

August 13, 2021

## Q1FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	603		572	
Sales (Rs. m)	15,326	20,100	15,326	19,287
% Chng.	-	4.2	-	-
EBITDA (Rs. m)	2,614	3,967	2,614	3,817
% Chng.	-	3.9	-	-
EPS (Rs.)	1.2	5.8	1.2	5.1
% Chng.	-	13.1	-	-

### Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	15,473	9,856	15,326	20,100
EBITDA (Rs. m)	2,135	466	2,614	3,967
Margin (%)	13.8	4.7	17.1	19.7
PAT (Rs. m)	93	(1,036)	179	905
EPS (Rs.)	0.6	(6.6)	1.2	5.8
Gr. (%)	(56.5)	(1,215.2)	(117.3)	404.6
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	1.6	(19.6)	3.7	16.7
RoCE (%)	9.5	(12.8)	14.5	29.2
EV/Sales (x)	5.2	8.1	5.1	3.9
EV/EBITDA (x)	37.4	171.4	30.2	19.6
PE (x)	858.8	(77.0)	444.6	88.1
P/BV (x)	13.8	16.6	16.1	13.6

### Key Data

WEST.BO | WLDL IN

52-W High / Low	Rs.577 / Rs.330
Sensex / Nifty	55,437 / 16,529
Market Cap	Rs.80bn / \$ 1,073m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.250.18m

### Shareholding Pattern (%)

Promoter's	56.40
Foreign	11.55
Domestic Institution	20.89
Public & Others	11.16
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(4.7)	11.9	39.6
Relative	(9.3)	4.0	(3.5)

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## Getting Aggressive on Growth: BUY

### Quick Pointers:

- Jul-21/ Jul-19 sales show ~100% recovery in all markets except Maharashtra.
- WDL aims at 30-40 store additions with renewed focus on Tier2/3
- WDL has identified Fried Chicken as a growth area with incremental sales potential of Rs 5/7.5mn/store.

**We are increasing FY23 EPS by 13.1% on the back of increased AUV expectations of Rs60-65mn led by convenience channel and incremental AUV from fried chicken. Strong growth across convenience channel despite pick up in Dine-in will drive operating leverage and improve profitability, provided the cannibalization post normalization does not spoil the party.**

**We remain positive on the long term story for Westlife and expect it to emerge stronger from the Pandemic given 1) Closure of ~25-30% eateries due to Pandemic 2) Increased consumer focus towards health and hygiene measures resulting in migration towards QSR's 3) Leaner Cost structures to result in margin expansion once sales normalize (Pre IND AS 16-18% ROM and 13-15% EBITDA margins) 4) Sustained growth in convenience channel resulting in higher AUV's 5) Increased digital expenditure ensuring 5mn+ (45% increase) app downloads and increased guest traffic on App 6) Margin expansion from higher contribution from McCafe and 7) Strong growth potential from fried chicken segment (additional Rs5-7.5mn AUV expected from FY23). We estimate Sales CAGR of 43.3% over FY21-23. Maintain Buy with DCF based target price of Rs603 (Rs554 earlier).**

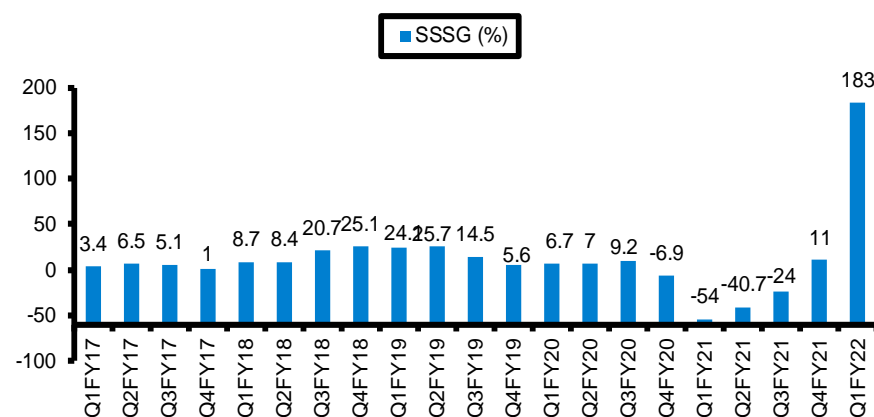
**Consol sales up 1.76x, SSSG at 183%:** Net sales increased 1.76x to Rs 2.59bn (Est Rs 2.51bn). SSSG of 183%. 5 stores under ground break of which 2 were opened in July'2. Gross margins at 65.4% (Est 66%)expanded 860bps YoY. EBITDA came at Rs 25m (Est Rs 185mn) vs loss of Rs 423mn. Margins came at 1% (Est 7.4%) vs -45% during 1Q21. Excluding Ind AS 116 impact Restaurant Operating Margin stood at 9.8% while Op EBITDA came at Rs 51mn vs loss of Rs 422.1mn. Loss came at Rs 334mn (Est Rs 252mn) as against Rs 605mn in 1Q22.

**Concall Takeaways:** 1) Delivery business grew 200%YoY/36%QoQ, Drive thru grew 115%YoY/52%QoQ 2) July saw 100 % recovery in all markets outside Maharashtra 3) Digital channel outperforming despite pick up in Dine in. 4) Upped Capex guidance to 30 - 40 stores each year (25- 30 stores earlier) with increased focus on Tier II cities 5) No plans to reduce store size or go toward Delco model 6) Increased total store potential to ~1000 stores from 800 earlier 7) Fried Chicken offers significant opportunity in the southern market. Potential to add Rs 5-7.5mn AUV going forward 8) Strong growth in Convenience and incremental sales from fried chicken to help achieve AUV of Rs 60-65mn by FY23 9) Aim to achieve 16%-18% Restaurant Operating Margin (16% in June21) leading to Operating EBITDA of 13% to 15% (10% in June21) over medium term 10) Promoters plan to bring down shareholding from current 57% to 53% over 3-4yr period to increase liquidity.

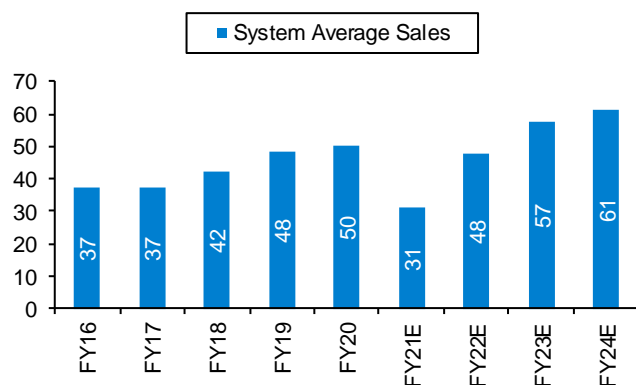
**Exhibit 1: Q1FY22 Results- Net Sales up 1.76x, SSSG at 183%**

Consolidated	1QFY22	1QFY21	YoY gr. (%)	4QFY21	FY21	FY20	YoY gr. (%)
<b>Net Sales</b>	<b>2,592</b>	<b>939</b>	<b>176.0</b>	<b>3,576</b>	<b>9,860</b>	<b>15,478</b>	<b>(36.3)</b>
Gross Profit	1,695	533	218.0	2,378	6,377	10,095	(36.8)
% of NS	65.4	56.8	8.6	66.5	64.7	65.2	(0.5)
Other Expenses	1,670	956	74.7	1,885	5,768	7,925	(27.2)
% of NS	64.4	101.8		52.7	58.5	51.2	
<b>EBITDA</b>	<b>25</b>	<b>(423)</b>	<b>(105.9)</b>	<b>493</b>	<b>610</b>	<b>2,170</b>	<b>(71.9)</b>
Margins %	1.0	(45.0)	46.0	13.8	6.2	14.0	(7.8)
Depreciation	332	353	(5.8)	342	1,396	1,384	0.9
Interest	203	215	(5.7)	204	845	808	4.6
Other Income	64	182	(64.8)	33	443	130	240.8
<b>PBT</b>	<b>(446)</b>	<b>(809)</b>	<b>(44.8)</b>	<b>(20)</b>	<b>(1,189)</b>	<b>108</b>	<b>(1,198.0)</b>
Tax	(112)	(203)	(44.8)	19	(293)	(14)	1,958.0
Tax rate %	25.1	25.1		(94.6)	24.7	(13.2)	
<b>Adjusted PAT</b>	<b>(334)</b>	<b>(605)</b>	<b>(44.8)</b>	<b>(39)</b>	<b>(896)</b>	<b>123</b>	<b>(831.1)</b>

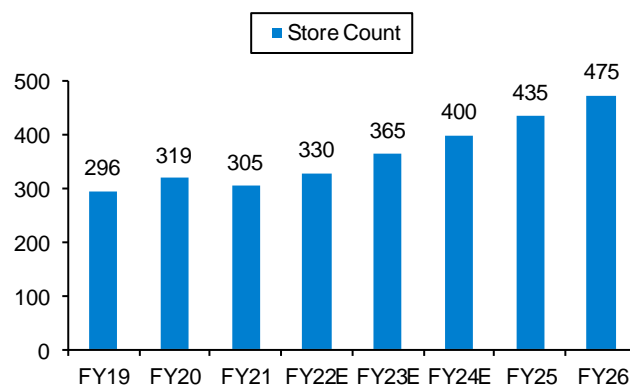
Source: Company Data, PL Research

**Exhibit 2: SSSG stood at 183%**


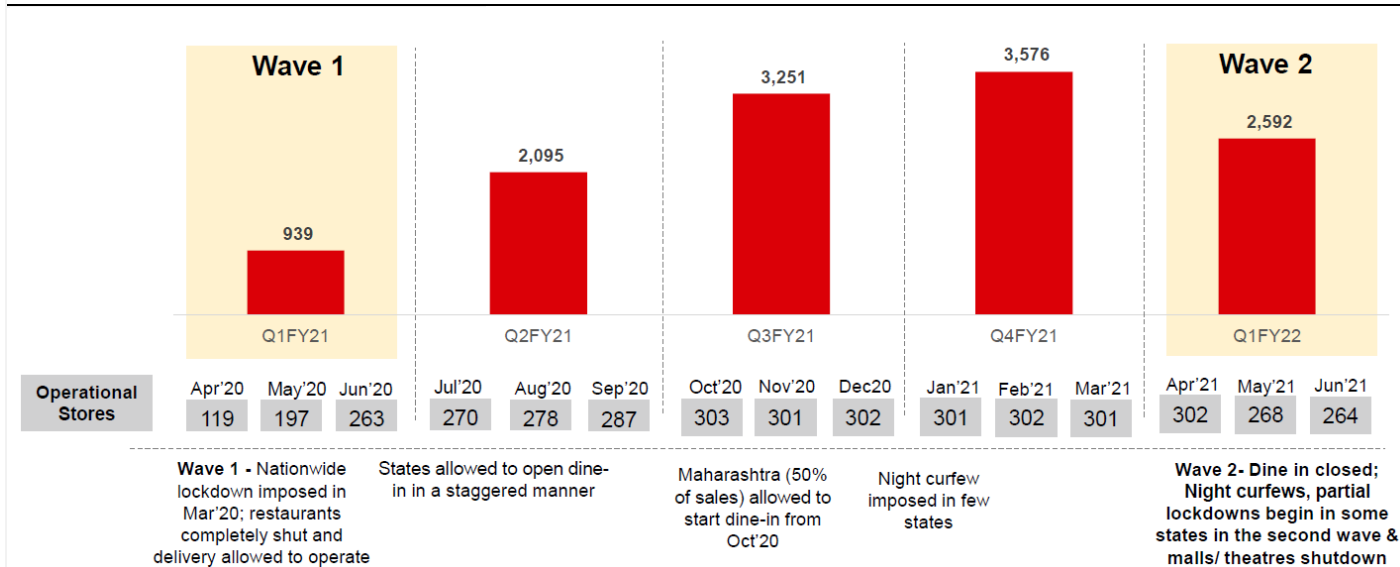
Source: Company, PL

**Exhibit 3: System Avg Sales to normalize from FY22**


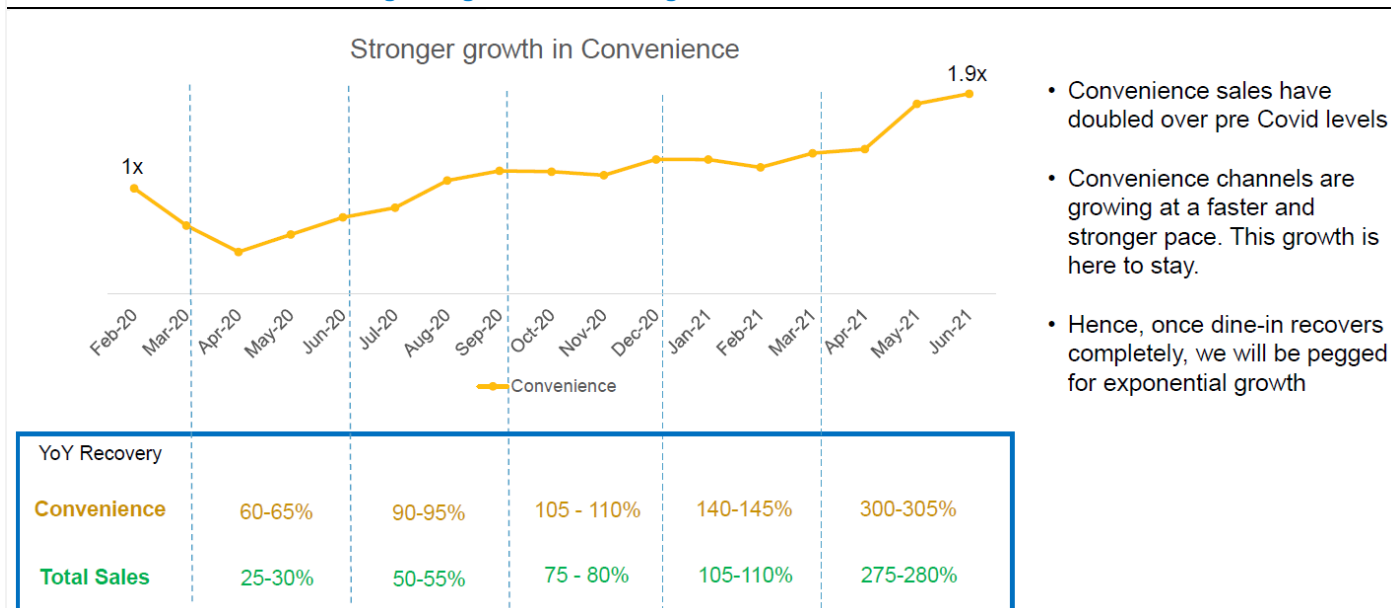
Source: Company, PL

**Exhibit 4: Expansion plans revised upwards from FY23**


Source: Company, PL

**Exhibit 5: 1Q22 Recovery faster despite strong Second wave**


Source: Company, PL

**Exhibit 6: Convenience Channel growing faster and stronger**


Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>15,473</b>	<b>9,856</b>	<b>15,326</b>	<b>20,100</b>
YoY gr. (%)	10.4	(36.3)	55.5	31.1
Cost of Goods Sold	5,382	3,483	5,333	6,633
Gross Profit	10,091	6,373	9,993	13,467
Margin (%)	65.2	64.7	65.2	67.0
Employee Cost	2,192	1,782	1,976	2,328
Other Expenses	2,582	1,991	2,360	3,142
<b>EBITDA</b>	<b>2,135</b>	<b>466</b>	<b>2,614</b>	<b>3,967</b>
YoY gr. (%)	80.1	(78.2)	461.5	51.8
Margin (%)	13.8	4.7	17.1	19.7
Depreciation and Amortization	1,384	1,396	1,611	1,892
<b>EBIT</b>	<b>752</b>	<b>(931)</b>	<b>1,003</b>	<b>2,075</b>
Margin (%)	4.9	(9.4)	6.5	10.3
Net Interest	808	845	903	988
Other Income	135	447	157	210
<b>Profit Before Tax</b>	<b>78</b>	<b>(1,329)</b>	<b>257</b>	<b>1,297</b>
Margin (%)	0.5	(13.5)	1.7	6.5
Total Tax	(14)	(293)	78	392
Effective tax rate (%)	(18.2)	22.1	30.2	30.2
<b>Profit after tax</b>	<b>93</b>	<b>(1,036)</b>	<b>179</b>	<b>905</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>93</b>	<b>(1,036)</b>	<b>179</b>	<b>905</b>
YoY gr. (%)	(56.5)	(1,216.6)	(117.3)	404.6
Margin (%)	0.6	(10.5)	1.2	4.5
Extra Ord. Income / (Exp)	(166)	42	-	-
<b>Reported PAT</b>	<b>(74)</b>	<b>(994)</b>	<b>179</b>	<b>905</b>
YoY gr. (%)	(134.5)	1,251.1	(118.1)	404.6
Margin (%)	(0.5)	(10.1)	1.2	4.5
Other Comprehensive Income	(10)	2	-	-
Total Comprehensive Income	(84)	(992)	179	905
<b>Equity Shares O/s (m)</b>	<b>156</b>	<b>156</b>	<b>156</b>	<b>156</b>
<b>EPS (Rs)</b>	<b>0.6</b>	<b>(6.6)</b>	<b>1.2</b>	<b>5.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>17,145</b>	<b>17,316</b>	<b>19,331</b>	<b>22,644</b>
Tangibles	15,990	16,143	18,083	21,321
Intangibles	1,155	1,173	1,248	1,323
<b>Acc: Dep / Amortization</b>	<b>3,059</b>	<b>4,473</b>	<b>6,084</b>	<b>7,977</b>
Tangibles	2,839	4,185	5,725	7,542
Intangibles	220	288	359	435
<b>Net fixed assets</b>	<b>14,086</b>	<b>12,843</b>	<b>13,247</b>	<b>14,667</b>
Tangibles	13,151	11,957	12,358	13,779
Intangibles	935	885	889	889
Capital Work In Progress	226	256	256	256
Goodwill	-	-	-	-
Non-Current Investments	465	469	480	526
Net Deferred tax assets	214	510	497	433
Other Non-Current Assets	364	397	396	420
<b>Current Assets</b>				
Investments	1,571	1,984	2,346	2,744
Inventories	411	465	438	545
Trade receivables	47	88	105	138
Cash & Bank Balance	30	110	385	642
Other Current Assets	112	75	110	110
<b>Total Assets</b>	<b>17,630</b>	<b>17,236</b>	<b>18,378</b>	<b>20,603</b>
<b>Equity</b>				
Equity Share Capital	311	312	312	312
Other Equity	5,459	4,501	4,647	5,552
<b>Total Network</b>	<b>5,770</b>	<b>4,812</b>	<b>4,958</b>	<b>5,863</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,837	2,152	1,900	1,500
Provisions	100	104	99	105
Other non current liabilities	7,972	7,766	8,738	10,213
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	1,951	2,403	2,683	2,922
<b>Total Equity &amp; Liabilities</b>	<b>17,630</b>	<b>17,236</b>	<b>18,378</b>	<b>20,603</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	78	(1,329)	257	1,297
Add. Depreciation	1,384	1,396	1,611	1,892
Add. Interest	808	845	903	988
Less Financial Other Income	135	447	157	210
Add. Other	194	(168)	(120)	76
Op. profit before WC changes	2,464	744	2,651	4,254
Net Changes-WC	87	389	244	54
Direct tax	14	297	(78)	(392)
<b>Net cash from Op. activities</b>	<b>2,565</b>	<b>1,431</b>	<b>2,818</b>	<b>3,916</b>
Capital expenditures	(9,459)	(184)	(2,015)	(3,313)
Interest / Dividend Income	-	-	-	-
Others	469	(414)	(362)	(398)
<b>Net Cash from Inv. activities</b>	<b>(8,990)</b>	<b>(597)</b>	<b>(2,377)</b>	<b>(3,711)</b>
Issue of share cap. / premium	17	34	(34)	-
Debt changes	(502)	315	(252)	(400)
Dividend paid	-	-	-	-
Interest paid	(808)	(845)	(903)	(988)
Others	7,657	(262)	1,022	1,439
<b>Net cash from Fin. activities</b>	<b>6,364</b>	<b>(758)</b>	<b>(166)</b>	<b>51</b>
<b>Net change in cash</b>	<b>(61)</b>	<b>75</b>	<b>275</b>	<b>257</b>
Free Cash Flow	(6,894)	1,247	802	604

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	0.6	(6.6)	1.2	5.8
CEPS	9.5	2.3	11.5	18.0
BVPS	37.1	30.9	31.8	37.6
FCF	(44.3)	8.0	5.1	3.9
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	9.5	(12.8)	14.5	29.2
ROIC	4.7	(6.1)	6.4	12.1
RoE	1.6	(19.6)	3.7	16.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	0.0	(0.2)	(0.3)
Net Working Capital (Days)	-	-	-	-
<b>Valuation(x)</b>				
PER	858.8	(77.0)	444.6	88.1
P/B	13.8	16.6	16.1	13.6
P/CEPS	54.0	221.1	44.5	28.5
EV/EBITDA	37.4	171.4	30.2	19.6
EV/Sales	5.2	8.1	5.1	3.9
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

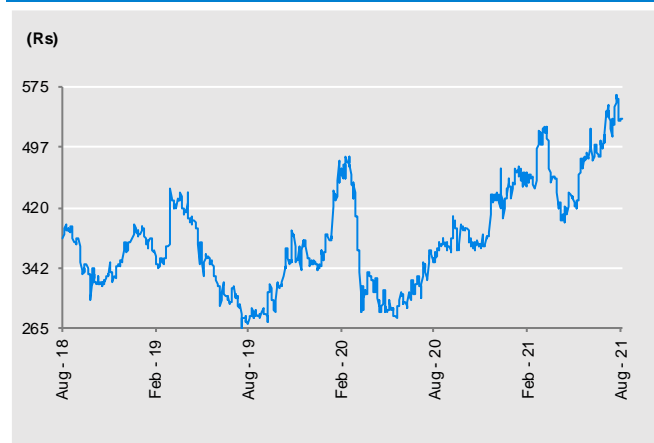
### Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY21	Q1FY22
<b>Net Revenue</b>	<b>3,251</b>	<b>3,576</b>	<b>939</b>	<b>2,592</b>
YoY gr. (%)	(24.9)	6.3	(75.4)	176.0
Raw Material Expenses	1,115	1,198	406	896
Gross Profit	2,136	2,378	533	1,695
Margin (%)	65.7	66.5	56.8	65.4
<b>EBITDA</b>	<b>500</b>	<b>493</b>	<b>(423)</b>	<b>25</b>
YoY gr. (%)	(29.4)	35.7	(186.5)	(105.9)
Margin (%)	15.4	13.8	(45.0)	1.0
Depreciation / Depletion	350	342	353	332
<b>EBIT</b>	<b>150</b>	<b>151</b>	<b>(775)</b>	<b>(307)</b>
Margin (%)	4.6	4.2	(82.6)	(11.8)
Net Interest	210	204	215	203
Other Income	82	33	182	64
<b>Profit before Tax</b>	<b>22</b>	<b>(20)</b>	<b>(809)</b>	<b>(446)</b>
Margin (%)	0.7	(0.6)	(86.1)	(17.2)
Total Tax	-	19	(203)	(112)
Effective tax rate (%)	1.7	(94.6)	25.1	25.1
<b>Profit after Tax</b>	<b>22</b>	<b>(39)</b>	<b>(605)</b>	<b>(334)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>22</b>	<b>(39)</b>	<b>(605)</b>	<b>(334)</b>
YoY gr. (%)	(84.7)	(54.5)	5,273.9	(44.8)
Margin (%)	0.7	(1.1)	(64.5)	(12.9)
Extra Ord. Income / (Exp)	(21)	(25)	-	-
<b>Reported PAT</b>	<b>1</b>	<b>(65)</b>	<b>(605)</b>	<b>(334)</b>
YoY gr. (%)	(99.2)	(74.5)	5,273.9	(44.8)
Margin (%)	-	(1.8)	(64.5)	(12.9)
Other Comprehensive Income	(1)	4	(1)	1
<b>Total Comprehensive Income</b>	<b>-</b>	<b>(60)</b>	<b>(606)</b>	<b>(333)</b>
Avg. Shares O/s (m)	15	16	15	17
<b>EPS (Rs)</b>	<b>1.5</b>	<b>(2.5)</b>	<b>(40.4)</b>	<b>(19.6)</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-21	BUY	572	496
2	13-May-21	BUY	572	420
3	25-Feb-21	BUY	618	496

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,159
2	Avenue Supermarts	BUY	3,744	3,397
3	Bajaj Electricals	Hold	1,110	1,060
4	Britannia Industries	Accumulate	3,911	3,505
5	Burger King India	BUY	250	158
6	Colgate Palmolive	Accumulate	1,846	1,710
7	Crompton Greaves Consumer Electricals	BUY	518	468
8	Dabur India	Hold	588	614
9	Emami	Accumulate	624	573
10	Havells India	Accumulate	1,226	1,151
11	Hindustan Unilever	Accumulate	2,535	2,378
12	ITC	BUY	258	212
13	Jubilant FoodWorks	Accumulate	3,404	3,065
14	Kansai Nerolac Paints	Accumulate	661	628
15	Marico	Hold	525	547
16	Mold-tek Packaging	BUY	598	510
17	Nestle India	Accumulate	19,290	18,023
18	Pidilite Industries	Reduce	1,904	2,221
19	Titan Company	Accumulate	1,916	1,800
20	Voltas	Hold	1,014	1,025
21	Westlife Development	BUY	572	496

## PL's Recommendation Nomenclature (Absolute Performance)

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

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