

October 24, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	797		889	
Sales (Rs. m)	29,356	34,085	30,593	35,954
% Chng.	(4.0)	(5.2)		
EBITDA (Rs. m)	4,478	5,258	4,891	5,884
% Chng.	(8.4)	(10.6)		
EPS (Rs.)	4.6	6.6	7.1	10.1
% Chng.	(35.6)	(34.8)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	23,909	25,463	29,356	34,085
EBITDA (Rs. m)	3,698	3,476	4,478	5,258
Margin (%)	15.5	13.7	15.3	15.4
PAT (Rs. m)	697	223	717	1,031
EPS (Rs.)	4.5	1.4	4.6	6.6
Gr. (%)	(37.2)	(68.0)	221.6	43.8
DPS (Rs.)	3.4	0.5	1.8	3.0
Yield (%)	0.4	0.1	0.2	0.4
RoE (%)	12.1	3.7	11.5	15.3
RoCE (%)	23.4	17.0	25.8	30.5
EV/Sales (x)	5.3	4.9	4.3	3.6
EV/EBITDA (x)	34.1	36.2	28.0	23.6
PE (x)	179.5	561.3	174.5	121.4
P/BV (x)	21.3	20.8	19.4	17.8

Key Data WEST.BO | WESTLIFE IN

52-W High / Low	Rs.960 / Rs.701
Sensex / Nifty	80,065 / 24,399
Market Cap	Rs.125bn/ \$ 1,488m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.170.59m

Shareholding Pattern (%)

Promoter's	56.25
Foreign	13.72
Domestic Institution	21.31
Public & Others	8.72
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.4)	(2.1)	(12.9)
Relative	(5.0)	(9.7)	(29.8)

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Food Inflation might delay demand recovery

Quick Pointers:

- SSG declined by 6.5% amidst poor sentiment in 2Q, expect slow recovery with normalization only after 2HFY25
- WFL to add 40-45 stores in FY25 with target of total 580-630 stores by CY27

We cut FY25/26/27 EPS estimates by 65/35/35% following sustained pressure on demand resulting in a decline of 6.5% in SSG and impact of reverse operating leverage. Sales were affected by sustained poor sentiments in some geographies (70-80 stores) led by Geopolitical issues, which are waning off at a very slow pace. We expect WFL to return to positive SSG by fag end of 3Q given low base, however higher overheads on new stores and accelerated store openings will continue to impact profitability. We note that sales/store/Qtr has declined to ~15.3mn from a peak of Rs18mn and recovery seems delayed given heightened competition and recent rise in food inflation. WFL, which earlier had no impact of RM inflation, is facing challenges amid increase in prices of edible oils and fresh produce due to weather variations.

Long term growth drivers remain intact with focus on 1) Burger, chicken and Coffee combos and Mcsaver meals 2) guidance of 580-630 stores by CY27 (40/45 in FY25) 2) menu innovations in café & value burgers with limited edition launches and offers from time to time 3) increased traction in chicken offerings and 4) flexibility of format with relevance across Metros, Tier 1, Mid-tier towns and Highways. We assign DCF based target price of Rs797 (Rs889 earlier). Retain Hold; recovery in demand is a key risk to our call.

Revenue up 0.5%, SSG at -6.5%: Revenues grew by 0.5% YoY to Rs6.2bn (PLe: Rs6.45bn). SSSG at -6.5%. Gross margins contracted by -43bps YoY to 69.7% (PLe: 70.5%). EBITDA declined by -22.6% YoY to Rs760mn (PLe:Rs839mn); Margins contracted by -368bps YoY to 12.3% (PLe:13%). > Adjusted PAT declined by -98.4% YoY to Rs4mn (PLe:Rs57mn)

Concall Takeaways: 1) WDL SSG declined by 6.5% led by tepid demand with external issues still impacting the footfalls in 70-80 stores, although SSG is expected to improve QoQ and mainly in 2H25 2) July was bad amidst rains while august & september saw some recovery 3) Gross margin was impacted amid higher inflation in agri related inputs caused by bad weather 4) Delivery & drive thrus continue to outperform dine-in 5) On-premise declined by 2% led by lower footfalls however off-premise grew 5% YoY, Drive thru sales were flat 6) Higher royalty, rise in marketing spends & operating deleverage dragged margins in Q2 7) Value menu continue to see traction with its share increasing. WFL launched new chicken crispy & veggie crispy burger in 2Q25 with multi millet bun and few newer offerings in café business, crispy burgers portfolio to see further expansion in coming quarters 8) As of now no price hikes are expected but WFL usually takes hike of 3%-5% every year. 9) WFL to add 40-45 stores in FY25 10) Menu innovation with focus on café will further drive growth 11) Digital sales now contributes 72% to overall business 12) FY25 capex expected to be of Rs2bn-Rs2.5bn.



Exhibit 1: 2QFY25 Results - Net Sales up by 0.5%, EBITDA Margins fell ~368bps to 12.3% YoY

Consolidated (Post Ind AS)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	H1FY25	H1FY24	YoY gr. (%)
Net Sales	6,180	6,147	0.5	6,163	12,325	12,293	0.3
Gross Profit	4,306	4,310	(0.1)	4,362	8,651	8,647	0.0
% of NS	69.7	70.1	(0.4)	70.8	70.2	70.3	(0.2)
Other Expenses	3,546	3,328	6.6	3,576	7,122	6,623	7.5
% of NS	57.4	54.1	3.2	58.0	57.8	53.9	3.9
EBITDA	760.2	982.1	(22.6)	786.1	1,528.4	2,023.8	(24.5)
Margins %	12.3	16.0	(3.7)	12.8	12.4	16.5	(4.1)
Depreciation	502	439	14.3	494	996	868	14.8
Interest	316	274	15.3	298	614	534	15.0
Other Income	65	33	96.1	51	116	86	35.0
PBT	7	302	(97.7)	45	34	708	(95.1)
Tax	3.5	78.4	(95.6)	12.6	16.1	195.9	(91.8)
Tax rate %	49.1	26.0		27.9	46.8	27.7	
Adjusted PAT	4	224	-98	33	18	512	-96

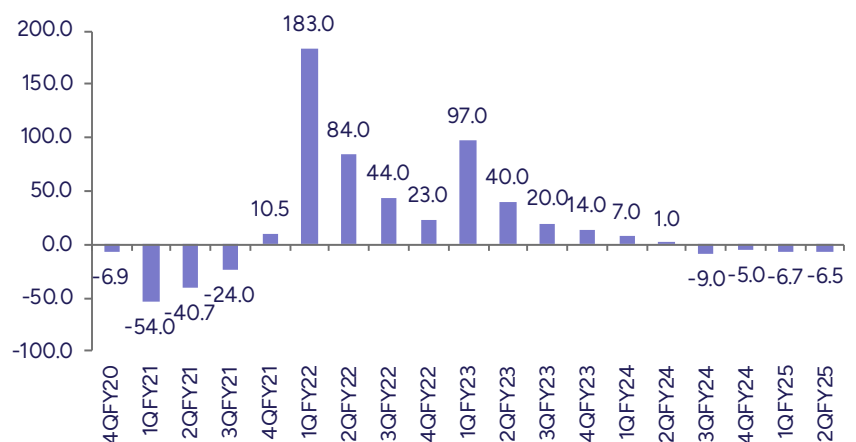
Source: Company Data, PL Research

Exhibit 2: Avg sales/growth degrew by 8.8% YoY with Pre Inds AS margin at 7.7%

Particulars	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
No. of stores	357	361	370	380	397	403	408
Store Additions	16	4	9	10	17	6	5
System Avg. sales/store	15.9	17.1	16.8	16.0	14.5	15.4	15.3
Growth	14%	5%	-2%	-11%	-9%	-10%	-8.8%
Pre IndAS EBITDA	669	793	732	685	487	502	476
Growth		51%	-19%	-10%	-44%	-25%	-40%
Pre IndAS EBITDA margin%	12.0%	12.9%	11.9%	11.4%	8.7%	8.1%	7.7%
McCafe SIS	311	315	327	343	360	371	372
% Of total stores	87%	87%	88%	90%	91%	92%	92%

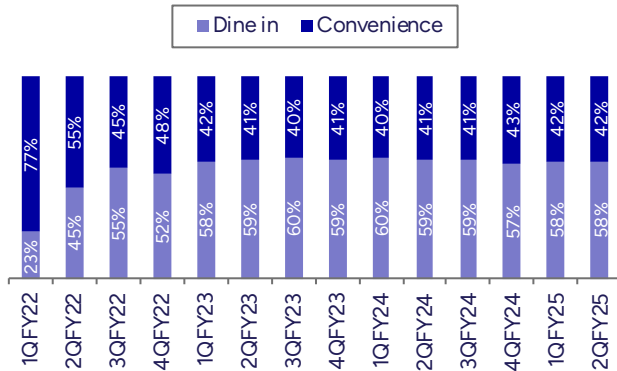
Source: Company, PL

Exhibit 3: SSG at -6.5% in 2Q led by demand pressure in on premise



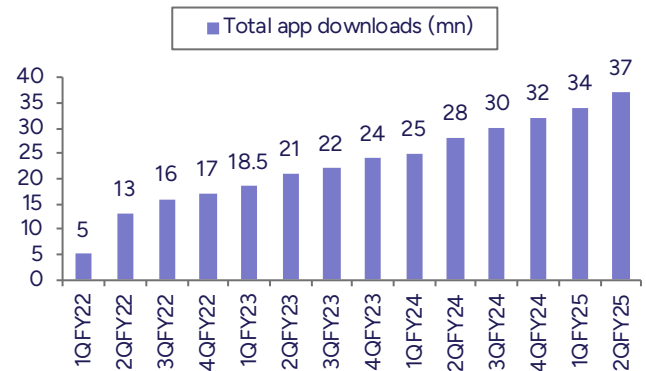
Source: Company, PL

Exhibit 4: Off-premise sales stabilizing at ~40-42%



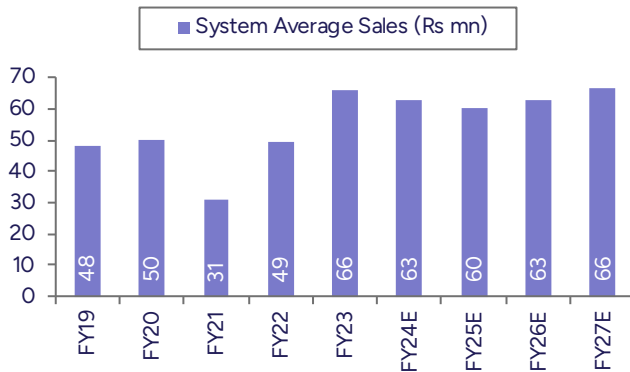
Source: Company, PL

Exhibit 5: Backed by increase in app installations



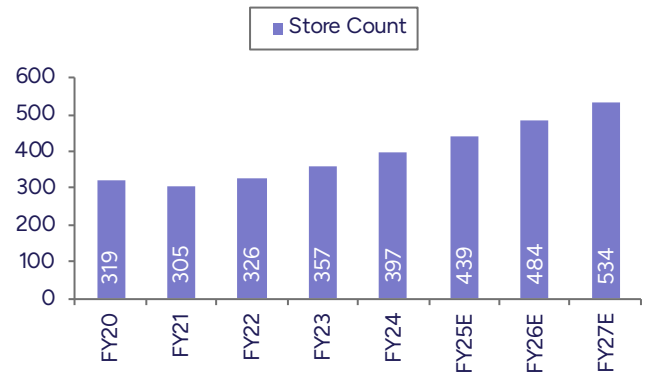
Source: Company, PL

Exhibit 6: System average sales CAGR 3.5% over FY24-27



Source: Company, PL

Exhibit 7: Expect 137 stores addition over FY24-27E



Source: Company, PL

Exhibit 8: Innovative menu offerings (Crispy burgers/millet bun/hot chocolate)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	23,909	25,463	29,356	34,085
YoY gr. (%)	5.0	6.5	15.3	16.1
Cost of Goods Sold	7,107	7,486	8,454	9,748
Gross Profit	16,802	17,977	20,901	24,337
Margin (%)	70.3	70.6	71.2	71.4
Employee Cost	3,285	3,810	4,401	5,096
Other Expenses	4,040	4,279	4,878	5,612
EBITDA	3,698	3,476	4,478	5,258
YoY gr. (%)	(1.0)	(6.0)	28.8	17.4
Margin (%)	15.5	13.7	15.3	15.4
Depreciation and Amortization	1,822	2,071	2,329	2,624
EBIT	1,876	1,406	2,149	2,634
Margin (%)	7.8	5.5	7.3	7.7
Net Interest	1,097	1,283	1,364	1,465
Other Income	185	180	191	234
Profit Before Tax	964	303	975	1,403
Margin (%)	4.0	1.2	3.3	4.1
Total Tax	266	80	259	372
Effective tax rate (%)	27.6	26.5	26.5	26.5
Profit after tax	697	223	717	1,031
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	697	223	717	1,031
YoY gr. (%)	(37.2)	(68.0)	221.6	43.8
Margin (%)	2.9	0.9	2.4	3.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	697	223	717	1,031
YoY gr. (%)	(37.2)	(68.0)	221.6	43.8
Margin (%)	2.9	0.9	2.4	3.0
Other Comprehensive Income	(7)	-	-	-
Total Comprehensive Income	690	223	717	1,031
Equity Shares O/s (m)	156	156	156	156
EPS (Rs)	4.5	1.4	4.6	6.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	26,044	29,539	33,411	37,844
Tangibles	24,694	28,114	31,911	36,269
Intangibles	1,350	1,425	1,500	1,575
Acc: Dep / Amortization	7,874	9,944	12,274	14,897
Tangibles	7,386	9,377	11,624	14,161
Intangibles	488	567	650	737
Net fixed assets	18,170	19,594	21,137	22,946
Tangibles	17,308	18,737	20,287	22,108
Intangibles	862	857	850	838
Capital Work In Progress	447	500	565	603
Goodwill	-	-	-	-
Non-Current Investments	6	688	774	845
Net Deferred tax assets	708	705	695	681
Other Non-Current Assets	424	455	490	526
Current Assets				
Investments	1,380	1,350	1,761	2,386
Inventories	632	677	764	881
Trade receivables	173	174	197	224
Cash & Bank Balance	141	45	71	197
Other Current Assets	157	110	110	110
Total Assets	22,858	24,436	26,709	29,552
Equity				
Equity Share Capital	312	312	312	312
Other Equity	5,571	5,716	6,146	6,713
Total Networth	5,883	6,027	6,458	7,025
Non-Current Liabilities				
Long Term borrowings	2,390	2,190	1,990	1,790
Provisions	99	130	178	229
Other non current liabilities	11,553	13,050	14,774	16,795
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	2,933	3,038	3,309	3,713
Total Equity & Liabilities	22,858	24,436	26,709	29,552

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	964	303	975	1,403
Add. Depreciation	1,822	2,071	2,329	2,624
Add. Interest	1,097	1,283	1,364	1,465
Less Financial Other Income	185	180	191	234
Add. Other	2,959	3,700	3,243	3,252
Op. profit before WC changes	6,842	7,357	7,912	8,743
Net Changes-WC	168	(575)	75	189
Direct tax	(266)	(80)	(259)	(372)
Net cash from Op. activities	6,743	6,701	7,729	8,561
Capital expenditures	(3,643)	(3,548)	(3,937)	(4,471)
Interest / Dividend Income	-	-	-	-
Others	(82)	31	(412)	(625)
Net Cash from Invst. activities	(3,724)	(3,517)	(4,349)	(5,095)
Issue of share cap. / premium	(3,123)	(3,193)	(3,193)	(3,193)
Debt changes	320	(200)	(200)	(200)
Dividend paid	-	(78)	(287)	(464)
Interest paid	(1,097)	(1,283)	(1,364)	(1,465)
Others	739	1,473	1,690	1,983
Net cash from Fin. activities	(3,162)	(3,280)	(3,354)	(3,339)
Net change in cash	(143)	(96)	26	127
Free Cash Flow	3,100	3,154	3,791	4,090

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	4.5	1.4	4.6	6.6
CEPS	16.2	14.7	19.5	23.4
BVPS	37.7	38.7	41.4	45.0
FCF	19.9	20.2	24.3	26.2
DPS	3.4	0.5	1.8	3.0
Return Ratio(%)				
RoCE	23.4	17.0	25.8	30.5
ROIC	8.8	6.1	8.6	9.8
RoE	12.1	3.7	11.5	15.3
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.0	(0.1)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	179.5	561.3	174.5	121.4
P/B	21.3	20.8	19.4	17.8
P/CEPS	49.7	54.6	41.1	34.2
EV/EBITDA	34.1	36.2	28.0	23.6
EV/Sales	5.3	4.9	4.3	3.6
Dividend Yield (%)	0.4	0.1	0.2	0.4

Source: Company Data, PL Research

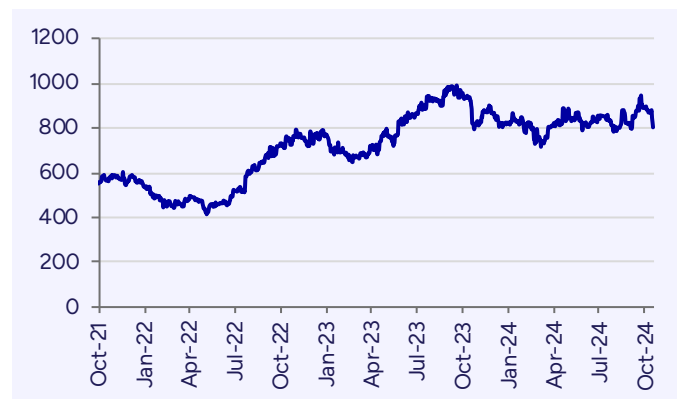
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	6,003	5,623	6,145	6,180
YoY gr. (%)	(1.8)	1.1	-	0.5
Raw Material Expenses	1,784	1,678	1,801	1,874
Gross Profit	4,219	3,945	4,345	4,306
Margin (%)	70.3	70.2	70.7	69.7
EBITDA	920	749	768	760
YoY gr. (%)	(10.0)	(15.5)	(26.2)	(22.6)
Margin (%)	15.3	13.3	12.5	12.3
Depreciation / Depletion	455	499	494	502
EBIT	465	250	274	258
Margin (%)	7.7	4.4	4.5	4.2
Net Interest	281	282	298	316
Other Income	47	52	51	65
Profit before Tax	231	20	27	7
Margin (%)	3.8	0.3	0.4	0.1
Total Tax	59	12	13	3
Effective tax rate (%)	25.3	60.9	46.2	49.1
Profit after Tax	172	8	15	4
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	172	8	15	4
YoY gr. (%)	(52.6)	(96.2)	(94.9)	(98.4)
Margin (%)	2.9	0.1	0.2	0.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	172	8	15	4
YoY gr. (%)	(52.6)	(96.2)	(94.9)	(98.4)
Margin (%)	2.9	0.1	0.2	0.1
Other Comprehensive Income	-	(4)	(2)	(5)
Total Comprehensive Income	172	3	13	(2)
Avg. Shares O/s (m)	18	18	18	18
EPS (Rs)	9.6	0.4	0.8	0.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Hold	889	889
2	25-Jul-24	Hold	791	833
3	09-Jul-24	Hold	815	854
4	08-May-24	Hold	815	870
5	09-Apr-24	Hold	820	814
6	02-Feb-24	Hold	825	847
7	08-Jan-24	Hold	839	828
8	26-Oct-23	Hold	844	883

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	3,073
2	Avenue Supermarts	Hold	4,748	4,573
3	Britannia Industries	Accumulate	6,397	6,206
4	Colgate Palmolive	Reduce	3,130	3,740
5	Dabur India	Hold	603	572
6	Emami	Hold	836	743
7	Hindustan Unilever	Hold	2,744	2,659
8	ITC	Accumulate	541	504
9	Jubilant FoodWorks	Hold	582	629
10	Kansai Nerolac Paints	Reduce	286	292
11	Marico	Hold	681	690
12	Metro Brands	Hold	1,268	1,255
13	Mold-tek Packaging	Accumulate	853	749
14	Nestle India	Accumulate	2,689	2,379
15	Pidilite Industries	Accumulate	3,454	3,226
16	Restaurant Brands Asia	Accumulate	129	110
17	Titan Company	Accumulate	3,969	3,670
18	Westlife Foodworld	Hold	889	889

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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