WESTLIFE FOODWORLD LIMITED

ISIN :INE274F01020 | NSE :WESTLIFE

Price: 686
Recommendation: Buy
Industry: Restaurants
Sector: Consumer Discretionary
Report Date: 17-Mar-2025

Westlife Foodworld is driving growth through strategic initiatives and customer engagement. Key highlights include the McCrispy platform and McCafe, enhancing their premium segment. The company is expanding its network, opening 46 new restaurants in 2024, and focusing on digital transformation, with digital sales at 70%. Despite challenges like inflation, Westlife is optimistic about growth, leveraging product innovation and value offerings to boost profitability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2450 Cr	Operating Profit(Year)	318 Cr	Operating Profit Margin	13.0 %
Previous Year	2278 Cr	Operating Profit(Quarter)	88.1 Cr	EBITDA Margin	16.16 %
Current Quarter	654 Cr	PAT (Year)	73.8 Cr	Net Profit Margin	3.09 %
Previous Quarter	618 Cr	PAT (Quarter)	7.01 Cr	EPS	0.73
Revenue (QYoY)	600 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	943	Sales Growth	2.70 %	Sales Growth	5.83 %
PEG Ratio	28.5	PAT Growth	-34.11 %	Sales Growth QYoY	9.0 %
EV/EBITDA	36.1	EPS Growth	-83.56 %	PAT Growth	1847.22 %
P/B	18.0	Dividend Yield	0.50	PAT Growth QYoY	-59.24 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	12.8 %	Promoter	56.2 %	Debt/Equity	2.48
RoA	3.37 %	FII	13.9 %	Debt	1473 Cr
RoCE	11.5 %	DII	21.2 %	Market Cap	10737 Cr
RoIC	9.17 %	Public	8.27 %	Enterprise value	12191 Cr
		No of Shares	15.6 Cr	Cash Equivalents	18.3 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, Westlife Foodworld outlined several strategic initiatives and business strategies aimed at driving growth and enhancing customer engagement. The company has been focusing on enhancing its value proposition and driving customer excitement through product innovation. A key highlight is the launch of the McCrispy platform, which has been well-received by customers and is becoming a favorite. This initiative, along with the McCafe, is helping to drive the premium segment of their portfolio. The company has also been a pioneer in value offerings, with initiatives like the Happy Price menu and McSaver Meals, which have significantly improved affordability perception scores and increased customer footfall.

Westlife Foodworld is committed to expanding its network prudently, in line with its Vision 2027 plan. The company opened a record 46 new restaurants in 2024 and aims to fortify its market leadership and deliver differentiated performance in the coming years. The company is also focusing on digital transformation, with digital sales now accounting for 70% of the top line. This digital-led approach is expected to increase customer frequency and cross-sell opportunities, ultimately impacting the average ticket size positively. The company is also enhancing its capabilities across dine-in, delivery, and drive-thru channels to deliver an exceptional customer experience.

Looking ahead, Westlife Foodworld is optimistic about its growth prospects, despite the challenging operating environment. The company anticipates that stability in retail inflation and budgetary measures to boost disposable income could provide the necessary stimulus for consumption. The company is also focusing on systematic cost governance, which has improved breakeven sales by 2% to 2.5% in the past quarter, enhancing like-for-like profitability. The company is confident that its growth levers, including product innovation and value offerings, will continue to drive growth in the years to come.

While the company is making significant strides, there are areas for improvement. The operating environment remains challenging, with dine-in trends yet to see a significant increase. The company is also facing heightened inflation in key commodities, which it is mitigating through supply chain and cost initiatives. Despite these challenges, the company is forging ahead with its network expansion plan and is on track to meet its guidance for the near term. The company is also focusing on building momentum through value levers and is confident that its strategic initiatives will drive growth and profitability in the future.

WESTLIFE Daily Closing One Year Price Chart

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Sapphire Foods	9480.98	385.22	4.04%	8.75%	13.67%	399.17%	21.87%
Coffee Day Enter	493.10	12.99	3.36%	4.11%	9.15%	-212.46%	-114.86%
Jubilant Food.	40891.90	178.28	12.98%	10.03%	56.06%	-25.52%	-21.96%
Restaurant Brand	2973.45		-29.99%	1.05%	5.76%	16.24%	-39.30%
Devyani Intl.	17977.95	1340.64	4.92%	5.91%	53.52%	53.77%	-109.66%

Aspect	Commentary
Revenue	The company shows a steady increase in revenue, with a year-over-year growth of 7.5% and a quarter-over-quarter growth of 5.8%. This indicates a positive trend in sales performance, driven by strategic initiatives and customer engagement efforts.
Profit & Loss	Operating profit margins are stable, but net profit margins are low at 3.09%, indicating high operational costs. The significant drop in PAT growth year-over-year suggests challenges in cost management or increased expenses.
Profitability Matrix	The operating profit margin of 13% and EBITDA margin of 16.16% reflect efficient cost management. However, the net profit margin of 3.09% indicates room for improvement in overall profitability.
Valuation Matrix	The high trailing P/E ratio of 943 suggests the stock is overvalued relative to earnings. The PEG ratio of 28.5 indicates potential growth, but the high EV/EBITDA of 36.1 suggests the company is expensive compared to its earnings.
Growth (YoY)	Sales growth is modest at 2.7%, but PAT growth is negative at -34.11%, indicating profitability challenges. The significant drop in EPS growth at -83.56% highlights potential issues in earnings performance.
Growth (QoQ)	Quarterly sales growth is healthy at 5.83%, but the drastic PAT growth of 1847.22% suggests a recovery from a low base. However, the negative PAT growth QYoY of -59.24% indicates volatility in earnings.
Capital Allocation	The company maintains a reasonable RoE of 12.8% and RoCE of 11.5%, reflecting effective capital utilization. However, the RoA of 3.37% suggests potential inefficiencies in asset management.
Holdings	Promoter holding is strong at 56.2%, indicating confidence in the company's prospects. Institutional investors hold a significant portion, with FIIs at 13.9% and DIIs at 21.2%, reflecting institutional interest.
Leverage	The debt/equity ratio of 2.48 indicates high leverage, which could pose risks if not managed properly. The company's market cap of 10737 Cr and enterprise value of 12191 Cr suggest a substantial market presence.

Analyst viewpoint: Westlife Foodworld presents a compelling growth story backed by a steady quarter-over-quarter sales increase of 5.83% and a positive net promoter score, illustrating robust customer engagement through strategic product innovations like the McCrispy platform. The company's commitment to expanding its footprint is evident with plans to open 46 new restaurants, which aligns with its Vision 2027 plan, focusing on strengthening its market presence and boosting profitability through a transformation in digital sales, already accounting for 70% of the total. The management's strategic approach towards capital allocation, maintaining a strong RoE of 12.8% and a ROCE of 11.5%, reflects sound financial stewardship. In comparison to peers such as Sapphire Foods and Jubilant FoodWorks, Westlife demonstrates resilience in navigating market dynamics, reinforcing its competitive positioning in the consumer discretionary sector.

Despite the positive outlook, it is important to note that Westlife's high trailing P/E ratio of 943 suggests a current overvaluation, which may warrant cautious optimism. The company is also tackling inflationary pressures affecting dine-in trends, highlighting a need for vigilance in operational cost management. Nonetheless, the company's strategic initiatives and innovative value offerings promise continued momentum in its growth and profitability trajectory. As we maintain our bullish stance, Westlife's promising roadmap and substantial market advancements indicate a favorable path for those pursuing short to mid-term investment opportunities.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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