

May 14, 2025

RESULT REPORT Q4 FY25 | Sector: Consumer Discretionary (QSR)

Westlife Foodworld Ltd.

Demand improvement key for healthy performance

Westlife Foodworld Ltd. (WFL) 4QFY25 topline was in-line with our subdued expectations for the quarter keeping in mind the tough operating environment. Same-store sales growth (SSSG) was up just 0.7% YoY (vs est. of +1%), led by volumes i.e. higher guest count and stable average check. Management continues to believe that growth will improve but gradually. Gross margin for the quarter largely remained stable at ~70% but Restaurant operating margins and Op. EBITDA margin declined by around 30bps and 50bps YoY respectively due to operating deleverage, partly offset by cost efficiencies and normalization of marketing spends. In the near-term, YoY growth will continue to look better on account of low base. We continue to remain cautious about full demand recovery especially in urban markets but are also confident that Westlife will rebound to earlier margin profile (even with increased royalty rate) once industry volume recovers. We assign a target multiple of ~24x on our March'27E EBITDA and arrive at a revised target price (TP) of Rs855 (Rs900 earlier). Maintain BUY.

4QFY25 Result Highlights

- **Headline performance:** Topline grew by 7.3% YoY to Rs6bn (vs. est. Rs6bn) led by SSSG of 0.7% YoY (vs. our est. 1%). EBITDA came in at Rs795mn (vs. est. Rs734mn). The Company reported adjusted profit of Rs37mn vs our est. loss of Rs70mn.
- Off-Premise grew by 5% YoY while On-Premise business grew by 8% YoY.
- **Gross margin** was down ~20bps YoY to 70% (flattish QoQ). Savings in employee cost as a % of revenue (down 90bps YoY) was partially offset by higher other expenses as a % of revenues (up 60bps YoY) and royalty cost (up 40bps YoY). EBITDA margin thus came in at 13.2% (down 50bps YoY; vs our est. of 12.2%).
- **Restaurant operating margin (ROM)** came in at 19.1% versus 19.4% in base quarter impacted by operating deleverage partially offset by targeted cost efficiencies and normalization of marketing spends.
- **FY25 revenue** are up 4.2% while EBITDA and Adj PAT are down 12.8% and down 71.8% YoY respectively. Gross margin is down 20bps YoY at 70.1% while EBITDA margins is down 260bps at 13.2%.
- **Store additions:** Added 18 stores and closed 1 in 4QFY25; total store count now 438.

Key Conference Call/PPT Highlights

- (1) Company did see some improvement in demand environment over the previous quarter. Seeing some green shoots but expect improvement in a gradual manner.
- (2) Company will be able to manoeuvre margin challenges in the near-term.
- (3) Management maintains its Vision 2027 guidance.

View & Valuation

With gradual improvement in growth, we are now building ~6.5% SSSG CAGR over FY25-27E on a low base of FY25. This, along with aggressive store expansion should lead to 13.2% revenue CAGR over FY25-27E. Growth going forward will be driven by transactions without any impact on average check size. The margin profile which had improved for WFL as AUV crossed the Rs60mn+ mark, has taken a hit in last 2 years due to difficult operating environment. As volume recover for the industry, operating leverage will rebound for the company. This, along with cost savings and consistent but modest gross margin improvement (led by stable input costs and mix+pricing), will support EBITDA margin expansion (building ~430bps expansion over FY25-27E). EBITDA thus expected to grow at 30.4% CAGR over FY25-27E. At CMP, the stock is trading at ~27x/20x FY26E/FY27E EBITDA (post IND-AS 116). In a normal environment, aggressive store expansion, market share gain focus, improving return ratios and a formal dividend policy in place, should command better valuation than earlier years, we believe. We continue to remain cautious about full demand recovery especially in urban markets but are also confident that Westlife will rebound to earlier margin profile (even with increased royalty rate) once industry volume recovers. We assign a target multiple of ~24x on our March'27E EBITDA and arrive at a revised TP of Rs855 (Rs900 earlier). Maintain BUY.

Reco	: BUY
CMP	: Rs 697
Target Price	: Rs 855
Potential Return	: +22.7%

Stock data (as on May 14, 2025)

Nifty	24,667
52 Week h/l (Rs)	957 / 641
Market cap (Rs/USD mn)	106258 / 1244
Outstanding Shares (mn)	155
6m Avg t/o (Rs mn):	107
Div yield (%):	0.5
Bloomberg code:	WESTLIFE IN
NSE code:	WESTLIFE

Stock performance



Shareholding pattern (As of March'25 end)

Promoter	56.3%
FII+DII	35.2%
Others	8.2%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	855	900

Δ in earnings estimates

Rs mn	FY26e	FY27e
EBITDA (New)	4,012	5,598
EBITDA (Old)	4,581	5,863
% change	-12.4%	-4.5%

Financial Summary (post IND-AS 116)

(Rs mn)	FY25	FY26E	FY27E
Revenue	24,912	27,870	31,911
YoY Growth (%)	4.2	11.9	14.5
SSSG (%)	-3.0	5.1	8.0
EBITDA	3,301	4,012	5,598
Margins (%)	13.3	14.4	17.5
Recurring PAT	207	571	1,588
EPS	1.3	3.7	10.2
YoY Growth (%)	-72.0	175.9	178.2
ROCE (%)	17.2	21.2	32.4
ROE (%)	3.5	9.0	21.5
P/E (x)	525.0	190.3	68.4
EV/EBITDA (x)	33.2	27.4	19.7

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Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Revenue	6,032	6,016	6,150	0.3	(1.9)
EBITDA	795	734	801	8.3	(0.8)
EBITDA Margin (%)	13.2	12.2	13.0	1.0	0.1
Adjusted PAT	37	(70)	(34)	(152.8)	(208.6)

Source: Bloomberg, YES Sec

Exhibit 2: Quarterly result snapshot

Y/E March (Rsmn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Net Revenue	5,623	6,539	6,032	7.3	(7.7)	23,918	24,914	4.2
COGS	1,678	1,956	1,810	7.9	(7.5)	7,107	7,441	4.7
Gross margin %	70.2	70.1	70.0	(0.2)	(0.1)	70.3	70.1	(0.2)
Payroll and Employee Benefits	639	655	633	(1.0)	(3.5)	2,323	2,582	11.1
% of sales	11.4	10.0	10.5	(0.9)	0.5	9.7	10.4	0.6
Royalty	287	236	335	16.6	41.9	1,164	1,270	9.1
% of sales	5.1	3.6	5.6	0.4	1.9	4.9	5.1	0.2
Occupancy and Other Operating Expenses	1,927	2,346	2,102	9.1	(10.4)	8,108	8,802	8.6
% of sales	34.3	35.9	34.8	0.6	(1.0)	33.9	35.3	1.4
General & Administrative Expense	322	430	359	11.4	(16.7)	1,435	1,525	6.2
% of sales	5.7	6.6	5.9	0.2	(0.6)	6.0	6.1	0.1
EBITDA	771	916	795	3.1	(13.2)	3,781	3,295	(12.8)
EBITDA margin %	13.7	14.0	13.2	(0.5)	(0.8)	15.8	13.2	(2.6)
Depreciation	499	517	528	5.8	2.3	1,822	2,041	12.0
EBIT	271	399	266	(1.8)	(33.2)	1,958	1,254	(35.9)
EBIT margin %	4.8	6.1	4.4	(0.4)	(1.7)	8.2	5.0	(3.2)
Interest expenses	283	330	328	16.2	(0.3)	1,099	1,272	15.7
Other income	35	27	97	177.9	256.6	162	239	47.4
Exceptional items	(4)	(32)	(22)	-	-	(64)	(92)	-
PBT	20	65	13	(33.6)	(80.0)	958	130	(86.4)
Tax	12	(5)	(2)	-	-	266	9	(96.7)
Effective tax rate %	60.7	(8.2)	(14.6)	-	-	27.8	6.8	(21.0)
Recurring/Adjusted PAT	12	102	37	221.1	(63.8)	756	213	(71.8)
PAT margin %	0.2	1.6	0.6	0.4	(0.9)	3.2	0.9	(2.3)
Reported PAT	8	70	15	93.8	(78.8)	692	121	(82.5)
EPS	0.0	0.5	0.1	93.8	(78.8)	4.4	0.8	(82.5)

Source: Company, YES Sec

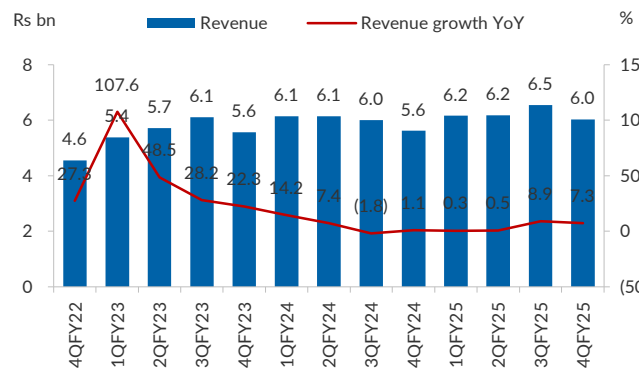
KEY TAKEAWAYS / EXCERPT'S FROM Q4FY25 CONFERENCE CALL / PRESENTATION

- **Outlook:** The company remains confident to achieve their stated Vision for 2027.
- **Demand Environment:** While consumption sentiment remained stable, the company expects an improvement in eating out activity with easing consumer level inflation and government stimulus. It is seeing sequential improvement and some greenshoots.
- **Industry:** Organized Western fast-food category is expected to grow in double digits in the next 5 years.
- **SSSG:** The main driver for growth has been volumes, primarily due to value offerings as expected by the company. The adjusted SSSG was 1.7% owing to base being a leap year.

Westlife Foodworld Ltd.

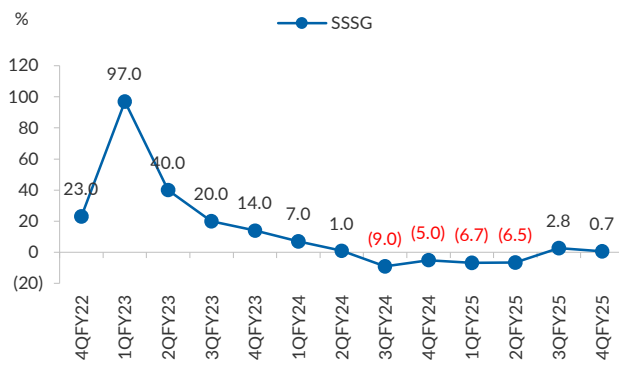
- **AUV:** Large part of new stores was added in last 2 years which is dragging the AUV down. On a like to like basis, the AUV is growing.
- **New launches:** Newly launched Korean range is getting traction even at an entry point of Rs69. It is a limited time offering and the company has no plans on making it permanent.
- **Eating out:** Informal eating out trend has been under pressure which is a structural issue. Western fast-food industry is growing on the back of new store additions.
- **South India:** There is a lot of potential in South where the company is under-indexed and hence cities like Hyderabad, Chennai, Bangalore as well as smaller towns will see a healthy addition.
- **Employee cost:** The decline in Employee cost as a % of revenue was owing to productive efficiencies. There is a minimum wage inflation of 5-10% YoY which the company has factored in.
- **Store additions:** The company expects to maintain the Vision 2027 guidance of 580-630 restaurants. It takes 2-3 years for a big store to reach system averages ADS.
- **McCafé:** Around 12-15% of sales use to come from McCafé as per last disclosure.
- **Delivery:** The company was relatively over-indexed on food delivery aggregators and hence seen decline in delivery growth. However, it has gained market share within TPA (Third Party Aggregators).

Exhibit 3: Revenues grew by 7.3% YoY to Rs6bn in 4QFY25



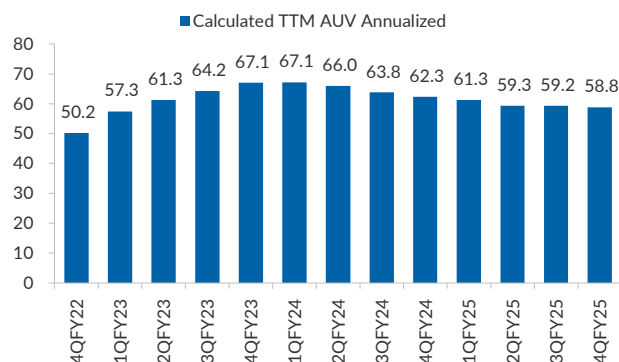
Source: Company, YES Sec

Exhibit 4: SSSG was positive for the second consecutive quarter at 0.7% in 4QFY25



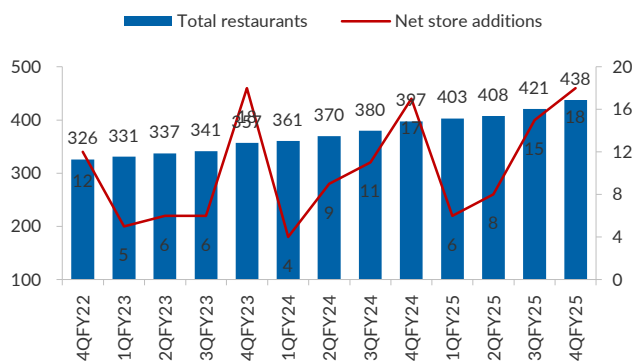
Source: Company, YES Sec

Exhibit 5: Calculated TTM AUV was Rs58.8mn in 4QFY25; Reported TTM AUV stood at Rs59.3mn



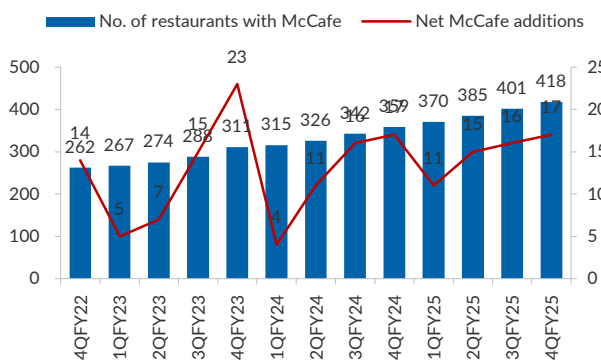
Source: Company, YES Sec

Exhibit 6: Total restaurants as on 4QFY25 stands at 438 with 18 net store additions



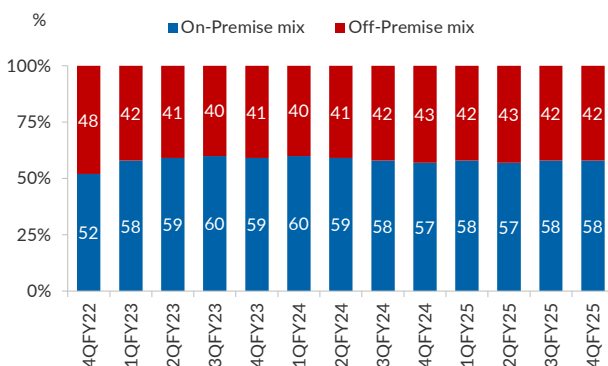
Source: Company, YES Sec

Exhibit 7: % of restaurants with McCafé stands at ~95% as on 4QFY25



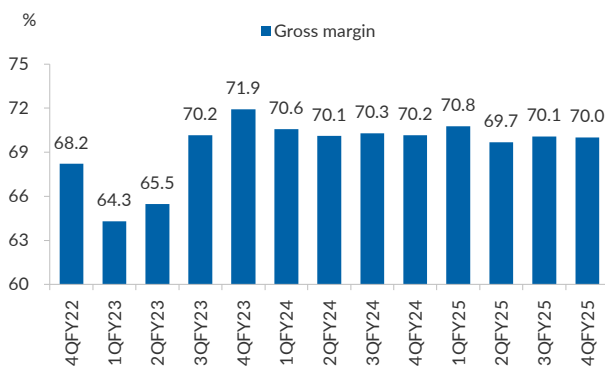
Source: Company, YES Sec

Exhibit 8: On-Premises share stood at ~58% in 4QFY25



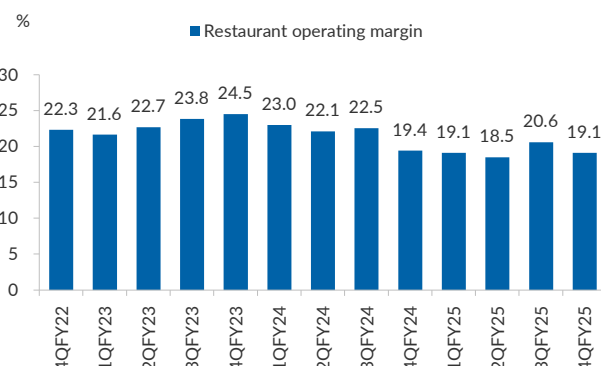
Source: Company, YES Sec

Exhibit 9: Gross margin was 70%, flat QoQ in 4QFY25 but down by ~20bps YoY



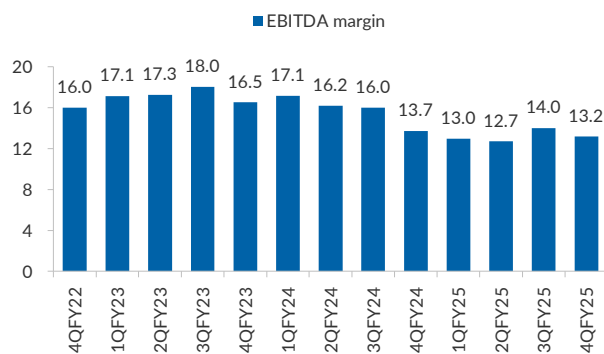
Source: Company, YES Sec

Exhibit 10: Restaurant operating margin at 19.1% was impacted by operating deleverage partially offset by cost efficiencies and normalized marketing spends



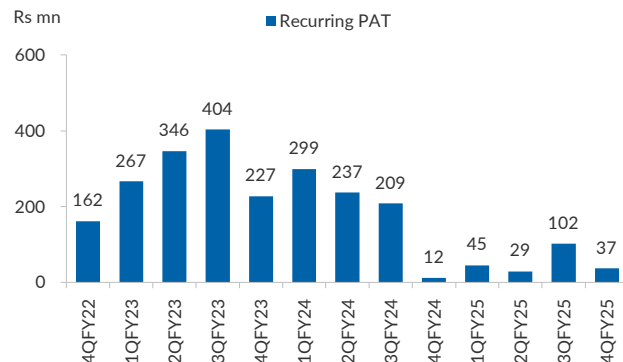
Source: Company, YES Sec

Exhibit 11: EBITDA margin thus down ~50bps YoY to 13.2% in 4QFY25



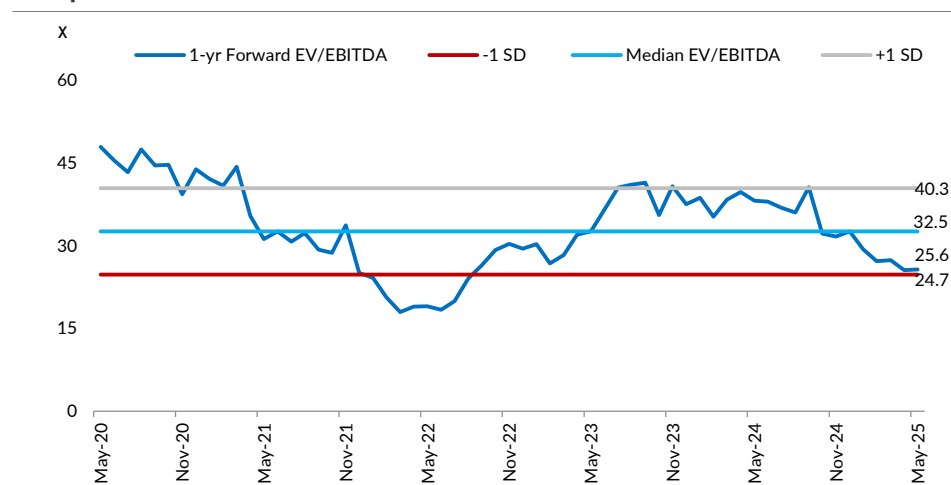
Source: Company, YES Sec

Exhibit 12: Recurring PAT stood at Rs37mn in 4QFY25



Source: Company, YES Sec

Exhibit 13: Currently trading at ~26x 1-yr forward EV/EBITDA lower than the median multiple



Source: Company, YES Sec

FINANCIALS

Exhibit 14: Balance Sheet

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	312	312	312	312	312
Reserves	5,347	5,571	5,723	6,294	7,882
Net worth	5,659	5,883	6,035	6,606	8,194
Total debt	2,070	2,390	3,081	3,081	2,581
Other long-term liabilities	10,090	11,334	13,298	13,174	13,312
Deferred tax liability	-604	-708	-928	0	0
Total liabilities	17,216	18,899	21,485	22,860	24,087
Gross block	18,125	21,057	23,982	26,053	28,160
Depreciation	11,533	13,355	15,397	16,773	18,263
Net block	6,591	7,702	8,585	9,280	9,896
Right of use assets	8,758	9,606	11,078	12,511	14,017
CWIP & Intangibles	1,447	1,309	1,103	1,088	1,082
Investments	1,299	1,380	1,592	1,274	382
Inventories	714	632	808	808	959
Debtors	107	173	190	209	230
Cash	284	142	589	549	742
Loans & advances	1,044	1,050	1,175	1,206	1,237
Other current assets	142	157	30	34	37
Total current assets	2,291	2,154	2,793	2,805	3,206
Creditors	1,877	2,026	2,325	2,556	2,939
Other current liabilities & provisions	1,293	1,225	1,340	1,541	1,557
Total current liabilities	3,170	3,251	3,665	4,097	4,496
Total assets	17,216	18,900	21,485	22,860	24,087

Source: Company, YES Sec

Exhibit 15: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Revenue	22,780	23,918	24,912	27,870	31,911
% Growth	44.5	5.0	4.2	11.9	14.5
SSG %	36.1	-1.1	-3.0	5.1	8.0
COGS	6,860	7,107	7,453	8,361	9,414
Staff costs	3,106	3,285	3,598	3,834	4,244
Other expenses	8,885	9,745	10,568	11,664	12,655
Total expenses	18,851	20,138	21,619	23,858	26,313
EBITDA	3,929	3,780	3,293	4,012	5,598
% growth	115.1	-3.8	-12.7	21.5	39.5
EBITDA margin (%)	17.2	15.8	13.3	14.4	17.5
Other income	141	162	235	312	287
Interest costs	928	1,099	1,273	1,229	1,194
Depreciation	1,522	1,822	2,041	2,332	2,568
Profit before tax (before exceptional items)	1,620	1,022	214	763	2,123
Exceptional items	-128	-64	-92	0	0
Tax	379	266	9	192	534
PAT (before exceptional items)	1,212	739	209	571	1,588
Reported PAT	1,114	692	121	571	1,588
PAT margin (%)	5.3	3.1	0.8	2.0	5.0
% Growth	-	-39.0	-72.0	175.9	178.2

Source: Company, YES Sec

Exhibit 16: Cash flow statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PAT	1,209	738	207	571	1,588
Depreciation	1,522	1,822	2,041	2,332	2,568
Other income	(141)	(162)	(235)	(312)	(287)
(Inc.)/dec. in working capital	366	97	222	413	226
Others	928	1,099	1,273	1,229	1,194
Cash flow from operations	3,883	3,593	3,508	4,233	5,289
Capital expenditure (-)	(4,610)	(3,685)	(4,142)	(3,875)	(3,808)
Net cash after capex	(727)	(92)	(634)	358	1,481
Inc./(dec.) in investments and other assets	210	60	24	597	1,144
Cash from investing activities	(4,401)	(3,626)	(4,118)	(3,279)	(2,664)
Inc./(dec.) in total borrowings	60	320	691	0	(500)
Others	410	41	471	(424)	(1,056)
Cash from financial activities	470	(165)	1,161	(687)	(2,302)
Others	99	55	(103)	67	181
Opening cash balance	232	284	142	589	549
Closing cash balance	284	142	589	549	742
Change in cash balance	52	(142)	448	334	504

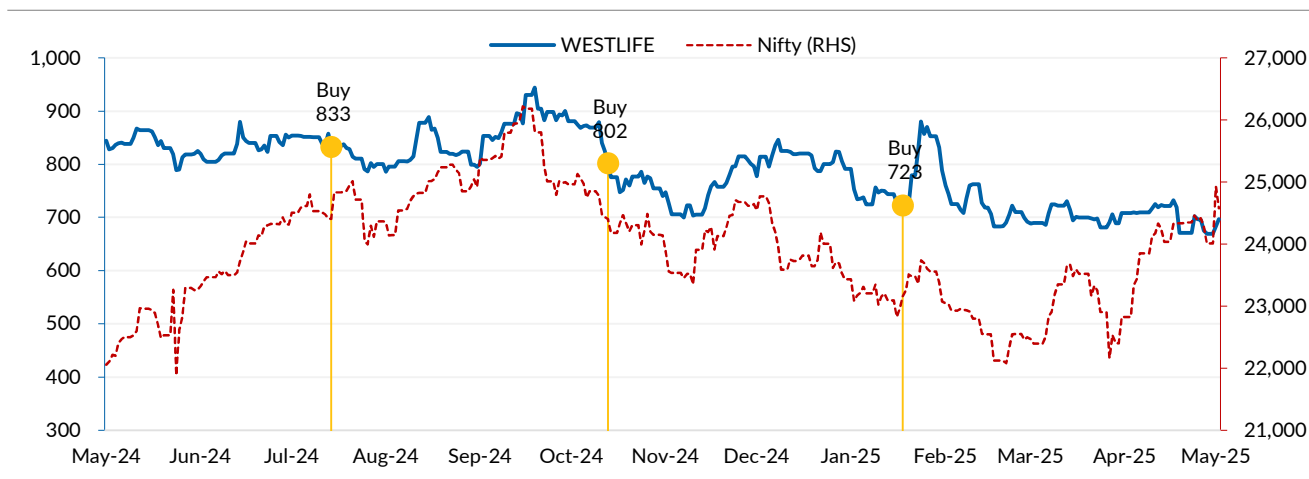
Source: Company, YES Sec

Exhibit 17: Growth and Ratio matrix

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	7.8	4.7	1.3	3.7	10.2
Book value	36.3	37.7	38.7	42.4	52.6
Valuation (x)					
P/Sales	4.8	4.5	4.4	3.9	3.4
EV/sales	4.8	4.6	4.4	3.9	3.4
EV/EBITDA	27.8	29.0	33.2	27.4	19.7
P/E	89.8	147.2	525.0	190.3	68.4
P/BV	19.2	18.5	18.0	16.4	13.3
Return ratios (%)					
RoCE*	35.5	26.5	17.2	21.2	32.4
RoE	23.5	12.8	3.5	9.0	21.5
RoIC*	17.3	12.2	7.0	8.4	13.9
Profitability ratios (%)					
Gross margin	69.9	70.3	70.1	70.0	70.5
EBITDA margin	17.2	15.8	13.3	14.4	17.5
EBIT margin	10.6	8.2	5.1	6.0	9.5
PAT margin	5.3	3.1	0.8	2.0	5.0
Liquidity ratios (%)					
Current ratio	0.6	0.5	0.5	0.5	0.4
Quick ratio	0.4	0.4	0.4	0.4	0.3
Solvency ratio (%)					
Debt to Equity ratio	0.4	0.4	0.5	0.5	0.3
Turnover ratios					
Total asset turnover ratio (x)	3.2	3.2	3.0	2.9	3.0
Fixed asset turnover ratio (x)	3.5	3.1	2.9	3.0	3.2
Inventory days	33.9	34.6	35.3	35.3	34.3
Debtors days	1.9	2.1	2.7	2.6	2.5
Creditor days	95.7	100.2	106.5	106.5	106.5

Source: Company, YES Sec; Note: There is regrouping of Processing Charges from cost of goods sold (COGS) to other expenses starting FY23. FY22 gross margin adjusted for regrouping stood at 67.5%.

Recommendation Tracker



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