

October 5, 2023

Company Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		ACCUMULATE	
Target Price	958		932	
Sales (Rs. m)	26,303	31,486	26,617	31,534
% Chng.	(1.2)	(0.2)		
EBITDA (Rs. m)	4,573	5,672	4,731	5,777
% Chng.	(3.4)	(1.8)		
EPS (Rs.)	8.5	11.3	9.2	12.2
% Chng.	(8.4)	(7.4)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	22,782	26,303	31,486	37,586
EBITDA (Rs. m)	3,740	4,573	5,672	7,112
Margin (%)	16.4	17.4	18.0	18.9
PAT (Rs. m)	1,116	1,318	1,760	2,485
EPS (Rs.)	7.2	8.5	11.3	15.9
Gr. (%)	NA	18.1	33.6	41.2
DPS (Rs.)	-	3.5	4.0	5.6
Yield (%)	-	0.4	0.4	0.6
RoE (%)	21.7	21.8	25.1	29.6
RoCE (%)	30.9	33.6	39.2	45.3
EV/Sales (x)	6.6	5.7	4.7	3.9
EV/EBITDA (x)	40.1	32.8	26.3	20.8
PE (x)	133.9	113.4	84.9	60.1
P/BV (x)	26.4	23.2	19.7	16.2

Key Data

WEST.BO | WESTLIFE IN

52-W High / Low	Rs.1,025 / Rs.639	
Sensex / Nifty	65,226 / 19,436	
Market Cap	Rs.149bn/ \$ 1,795m	
Shares Outstanding	156m	
3M Avg. Daily Value	Rs.167.83m	

Shareholding Pattern (%)

Promoter's	56.53
Foreign	9.70
Domestic Institution	24.13
Public & Others	9.64
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.4	38.9	33.3
Relative	2.0	25.8	18.7

Amnish Aggarwal

arnishaggarwal@plindia.com | 91-22-66322233

Vishwa Solanki

vishwasolanki@plindia.com | 91-22-66322244

Westlife Foodworld (WESTLIFE IN)

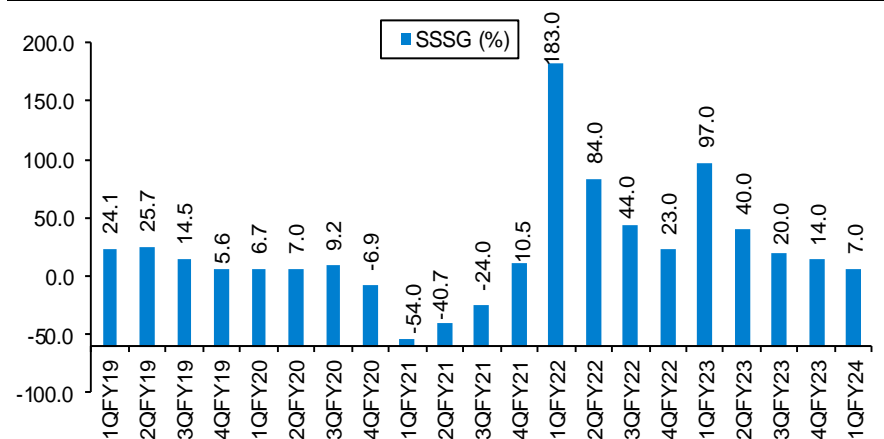
Rating: HOLD | CMP: Rs958 | TP: Rs958

Near term demand pressures, LT story intact

We cut FY24/25 EPS by 8.4/7.4% respectively although we remain positive on long-term growth story given brand moat and huge scope to increase penetration. WFL has bucked the trend of demand slowdown from the past few quarters, however there has been some softening in demand off late as consumers cut back on spending amidst higher food inflation. WFL is on a path of sustained growth with 1) success of Mcsaver value meal 2) sustained traction in chicken business in south and 3) ability to provide all day menu across breakfast, snack and meals. WFL is looking at makeover of McCafe with more food options and accelerated innovations in its core segments of Burgers, Chicken and coffee in 2H24 which is expected to provide sustained traction in festival season. We estimate Sales/EPS CAGR of 18.2%/30.6% over FY23-26. We assign DCF based target price of Rs958 (Rs932 earlier) with Hold rating (Accumulate earlier) with positive bias in LT.

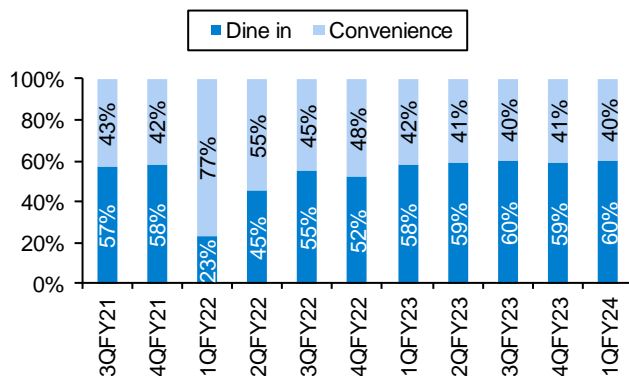
- **Demand under stress:** Demand has come under stress in Q2 due to inflationary pressure with QoQ dip in consumer frequency of eating out which is likely to impact SSG. However, decline in inflation and new launches are expected to revive demand and improve sales during festive season in Q3.
- **Increasing competitiveness from unorganized sector:** Westlife is observing increase in competition from unorganized sector first time post covid. With inflation remaining at elevated levels consumers seem to be downtrading and moving towards lower valued meals offered by unorganized sector.
- **RM prices remain under control:** RM prices have been largely stable. WFL has not taken any price hikes as of now, although any unprecedented increase in inflation may lead to hikes to offset RM pressure.
- **Value meal continues to gain traction:** Rs179 value meals continues to bring in incremental footfalls led by increase in order frequency for the same. However, WFL does not have any plans to dilute pricing in value meals.
- **Chicken continue to see healthy demand:** Chicken continue to see robust demand in Q2, there is likely to be some new additions in the chicken menu led by innovations in fried chicken category, Westlife is committed to grab any new opportunity for market expansion in chicken category with shortlisting micro clusters for chicken market.
- **McCafe to get new look, Q3 to see new addition in burger/chicken:** McCafe is exploring a new look, new price points and menu innovations to compete with other standalone café chains. WFL is also looking at increased menu innovations in burger and chicken category in coming quarters.
- **FY24 to incur capex of ~Rs2-2.5bn:** FY24 is likely to incur capex of ~Rs2000mn-Rs2500mn with addition of 40-45 new stores. We expect 8-10 stores addition in 2Q24 and double digit addition in 3Q and 4Q as well.

Exhibit 1: SSSG for 1QFY24 stood at 7%



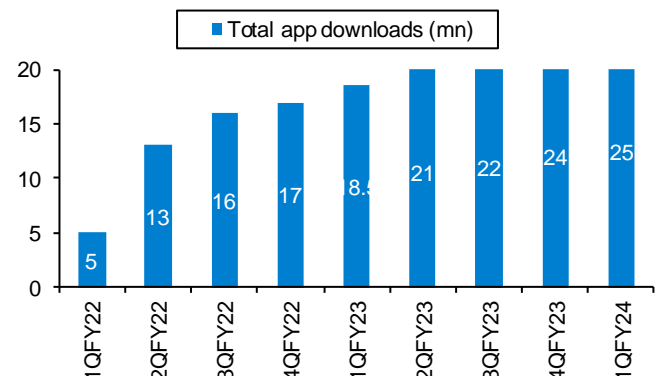
Source: Company, PL

Exhibit 2: Off-premise sales stabilizing at ~40-42%



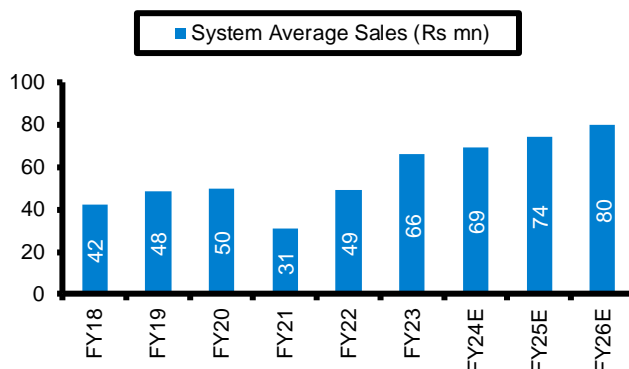
Source: Company, PL

Exhibit 3: Backed by increase in app installations



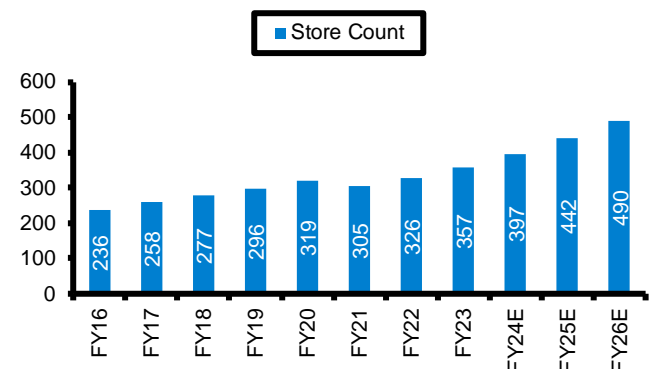
Source: Company, PL

Exhibit 4: System average sales to grow 6.5% over FY23-26E



Source: Company, PL

Exhibit 5: Expect 133 stores addition over FY23-26E



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	22,782	26,303	31,486	37,586
YoY gr. (%)	44.6	15.5	19.7	19.4
Cost of Goods Sold	6,649	7,680	9,131	10,862
Gross Profit	16,133	18,622	22,355	26,724
Margin (%)	70.8	70.8	71.0	71.1
Employee Cost	3,106	3,435	4,016	4,716
Other Expenses	9,287	4,272	4,996	5,898
EBITDA	3,740	4,573	5,672	7,112
YoY gr. (%)	98.1	22.2	24.0	25.4
Margin (%)	16.4	17.4	18.0	18.9
Depreciation and Amortization	1,522	1,880	2,233	2,602
EBIT	2,219	2,693	3,438	4,510
Margin (%)	9.7	10.2	10.9	12.0
Net Interest	927	1,113	1,267	1,423
Other Income	203	213	223	294
Profit Before Tax	1,495	1,793	2,395	3,381
Margin (%)	6.6	6.8	7.6	9.0
Total Tax	379	475	635	896
Effective tax rate (%)	25.3	26.5	26.5	26.5
Profit after tax	1,116	1,318	1,760	2,485
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,116	1,318	1,760	2,485
YoY gr. (%)	NA	18.1	33.6	41.2
Margin (%)	4.9	5.0	5.6	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,116	1,318	1,760	2,485
YoY gr. (%)	NA	18.1	33.6	41.2
Margin (%)	4.9	5.0	5.6	6.6
Other Comprehensive Income	10	-	-	-
Total Comprehensive Income	1,125	1,318	1,760	2,485
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	7.2	8.5	11.3	15.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	22,633	27,161	32,145	37,307
Tangibles	21,337	25,789	30,698	35,785
Intangibles	1,297	1,372	1,447	1,522
Acc: Dep / Amortization	6,404	8,284	10,517	13,119
Tangibles	5,988	7,792	9,946	12,464
Intangibles	416	492	571	655
Net fixed assets	16,229	18,877	21,628	24,188
Tangibles	15,349	17,997	20,752	23,321
Intangibles	880	880	875	867
Capital Work In Progress	567	567	567	567
Goodwill	-	-	-	-
Non-Current Investments	534	623	684	774
Net Deferred tax assets	604	586	562	528
Other Non-Current Assets	453	488	525	565
Current Assets				
Investments	1,299	1,052	1,574	2,631
Inventories	714	800	951	1,101
Trade receivables	107	144	173	206
Cash & Bank Balance	284	506	519	714
Other Current Assets	142	110	110	110
Total Assets	20,989	23,811	27,355	31,449
Equity				
Equity Share Capital	312	312	312	312
Other Equity	5,347	6,127	7,271	8,886
Total Network	5,659	6,439	7,583	9,198
Non-Current Liabilities				
Long Term borrowings	2,070	1,870	1,670	1,470
Provisions	130	165	214	276
Other non current liabilities	10,289	12,221	14,399	16,563
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,841	3,116	3,489	3,942
Total Equity & Liabilities	20,989	23,811	27,355	31,449

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,495	1,793	2,395	3,381
Add. Depreciation	1,522	1,880	2,233	2,602
Add. Interest	927	1,113	1,267	1,423
Less Financial Other Income	203	213	223	294
Add. Other	3,141	3,248	3,276	3,303
Op. profit before WC changes	7,085	8,034	9,171	10,709
Net Changes-WC	203	95	132	180
Direct tax	(379)	(475)	(635)	(896)
Net cash from Op. activities	6,909	7,654	8,668	9,992
Capital expenditures	(4,340)	(4,527)	(4,985)	(5,161)
Interest / Dividend Income	-	-	-	-
Others	206	246	(522)	(1,057)
Net Cash from Inv. activities	(4,134)	(4,281)	(5,507)	(6,218)
Issue of share cap. / premium	(3,280)	(3,193)	(3,193)	(3,193)
Debt changes	60	(200)	(200)	(200)
Dividend paid	-	(538)	(616)	(870)
Interest paid	(927)	(1,113)	(1,267)	(1,423)
Others	1,424	1,893	2,127	2,106
Net cash from Fin. activities	(2,723)	(3,152)	(3,148)	(3,579)
Net change in cash	52	221	13	195
Free Cash Flow	2,569	3,127	3,683	4,831

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	7.2	8.5	11.3	15.9
CEPS	16.9	20.5	25.6	32.6
BVPS	36.3	41.3	48.6	59.0
FCF	16.5	20.1	23.6	31.0
DPS	-	3.5	4.0	5.6
Return Ratio(%)				
RoCE	30.9	33.6	39.2	45.3
ROIC	11.4	12.1	13.6	16.0
RoE	21.7	21.8	25.1	29.6
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	(0.1)	(0.2)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	133.9	113.4	84.9	60.1
P/B	26.4	23.2	19.7	16.2
P/CEPS	56.7	46.7	37.4	29.4
EV/EBITDA	40.1	32.8	26.3	20.8
EV/Sales	6.6	5.7	4.7	3.9
Dividend Yield (%)	-	0.4	0.4	0.6

Source: Company Data, PL Research

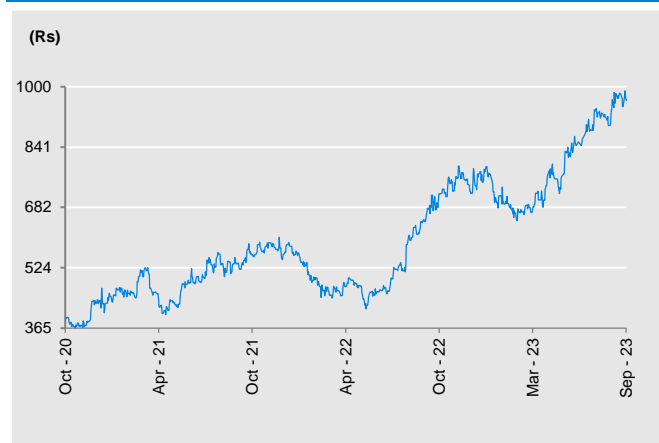
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	5,724	6,115	5,564	6,145
YoY gr. (%)	48.5	28.2	22.3	14.2
Raw Material Expenses	1,976	1,824	1,562	1,808
Gross Profit	3,748	4,290	4,002	4,337
Margin (%)	65.5	70.2	71.9	70.6
EBITDA	959	1,022	887	1,042
YoY gr. (%)	115.8	28.8	40.9	19.4
Margin (%)	16.8	16.7	15.9	16.9
Depreciation / Depletion	366	386	412	428
EBIT	593	636	475	613
Margin (%)	10.4	10.4	8.5	10.0
Net Interest	225	234	253	260
Other Income	52	78	56	53
Profit before Tax	419	480	277	406
Margin (%)	7.3	7.9	5.0	6.6
Total Tax	104	116	76	118
Effective tax rate (%)	24.8	24.2	27.5	29.0
Profit after Tax	315	364	201	288
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	315	364	201	288
YoY gr. (%)	(815.9)	74.7	31.2	22.3
Margin (%)	5.5	5.9	3.6	4.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	315	364	201	288
YoY gr. (%)	(815.9)	74.7	31.2	22.3
Margin (%)	5.5	5.9	3.6	4.7
Other Comprehensive Income	5	7	2	2
Total Comprehensive Income	320	370	203	291
Avg. Shares O/s (m)	18	18	18	18
EPS (Rs)	17.5	20.2	11.2	16.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	27-Jul-23	Accumulate	932	898
2	06-Jul-23	Accumulate	800	864
3	09-May-23	Accumulate	800	768
4	11-Apr-23	BUY	806	728
5	16-Feb-23	BUY	852	681
6	31-Jan-23	BUY	852	735
7	06-Jan-23	BUY	854	769
8	01-Dec-22	BUY	847	719
9	09-Nov-22	BUY	847	781

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,527	3,400
2	Avenue Supermarts	BUY	4,574	3,678
3	Britannia Industries	Hold	4,500	4,670
4	Colgate Palmolive	Hold	1,869	1,940
5	Dabur India	Accumulate	600	566
6	Emami	Accumulate	517	460
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	478	449
9	Jubilant FoodWorks	Hold	490	476
10	Kansai Nerolac Paints	Accumulate	351	327
11	Marico	Hold	581	574
12	Metro Brands	Accumulate	1,231	1,088
13	Mold-tek Packaging	Hold	956	1,003
14	Nestle India	Accumulate	23,585	22,325
15	Pidilite Industries	Hold	2,610	2,545
16	Restaurant Brands Asia	Accumulate	142	117
17	Titan Company	Accumulate	3,300	3,050
18	Westlife Foodworld	Accumulate	932	898

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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