

Westlife Development Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs389	Rs266	Rs425	9%	BUY	Rs60.6

About the Company:

Westlife Development Limited (WDL) focuses on putting up and operating quick service restaurants (QSR) in India through its subsidiary, Hardcastle Restaurants Pvt. Ltd. (HRPL). Its restaurant categories include freestanding, food court, in-store and mall stores. The Company operates a chain of McDonald's restaurants in West and South India. (McDonald's has two master-franchisee in India – Westlife (in its 100%-subsidiary in West & South and Connaught Plaza Restaurants (unlisted) for North & East). Starting as a JV in 1995, WDL got Development Licence in 2010 – this means that WDL could develop sites at its own cost and pay a specified royalty to McDonald's. The Company, through its subsidiary HRPL, operates McDonald's through approximately 261 restaurants across over 30 cities. Its service formats and brand extensions consist of restaurants, Breakfast, McDelivery and kiosks at various transit points. The Company has operations in Telangana, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Pune, Kerala and parts of Madhya Pradesh. The company has Mr B.L. Jatia as the Chairman and Mr. Amit Jatia as the Vice-Chairman.

Results Declared:

- The net sales came in at Rs3027mn as compared to Rs2249mn, growth of 34.6%
- The Ebitda margins came in at 6.1% as compared to 4.3% in the same quarter last year.
- The net profits came in at Rs66mn against a loss of Rs41mn in the same quarter last year.
- For the full year, the net sales grew by 21.9%, while profits clocked in at Rs129mn against loss of Rs121mn in the previous year. The full year EPS stands at Rs0.83

Conference Call Highlights:

- In FY18, the company has launched over 21 products across its markets. For the first time in India, the company successfully launched 12 new products together under the "Flavours Without Borders" campaign. It also introduced new sides menu and city-specific products that appeal to local tastes.
- During the year, WDL added 38 McCafes including 7 in the last quarter, taking the total count to 149. Sales at McCafe have almost doubled over the last financial year and the brand extension has helped the company create a strong foothold in the beverages segment.
- It added 25 new stores in FY18 and 9 in the quarter under reference and marked entry into three new cities namely- Vishakapatnam, Manipal and Anand, taking its total restaurant count to 277. The company is on track to have 400-500 restaurants by 2022. For FY19, the company expects to add 25 restaurants.
- It is the eleventh consecutive quarter of positive same store sales growth, driven by rising footfalls. The company reported SSSG at record high of 25.1%. Growth in same store sales was led by-Value platform, Menu innovation and brand extension.

Financials:

Result Update (Q4&FY2018)								
Q4&FY18 Result (Rs mn)	Mar-18	Mar-17	y-o-y	Dec-17	q-o-q	FY18	FY17	y-o-y
Total Income	3027	2249	34.6%	3052	(0.8%)	11349	9308	21.9%
EBITDA	183	98	87.7%	242	(24.3%)	774	470	64.8%
Other Income	97	60	61.8%	40	143.6%	178	200	(11.1%)
Interest	39	37	6.3%	36	8.4%	150	154	(-2.5%)
Depreciation	176	162	8.2%	169	3.9%	673	637	5.6%
Tax	-	-	-	-	-	-	-	-
Net Profit	66	(41)	-	77	(14.4%)	129	(121)	(206.4%)

Outlook and Recommendations:

It has been a robust quarter as well as year end for the company moving from losses to profits. The SSSG has been impressive and gradually increasing. With all the growth platforms on track and delivering well, there is positivity in terms of the future outlook. We continue to maintain a BUY on the stock with a target price of Rs425 over a 12 months horizon.

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