

## Westlife Development Ltd Reports Consolidated Revenues ₹7,643.3 for the Fiscal Year 2015

**Mumbai, May 8, 2015:** Westlife Development Limited (BSE: 505533) owner of the Master Franchisee of McDonald's restaurants in India, today announced its audited financial results for the fiscal ending March 31, 2015. The results were taken on record by the Board of Directors at a meeting held in Mumbai, today.

Westlife Development Ltd (WDL) reported a 3.2 per cent growth in consolidated revenues to ₹7,643.3 mn, Y-o-Y (year-over-year) basis, riding on the restaurant operations of its subsidiary, Hardcastle Restaurants Pvt. Ltd. (HRPL), a master franchisee for operations of McDonald's Restaurants in India.

**Commenting on the financial results for the fourth quarter and fiscal ended March 31, 2015, Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited said,** *"FY15 saw its share of economic volatility. Soft consumption and other macro-economic challenges continued to place pressure on our business. Despite these challenges, we continued to drive our strategic initiatives, through FY15, with customer centricity at the heart of our business.*

*We diligently built on every touch point of our strategic initiatives from menu and marketing to restaurants, service and brand extensions, whilst driving cost savings and operational efficiencies. Some of these initiatives are already positively impacting the business results. We saw a significant improvement in our comparable sales performance in the second half of FY15 with (2.6) per cent comparable sales as compared to (8.5) per cent in the first half of the fiscal.*

*Furthermore, these initiatives also helped us expand our gross margins by ~80 bps.*

*The long-term fundamentals of our business are in place. Moving forward, our strategic initiatives will help us further strengthen the foundation of our business and set us up for continued leadership in the marketplace. With a strong footprint and operating experience, we have an enduring competitive advantage. We believe that measures to streamline our business and extract efficiencies will help us face current challenges and lay the foundation for an upturn in business momentum when the consumption cycle turns."*

### **FINANCIAL HIGHLIGHTS FOR FISCAL ENDED MARCH 31, 2015:**

- Revenue growth of 3.2 per cent year-over-year to ₹7,643.3 million
- Operating EBIDTA stood at ₹354.0 million
- Profit/(Loss) After Tax stood at ₹(290.2) million
- Cash Profit stood at ₹254.0 million
- Total Restaurant network at 209; Y-o-Y gross additions at 27; 07 new restaurant openings in Q4FY15

## **Q4 & FY15 RESULT ANALYSIS:**

- WDL reported 3.2 per cent increase in total revenues for the fiscal year to ₹7,643.3 million from ₹7,403.1 million Y-o-Y riding on its restaurant expansion. The Company witnessed 1.0 per cent increase in total revenues for the fourth quarter to ₹1,807.8 million from ₹1,790.6 million in the same quarter of previous year
- Y-o-Y gross additions stood at 27; 07 new restaurant openings in Q4FY15; total network of 209 restaurants across west and south India
- System-wide comparable sales (SSSG) for the fiscal year was (5.6) per cent compared to (6.4) per cent in FY14. Fourth quarter SSSG stood at (4.8) per cent as against a (10.5) per cent in the same quarter in the previous year against a backdrop of muted consumer sentiment
- Overall gross margin was ₹4,466.3 million compared to ₹4,265.2 million in FY14. As a percentage of total revenues, gross margin improved ~80 bps Y-o-Y; driven by efficiencies in product management and menu pricing
- Restaurant operating margin declined by ~380 bps Y-o-Y in FY15, due to increased occupancy and utility costs. 42 per cent of our total 209 restaurants form a part of the new restaurant base which are less than 3 years old. As these new restaurants mature over the coming years, they will contribute positively to the cash flow
- Operating EBITDA in FY15 stood at ₹354.0 million compared to ₹537.8 million Y-o-Y, representing a margin decline from 7.3 per cent to 4.6 per cent. Operating EBITDA for Q4FY15 stood at ₹73.7 million as against ₹107.2 million Y-o-Y representing a margin decline from 6.0 per cent to 4.1 per cent
- General and administrative expenses in FY15 increased to ₹463.3 million compared to ₹420.7 million Y-o-Y due to investment in people and resources over the year to drive business growth
- WDL reported cash profit of ₹254.0 million in FY15

WDL continued to build on its footprint and steadily increased its restaurant base with gross additions of 27 new McDonald's restaurants, taking the total count to 209 in west and south India. Opening of new restaurants will drive future earnings by capitalizing on a rapidly growing consumer base with a preference for convenience and away-from-home dining options in west and south India. 07 new restaurants were added in Q4FY15 with a continued focus on drive-thru formats to help build on the Company's long-term competitive advantage. During the year, WDL entered 07 new cities of Aurangabad, Belagavi, Hubli, Mangaluru, Mehsana, Nadiad, and Thrissur.

Moving beyond merely transacting with its customers, but recognising and engaging with them, WDL modernized the restaurants to provide superior experience to its customers. The Company scaled multiple order-point strategies adding new features and technologies to make ordering and payment processes easier by introducing innovative queue-busting technology and tablet-order-takers to improve customer service times.

The Company focused on strengthening its position to become a customer-led and digitally led organisation. Besides, offering McDelivery service across 113 restaurants, WDL drove web and mobile ordering, launched free Wi-Fi in restaurants to better communicate with customers in a way that's relevant to them. McDelivery reported positive results of 30 per cent in the face of an intensely competitive market.

In addition, WDL accelerated its reimagining efforts by remodeling restaurants with inspirational, sophisticated designs that are complementary to the customers' lifestyles. 22 of the existing restaurants were remodeled with the majority adding McCafe capacity to capture additional guest counts. These re-imagining initiatives are positively impacting the business results.

Furthermore, WDL aggressively expanded its coffee business and added over 07 McCafe locations in Q4FY15, taking the total count to 37 across west and south market. Consistent and encouraging results have helped cement McCafe's status as a popular beverage destination. WDL is confident on its stated goal of establishing 50-75 McCafé's by December 2015.

The product initiatives are successfully leveraging McDonald's brand heritage of quality and innovation and are distinguishing the company in the competitive marketplace. McDonald's made a significant move by altering the fat content in the sauces and reducing the sodium content in its burgers, resulting in an overall decrease of 7-8 per cent in calories across the menu.

**Commenting further on the financial results, Amit Jatia said,** *"Looking ahead, we remain focused on strategies that will keep the McDonald's brand relevant, contemporary and compelling to our customers and deliver sustained profitable growth. We are confident that by harnessing the collective talents, resources and capabilities that we have, we will continue to grow our business in FY16 and for the long term."*

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***NOTE TO THE EDITORS:*** Westlife Development Limited and Hardcastle Restaurants follow an April-March fiscal year. The results reported are for the fourth quarter and fiscal year ended March 31, 2015.

**THE FOLLOWING DEFINITIONS APPLY TO THESE TERMS AS USED THROUGHOUT THIS RELEASE:**

<sup>[1]</sup> *Comparable sales (SSSG) represent sales at all restaurants operated by the Company, in operation at least thirteen months excluding those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimagining or remodeling, rebuilding, road construction and natural disasters. The number of weekdays and weekend days, referred to as the calendar shift/trading day adjustment, can impact comparable sales. In addition, the timing of holidays also can impact comparable sales.*

<sup>[2]</sup> *Restaurant Operating Margin represents the total revenue of company operated restaurants less the operating costs of these restaurants (including royalty etc.) before depreciation and corporate overheads; expressed as a percent of total revenues.*

**WESTLIFE DEVELOPMENT LIMITED**  
**Consolidated Financial Performance**

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
<b>REVENUES</b>		
Sales	7,597.9	7,319.0
Other Operating Income	42.4	64.9
Other Trading Revenues	2.9	19.1
<b>TOTAL REVENUES</b>	<b>7,643.3</b>	<b>7,403.1</b>
<b>OPERATING COSTS AND EXPENSES</b>		
<b>Store Operating Cost and Expenses</b>		
Food & Paper	3,177.0	3,137.8
Payroll and Employee Benefits	861.9	720.3
Royalty	268.2	231.9
Occupancy and Other Operating Expenses	2667.9	2,381.9
<b>General &amp; Administrative Expenses</b>	<b>463.3</b>	<b>420.7</b>
<b>Other (Income)/Expenses, (net)</b>	<b>(149.5)</b>	<b>(41.0)</b>
<b>Other Trading Operating Cost and Expenses</b>	<b>0.5</b>	<b>13.7</b>
<b>TOTAL OPERATING COSTS AND EXPENSES</b>	<b>7,289.2</b>	<b>6,865.3</b>
<b>OPERATING EBIDTA</b>	<b>354.0</b>	<b>537.8</b>
Extra-ordinary Expenses <sup>[1]</sup>	37.8	49.9
Financial Expense (Interest & Bank Charges)	102.1	46.3
Depreciation	504.4	435.0
<b>PROFIT BEFORE TAX</b>	<b>(290.2)</b>	<b>6.5</b>
Taxes	-	(3.0)
<b>PROFIT AFTER TAX</b>	<b>(290.2)</b>	<b>9.5</b>
<b>CASH PROFIT</b>	<b>254.0</b>	<b>487.6</b>

*[1] One-time expense due to scheme of arrangement and on account of assets written off pertaining to restaurants relocation/closure.*

**About Westlife Development:**

Westlife Development Limited (BSE: 505533), focuses on putting up and operating Quick Service Restaurants (QSR) in India through its subsidiary Hardcastle Restaurants Pvt. Ltd. (HRPL). The Company operates a chain of McDonald's restaurants in west and south India, having a master franchisee relationship with McDonald's Corporation USA, through the latter's Indian subsidiary.

Marquee investors such as Arisaig India Fund Ltd, Vontobel Fund and Tree Line Asia Master Fund (Singapore), Ward Ferry Fund, SBI Mutual Fund among others are stakeholders in WDL and the company will continue to broad base its investors over the coming years.

**About Hardcastle Restaurants:**

Hardcastle Restaurants Pvt Ltd (HRPL) is a McDonald's franchisee with rights to own and operate McDonald's restaurants in India's west and south markets. HRPL has been a franchisee in this part of India since its inception in 1996.

HRPL serves approximately 185 million customers, annually, at its 209 (as of March 31, 2015) McDonald's restaurants across 26 cities in the states of Telangana, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Kerala and parts of Madhya Pradesh, and provides direct employment to over 7,500 employees. McDonald's operates through various formats and brand extensions including standalone restaurants, drive-thru's, 24/7, McDelivery, dessert Kiosks. The menu features Burgers, Finger Foods, Wraps, Hot and Cold Beverages besides a wide range of desserts. Several of the McDonald's Restaurant feature in-house McCafé.

The pillars of the McDonald's system – Quality, Service, Cleanliness and Value – are evident at each of the restaurants where HRPL operates.

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