



WESTLIFE DEVELOPMENT LTD.

Regd. Off.: 1001, Tower-3, 10th Floor • One International Center

Senapati Bapat Marg • Prabhadevi • Mumbai 400 013

Tel : 022-4913 5000 Fax : 022-4913 5001

CIN No. : L65990MH1982PLC028593

Website: www.westlife.co.in | E-mail id :shatadru@westlife.co.in

Speech by Mr Amit Jatia-Vice Chairman to be delivered at the Annual General Meeting of Westlife Development Limited to be held on 15th September, 2022 at 3.00 pm.

Date: 15.09.2022

Dear Shareholders,

To everyone present at the 39th Annual General Meeting of Westlife Development Ltd., a very warm welcome. I hope that everyone, including your family, is safe and doing well.

The financial year 21-22 represented a landmark year for Westlife Development as the McDonald's brand completed 25 years of successful operations. We persisted through various shifts in market cycles as well as customer demand and looked outside the box to turn each market challenge into an opportunity. We created an eco-system that not just helped us but also raised the bar for the entire QSR industry.

This achievement is clearly reflected in the performance of the reviewed year, wherein we exceeded on a number of parameters. Your Company reported nearly 60% YoY growth in its revenues, with the convenience channel growing 77% YoY. We maintained a healthy gross margin of 65.4% during the year while the restaurant operating margin of 19.1% represented a 115 % increase last year. Besides consistent growth, we increased the proportion of profitable stores, strengthened our brand and technology platforms; and validated the portfolio approach to a profitable real estate presence.

We have reached a stage wherein our business model is generating healthy returns and cash. If we look at the last three quarters, our EBITDA margins have consistently remained north of 16%. Q1 FY23 was 17.1%. During the same period, we clocked an annualized Return On Capital Employed in the range of 25-40%. Our balance sheet is stronger than ever with nearly zero net debt.

As our average unit sales go beyond the current levels of Rs 67mn per year, we will have much better absorption of our fixed costs. At the same time, we are working on several initiatives on the cost side which will improve the operating efficiency further. All in all, we do see our margins and returns improving further in a progressive fashion over the medium term.

In conclusion, I think we are in a sweet spot with a cash-churning business model supported by strong industry growth potential. If we dissect the economy into several subsectors, you will notice that the QSR sector which stood at about Rs 315 bn in 2021 is likely to see a nearly 15% compounded annual growth rate over the next five years, which is one of the highest amongst various industries. India's average eating out frequency is still in a nascent stage compared to the global average, so the potential for growth is immense.

The eating-out industry in India is at a turning point, wherein high-quality, wholesome, and hygienic meals served in the most convenient arrangement have become a baseline of



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consumer needs for many. People are also looking for affordable meals which are easy on the pockets. At the same time, increased digital penetration has been unprecedented even in lower-tier towns which have significantly increased customer awareness, brand relevance, and aspirations.

We feel that all these levers would result in increased momentum and help us bolster our sectoral leadership. Many of you who have been associated with the company for a long time would know that our business model, strategy, and actions are premised on achieving long-term aspirations in a sustainable way. It is heartening for me to also share that our investments in digital, technology and supply chain has increased farmer incomes and employment whilst shaping the industry.

Today, we believe we are more resilient than ever with a sharp focus on **healthy, profitable, and consistent growth**.

The company is taking its leadership ahead through a commitment to emerge bigger, better, and bolder. We have always taken ambitious moves which have augured well for the business in the longer term. For example, creating a robust farm-to-fork supply chain from scratch, investment of over Rs 5 bn to build our brand in the South, and foraying into the Fried Chicken category to increase our market share. We are now firming up our vision for the next five years i.e., Vision 2026, wherein your company will take even bolder steps.

We have built a very solid pipeline of around 200 new stores that will be added over the course of the next three to four years taking our total store count to over 550. We are also putting a strong emphasis on driving Average Sales per Store of about Rs 70 - 80 mn through several strategic initiatives. We will invest roughly Rs 8–10 bn in these projects, all of which will be largely funded through our internal accruals. Along with our customer-focused approach, improving profitability and return profile will continue to remain a key focus area for the business.

Having said that it is just the beginning. I truly believe that we are at an attractive inflection point, following which our growth will be faster; and what we achieved across a quarter of a century is now likely to be compressed into just a few years enhancing value for all our stakeholders.

I thank you for your kind attention, and now we take up the formal business as set out in the Notice.