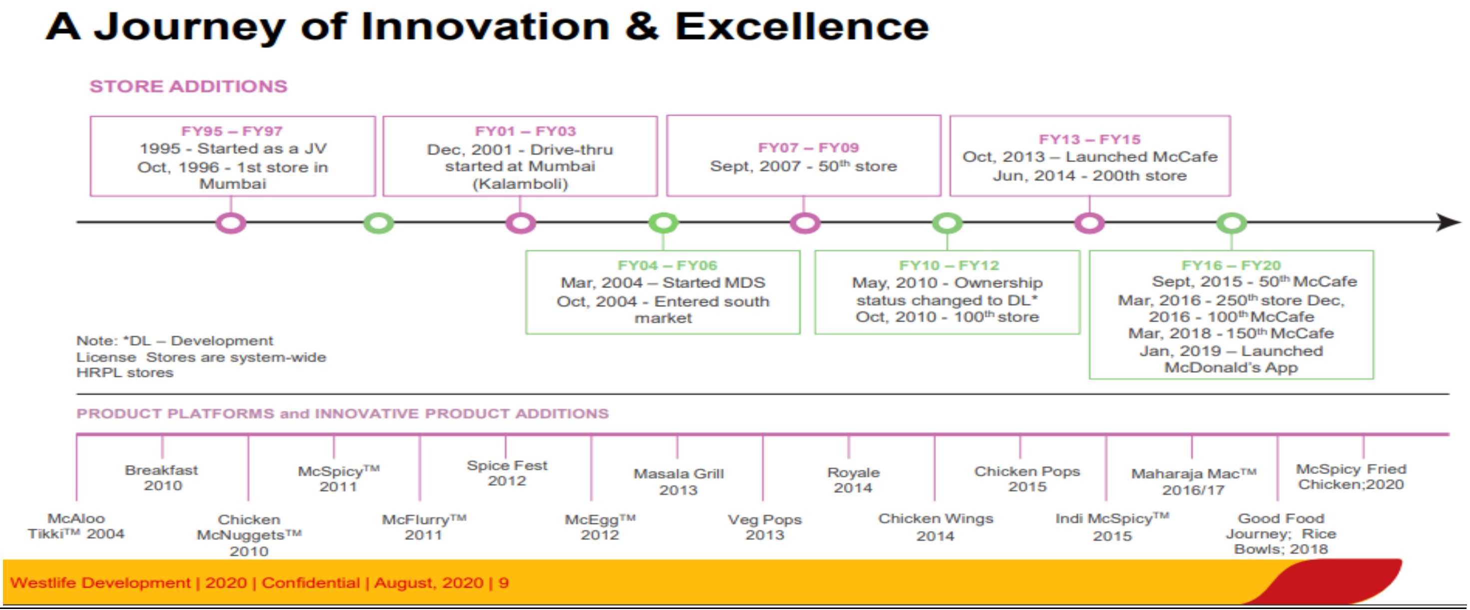
Brief business background, key milestones and profile summary of the board of directors

Exhibit 92: Brief business background of Westlife Development

Head	Description
Background	Westlife, through its wholly-owned subsidiary, Hardcastle Restaurants Pvt. Ltd (HRPL), owns and operates a chain of McDonald's restaurants in West and South India. The Company enjoys a master franchisee relationship with McDonald's Corporation USA, through the latter's Indian subsidiary
Footprint	Westlife serves over 200mn customers annually at 304 company-owned McDonald's restaurants and 223 company-owned McCafes located in the states of Andhra Pradesh, Telangana, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Kerala and parts of Madhya Pradesh. The company employs 9,908 people.
Offerings	McDonald's provides various formats and brand extensions that comprise standalone restaurants, Drive-thrus, restaurant in malls and food court restaurants. The brand extensions include McCafe, McDelivery and McBreakfast
Servicing multiple segments	Burger | Wraps | Rice | Chicken | Sides | Pizza puffs | Coffee | Coolers | Desserts | Delivery | Breakfast

Source: Company, Emkay Research

Exhibit 93: Journey of WLDL through the years in terms of store additions and new brand extensions



Source: Company, Emkay Research

Exhibit 94: Brief profile of the Board of Directors

Director Name	Position	Brief Profile Summary
B.L. Jatia	Non-Executive Chairman	Mr. B. L. Jatia has 45+ years of experience in paper, textiles, chemicals, food processing, mining, hospitality, healthcare, investments and finance and retail sectors. He is currently the Managing Director of Hardcastle & Waud Mfg. Co. Ltd, which is engaged in trading of chemical products.
Amit Jatia	Executive Vice-Chairman	Mr. Amit Jatia has 26+ years of QSR experience and is responsible for all aspects of the establishment and operation of restaurants in west and south India, including site location, acquisition, site development, equipment installation, supply chain management, product development and marketing strategy.
Smita Jatia	Executive Director	Ms Smita Jatia comes with 20+ years of QSR experience. She has been an active member of the McDonald's India team since the commencement and has handled various roles within the organization. She has been instrumental in launching, indigenizing and building the brand over the last 18 years.
P.R. Barpande	Independent Director	Mr. P.R. Barpande was an audit partner with Deloitte Haskins & Sells, Chartered Accountants, Mumbai and has retired after practicing for more than 30 years. He is a Fellow of the Institute of Chartered Accountants of India. He is an Independent Director in some of the listed and private companies.
Amisha Jain	Independent Director	Amisha Jain, CEO of Zivame, is extremely passionate about building innovation-led consumer centric brands. She is currently leading the fastest growing women's organization for intimate wear
Manish Chokhani	Independent Director	Mr. Manish Chokhani is one of India's most respected investors and financial expert. He is an Advisor to Axis Bank and holds board positions at Axis Capl, Enam Holdings, Zee Ent. Shopper's Stop and WLDL
Tarun Kataria	Independent Director	Mr. Tarun Kataria runs a corporate finance advisory and private equity practice. Previously he was CEO, India of Religare Capital Markets. Mr Kataria has also had leadership stints at HSBC.
Achal Jatia	Independent Director	Mr. Achal Jatia is the Chairman of the Board of Directors of Hardcastle Petrofer Pvt. Ltd

Source: Company, Emkay Research

Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY20	FY21E	FY22E	FY23E	FY24E
Revenue	**15,473**	**9,508**	**16,302**	**19,095**	**22,346**
Expenditure	**13,337**	**8,838**	**13,584**	**15,591**	**18,046**
EBITDA	**2,135**	**670**	**2,718**	**3,504**	**4,300**
Depreciation	1,383	1,434	1,658	1,852	2,057
EBIT	**752**	**(764)**	**1,060**	**1,653**	**2,243**
Other Income	135	480	100	109	152
Interest expenses	808	828	798	941	1,048
PBT	**79**	**(1,112)**	**362**	**820**	**1,346**
Tax	(14)	(311)	92	209	343
Extraordinary Items	(166)	(140)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	**(73)**	**(941)**	**270**	**611**	**1,003**
Adjusted PAT	**94**	**(801)**	**270**	**611**	**1,003**

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21E	FY22E	FY23E	FY24E
Equity share capital	311	311	311	311	311
Reserves & surplus	5,459	4,518	4,787	5,398	6,401
Net worth	**5,770**	**4,829**	**5,099**	**5,709**	**6,712**
Minority Interest	**0**	**0**	**0**	**0**	**0**
Loan Funds	**1,837**	**2,337**	**1,837**	**1,337**	**1,037**
Net deferred tax liability	(214)	(214)	(214)	(214)	(214)
Total Liabilities	**7,394**	**6,953**	**6,722**	**6,833**	**7,536**
Net block	**6,258**	**5,806**	**5,891**	**5,925**	**5,895**
Investment	**1,935**	**1,635**	**1,635**	**1,635**	**1,635**
Current Assets	**1,176**	**1,075**	**1,411**	**1,805**	**2,902**
Cash & bank balance	30	265	347	571	1,472
Other Current Assets	223	100	115	132	152
Current liabilities & Provision	**2,201**	**1,789**	**2,439**	**2,757**	**3,122**
Net current assets	**(1,025)**	**(714)**	**(1,029)**	**(952)**	**(219)**
Misc. exp	0	0	0	0	0
Total Assets	**7,394**	**6,953**	**6,722**	**6,833**	**7,536**

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21E	FY22E	FY23E	FY24E
PBT (Ex-Other income)	**(222)**	**(1,732)**	**262**	**711**	**1,195**
Other Non-Cash items	0	0	0	0	0
Chg in working cap	104	(75)	396	148	168
Operating Cashflow	**759**	**(375)**	**1,706**	**1,935**	**2,401**
Capital expenditure	(1,227)	(500)	(1,130)	(1,202)	(1,266)
Free Cash Flow	**(467)**	**(875)**	**576**	**733**	**1,134**
Investments	787	300	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	**(305)**	**280**	**(1,030)**	**(1,093)**	**(1,115)**
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(482)	500	(500)	(500)	(300)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	114	0	9	9	10
Financing Cashflow	**(516)**	**331**	**(594)**	**(618)**	**(385)**
Net chg in cash	**(62)**	**235**	**81**	**224**	**901**
Opening cash position	92	30	265	347	571
Closing cash position	**30**	**265**	**347**	**571**	**1,472**

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21E	FY22E	FY23E	FY24E
EBITDA Margin	13.8	7.0	16.7	18.4	19.2
EBIT Margin	4.9	(8.0)	6.5	8.7	10.0
Effective Tax Rate	(18.0)	28.0	25.5	25.5	25.5
Net Margin	0.6	(8.4)	1.7	3.2	4.5
ROCE	11.4	(4.0)	17.0	26.0	33.3
ROE	1.6	(15.1)	5.4	11.3	16.1
RoIC	14.7	(15.2)	22.7	37.1	52.1

Per Share Data (Rs)	FY20	FY21E	FY22E	FY23E	FY24E
EPS	0.6	(5.1)	1.7	3.9	6.4
CEPS	9.5	4.1	12.4	15.8	19.7
BVPS	37.1	31.0	32.8	36.7	43.1
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY20	FY21E	FY22E	FY23E	FY24E
PER	862.2	(100.6)	299.1	132.0	80.4
P/CEPS	54.0	126.0	41.4	32.4	26.1
P/BV	14.0	16.7	15.8	14.1	12.0
EV / Sales	5.3	8.6	5.0	4.2	3.5
EV / EBITDA	37.9	121.5	29.7	22.9	18.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY20	FY21E	FY22E	FY23E	FY24E
Net Debt/ Equity	0.0	0.2	0.0	(0.1)	(0.3)
Net Debt/EBIDTA	0.1	1.2	0.1	(0.1)	(0.4)
Working Cap Cycle (days)	(24.9)	(37.6)	(30.8)	(29.1)	(27.6)

Growth (%)	FY20	FY21E	FY22E	FY23E	FY24E
Revenue	10.4	(38.6)	71.5	17.1	17.0
EBITDA	80.1	(68.6)	305.8	28.9	22.7
EBIT	93.8	(201.5)	0.0	55.9	35.7
PAT	(134.2)	0.0	0.0	126.6	64.2

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	4,329	3,364	939	2,095	3,251
EBITDA	709	379	(422)	42	501
EBITDA Margin (%)	**16.4**	**11.3**	**(45.0)**	**2.0**	**15.4**
PAT	144	(253)	(605)	(325)	1
EPS (Rs)	**0.9**	**(1.6)**	**(3.9)**	**(2.1)**	**-**

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	62.1	59.1	59.1	59.1	59.1
FIIs	17.2	12.7	10.1	10.0	9.6
DIIs	9.3	16.1	18.6	19.4	20.5
Public and Others	11.3	12.2	12.2	11.5	10.9

Source: Capitaline

Emkay Alpha Portfolio – Consumer Goods & Retail

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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 12 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Goods & Retail	**10.35**	**10.35**	**0%**	**0**	**100.00**
Asian Paints	1.33	0.52	-61%	-81	5.05
Berger Paints	0.21	0.00	-100%	-21	0.00
Britannia Industries	0.49	0.54	11%	5	5.25
Colgate-Palmolive	0.26	0.28	11%	3	2.75
Dabur India	0.36	0.39	9%	3	3.75
Emami	0.12	0.16	27%	3	1.52
Godrej Consumer Products	0.31	0.00	-100%	-31	0.00
Hindustan Unilever	2.39	1.91	-20%	-48	18.44
ITC	2.17	2.38	10%	21	23.00
Marico	0.24	0.26	6%	2	2.50
Nestle India	0.71	0.57	-20%	-14	5.50
Pidilite Industries	0.31	0.00	-100%	-31	0.00
Radico Khaitan	0.00	0.32	NA	32	3.07
United Breweries	0.10	0.58	477%	48	5.57
United Spirits	0.00	0.31	NA	31	3.00
Varun Beverages	0.11	0.21	83%	9	2.00
ABFRL	0.08	0.21	157%	13	2.00
Jubilant FoodWorks	0.22	0.25	16%	4	2.45
Page Industries	0.19	0.22	15%	3	2.15
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.75	1.03	39%	29	10.00
Westlife Development	0.00	0.21	NA	21	2.00
Cash	**0.00**	**0.00**	**NA**	**0**	**0.00**

Source: Emkay Research

** Not under coverage: Equal Weight*

High Conviction/Strong Over Weight   High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	01-Apr-19	17-Mar-20	15-Sep-20	15-Dec-20	12-Feb-21	16-Mar-21
EAP - Consumer Goods & Retail	100.0	90.5	105.5	119.1	119.8	119.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	85.8	100.6	114.6	114.8	113.1

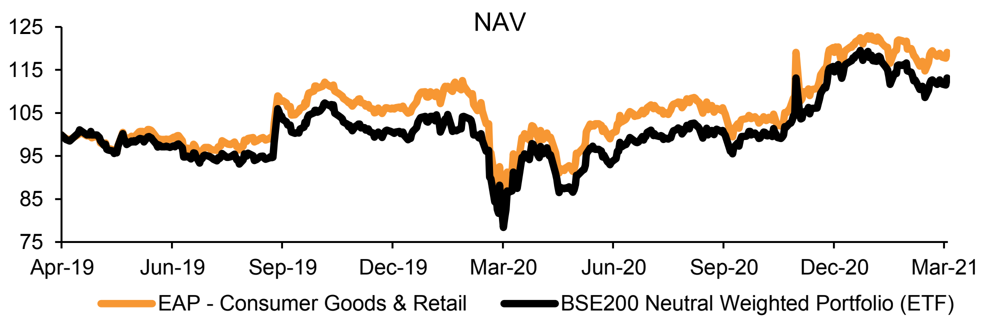
**Performance measurement base date 1st April 2019*
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	-0.6%	0.0%	12.8%	31.6%
BSE200 Neutral Weighted Portfolio (ETF)	-1.5%	-1.3%	12.5%	31.9%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

"Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals"

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 18 Mar 2021 13:54:51 (SGT)
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