

Westlife Development

Refer to important disclosures at the end of this report

Demand trends encouraging; expect faster recovery

- Our interaction with management indicates strong traction in convenience channel sales, led by consumer shift to dominant brands & digital initiatives. Dine-in is currently impacted but faster recovery is expected vs. FY21 on easing restrictions and increasing vaccination.
- Expansion plans are intact at 25-30 store additions in FY22 despite second wave-led lockdowns. Ramp-up of Mc-Café network (present in 80% stores currently) and scale up of new products (fried chicken/gourmet burgers) ahead offer relatively better SSG outlook.
- WLDL was able to achieve pre-Covid margins in H2FY21 despite lower sales, driven by structural cost savings. It continues to work on further rental optimization and other cost efficiencies, and expects a much better margin profile upon full recovery.
- Faster recovery in dine-in can drive stronger SSG and margin gains for WLDL. With improving profitability and inexpensive valuations vs peers, the stock offers attractive upside potential. Maintain Buy with TP of Rs630 (32x Sept-23E pre-INDAS EV/EBITDA).

Strong traction in convenience channels to reduce lockdown impact: WLDL indicated stronger traction in the convenience channel, with 90%+ stores being operational (~290 stores vs. avg. ~200 stores in Q1FY21) despite the lockdown as consumers continued to opt for delivery from well-established brands. Convenience channel (50% sales contribution pre-Covid) was up 40% in Q4, with dine-in recovering to 90%. While the dine-in channel is impacted by restrictions in Q1, stronger sales growth in the convenience channel should result in a 60-70% sales recovery (vs. pre-Covid level), in our view. Own app sales are also gaining traction, with high-double digit contribution to digital sales (vs. low-single digit earlier). With ongoing vaccination, WLDL expects a quicker recovery led by faster dine-in recovery than the first unlock (75%/90% dine-in recovery in Q3/Q4FY21 post opening up in Oct'20).

Expansion plans remain intact: Management maintained its store addition target of 25-30 stores in FY22E, with plans to further scale up Mc-Café to the remaining network in next 2-3 years. Currently, Mc-Café is present in ~230 stores out of total 305 stores. Newly introduced products such as fried chicken in South India and gourmet burgers in Maharashtra are gaining traction and will be extended to the remaining network, driving higher unit sales.

Margin gains likely to continue post Q1: Rental contracts are being further optimized and some rebates are expected in Q1. Commentary remains positive on cost efficiencies, and WLDL hopes to see results from Q2 as sales normalise. Margin gains were impressive as it reached near pre-Covid margins in H2FY21 despite lower sales. Cost savings were broad-based, with employee & other occupancy costs falling ~30% in FY21 (vs. 35% sales decline).

Attractive valuations vs. peers; maintain Buy: We expect sales/EBITDA growth of 10%/20% in FY20-24, and faster recovery can drive upsides. Large penetration opportunity, improving profitability and valuations at discount to peers make it an attractive long-term bet. We value WLDL at 32x Sept-23E pre-INDAS EBITDA (vs. Jun-23E) with a TP of Rs630.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(Page 7\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	15,473	9,856	14,040	18,978	22,208
EBITDA	2,194	614	2,142	3,482	4,273
EBITDA Margin (%)	14.2	6.2	15.3	18.3	19.2
APAT	94	(1,036)	8	626	1,000
EPS (Rs)	0.6	(6.7)	0.0	4.0	6.4
EPS (% chg)	(36.4)	(1,208.0)	0.0	8,139.6	59.8
ROE (%)	1.6	(19.6)	0.2	12.2	16.8
P/E (x)	807.3	(72.9)	9,944.1	120.7	75.5
EV/EBITDA (x)	38.1	135.3	39.0	23.7	19.0
P/BV (x)	13.1	15.7	15.7	13.9	11.7

Source: Company, Emkay Research

CMP	Target Price
Rs 485 as of (June 28, 2021)	Rs 630 (▲) 12 months
Rating	Upside
BUY (■)	29.9 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	-/
Target Price change (%)	5
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	-	4.0
Consensus	0.3	5.0
Mean Consensus TP (12M)	Rs 504	

Stock Details

Bloomberg Code	WLDL IN
Face Value (Rs)	2
Shares outstanding (mn)	156
52 Week H/L	553 / 300
M Cap (Rs bn/USD bn)	76 / 1.02
Daily Avg Volume (nos.)	2,44,144
Daily Avg Turnover (US\$ mn)	1.5

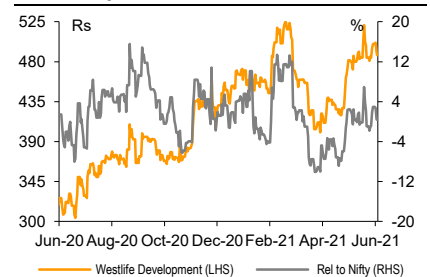
Shareholding Pattern Mar '21

Promoters	58.0%
FII's	10.8%
DII's	20.8%
Public and Others	10.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	7	13	52
Rel. to Nifty	(1)	(2)	(1)	-

Relative price chart



Source: Bloomberg

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Ashit Desai

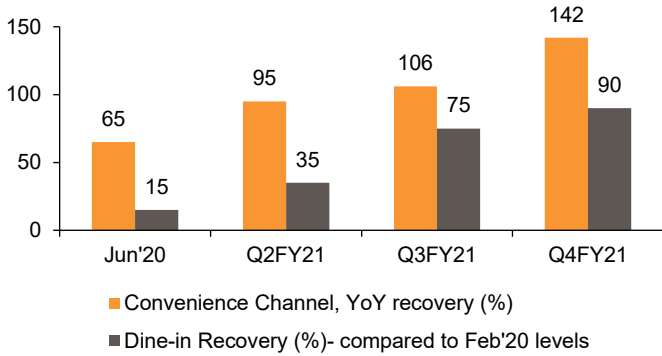
ashit.desai@emkayglobal.com
+91 22 6612 1340

Devanshu Bansal

devanshu.bansal@emkayglobal.com
+91 22 6612 1385

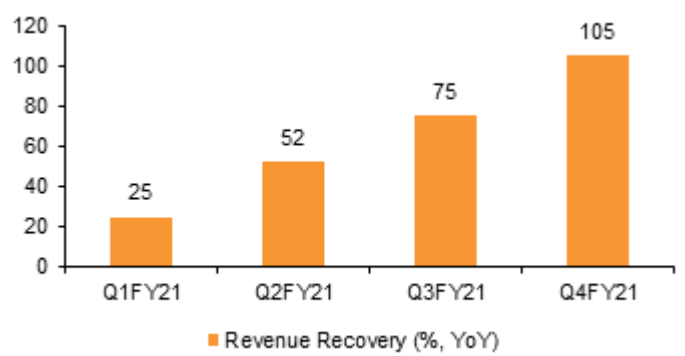
Story in Charts

Exhibit 1: Convenience channel continues to see strong traction with further improvement vs. Q4



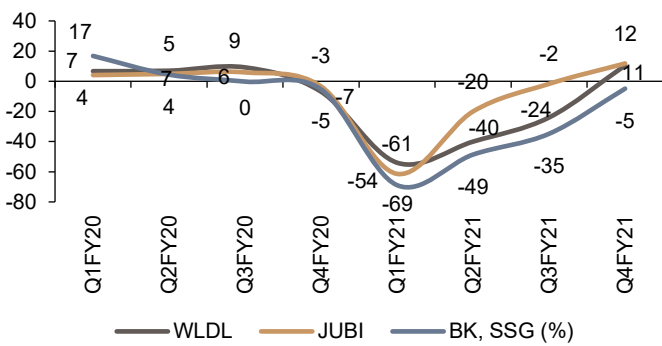
Source: Company, Emkay Research

Exhibit 2: Overall sales recovery in FY21; expect recovery in FY22 to be faster with ongoing vaccination



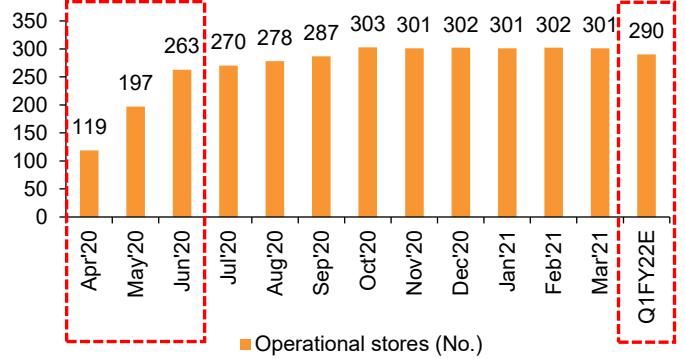
Source: Company, Emkay Research

Exhibit 3: SSG recovery vs. peers is impressive over the last few quarters



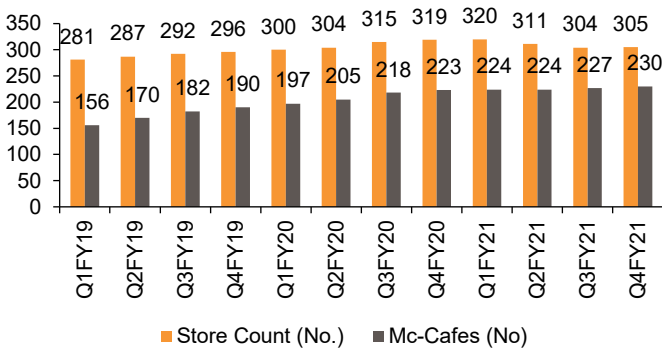
Source: Company, Emkay Research

Exhibit 4: Lesser impact of second lockdown, largely 90%+ stores operational



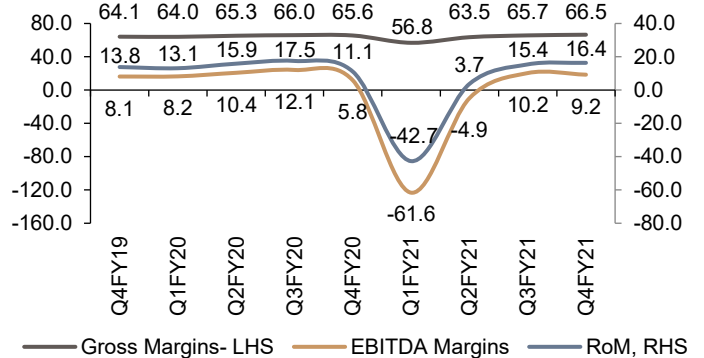
Source: Company, Emkay Research

Exhibit 5: Mc-café addition to stores continues at a healthy pace



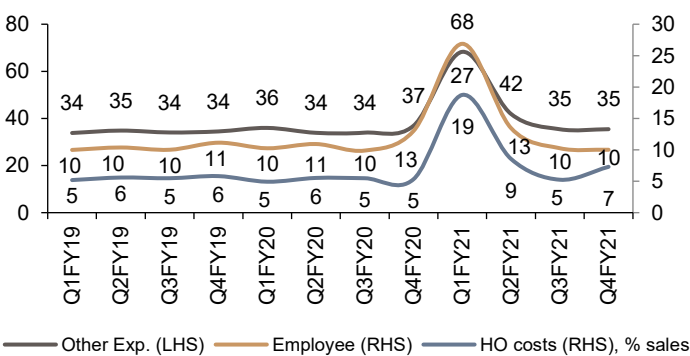
Source: Emkay Research, Company, *Pre-IndAS116 margins

Exhibit 6: Margins recovered despite lower sales and weaker mix



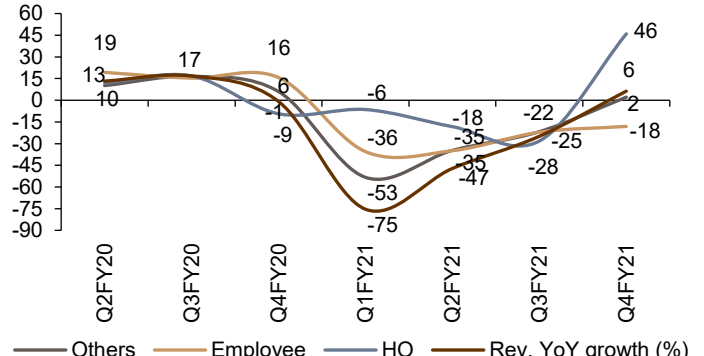
Source: Emkay Research, Company

Exhibit 7: Cost savings have been broad-based across all cost lines

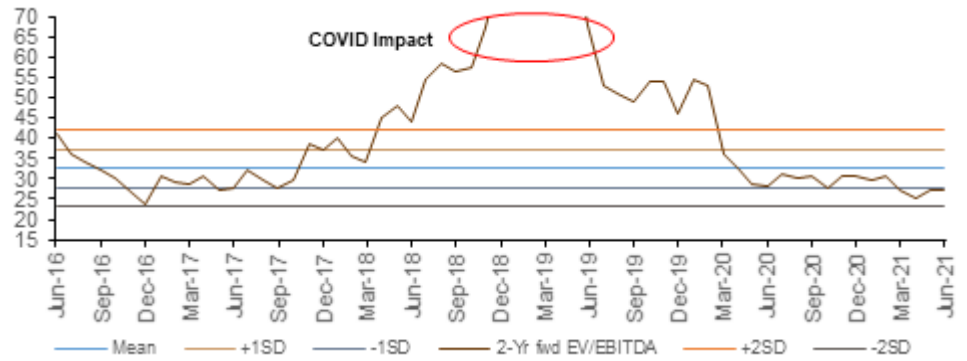


Source: Emkay Research, Company, *Pre-IndAS116 margins

Exhibit 8: Margin should be much better on full recovery of unit sales



Source: Emkay Research, Company

Exhibit 9: WLDL 2-yr forward EV/EBITDA chart

Source: Emkay Research, Company

Exhibit 10: Key assumptions

	FY19	FY20	FY21	FY22E	FY23E	FY24E
SSG (%)	17.2	4.0	-39.0	42.0	27.0	10.0
Store Addition (No.)	19	23	-15	30	32	32
Gross Margins (%)	64.1	65.6	64.0	65.5	67.0	67.5
EBITDA Margins (%., post IndAS116)		14.3	6.3	15.4	18.4	19.3

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	15,473	9,856	14,040	18,978	22,208
Expenditure	13,279	9,242	11,898	15,496	17,935
EBITDA	2,194	614	2,142	3,482	4,273
Depreciation	1,442	1,546	1,538	1,855	2,061
EBIT	753	(931)	603	1,626	2,212
Other Income	135	447	150	150	173
Interest expenses	808	845	743	936	1,043
PBT	79	(1,329)	10	840	1,342
Tax	(14)	(293)	3	214	342
Extraordinary Items	(166)	42	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	(73)	(994)	8	626	1,000
Adjusted PAT	94	(1,036)	8	626	1,000

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	311	311	311	311	311
Reserves & surplus	5,459	4,501	4,508	5,134	6,134
Net worth	5,770	4,812	4,819	5,445	6,445
Minority Interest	0	0	0	0	0
Loan Funds	9,659	9,680	9,922	10,091	10,492
Net deferred tax liability	(214)	(214)	(214)	(214)	(214)
Total Liabilities	15,216	14,278	14,528	15,323	16,723
Net block	14,080	12,843	13,134	13,181	13,086
Investment	1,935	2,348	2,348	2,348	2,348
Current Assets	1,176	1,606	963	2,201	4,048
Cash & bank balance	30	110	(33)	971	2,621
Other Current Assets	223	100	115	132	152
Current liabilities & Provision	2,201	2,744	2,143	2,633	2,984
Net current assets	(1,025)	(1,138)	(1,180)	(432)	1,064
Misc. exp	0	0	0	0	0
Total Assets	15,216	14,278	14,528	15,323	16,723

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	(222)	(1,735)	(140)	690	1,169
Other Non-Cash items	0	0	0	0	0
Chg in working cap	124	194	(101)	255	155
Operating Cashflow	2,015	1,143	2,039	3,522	4,086
Capital expenditure	(1,285)	(485)	(1,130)	(1,202)	(1,266)
Free Cash Flow	730	658	909	2,320	2,820
Investments	469	(414)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(681)	(451)	(980)	(1,052)	(1,094)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(502)	315	(315)	(500)	(300)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	(746)	(756)	(742)	(840)	(947)
Financing Cashflow	(1,396)	(611)	(1,201)	(1,467)	(1,342)
Net chg in cash	(62)	80	(143)	1,003	1,651
Opening cash position	92	30	110	(33)	971
Closing cash position	30	110	(33)	971	2,621

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	14.2	6.2	15.3	18.3	19.2
EBIT Margin	4.9	(9.5)	4.3	8.6	10.0
Effective Tax Rate	(18.0)	22.0	25.5	25.5	25.5
Net Margin	0.6	(10.5)	0.1	3.3	4.5
ROCE	7.6	(3.3)	5.2	11.9	14.9
ROE	1.6	(19.6)	0.2	12.2	16.8
RoIC	8.3	(7.6)	5.1	13.7	19.0

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	0.6	(6.7)	0.0	4.0	6.4
CEPS	9.9	3.3	9.9	15.9	19.7
BVPS	37.1	30.9	31.0	35.0	41.4
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	807.3	(72.9)	9,944.1	120.7	75.5
P/CEPS	42.6	128.2	42.2	26.3	21.3
P/BV	13.1	15.7	15.7	13.9	11.7
EV / Sales	5.4	8.5	6.0	4.4	3.7
EV / EBITDA	38.1	135.3	39.0	23.7	19.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	1.4	1.6	1.7	1.3	0.9
Net Debt/EBIDTA	3.7	12.3	3.7	2.0	1.4
Working Cap Cycle (days)	(24.9)	(46.2)	(29.8)	(27.0)	(25.6)

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	10.4	(36.3)	42.4	35.2	17.0
EBITDA	85.1	(72.0)	248.6	62.6	22.7
EBIT	133.4	(223.8)	0.0	169.5	36.0
PAT	(149.5)	0.0	0.0	8,139.6	59.8

Quarterly (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Revenue	3,364	939	2,095	3,251	3,576
EBITDA	379	(422)	42	501	499
EBITDA Margin (%)	11.3	(45.0)	2.0	15.4	14.0
PAT	(253)	(605)	(325)	1	(65)
EPS (Rs)	(1.6)	(3.9)	(2.1)	-	(0.4)

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoters	59.1	59.1	59.1	59.1	58.0
FIs	12.7	10.1	10.0	9.6	10.8
DIs	16.1	18.6	19.4	20.5	20.8
Public and Others	12.2	12.2	11.5	10.9	10.4

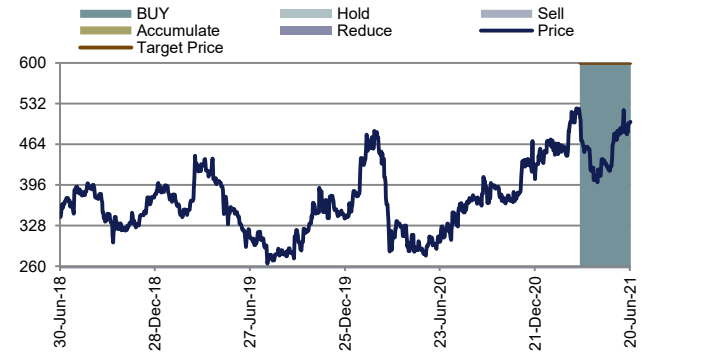
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
14-May-21	428	600	12m	Buy	Ashit Desai
17-Mar-21	508	600	12m	Buy	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



Analyst: Ashit Desai

Contact Details

ashit.desai@emkayglobal.com
+91 22 6612 1340

Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 13 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	10.52	10.52	0%	0	100.00
Asian Paints	1.50	0.62	-59%	-88	5.89
Berger Paints	0.22	0.00	-100%	-22	0.00
Britannia Industries	0.48	0.52	9%	4	4.95
Colgate-Palmolive	0.25	0.30	20%	5	2.81
Dabur India	0.35	0.33	-7%	-3	3.11
Emami	0.13	0.16	24%	3	1.50
Godrej Consumer Products	0.36	0.32	-12%	-4	3.04
Hindustan Unilever	2.42	2.04	-16%	-38	19.35
ITC	1.98	2.04	3%	6	19.36
Marico	0.29	0.31	6%	2	2.94
Nestle India	0.69	0.57	-17%	-12	5.42
Pidilite Industries	0.36	0.00	-100%	-36	0.00
Radico Khaitan	0.00	0.39	NA	39	3.67
United Breweries	0.10	0.51	384%	40	4.83
United Spirits	0.00	0.36	NA	36	3.43
Varun Beverages	0.11	0.10	-10%	-1	0.96
ABFRL	0.07	0.17	134%	10	1.66
Jubilant FoodWorks	0.21	0.25	15%	3	2.34
Page Industries	0.19	0.21	13%	2	1.99
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.81	1.08	34%	27	10.29
Westlife Development	0.00	0.26	NA	26	2.45
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
	1-Apr-19	25-Jun-20	24-Dec-20	25-Mar-21	26-May-21	25-Jun-21
EAP - Consumer Goods & Retail	100.0	104.4	119.6	117.6	125.5	130.4
BSE200 Neutral Weighted Portfolio (ETF)	100.0	98.2	116.3	112.1	121.1	124.3

*Performance measurement base date 1st April 2019

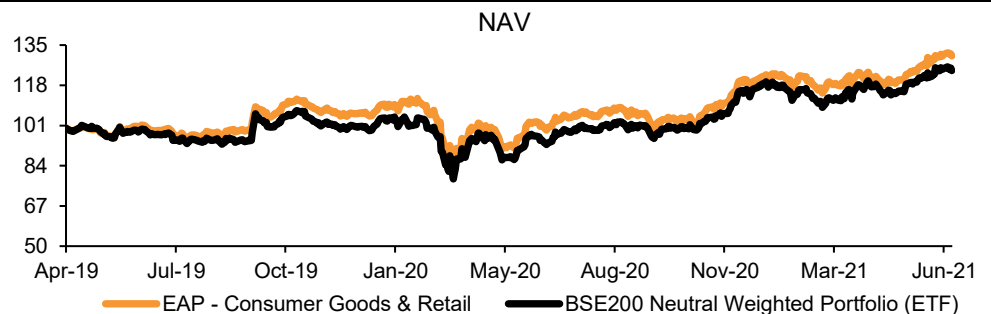
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	3.9%	10.9%	9.1%	24.9%
BSE200 Neutral Weighted Portfolio (ETF)	2.6%	10.9%	6.8%	26.6%

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: 29 Jun 2021 01:24:19 (SGT)

Dissemination Date: 29 Jun 2021 01:25:19 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com