



TM

Westlife Foodworld

15 March 2023

Well poised to achieve its Vision 2027 backed by a strong supply chain

We visited the plants and interacted with the key supply chain and input partners of Westlife Foodworld (WLDL) during its supply chain familiarization event and noted that key partners are aligned and investing in-line with WLDL's ambitious *Vision 2027*. Both partners are aggressively working towards optimizing distribution costs and efficiencies which should help WLDL scale rapidly without impacting margins. *Vista Processed Foods* (produces frozen products for McDonalds) is well equipped to deliver quality products and impeccable service to McDonalds stores across India. Vista's upcoming chicken capacity addition in South will aid in sufficing the growing demand for chicken-based offerings in South. *Radhakrishna Foodland* (RKFL which is the distribution partner) has remained relevant for Westlife Foodworld in the supply chain ecosystem through its agile, adaptive and responsive service. RKFL's role goes beyond distribution wherein it senses demand/supply, foresees, innovates capabilities, plans and aids in fulfilling demand. Two upcoming distribution centers of RKFL will be strategic pillars in the growth and expansion of WLDL going forward. Despite near-term demand headwinds for the space, we remain confident on the structural growth story for WLDL which we see as an outperformer in the QSR space led by aggressive store expansion backed by strong execution and supply chain capabilities, scalability potential in chicken and café business and strong traction in newer markets in smaller cities for the brand.

McDonald's Supply Chain Partners

- Westlife Foodworld's suppliers are categorized into two types - Tier 1 & 2 suppliers.
- Tier 1 suppliers include Vista Processed Foods for chicken & veg patties, McCain for fries and few types of patties, Dynamix for cheese, Coca Cola for beverages, Bectors for buns etc.
- Tier 2 suppliers grow raw materials and suppl them to Tier 1 suppliers. Tier 2 suppliers include lettuce growers, potato growers, poultry and coating systems.
- Potatoes for fries are sourced majorly from Mehsana, Gujarat. Prices are fixed for one entire year with farmers. For potatoes, Vista Processed Foods is working with 2 more suppliers. Lettuce is sourced from Nashik, Lahaul and Ooty. Company has 4 poultry suppliers - one in Pune, two in Belgaum and one in South. For wheat, company receives supplies from ITC, Cargill and other millers. Wheat negotiations are done jointly by Westlife Foodworld and Bectors. Bangalore vendor is the sole supplier for coffee in India. Company has 3-4 suppliers for coatings. Fish (frozen) comes from Alaska and vendor in Kochi supplies these fishes in India
- Westlife Foodworld has 60 suppliers (25 food suppliers, 35 packaging suppliers). 95% of sourcing is done locally.

Vista Processed Foods Pvt Ltd

- Vista Processed Foods is the Tier 1 supplier for McDonald's PAN India. Initially Vista Facility was formed in 2005 to cater to McDonald's Kalamboli store.

COMPANY UPDATE

Sector: QSR Rating: NR
CMP: Rs 670 Target Price: NA

Stock Info

Sensex/Nifty	57,556/16,972
Bloomberg	WLDL IN
Equity shares (mn)	156.0
52-wk High/Low	Rs 815/ 402
Face value	Rs 2
M-Cap	Rs 105bn/USD 1.28bn
3-m Avg volume	USD 1.6mn

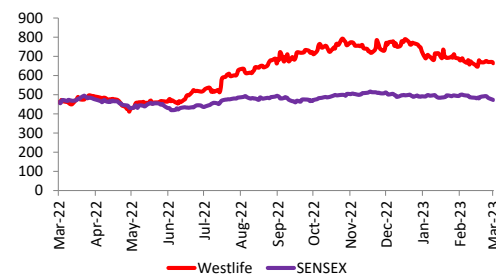
Financial Snapshot (Rs mn)

Y/E Mar	FY20	FY21	FY22
Sales	15,473	9,856	15,760
PAT	(113)	(1,010)	(51)
EPS (Rs)	(0.7)	(6.5)	(0.3)
EV/EBITDA (x)	27.3	168.7	44.2
P/BV (x)	8.7	14.9	16.2
EV/Sales	3.8	8.0	5.3
RoCE (%)	7.9		4.8
NWC (days)	(82)	(162)	(117)
Net gearing (x)	1.0	1.8	2.1

Shareholding Pattern (%)

	Dec 22	Sept 22	Jun 22
Promoter	56.2	56.3	57.0
-Pledged	-	-	-
FII	10.2	9.8	9.5
DII	23.7	24.1	24.0
Others	9.9	9.7	9.6

Stock Performance (1-year)



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- Company is the sole supplier of chicken patties to McDonald stores in India. However, higher number of veg aloo tikkis are sold compared to chicken patties.
- Company's products include boneless chicken, bone in chicken, veg patties and other products for co-packers.
- It requires 8-9 months for Vista to start producing a new product. In past 5-6 years the number of innovations have increased.
- Vista Processed Foods and McDonalds decide prices for the products 3 years in advance; however they undergo yearly reviews.
- Vista Processed Foods has 3 plants in India - Taloja, Punjab and Andhra Pradesh.
- Company is in the process of adding chicken capacity in Madanapalle, South India. This facility serves regions of Andhra Pradesh, Karnataka and Kerala.
- Non-veg demand in South is 1.5x of India average, while demand for veg in North is 1.5x.
- There have been no innovations in mutton due to lack of traceability (feed to dispatch) and supply chain issues. (McDonald's has mutton offerings in Pakistan, mutton is imported from Australia).

Taloja Plant

- Taloja plant has processing capacity of around 1,200 kgs of chicken per hour/ 40 MT per day/ 1000 MT per month. However average monthly production is c. 800 MT per month.
- Company has 2 chicken patty lines which work in 3 shifts. Chicken is sourced from Venky's.
- Chicken is first inspected for any impurities/ bones in a X-ray detection machine (only Vista Processed Foods has it in India) which can detect upto 3 mm bone.
- The inspected chicken is then grinded, blended and sizzled with spices, coated, fried, dried, frozen and then packaged (one pack contains 15 chicken patties, each chicken patty weighs 105 gms). These packages are then sent to cold rooms. This process (excluding inspection) takes an hour. Frozen patty has a life of c. 6-9 months.

Vista Processed Foods Production capacity

- Total PAN India capacity: +50,000 MT/ year
- Of the total capacity Taloja plant comprises 26%, Punjab facility forms 22% and South facility constitutes 52%
- 50% capacity is used for both McDonald's franchise partners in India
- Plants current capacity utilization stands at 80-85%

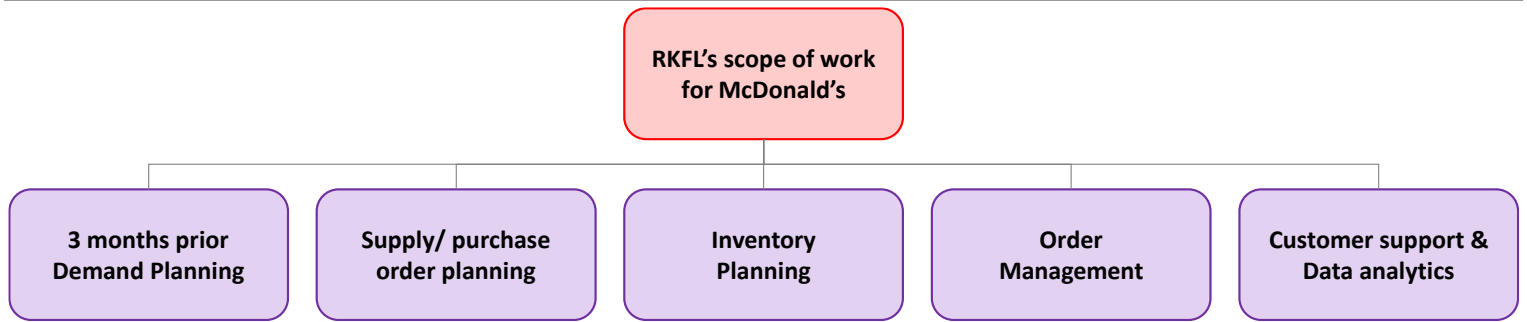
Exhibit 1: Vista Processed Food Pvt Ltd facility in Taloja

Source: Google Images, Systematix Institutional Research

Radhakrishna Foodland Pvt Ltd

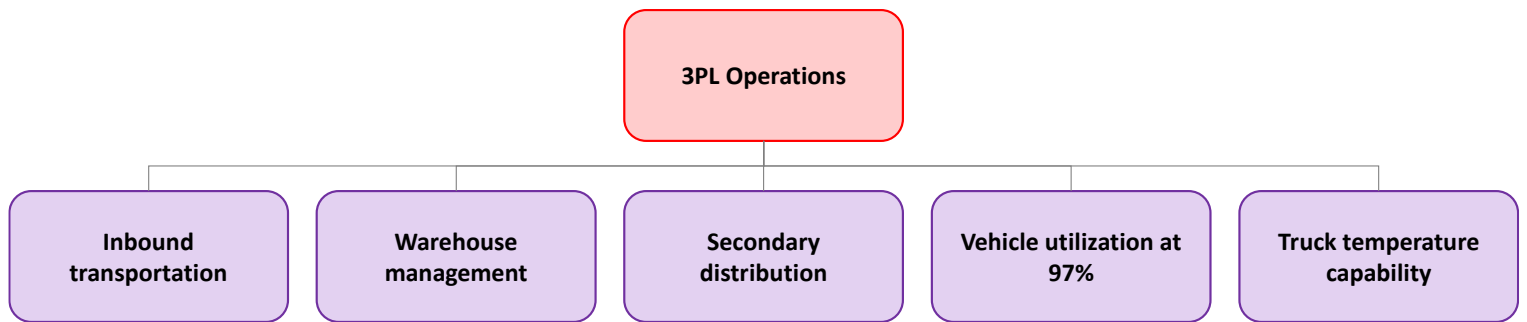
- RKFL is the only distribution partner for McDonald's PAN India.
- Company is a distribution partner for multiple QSRs (McDonalds, Sapphire Foods, Haldirams, Subway, Taco Bell, Starbucks), cloud kitchens and food FMCG companies.
- RKFL has 6 Distribution Centres (DCs) and plans to add 2 more DCs in coming 6 months.
- 4 DCs serve Westlife Foodworld while other 2 DCs serve North and East franchise partner.
- Reduction of miles is of utmost importance to reduce cost.
- Kalamboli DC is a 3500 pallets capacity (each pallet costs c. Rs40,000-45,000 excluding land cost).
- Company has around +300 temperature controlled trucks and +300 dry/normal trucks.
- Temperature controlled truck cost c. Rs32 lakhs with a life of 8 years.
- One truck services c. 3-5 stores. Stores are serviced in an average of c. 2-4 days. Kalamboli store is an exception, it is serviced on daily basis due to high demand. Storage at Kalamboli store is limited as the store was built 20 years ago.
- 95% of buns are directly sent to stores (not through RKFL) due to lower shelf life.
- Company is facing demand planning personnel talent attrition due to online players.

Exhibit 2: RKFL not only provides supply chain outsourcing but also provides supply chain consulting



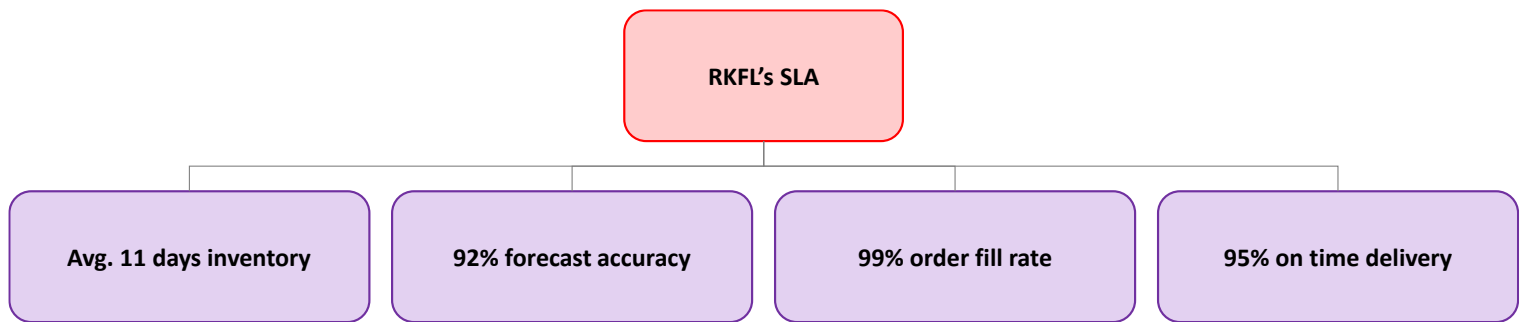
Source: Company, Systematix Institutional Research

Exhibit 3: Specializes in integrated operations of warehousing & transportation services



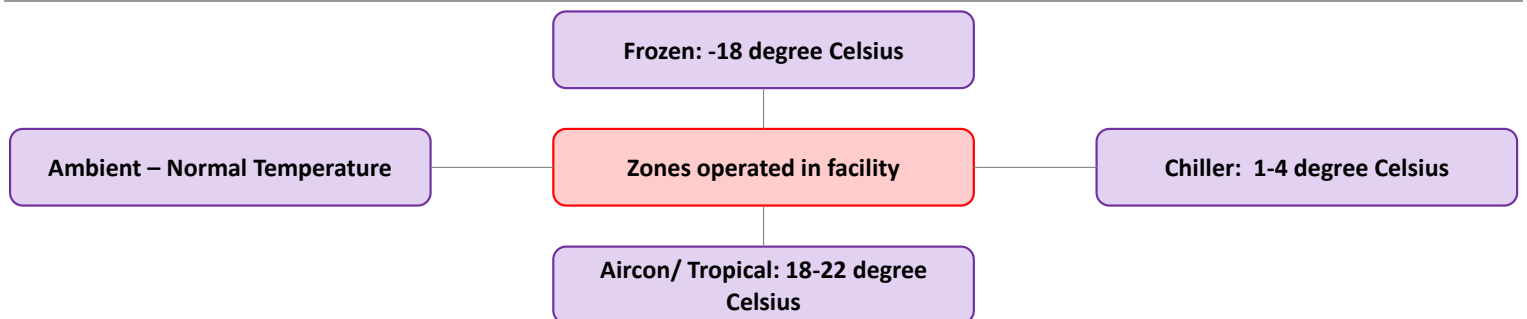
Source: Company, Systematix Institutional Research

Exhibit 4: Achieving every service level agreement



Source: Company, Systematix Institutional Research

Exhibit 5: Superior Hi-tech storage and transportation capabilities



Source: Company, Systematix Institutional Research

Exhibit 6: Large scale of operations for two franchise partners of McDonald's across India

	Hardcastle Restaurants	Connaught Plaza Restaurants
Outlets	349	164
Cities	50	50
Suppliers	81	80
Categories	7	7
Annual case volume (mn)	3.6	2.4

Source: Company, Systematix Institutional Research

Exhibit 7: Radhakrishna Foodland Kalamkoli facility

Source: Google Images, Systematix Institutional Research

Exhibit 8: RKFL's hi-tech fleet

Source: Google Images, Systematix Institutional Research

McDonald's Kalamkoli store visit

- Store with the highest sales with seating capacity of c. 200.
- 80% of the staff works full time while remaining work on part time basis.
- In-store accounts for majority of the stores revenue while delivery revenue share is equally split between Zomato, Swiggy and Own delivery fleet.
- Launch of Chicken Big Mac has led to some decline in sales of other premium chicken burgers.
- Waiting time post order reaches the kitchen is in the range of 1-2 minutes.

Exhibit 9: Highest revenue generating McDonald's Kalamkoli store

Source: Google Images, Systematix Institutional Research

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