YES SECURITIES
INSTITUTIONAL EQUITIES

July 24, 2025

RESULT REPORT Q1 FY26 | Sector: Consumer Discretionary (QSR)

Westlife Foodworld Ltd.

SSSG positive but remains soft

Profitability improves despite challenging market conditions

Largely in-line with our subdued expectations: Westlife Foodworld Ltd. (WFL) 1QFY26 topline was in-line with our subdued expectations for the quarter keeping in mind the tough operating environment for dine-in businesses. Same-store sales growth (SSSG) was up just 0.5% YoY (vs est. +1.5%), led by stable guest count & average check.

West India continues to do well while South was a drag: Currently for the business, West region is doing better while South has some pain points. Recently, company has augmented leadership team in South India business to increase focus and execution. Some experiment in South market is showing signs of greenshoots of demand improvement.

Gross margin surprises: Gross margin was up ~80bps YoY to 71.6% (up 160bps QoQ) versus our expectation of it being stable at 70%, driven by significant enhancements in supply chain efficiencies. Company expects gross margin to remain in +70% range in the near-term.

Vision 2027 margin guidance upheld: Restaurant operating margin (ROM) increased by ~80bps led by strong focus on operational excellence. EBITDA margin for the quarter was flat YoY at 13% and seems to have bottomed out. WFL continues to believe that when volumes recover, profitability will see a sharp rebound and has thus maintained 18-20% EBITDA margin by 2027.

Store expansion also on track: Company added 9 restaurants and closed 3 restaurants during the quarter (presence in 444 restaurants across 71 cities as of June 2025) and believes it is on track to achieve the target of 580-630 restaurants by the year 2027. McCafe is now present in ~96% of the restaurant.

Brief Valuation and View – Management continues to believe that growth in eating out segment will improve but gradually. We remain that Westlife will rebound to earlier margin profile (even with increased royalty rate) once industry volume recovers. We assign a target multiple of ~25x on our March'27E EBITDA and arrive at an unchanged TP of Rs855. Due to recent stock movement, there is limited upside on 1-year forward basis and hence we downgrade the stock a notch to ADD.

Result Highlights

- **Headline performance:** WESTLIFE's 1QFY26 topline grew by 6.7% YoY to Rs6.6bn (vs. est. Rs6.7bn) led by SSSG of 0.6% YoY (vs. our est. 1.5%). EBITDA came in at Rs855mn (vs. est. Rs822mn). The Company reported adjusted profit of Rs15mn vs our est. of Rs10mn.
- Off-Premise grew by 4% YoY while On-Premise business grew by 8% YoY.
- **Gross margin** was up ~80bps YoY to 71.6% (up 160bps QoQ). Higher G&A costs (one time), at 6.9% (up 80bps YoY) led to EBITDA margin of 13% (flat YoY; vs our est. of 12.4%). **Restaurant operating margin (ROM)** came in at 19.9% versus 19.1% in base quarter owing to strong focus on operational excellence.

Exhibit 1: Actual vs estimates

Parameter	Q1FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	6,576	9.0	6.7	Inline	Inline
EBITDA	855	7.5	6.9	Beat	Miss
EBITDA Margin (%)	13.0	(0.2)	0.0	Inline	Inline
PAT / EPS	15	(60.6)	(67.7)	Beat	Miss

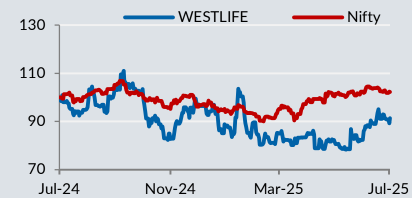
Source: Bloomberg, YES SEC

Reco	:	**ADD**
CMP	:	Rs 777
Target Price	:	Rs 855
Potential Return	:	+10%

Stock data (as on July 23, 2025)

Nifty	25,220
52 Week h/l (Rs)	957 / 641
Market cap (Rs/USD mn)	118123 / 1368
Outstanding Shares (mn)	155
6m Avg t/o (Rs mn):	108
Div yield (%):	-
Bloomberg code:	WESTLIFE IN
NSE code:	WESTLIFE

Stock performance



	1M	3M	1Y
Absolute return	6.3%	8.1%	-7.0%

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	ADD	BUY
Target Price	855	855

Δ in earnings estimates

Rs mn	FY26e	FY27e
EBITDA (New)	3,623	5,379
EBITDA (Old)	4,012	5,598
% change	-9.7	-3.9

Financial Summary (post IND-AS 116)

(Rs mn)	FY25	FY26E	FY27E
Revenue	24,912	26,920	30,823
YoY Growth (%)	*4.2*	*8.1*	*14.5*
SSSG (%)	-3.0	1.5	8.0
EBIDTA	3,301	3,623	5,379
Margins (%)	*13.3*	*13.5*	*17.5*
Recurring PAT	207	280	1,377
EPS	1.3	1.8	8.8
YoY Growth (%)	*-72.0*	*35.4*	*391.4*
ROCE (%)	*17.2*	*17.3*	*30.8*
ROE (%)	*3.5*	*4.5*	*19.7*
P/E (x)	585.6	432.4	88.0
EV/EBITDA (x)	37.0	33.9	22.9

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Exhibit 2: Quarterly result snapshot

Y/E March (Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Net Revenue	**5,623**	**6,539**	**6,032**	**7.3**	**(7.7)**
COGS	1,678	1,956	1,810	7.9	(7.5)
Gross margin %	***70.2***	***70.1***	***70.0***	***(0.2)***	***(0.1)***
Payroll and Employee Benefits	639	655	633	(1.0)	(3.5)
% of sales	*11.4*	*10.0*	*10.5*	*(0.9)*	*0.5*
Royalty	287	236	335	16.6	41.9
% of sales	*5.1*	*3.6*	*5.6*	*0.4*	*1.9*
Occupancy and Other Operating Expenses	*1,927*	*2,346*	*2,102*	*9.1*	*(10.4)*
% of sales	*34.3*	*35.9*	*34.8*	*0.6*	*(1.0)*
General & Administrative Expense	*322*	*430*	*359*	*11.4*	*(16.7)*
% of sales	*5.7*	*6.6*	*5.9*	*0.2*	*(0.6)*
EBITDA	**771**	**916**	**795**	**3.1**	**(13.2)**
EBITDA margin %	***13.7***	***14.0***	***13.2***	***(0.5)***	***(0.8)***
Depreciation	499	517	528	5.8	2.3
EBIT	271	399	266	(1.8)	(33.2)
EBIT margin %	***4.8***	***6.1***	***4.4***	***(0.4)***	***(1.7)***
Interest expenses	283	330	328	16.2	(0.3)
Other income	35	27	97	177.9	256.6
Exceptional items	(4)	(32)	(22)	-	-
PBT	**20**	**65**	**13**	**(33.6)**	**(80.0)**
Tax	12	(5)	(2)	-	-
Effective tax rate %	*60.7*	*(8.2)*	*(14.6)*	-	-
Recurring/Adjusted PAT	**12**	**102**	**37**	**221.1**	**(63.8)**
PAT margin %	***0.2***	***1.6***	***0.6***	***0.4***	***(0.9)***
Reported PAT	**8**	**70**	**15**	**93.8**	**(78.8)**
EPS	**0.0**	**0.5**	**0.1**	**93.8**	**(78.8)**

Source: Company, YES Sec

ANALYST VIEW & INVESTMENT THESIS

1-Year View

With gradual improvement in growth, we are now building ~5% SSSG CAGR over FY25-27E on a low base of FY25. This, along with aggressive store expansion should lead to 11.2% 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 ~420bps expansion over FY25-27E). EBITDA thus expected to grow at 27.8% CAGR over FY25-27E.

At CMP, the stock is trading at ~34x/23x 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 ~25x on our March'27E EBITDA and arrive at an unchanged TP of Rs855. Due to recent stock movement, there is limited upside on 1-year forward basis and hence we downgrade the stock a notch to ADD.

3-Year View

Shift from unorganized market (>65% of India Foodservice market), will be the biggest driver for the long-term growth of the QSR market which is expected to grow the fastest within the organized segment over the next few years on the back of widening reach in smaller cities and the target market characterized by a younger demographic seeking convenience.

Beside conducive factors like growing preference for meals, premiumization of burgers, scaling of fried chicken, improving McCafe beverage mix within stores, and focus on Drive-Thrus (DTs) additions, Desserts should boost growth over long term. Considering (1) India's AUV & Eating-out frequency vs other countries, (2) AUV of top 10% of stores vs System and (3) WFL's global portfolio offerings, we foresee bright prospects for further AUV improvement.

Management is currently expanding store reach at 40-50 stores per annum which is slightly higher than their earlier 25-30 stores to reach 580-630 restaurants by 2027, with focus on South India market, Smaller towns and Drive Thrus.

We are also confident that Westlife will rebound to earlier margin profile (even with increased royalty rate) once industry volume recovers.

Improving return ratios and a formal dividend policy in place, should command better valuation than earlier years, we believe.

Exhibit 3: Key Monitorable Triggers

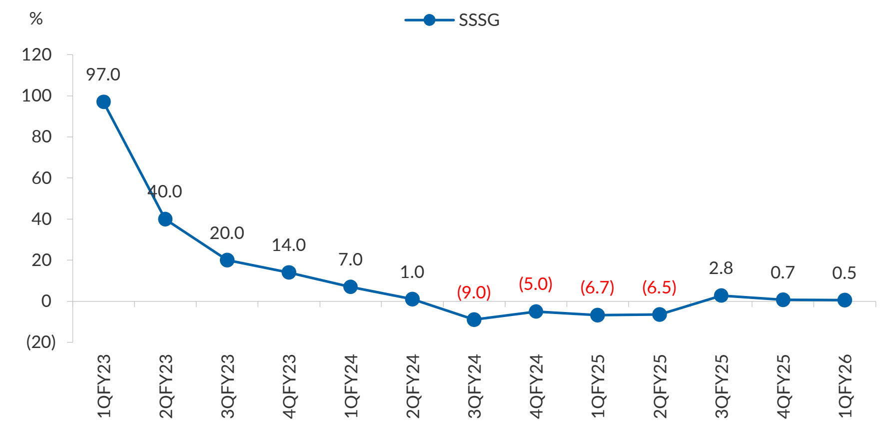
What to Watch	Why it Matters	Timeline
South India recovery	Currently a drag on SSSG	Near term
EBITDA margin	As industry volume recovers, EBITDA margin recovery to earlier levels will be a key earnings driver	Near to medium term

Exhibit 4: Estimate Revisions

Old Est (FY27E)	New Est	% Change	Reason
31,911	30,823	-3.4	Subdued and gradual recovery in SSSG led us to lower our estimates
5,598	5,379	-3.9	
1,588	1,377	-13.3	

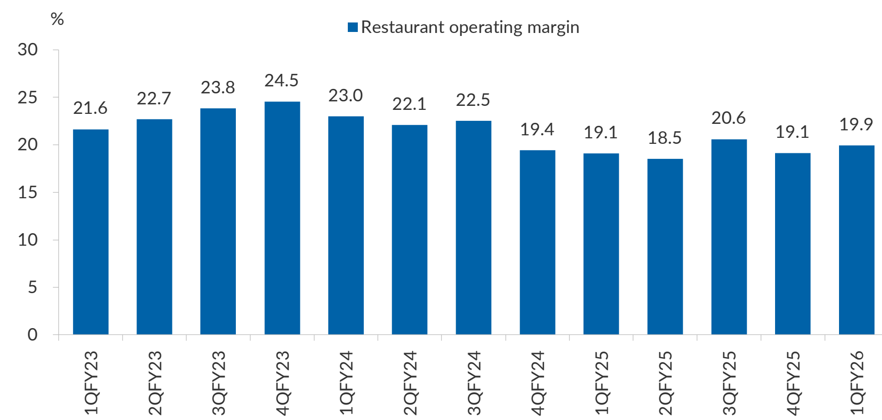
Source: Company, YES Sec

Exhibit 5: SSSG trends continue to be positive but subdued at 0.5% in 1QFY26



Source: Company, YES Sec

Exhibit 6: Restaurant Operating Margin improved by 80bps to 19.9% in 1QFY26 led by operational excellence



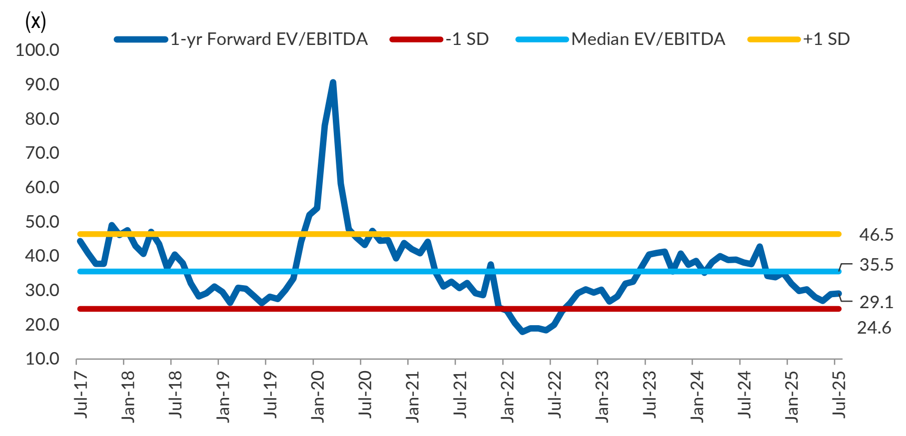
Source: Company, YES Sec

KEY TAKEAWAYS / EXCERPT'S FROM Q1FY26 CONFERENCE CALL / PRESENTATION

- **Outlook:** The company maintains the Vision 2027 guidance.
- **Demand Environment:** The demand environment was soft during the quarter. However, the company expects eating out frequency to improve due to moderating inflation and tax cuts.
- **Gross Margin:** The company expects gross margin to remain in +70% range in the near term. GM expansion was due to supply chain efficiencies.
- **Pricing:** There was a marginal price increase taken by the company in March'25.
- **SSSG and Margins:** South is dragging down the SSSG. The company has started new initiatives in South and seeing green shoots. EBITDA margins have bottomed out, If SSSG continue to remain stable. If the company crosses 7% SSSG, it expects the margins to reach 18% comfortably.

- **AUV:** Once there is improvement in the South, the AUV is likely to improve. It will continue to focus on Chicken and Coffee in South
- **Drive thrus** will become a big opportunity in the future. The cost of opening a drive thru is Rs 1.5-2mn extra. The drive thrus generally mature after 5-6 years and the ADS are well above system average.
- **New business unit**: The company has augmented a new business unit in the South. The new unit will work directly with management.
- **Overheads:** Due to strategic projects in the south, there are upfront cost (G&A), the benefits of which will be seen in coming years.
- **Others:** (1) Difference between ROM and Pre Ind-AS EBITDA margin is due to excess G&A upfront cost taken in this year. (2) Some of the new launches will be more differentiated than the competition. (3) West is doing very well, However, in South, there are nuances in key cities like Bangalore, Chennai and Hyderabad which needs to be resolved.

Exhibit 7: Currently trading at ~29x 1-yr forward EV/EBITDA lower than the median multiple



Source: Company, YES Sec

FINANCIALS

Exhibit 8: 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	6,003	7,380
Net worth	5,659	5,883	6,035	6,315	7,692
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**	**22,570**	**23,585**
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	699	950
Debtors	107	173	190	195	229
Cash	284	142	589	53	211
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	2,187	2,664
Creditors	1,877	2,026	2,325	2,229	2,900
Other current liabilities & provisions	1,293	1,225	1,340	1,541	1,557
Total current liabilities	3,170	3,251	3,665	3,770	4,456
Total assets	**17,216**	**18,900**	**21,485**	**22,570**	**23,585**

Source: Company, YES Sec

Exhibit 9: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Revenue	**22,780**	**23,918**	**24,912**	**26,920**	**30,823**
% Growth	**44.5**	**5.0**	**4.2**	**8.1**	**14.5**
SSG %	**36.1**	**-1.1**	**-3.0**	**1.5**	**8.0**
COGS	6,860	7,107	7,453	7,800	8,785
Staff costs	3,106	3,285	3,598	3,887	4,254
Other expenses	8,885	9,745	10,568	11,610	12,405
Total expenses	18,851	20,138	21,619	23,297	25,444
EBITDA	**3,929**	**3,780**	**3,293**	**3,623**	**5,379**
% growth	**115.1**	**-3.8**	**-12.7**	**9.8**	**48.5**
EBITDA margin (%)	**17.2**	**15.8**	**13.3**	**13.5**	**17.5**
Other income	141	162	235	312	222
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	374	1,840
Exceptional items	-128	-64	-92	0	0
Tax	379	266	9	94	463
PAT (before exceptional items)	**1,212**	**739**	**209**	**280**	**1,377**
Reported PAT	**1,114**	**692**	**121**	**280**	**1,377**
PAT margin (%)	**5.3**	**3.1**	**0.8**	**1.0**	**4.5**
% Growth	**-**	**-39.0**	**-72.0**	**35.4**	**391.4**

Source: Company, YES Sec

Exhibit 10: Cash flow statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PAT	1,209	738	207	280	1,377
Depreciation	1,522	1,822	2,041	2,332	2,568
Other income	(141)	(162)	(235)	(312)	(222)
(Inc.)/dec. in working capital	366	97	222	208	403
Others	928	1,099	1,273	1,229	1,194
Cash flow from operations	**3,883**	**3,593**	**3,508**	**3,737**	**5,319**
Capital expenditure (-)	(4,610)	(3,685)	(4,142)	(3,875)	(3,808)
Net cash after capex	**(727)**	**(92)**	**(634)**	**(139)**	**1,511**
Inc./(dec.) in investments and other assets	210	60	24	597	1,079
Cash from investing activities	**(4,401)**	**(3,626)**	**(4,118)**	**(3,279)**	**(2,728)**
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**	**(553)**	**(2,203)**
Others	99	55	(103)	67	181
Opening cash balance	232	284	142	589	53
Closing cash balance	284	142	589	53	211
Change in cash balance	52	(142)	448	(28)	569

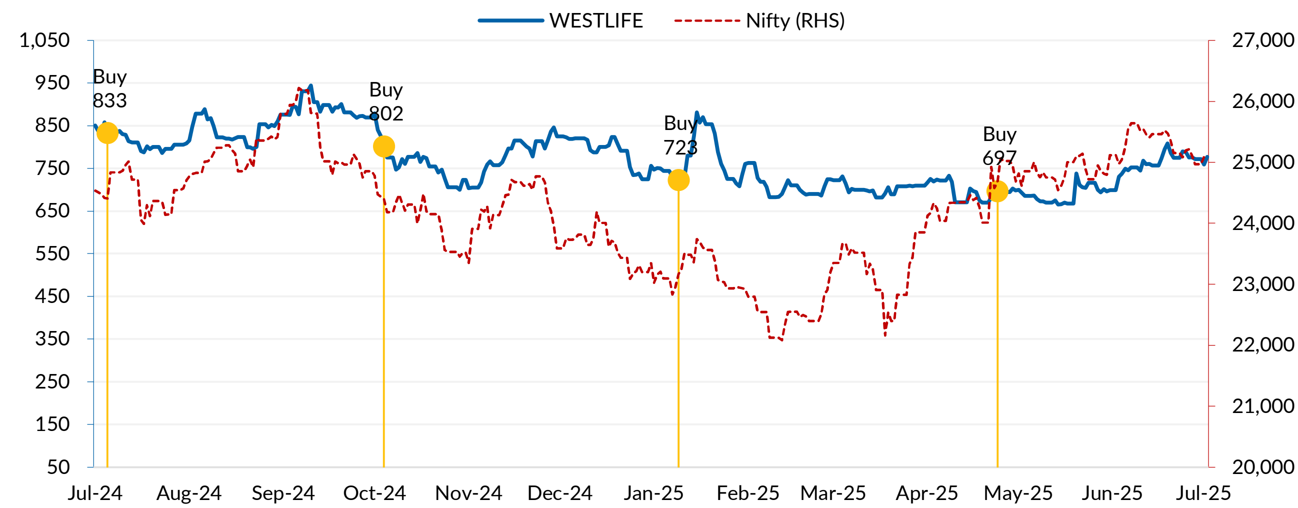
Source: Company, YES Sec

Exhibit 11: Growth and Ratio matrix

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	7.8	4.7	1.3	1.8	8.8
Book value	36.3	37.7	38.7	40.5	49.3
Valuation (x)					
P/Sales	5.3	5.1	4.9	4.5	3.9
EV/sales	5.3	5.1	4.9	4.6	4.0
EV/EBITDA	31.0	32.3	37.0	33.9	22.9
P/E	100.2	164.1	585.6	432.4	88.0
P/BV	21.4	20.6	20.1	19.2	15.8
Return ratios (%)					
RoCE*	35.5	26.5	17.2	17.3	30.8
RoE	23.5	12.8	3.5	4.5	19.7
RoIC*	17.3	12.2	7.0	6.5	12.9
Profitability ratios (%)					
Gross margin	69.9	70.3	70.1	71.0	71.5
EBITDA margin	17.2	15.8	13.3	13.5	17.5
EBIT margin	10.6	8.2	5.1	4.8	9.1
PAT margin	5.3	3.1	0.8	1.0	4.5
Liquidity ratios (%)					
Current ratio	0.6	0.5	0.5	0.4	0.3
Quick ratio	0.4	0.4	0.4	0.3	0.2
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	2.9	3.1
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.

Recommendation Tracker



Westlife Foodworld Ltd.

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Name of the Research Analyst : Vishal Punmiya, Manas Rastogi

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