



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia 67141442
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Management meet @ Dalal & Broacha

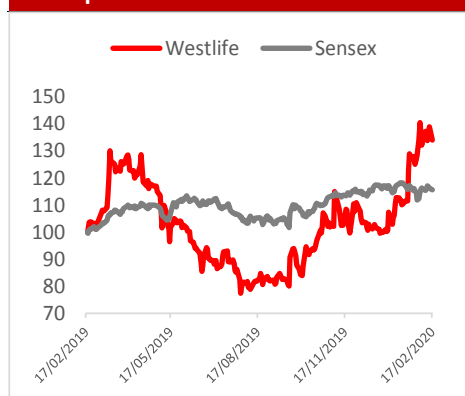
Not Rated

Current Price	458
52 Week Range	257/499

Key Share Data

Market Cap (Rs.bn)	71.35
Market Cap (US\$ mn)	1004.93
No of o/s shares (mn)	155.61
Face Value	2
Monthly Avg. vol(BSEgrew byNSE)	
Nos'000	616.35
BSE Code	505533
NSE Code	WESTLIFE
Bloomberg	WLDL:IN

Price performance



% Shareholding	Feb-20	Sep-19
Promoters	59.12	62.14
Public	26.81	26.81
Others	14.07	11.05
Total	100	100

Vision 2022 very much a reality: Company is on track to achieve its set targets of Rs. 20-25bn in revenues, low to mid double digit EBITDA margins and a total store count of 400-450 stores. In FY19 company reported revenues of Rs. 14016mn and EBITDA margin of 8.61% and Rs. 12114.31mn in 9MFY20, current store count stood at 315 and EBITDA margins stood at 10.4%

Opportunity: Mumbai being the financial capital of India records an average frequency of 10 times a person eats outside in a month where as for countries like Jakarta it is 20 times and for Developed Countries the average is anywhere between 50-60 times.

SSG Guidance: company can easily maintain 7-9% going for the medium to long term. In FY18 & 19, company reported SSG of 15.8% & 17% respectively and ~7.6% in 9MFY20.

Improving throughput (Sales per sq.ft per month) 1.3x from FY17 to FY19: Company sales per sq.ft per month **de-grew** at CAGR (FY13-17) of 2.5%, although between FY17-19, it **grew** at a CAGR of 15%. This was led by better value product offerings and faster expansion of Mc. Cafés, Experience Of The Future restaurants (EOTF), Mc. Delivery and Mc. Breakfast. Company is on track to achieve its target of Rs. 60mn revenue per store from Rs. 47mn in FY19 as part of Vision 2022. 9MFY20 annualised average revenue per store stood at Rs. 51mn.

Savings in RM, Rent and electricity charges to boost margins: Company's Raw Material cost as % of sales have consistently reduced from 45.33% in FY13 to 36.07% in FY19 and 34.8% in 9MFY20. Electricity charges as a % of sales reduced from 9.2% in FY13 to 6.4% in FY19. These recent benefits are the result of the recently introduced Restaurant Operating Margin (ROP 2.0) system which focuses on bringing efficiencies through lower wastage, savings in electricity through more modern and efficient lighting equipments.

Company has strong negotiation powers while setting long term rental agreements (20-25 years with escalation of 15% every 5 years) due to strong parentage as well as Mc. Donalds being a prime anchor client.

Restaurant count opportunity 2 times from current level (25% of total stores) in Mumbai: Company has identified that they can easily double their restaurant count in Mumbai at any given point seeing there are several micro-markets available. Presently company has 80+ outlets out of 315 total in Mumbai.

Capex: company has set Rs. 1-1.2bn for FY20 where in 80% is dedicated to new store openings

Key Concerns: Royalty as a % of sales currently stands at 4% which is set to gradually increase to 5% by FY2025 post which it could increase to 8%. Promoter Makino Holdings Ltd sold 3.02% stake out of their 7.63% holding in the company in February 2020.

Valuation and Outlook: at CMP of Rs. 458, the stock is trading at 84.59x and 59.09x FY21e and FY22e EPS of Rs. 5.41 and Rs. 7.75 respectively. As per the given vision the company is set to grow at CAGR (FY19-22) of 16.2% for revenues and 33.34% for EBITDA. Thus we believe the premium valuation is here to stay as we remain positive on the future prospects of the company.

Financials (Rs. Mn)

Particulars	Revenue	% growth	EBITDA	OPM	PAT	EPS	ROE	ROCE
FY17	9307.86	11.6%	469.51	5.0%	-121.2	-0.78	-2.30%	0.46%
FY18	11348.74	21.9%	773.59	6.8%	128.57	0.83	2.37%	3.84%
FY19	14016.06	23.5%	1206.41	8.6%	403.02	2.59	6.91%	6.98%



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Vision 2022 Target

Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9MFY20	Vision 2022
Revenue (Rs. Bn)	6.8	7.4	7.6	8.3	9.3	11.3	14.0	12.1	20-25
Restaurants	161	184	209	236	258	277	296	315	450-500
<i>Change</i>		23	25	27	22	19	19	19	
McCafe		5	37	75	110	149	190	218	300-350
<i>Change</i>			32	38	35	39	41	28	
McDelivery				133	148	165	216	258	300-325
<i>Change</i>					15	17	51	42	
EOTF					3	10	25	60	100
<i>Change</i>						7	15	35	
SSSG (%)			-5.9%	1.8%	4.0%	15.8%	17.0%	7.60%	7-9%
EBITDA Margins	8.48%	5.82%	1.98%	5.11%	5.04%	6.82%	8.61%	10.40%	Low-Mid Double Digit

Note: Total Store count of 315 is inclusive of Mc. Café, Mc. Delivery and EOTF restaurants.

Financial Snapshot

Particulars (Rs. Mns)	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Net Sales	6842.65	7403.05	7643.27	8334.27	9307.86	11348.74	14016.06
<i>Growth</i>		8.19%	3.24%	9.04%	11.68%	21.93%	23.50%
Other Income	72.12	57.02	164.74	97.07	200.28	177.71	160.68
Total	6914.77	7460.07	7808.01	8431.34	9508.14	11526.45	14176.74
<i>Growth</i>		7.89%	4.66%	7.98%	12.77%	21.23%	22.99%
Expenses							
Total Raw Material Cost	3101.48	3151.5	3177.49	3332.97	3663.08	4249.71	5055.21
<i>% to sales</i>	45.33%	42.57%	41.57%	39.99%	39.35%	37.45%	36.07%
<i>Growth</i>		1.61%	0.82%	4.89%	9.90%	16.01%	18.95%
Gross Profit	3741.17	4251.55	4465.78	5001.3	5644.78	7099.03	8960.85
<i>% to sales</i>	54.67%	57.43%	58.43%	60.01%	60.65%	62.55%	63.93%
<i>Growth</i>		13.64%	5.04%	11.99%	12.87%	25.76%	26.23%
Employee benefit expense	763.19	962.47	1136.61	1240.23	1407.34	1715.54	1971.11
<i>% to sales</i>	11.15%	13.00%	14.87%	14.88%	15.12%	15.12%	14.06%
<i>Growth</i>		26.11%	18.09%	9.12%	13.47%	21.90%	14.90%
Other Expenses	2397.47	2858.2	3177.57	3334.8	3767.93	4609.9	5783.33
<i>% to sales</i>	35.04%	38.61%	41.57%	40.01%	40.48%	40.62%	41.26%
<i>Growth</i>		19.22%	11.17%	4.95%	12.99%	22.35%	25.45%
Total	6262.14	6972.17	7491.67	7908.00	8838.35	10575.15	12809.65
<i>% to sales</i>	91.52%	94.18%	98.02%	94.89%	94.96%	93.18%	91.39%
<i>Growth</i>		11.34%	7.45%	5.56%	11.76%	19.65%	21.13%
EBITDA (excluding other income)	580.51	430.88	151.6	426.27	469.51	773.59	1206.41
<i>EBITDA margins</i>	8.48%	5.82%	1.98%	5.11%	5.04%	6.82%	8.61%
<i>Growth</i>		-25.78%	-64.82%	181.18%	10.14%	64.77%	55.95%
EBITDA	652.63	487.9	316.34	523.34	669.79	951.3	1367.09
Depreciation	313.36	435.03	504.38	576.54	637.24	672.62	797.15
EBIT	339.27	52.87	-188.04	-53.2	32.55	278.68	569.94
Finance Costs	5.89	46.33	102.2	149.91	153.75	150.11	177.32
PBT and exceptional items	333.38	6.54	-290.24	-203.11	-121.2	128.57	392.62
Exceptional Items	0	0	0	234.01	0	0	0
PBT	333.38	6.54	-290.24	30.9	-121.2	128.57	392.62
<i>% of sales</i>	4.87%	0.09%	-3.80%	0.37%	-1.30%	1.13%	2.80%
<i>Growth</i>		-98.04%	-4537.92%	-110.65%	-492.23%	-206.08%	205.37%
Total Tax Expense	0.84	-2.99	0.86	2.57	0	0	-10.4
<i>Effective Tax Rate</i>	0.25%	-45.72%	-0.30%	8.32%	0.00%	0.00%	-2.65%
Adjusted PAT	332.54	9.53	-291.10	-186.22	-121.20	128.57	403.02
<i>PAT Margins</i>	4.81%	0.13%	-3.73%	-2.21%	-1.27%	1.12%	2.84%
<i>Growth</i>		-97.13%	-3154.56%	-36.03%	-34.91%	-206.08%	213.46%
EPS	2.27	0.06	-1.87	0.18	-0.78	0.83	2.59



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