Westlife Foodworld | ADD

Subdued Q3 print; gradual road to recovery

Revenue growth remained subdued at 3% YoY (2% miss) in Q3FY26 as SSSG fell 3.2% YoY. Management said guest count began to recover from November and accelerated into January, led by on-premises traction and improved execution in value and digital initiatives. Off-premises performance remained volatile due to challenges with one of the third-party aggregators, and the South continued to lag the West, albeit with initial improvement visible in recent trials. Margin performance held up on the back of cost optimisation and receipt of incentives, leading to 150bps YoY expansion in restaurant EBITDA margin. Overall macro environment remained subdued, with growth largely driven by the company's efforts to improve value proposition rather than a broad-based demand recovery. We believe demand uptick could help drive accelerated margin expansion led by cost-saving initiatives; however, recovery has been slower vs. expectation, leading to cut in our pre-Ind AS EBITDA estimates by ~4–10% for FY26–28E. This, coupled with revision in our target multiple to 23x (from 27x earlier), leads to a reduction in TP to INR 535 from INR 650 earlier based on 23x Dec'27 EV/EBITDA (pre-Ind AS-116). We maintain ADD.

- **Subdued revenue performance; operational beat:** Net revenue grew ~3% YoY to ~INR 6.6bn (2% below JMFe). SSSG decreased 3.2% YoY. AUV/ store fell ~4% YoY to INR 58.1mn. Restaurant EBITDA grew 10% YoY to INR 1.5bn (~3% beat JMFe) as margin expanded ~150bps YoY to 22.1% (JMFe: 21.1%) led by ~130bps YoY GM expansion to 67.5% on the back of supply chain efficiencies, and 130bps YoY lower royalty expense, partially offset by ~50bps higher employee expense. EBITDA went up 8% YoY to INR 985mn (4% ahead JMFe). EBITDA (pre-Ind AS 116) grew 4.4% YoY to INR 617mn (margin: 9.2%). Adjusted PAT rose 15% YoY to INR 118mn as interest and depreciation expense grew 12%/9% YoY, partially offset by 2.4x higher other income. INR 108mn exceptional item was on account of one-time incremental gratuity.
- **On-premises business grew 6% YoY, off-premises sales fell 2% YoY; 10 stores (net) added in 3Q:** On-premises sales grew by 6% YoY, while off-premises sales fell 2% YoY, with the latter's contribution contracting by ~200bps YoY to 40% of total sales in 3QFY26. The company added 10 new stores and closed two stores in 3Q (total - 458 stores across 73 cities). It operates 110 drive-throughs, which constitute ~24% of total restaurants; 100% of restaurants had McCafes at the end of Q3FY26. Management guided for 20–25 store additions in Q4, to maintain 580-630 store target by CY27.
- **Off-premises performance hit by volatility in 3rd party aggregators business:** Management indicated performance divergence across platforms, with one aggregator underperforming, while the other remained relatively stable. Corrective actions were initiated from Nov–Dec through closer engagement and recalibration of terms, and gradual improvement was seen in Dec–Jan. The company reiterated its focus on maintaining discipline on profitability while working on aggregator partnerships, alongside continued push on its own McDelivery platform.
- **South continued to under-perform:** The South region continued to underperform the West, with relatively weaker guest count momentum. Management highlighted that multiple trials around value, promotions, and digital initiatives were undertaken in select southern markets during the quarter, and early signs of improvement were visible in January. Management indicated that the same playbook used in the West is being rolled out in the South, with the intent to narrow the performance gap over time.

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,682	24,741	25,949	28,864	32,955
Sales Growth (%)	4.8	4.5	4.9	11.2	14.2
EBITDA	3,684	3,188	3,462	5,101	6,150
EBITDA Margin (%)	15.4	12.8	13.2	17.5	18.5
Adjusted Net Profit	692	121	43	912	1,411
Diluted EPS (INR)	4.4	0.8	0.3	5.9	9.1
Diluted EPS Growth (%)	-38.0	-82.4	-64.8	2,031.4	54.8
ROIC (%)	19.3	12.2	14.8	22.5	27.0
ROE (%)	12.0	2.0	0.7	13.9	19.0
P/E (x)	107.2	611.0	1,734.4	81.4	52.6
P/B (x)	12.6	12.3	11.9	10.8	9.3
EV/EBITDA (x)	20.4	23.6	21.9	14.9	12.3
Dividend Yield (%)	0.7	0.0	0.2	0.3	0.4

Source: Company data, JM Financial. Note: Valuations as of 04/Feb/2026

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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	535
Upside/(Downside)	12.2%
Previous Price Target	650
Change	-17.7%

Key Data – WESTLIFE IN

Current Market Price	INR477
Market cap (bn)	INR74.3/US$0.8
Free Float	43%
Shares in issue (mn)	155.6
Diluted share (mn)	155.6
3-mon avg daily val (mn)	INR98.8/US$1.1
52-week range	893/464
Sensex/Nifty	83,818/25,776
INR/US$	90.4

Price Performance

%	1M	6M	12M
Absolute	-11.5	-32.9	-45.9
Relative*	-9.5	-35.2	-49.3

** To the BSE Sensex*

Exhibit 1. Quarterly consolidated performance (INR mn)

	Quarterly AS-116			Chg (%)	Chg (%)	Q3FY26E		Pre AS 116	Year ended		Chg (%)
	Q3FY25	Q2FY26	Q3FY26	YoY	QoQ	vs. Est.	Chg (%)	Q3FY26	9MFY25	9MFY26	YoY
EOP # of stores	421	450	458	37	8	460	(2)	458	421	458	37
Same store sales growth (%)	**2.8**	**(2.8)**	**(3.2)**			**(1.8)**		**(3.2)**	**(3.6)**	**(1.9)**	
Net sales	**6,502**	**6,375**	**6,672**	**3**	**5**	**6,795**	**(2)**	**6,672**	**18,792**	**19,580**	**4**
Other operating income	32	41	33	1	(20)	45	(27)	33	81	114	42
Net operating revenues	**6,535**	**6,416**	**6,705**	**3**	**5**	**6,840**	**(2)**	**6,705**	**18,873**	**19,694**	**4**
Material cost	(2,210)*	(2,081)*	(2,183)	(1)	5	(1,915)	14	(2,183)	(5,631)	(6,392)	14
Gross Profit	**4,325**	**4,334**	**4,523**	**5**	**4**	**4,925**	**NM**	**4,523**	**13,242**	**13,301**	**NM**
Employee cost	(655)	(700)	(706)	8	1	(694)	2	(706)	(1,949)	(2,076)	7
Royalty	(236)	(360)	(163)	(31)	(55)	(267)	(39)	(163)	(935)	(893)	(4)
Occupancy cost and other opex	(2,092)*	(2,041)*	(2,173)	4	6	(2,523)	NM	(2,541)	(6,700)	(6,311)	NM
Restaurant Op. Profit	**1,342**	**1,233**	**1,480**	**10**	**20**	**1,441**	**3**	**1,112**	**3,658**	**4,021**	**10**
G&A cost	(430)	(475)	(496)	15	4	(490)	1	(496)	(1,166)	(1,427)	22
Total expenditure	(5,623)	(5,658)	(5,720)	2	1	(5,889)	(3)	(6,088)	(16,381)	(17,100)	4
EBITDA	**911**	**758**	**985**	**8**	**30**	**951**	**4**	**617**	**2,492**	**2,594**	**4**
Other income	32	93	75	137	(20)	50	50	66	152	241	58
Interest	(329)	(363)	(370)	12	2	(365)	1	(63)	(944)	(1,087)	15
Depreciation	(517)	(574)	(562)	9	(2)	(585)	(4)	(349)	(1,513)	(1,686)	11
Pretax profits	**97**	**(85)**	**128**	31	NM	**51**	NM	**271**	**188**	**61**	(67)
Tax	5	22	(10)	NM	NM	(13)	NM	(40)	(11)	7	NM
Adj. PAT	**103**	**(63)**	**118**	15	NM	**38**	NM	**231**	**177**	**69**	(61)
Extraordinary items	(32)	341	(108)	NM	NM	(25)	NM	(108)	(70)	231	NM
Net profit (reported)	**71**	**278**	**10**	NM	NM	**13**	NM	**124**	**107**	**300**	180
EPS	**0.5**	**1.8**	**0.1**	NM	NM	**0.1**	NM	**0.8**	**0.7**	**1.9**	180
% of operating revenues											
Gross margin	**66.2**	**67.6**	**67.4**	**127 bps**	**-11 bps**	**72.0**	**-456 bps**	**67.4**	**70.2**	**67.5**	**-263 bps**
EBITDA margin	**13.9**	**11.8**	**14.7**	**73 bps**	**287 bps**	**13.9**	**78 bps**	**9.2**	**13.2**	**13.2**	**-4 bps**
Rest Op. margin	**20.5**	**19.2**	**22.1**	**154 bps**	**286 bps**	**21.1**	**101 bps**	**16.6**	**19.4**	**20.4**	**103 bps**
Material cost	33.8	32.4	32.6	-128 bps	10 bps	28.0	455 bps	32.6	29.8	32.5	262 bps
Employee cost	10.0	10.9	10.5	49 bps	-39 bps	10.2	37 bps	10.5	10.3	10.5	21 bps
Royalty	3.6	5.6	2.4	-119 bps	-319 bps	3.9	-147 bps	2.4	5.0	4.5	-42 bps
Occupancy cost and other opex	32.0	31.8	32.4	40 bps	59 bps	36.9	-448 bps	37.9	35.5	32.0	-346 bps
G&A cost	6.6	7.4	7.4	81 bps	-1 bps	7.2	23 bps	7.4	6.2	7.2	106 bps
Income tax rate (% of PBT)	(5.4)	25.5	7.8	NM	NM	25.2	NM	14.6	5.8	(12.2)	-NM

Source: Company, JM Financial *Note: Management undertook the regrouping of processing charges from other operating expense to COGS. This led to an optical change in the GM, but has no impact on the EBITDA/PAT margins. We have adjusted the same for Q3FY25

Exhibit 2. We cut our pre-Ind AS EBITDA estimates by 4-10% over FY26-28E

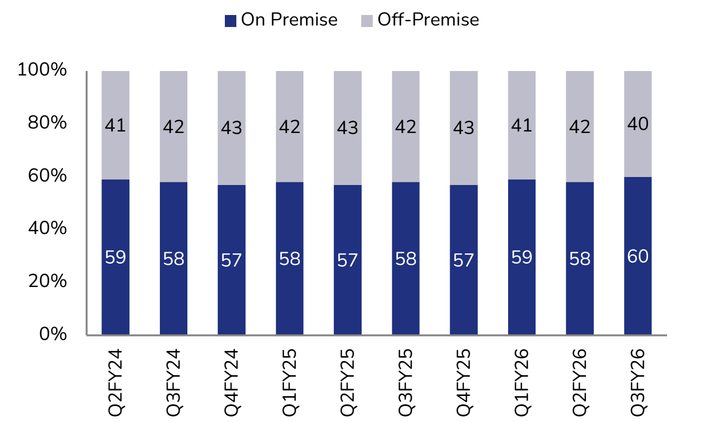
	FY26E			FY27E			FY28E		
	Revised	Earlier	Chng (%)	Revised	Earlier	Chng (%)	Revised	Earlier	Chng (%)
Revenues (INR mn)	26,166	26,589	(1.6)	29,113	30,217	(3.7)	33,229	34,672	(4.2)
EBITDA (INR mn) (ex-AS116)	1,795	1,990	(9.8)	3,136	3,279	(4.4)	3,983	4,372	(8.9)
EBITDA (%)	6.9	7.5	(62) bps	10.8	10.9	(8) bps	12.0	12.6	(62) bps
PAT (INR mn) (ex-AS 116)	432	553	(21.9)	1,202	1,361	(11.7)	1,691	2,071	(18.3)
EPS (INR)	2.8	3.6	(21.9)	7.7	8.8	(11.7)	10.9	13.3	(18.3)
Key assumptions									
SSG (%)	(1.5)	(0.3)	(125) bps	4.0	5.5	(150) bps	6.5	6.5	-
Store count EOP	480	481	(1)	530	528	2	582	575	7

Source: Company, JM Financial

Concall highlights

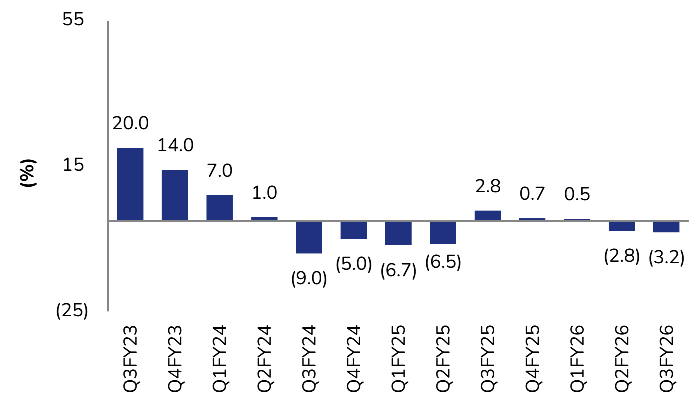
- **On-premise sales:** On-premises sales grew ~6% YoY in Q3FY26; with 2% fall in off-premises sales, growth was supported by rollout of everyday value offerings (including the INR 99 meal in select markets), sharper digital engagement, and hyperlocal marketing initiatives. Management highlighted the improvement in dine-in footfalls from November, with the West outperforming the South.
- **Digital engagement:** Digital sales contribution was stable, supported by loyalty programmes, mobile app engagement, and self-ordering kiosks. Cumulative app downloads reached ~50mn with ~3.5mn monthly active users. Management highlighted improved engagement and traction on its own McDelivery platform in December and January following UI/UX upgrades and backend improvements.
- **New value offering:** Westlife launched everyday value meals at INR 99 in December across the western region and a few places in the South, and it was well received. Management mentioned the offering as margin-accretive.
- **Benefit in royalty:** The company usually receives reward-linked incentives from McDonalds in December every year, which results in lower royalty payment.
- **GST benefits passed on to consumers:** The company reiterated that it has passed on all benefits of GST rationalisation to consumers, and GM expansion has been achieved from supply chain efficiencies.
- **Happy meal merchandise struggle:** Due to a change in government policies and BIS regulations, Westlife could not procure toys to offer in the Children's Happy Meal combos. It had to replace these toys with books, which were not received well as a substitute. The company is actively looking for foreign partners/in-house manufacturing in the country to overcome this shortage.

Exhibit 3. On-premises sales grew 6% YoY



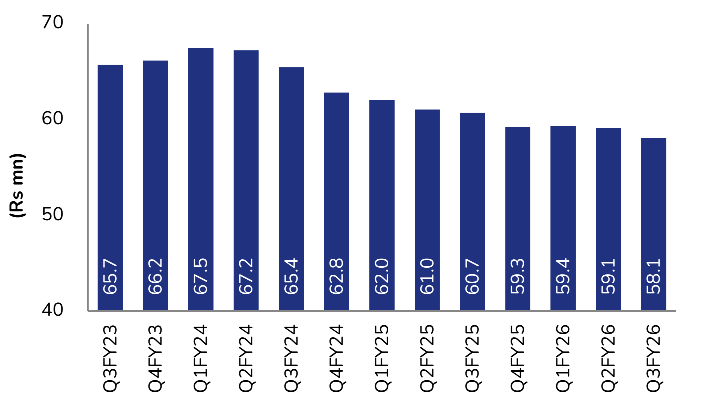
Source: Company, JM Financial

Exhibit 4. SSSG stood at -3.2% YoY



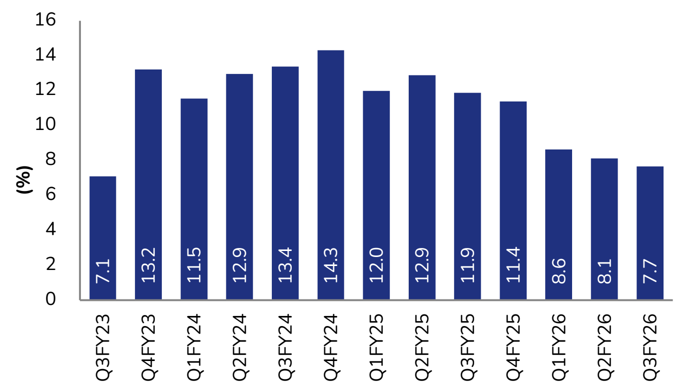
Source: Company, JM Financial

Exhibit 5. AUV/store (TTM) at INR 58.1mn, down ~4% YoY



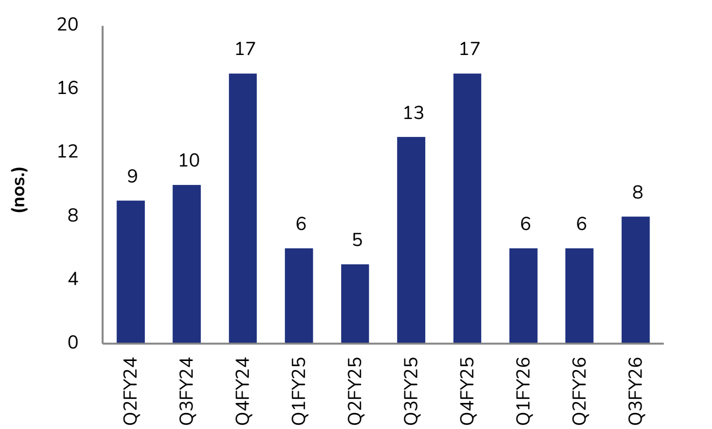
Source: Company, JM Financial

Exhibit 6. EBITDA margin contracted ~370bps YoY to 7.7%



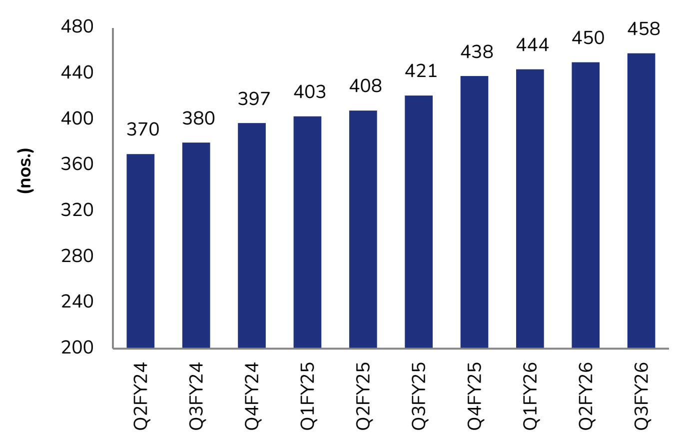
Source: Company, JM Financial; Note: EBITDA Margin is Pre IND AS 116

Exhibit 7. Added 8 stores (net)



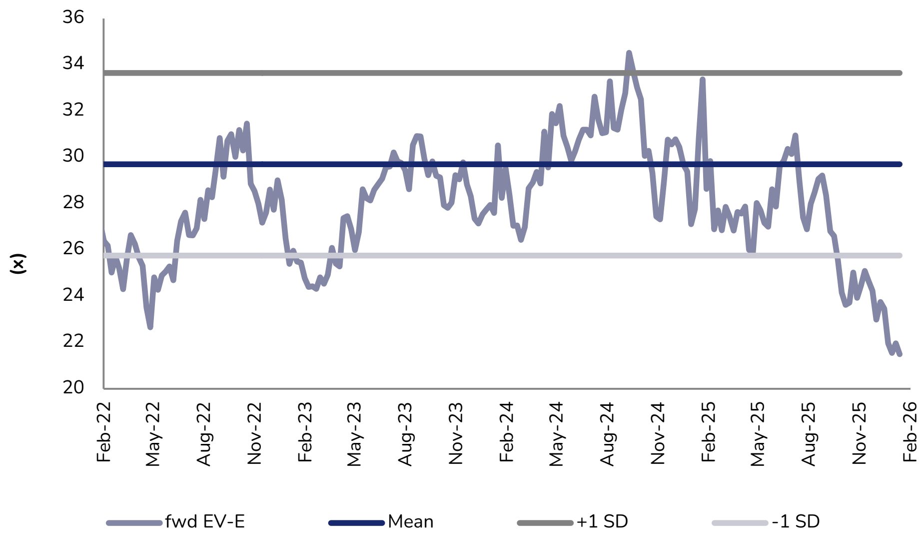
Source: Company, JM Financial

Exhibit 8. Store count was 458 in 73 cities as of Q3FY26



Source: Company, JM Financial

Exhibit 9. 1-year forward EV/EBITDA chart



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	23,682	24,741	25,949	28,864	32,955
Sales Growth	*4.8%*	*4.5%*	*4.9%*	*11.2%*	*14.2%*
Other Operating Income	227	160	216	249	274
Total Revenue	**23,909**	**24,902**	**26,166**	**29,113**	**33,229**
Cost of Goods Sold/Op. Exp	7,107	7,453	8,511	9,439	10,743
Personnel Cost	3,285	3,598	3,877	4,265	4,790
Other Expenses	9,833	10,663	10,316	10,308	11,545
EBITDA	**3,684**	**3,188**	**3,462**	**5,101**	**6,150**
EBITDA Margin	*15.4%*	*12.8%*	*13.2%*	*17.5%*	*18.5%*
EBITDA Growth	*-1.5%*	*-13.5%*	*8.6%*	*47.4%*	*20.6%*
Depn. & Amort.	1,822	2,041	2,279	2,601	2,877
EBIT	1,862	1,147	1,183	2,500	3,273
Other Income	194	255	329	291	275
Finance Cost	1,097	1,271	1,455	1,571	1,661
PBT before Excep. & Forex	958	130	57	1,219	1,887
Excep. & Forex Inc./Loss(-)	-64	-92	290	0	0
PBT	895	39	347	1,219	1,887
Taxes	266	9	14	307	476
Extraordinary Inc./Loss(-)	64	92	-290	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	692	121	43	912	1,411
Adjusted Net Profit	**692**	**121**	**43**	**912**	**1,411**
Net Margin	*2.9%*	*0.5%*	*0.2%*	*3.1%*	*4.2%*
Diluted Share Cap. (mn)	155.6	155.6	155.6	155.6	155.6
Diluted EPS (INR)	**4.4**	**0.8**	**0.3**	**5.9**	**9.1**
Diluted EPS Growth	*-38.0%*	*-82.4%*	*-64.8%*	*2,031.4%*	*54.8%*
Total Dividend + Tax	537	0	156	233	311
Dividend Per Share (INR)	3.5	0.0	1.0	1.5	2.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	895	39	347	1,219	1,887
Depn. & Amort.	1,163	1,290	1,429	1,669	1,865
Net Interest Exp. / Inc. (-)	1,097	1,271	1,455	1,571	1,661
Inc (-) / Dec in WCap.	76	248	95	152	176
Others	569	675	231	642	737
Taxes Paid	-403	-74	-14	-307	-476
Operating Cash Flow	**3,396**	**3,449**	**3,543**	**4,946**	**5,851**
Capex	-1,899	-2,073	-1,842	-2,227	-2,548
Free Cash Flow	*1,497*	*1,377*	*1,701*	*2,720*	*3,303*
Inc (-) / Dec in Investments	54	-137	300	600	100
Others	0	0	0	0	0
Investing Cash Flow	**-1,845**	**-2,209**	**-1,542**	**-1,627**	**-2,448**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-536	0	-156	-233	-311
Inc / Dec (-) in Loans	320	691	-81	0	-500
Others	-1,276	-1,485	-2,304	-2,504	-2,673
Financing Cash Flow	**-1,492**	**-794**	**-2,541**	**-2,737**	**-3,484**
Inc / Dec (-) in Cash	**59**	**446**	**-540**	**582**	**-82**
Opening Cash Balance	83	304	750	209	792
Closing Cash Balance	304	750	209	792	710

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	5,883	6,035	6,212	6,891	7,991
Share Capital	312	312	312	312	312
Reserves & Surplus	5,571	5,723	5,900	6,579	7,679
Lease Liabilities	11,235	13,151	14,213	15,475	16,785
Minority Interest	0	0	0	0	0
Total Loans	2,390	3,081	3,000	3,000	2,500
Def. Tax Liab. / Assets (-)	-708	-928	-928	-928	-928
Total - Equity & Liab.	**18,800**	**21,338**	**22,497**	**24,437**	**26,348**
Net Fixed Assets	18,617	20,766	22,570	24,680	26,949
Gross Fixed Assets	16,233	17,968	20,138	22,655	25,479
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	7,669	8,534	9,963	11,632	13,498
Capital WIP	10,053	11,333	12,395	13,657	14,967
Investments	1,380	1,592	1,292	692	592
Current Assets	2,153	2,793	2,393	3,103	3,219
Inventories	632	808	604	633	720
Sundry Debtors	173	190	176	194	219
Cash & Bank Balances	141	589	339	922	840
Loans & Advances	626	711	779	861	945
Other Current Assets	580	494	494	494	494
Current Liab. & Prov.	3,350	3,812	3,758	4,038	4,412
Current Liabilities	2,344	2,708	2,587	2,795	3,092
Provisions & Others	1,006	1,105	1,172	1,243	1,320
Net Current Assets	-1,197	-1,020	-1,365	-935	-1,193
Total – Assets	**18,800**	**21,338**	**22,497**	**24,437**	**26,348**

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.9%	0.5%	0.2%	3.1%	4.2%
Asset Turnover (x)	1.3	1.2	1.1	1.2	1.2
Leverage Factor (x)	3.3	3.6	3.8	3.8	3.6
RoE	12.0%	2.0%	0.7%	13.9%	19.0%

Key Ratios

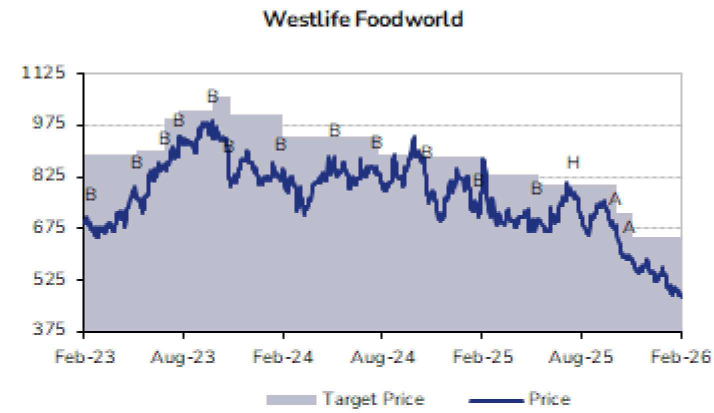
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	37.8	38.8	39.9	44.3	51.4
ROIC	19.3%	12.2%	14.8%	22.5%	27.0%
ROE	12.0%	2.0%	0.7%	13.9%	19.0%
Net Debt/Equity (x)	0.1	0.1	0.2	0.2	0.1
P/E (x)	107.2	611.0	1,734.4	81.4	52.6
P/B (x)	12.6	12.3	11.9	10.8	9.3
EV/EBITDA (x)	20.4	23.6	21.9	14.9	12.3
EV/Sales (x)	3.1	3.0	2.9	2.6	2.3
Debtor days	3	3	2	2	2
Inventory days	10	12	8	8	8
Creditor days	31	34	31	30	30

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
29-Jul-22	Buy	645	
7-Oct-22	Buy	645	0.0
9-Nov-22	Buy	900	39.5
2-Dec-22	Buy	905	0.6
1-Feb-23	Buy	890	-1.7
15-Feb-23	Buy	890	0.0
10-May-23	Buy	900	1.1
3-Jul-23	Buy	995	10.6
27-Jul-23	Buy	1,020	2.5
27-Sep-23	Buy	1,060	3.9
27-Oct-23	Buy	1,005	-5.2
1-Feb-24	Buy	945	-6.0
8-May-24	Buy	940	-0.5
25-Jul-24	Buy	890	-5.3
24-Oct-24	Buy	885	-0.6
29-Jan-25	Buy	830	-6.2
14-May-25	Buy	800	-3.6
23-Jul-25	Hold	800	0.0
6-Oct-25	Add	720	-10.0
3-Nov-25	Add	650	-9.7

Recommendation History



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	**Meaning**
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