

PRESS RELEASE

FOR IMMEDIATE CIRCULATION

## Westlife Development Ltd Announces Consolidated Unaudited Results for the Third Quarter

**Mumbai, February 7, 2014:** Westlife Development Limited (WDL), a company listed on the Bombay Stock Exchange (BSE: 505533), today announced its consolidated unaudited financial and operating results for the third quarter ended December 31, 2013. The results were taken on record by the Board of Directors at a meeting held in Mumbai, today.

Revenues of Westlife Development Ltd for Q3FY14 has marginally gone up by 3.9 per cent, to ₹1,794.5 million, (year-over-year) Y-o-Y basis, riding on the restaurant operations of its subsidiary, Hardcastle Restaurants Pvt. Ltd. (HRPL), a master franchisee for west & south India operations of McDonald's Restaurants.

### **FINANCIAL HIGHLIGHTS FOR QUARTER ENDED DECEMBER 31, 2013:**

- **Revenue growth of 3.9 per cent year-over-year to ₹1,794.5 million**
- **EBIDTA stood at ₹159.6 million**
- **PAT stood at ₹39.8 million**
- **Cash Profit stood at ₹166.4 million**
- **Total Restaurant network at 183; Y-o-Y additions at 30; 10 new restaurant openings in Q3FY14**

Although the environment of muted top-line growth and ongoing cost pressures persisted in Q3FY14, the company continued to pursue its long term growth opportunities and expand its restaurant footprint across its market in west & south India.

Retaining high-quality restaurant managers, valuing our talent pool, and providing fast, friendly service to our guests have been the key factors to our continued success over the years.

**Commenting on the financial results for the quarter ended December 31, 2013, Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited said,** *“While the revenue growth remained relatively flat in Q3FY14, our financials are strong, our strategy is strong and our innovation engine is fast gaining pace. Focused initiatives in streamlining operations, optimizing costs and increasing localization coupled with powerful brand portfolio expansion will enhance WDL’s ability to serve and inspire consumers and elevate the marketplace. WDL is uniquely positioned to make investments today that will generate future value for the shareholders.”*

### **Q3FY14 RESULT ANALYSIS:**

- This quarter, WDL posted 3.9 percent growth in revenue on Y-o-Y basis to ₹1,794.5 million against ₹1,727.8 million in Q3FY13. The revenue growth is attributed largely to restaurant network expansion
- Y-o-Y restaurant additions stood at 30; 10 new restaurant openings in Q3FY14; total network of 183 restaurants across west and south India
- Given the testing macro-economic scenario, comparable sales (SSS) saw a dip of (9.8) per cent as against a growth of 3.2 per cent in the same quarter of the previous year
- Gross margins improved by ~305 bps Y-o-Y; driven by efficiencies in product management and menu pricing. This resulted in considerable reduction in food and paper costs.
- Restaurant operating margins expanded by ~75 bps, Y-o-Y despite increased occupancy and utility costs. 25 per cent out of our total 183 restaurants form a part of the new restaurant base. These new restaurants will contribute positively to the cash flow as they mature over the next couple of years.
- EBITDA in Q3FY14 stood at ₹159.6 million compared to ₹172.5 million Y-o-Y, representing a margin decline from 10.0 per cent to 8.9 per cent. Consequently, EBITDA margin expanded by ~150 bps Q-o-Q; in spite of higher restaurant openings and softened comparable sales (SSS). There was an increase in Corporate General & Administration expenses by 120 bps Y-o-Y due to investment in people and resources over the year to drive business growth
- WDL generated healthy and steady cash profit of ₹166.4 million in Q3FY14 to fund its future capex and working capital requirements.

**Further commenting on the financial results Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited** said, *“In addition to the overall slowdown in the macro-economic scenario amid high inflation, the IEO market in general witnessed a sluggish growth which in turn affected discretionary consumer spends in Q3FY14. We experienced a significant softening in comparable sales beginning in the middle of Q2FY14 and continuing through the end of the year. Despite the challenging external environment, we did an excellent job of controlling what we could while ensuring that our guests continued to receive the high quality experience they have come to expect from McDonald’s.*

*Further building on our strategy of providing more options to our guests, we identified new opportunities to drive a profitable future. We are excited to begin showcasing the investments we made with the launch of our new brand extension, McCafe®, with which we introduced a new cafe format and an assortment of over 80 new, craveable menu items. We are confident that McCafe® will improve our overall return on invested capital and enhance shareholder returns in the foreseeable future. We successfully launched 3 McCafe’s® across Mumbai region in Q3FY14.*

*Intensifying our focus on the most critical tenets of the customer experience; we thoughtfully tailored our marketing promotions to remain relevant and appealing at a time when consumers are uncertain and the industry is sluggish. End of Q3FY14 saw the launch of our largest ever gift festival – “Kuch Paane Ke Liye Ab Bas Khana Padta Hai” - giving away gifts worth over ₹4000 million ranging from appetizing McDonald's menu items along with discounts coupons on Freecharge.com, online portals like Yatra.com and Flipkart.com. Furthermore, in order to engage and build customer loyalty, we launched the Smile cards promotion rewarding our customers with a free product on minimum purchase of ₹25 for every alternate visit.*

*WDL's outstanding brand and an aligned system; supports a continued steady pace for McDonald's restaurant expansions. We advanced our footprint with the launch of 10 new restaurants taking the overall count to 183 restaurants in the quarter ended 31st December, 2013. We added 05 restaurants in Maharashtra, 03 in Gujarat and 01 each in Karnataka and Andhra Pradesh.*

*Our expansion opportunities are unlimited as the market is relatively underpenetrated. We have the ability to drive an aggressive, yet disciplined growth plan by continuing to methodically expand our restaurant footprint, run our operations at best-in-class performance levels while creatively providing unique & craveable menu and an enticing atmosphere for family and friends, WDL has many years of solid growth ahead."*

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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 third quarter ending December 31, 2013 of the fiscal 2013-14.

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

*Comparable sales 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. Comparable sales are driven by changes in guest counts and average check, which is affected by changes in pricing and product mix. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends. 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.*

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

(₹ in millions)

Particulars	For the quarter ended December 31, 2013	For the quarter ended December 31, 2012	For the quarter ended September 30, 2013
<b>REVENUES</b>			
Sales	1,777.0	1711.3	1,818.2
Other Operating Income	17.5	16.5	16.0
<b>TOTAL REVENUES</b>	<b>1794.5</b>	<b>1727.8</b>	<b>1,834.2</b>
<b>OPERATING COSTS AND EXPENSES</b>			
<b>Store Operating Cost and Expenses</b>			
Food & Paper	778.6	802.1	806.1
Purchase of Traded Goods	(0.0)	3.6	0.0
Payroll and Employee Benefits	152.0	140.0	157.3
Royalty	56.6	56.3	57.8
Occupancy and Other Operating Expenses	550.3	491.4	583.5
<b>General &amp; Administrative Expenses</b>	105.8	81.0	104.2
<b>Other (Income)/Expenses, (net)</b>	(8.4)	(19.1)	(10.0)
<b>TOTAL OPERATING COSTS AND EXPENSES</b>	<b>1,634.9</b>	<b>1555.3</b>	<b>1,698.9</b>
<b>EBIDTA</b>	<b>159.6</b>	<b>172.5</b>	<b>135.3</b>
Extra-ordinary Expenses	-	-	11.7
Financial Expense (Interest & Bank Charges)	12.6	2.0	11.1
Depreciation	107.3	79.2	106.1
<b>PROFIT BEFORE TAX</b>	<b>39.7</b>	<b>91.3</b>	<b>6.4</b>
Income tax	(0.1)	(0.4)	(4.0)
<b>PROFIT AFTER TAX</b>	<b>39.8</b>	<b>91.7</b>	<b>10.4</b>
<b>CASH PROFIT</b>	<b>166.4</b>	<b>170.5</b>	<b>114.6</b>

### **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 among others are stakeholders in WDL and the company will continue to broad base its investors over the coming years.

In July 2013, the Bombay High Court approved Westlife Development Ltd's (WDL's) scheme of arrangement for consolidation of its subsidiaries in July 2013. As a result of the consolidation, Hardcastle Restaurants Private Limited (HRPL), a Master Franchisee for west & south India operations of McDonald's Restaurants, became a direct subsidiary of Westlife Development Limited (WDL).

On August 27th, 2013, Westlife Development Ltd rang a new era with the bell ringing ceremony at the Bombay Stock Exchange. This occasion marked the increased opportunity for Indian investors to participate in the scrip following the consolidation of group companies and consequent expansion of the equity base.

The WDL Board made a preferential allotment of Equity shares to Arisaig India Fund Ltd. The company allotted a total of 54.04 lakh Fully Paid Equity Shares to Arisaig India Fund Ltd; amounting to 3.47 percent stake in the company. The Company raised Rs. 180 crore through the preferential issue.

The long-term business potential of WDL remains attractive and company is on course of its mission of responsible and profitable growth for its shareholder.

### **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 165 million customers, annually, at its 183 (as of December 31, 2013) McDonald's restaurants in the states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Kerala and parts of Madhya Pradesh, and provides direct employment to over 8,000 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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