

## Westlife Development Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs349	Rs266	Rs525	50%	BUY	Rs54.3

### 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. (McDonalds has two master-franchisee in India – Westlife (in its 100% subsidiary in West & South and Connaught Plaza Restaurants (unlisted) for North & East). 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, Mc Delivery and kiosks at various transit points.

### Results Declared:

- The net sales for the quarter grew by 12.1% to Rs3,392mn as compared to Rs3,027mn in the same quarter last year
- The EBITDA margins for the quarter under review stood at 7.3%
- The net profit grew by 7.9% to Rs71mn as against Rs66mn in the comparative quarter
- The EPS stands at Rs0.46
- For the full year, the company has clocked revenue growth of 23.5% and ended the year with net profit growth of 213.5%.

### Conference Call Highlights:

- The SSSG came in at 5.6% (on a high base of 25%) during the quarter while FY19 concluded with 17%. It maintains the 7-9% range going forward.
- The company added 8 McCafes during the quarter taking the total count to 190 McCafes at the end of Q4FY19. The McCafe base of restaurants has increased 2.5x in 3 years. The company stands as the 2nd largest coffee chain in India.
- Restaurant Operating Margins grew by 17.2% driven by enhanced operating and supply chain efficiencies
- The company added 7 new restaurants taking the total restaurant count to 296 across 41 cities
- The EOTF total count is 25 of which 3 were added during the quarter
- The key feature of the quarter was the App launch which was accepted well by the masses
- The company is on track of its 2022 vision

### Financials:

Result Update (Q4&FY2019)								
Q4&FY19 Result (Rs mn)	Mar-19	Mar-18	y-o-y	Dec-18	q-o-q	FY19	FY18	y-o-y
Total Revenue	3392	3027	12.1%	3707	(8.5%)	14016	11349	23.5%
EBITDA	248	183	35.2%	341	(27.3%)	1206	774	55.9%
Other Income	72	97	(26.1%)	37	93.0%	161	178	(9.6%)
Interest	49	39	26.2%	47	5.7%	177	150	18.1%
Depreciation	210	176	19.6%	204	3.1%	797	673	18.5%
Exceptional Items	-	-	-	-	-	-	-	-
Tax	(11)	-	-	(9)	22.7%	(10)	-	-
Net Profit	71	66	7.9%	137	(47.8%)	403	129	213.5%

### Outlook and Recommendations:

The company maintained its operational efficiency in the quarter of reference. The net profit was impacted by the higher depreciation and lower other income, neutralized by the deferred taxes for the quarter. Going forward, the company is well on track with its plans to offer economical innovative products. Expanding the digital reach, brand extensions continue to remain the key focus for the company. Also the positive is that the company does not vouch for any slowdown in business as yet led by any of the external factors chalked generally as an economic factor. We continue with our Buy recommendation with a target price of Rs525 over a 12 months horizon.

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