

March 05, 2024

Hardcastle Restaurants Private Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Ratings	-	-	[ICRA]AA- (Stable); outstanding
Total	-	-	

*Instrument details are provided in Annexure-1

Material Event

On February 23, 2024, the holding company of Hardcastle Restaurants Private Limited (HRPL) (franchise of McDonald's managing West and South India), M/s Westlife Foodworld Limited (WFL), released a statement regarding news reports related to the quality of cheese used in the product offerings of McDonald's. As per media reports, one of HRPL's outlets was suspended by the Maharashtra Food and Drugs Administration (FDA) on account of this issue. The media also reported the removal of the word 'Cheese' from the menus of McDonald's outlets in Maharashtra. WFL, in its statement, has commented that it has been adhering to the prescribed norms and is also actively engaging with competent authorities on the issue, and is currently awaiting final clarification.

Impact of Material Event

ICRA has taken note of the event, and the ratings remain unchanged at [ICRA]AA- (pronounced ICRA double A minus) with a Stable outlook. ICRA will continue to monitor the developments in this regard to understand its impact on the business and financial profile of the company and will review the situation when further clarity emerges on the subject.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Hardcastle Restaurants Private Limited was established by the BL Jatia family in 1995 as a joint venture (JV) between Hardcastle Restaurants Private Limited and the McDonald's Corporation. After HRPL reached a milestone of 100 stores in FY2010, McDonald's sold its shares and exited the JV in FY2011. The stake was acquired by Mr. Amit Jatia, who was the majority shareholder in HRPL. In FY2013, Westlife Development Limited (WDL), which is now Westlife Foodworld Limited (WFL), became the holding company for HRPL through a reverse merger (HRPL became the 100% subsidiary of WFL) and WFL was listed on the stock exchange. As of December 2023, the promoter's holding in WFL is 56.23%. On a standalone basis, WFL does not have any commercial operations. HRPL operates through 380 McDonald's restaurants across western and southern India (as on December 31, 2023) under a master franchisee arrangement with McDonald's Corporation.

Key financial indicators (audited)

Hardcastle Restaurants Pvt Ltd	FY2022	FY2023
Operating income	1575.6	2277.0
PAT	-1.2	112.3
OPBDIT/OI	13.1%	17.1%
PAT/OI	-0.1%	4.9%
Total outside liabilities/Tangible net worth (times)	3.1	2.8
Total debt/OPBDIT (times)	5.1	3.1
Interest coverage (times)	2.5	4.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2024)				Chronology of Rating History for the past 3 years		
		Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2023 (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				March 5, 2024	Feb 20, 2024			
1 Issuer Ratings	Long-term	-	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Issuer Ratings	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Issuer Ratings	-	-	-	-	[ICRA]AA- (Stable)

Source: Company

Annexure-II: List of entities considered for consolidated analysis – Not applicable

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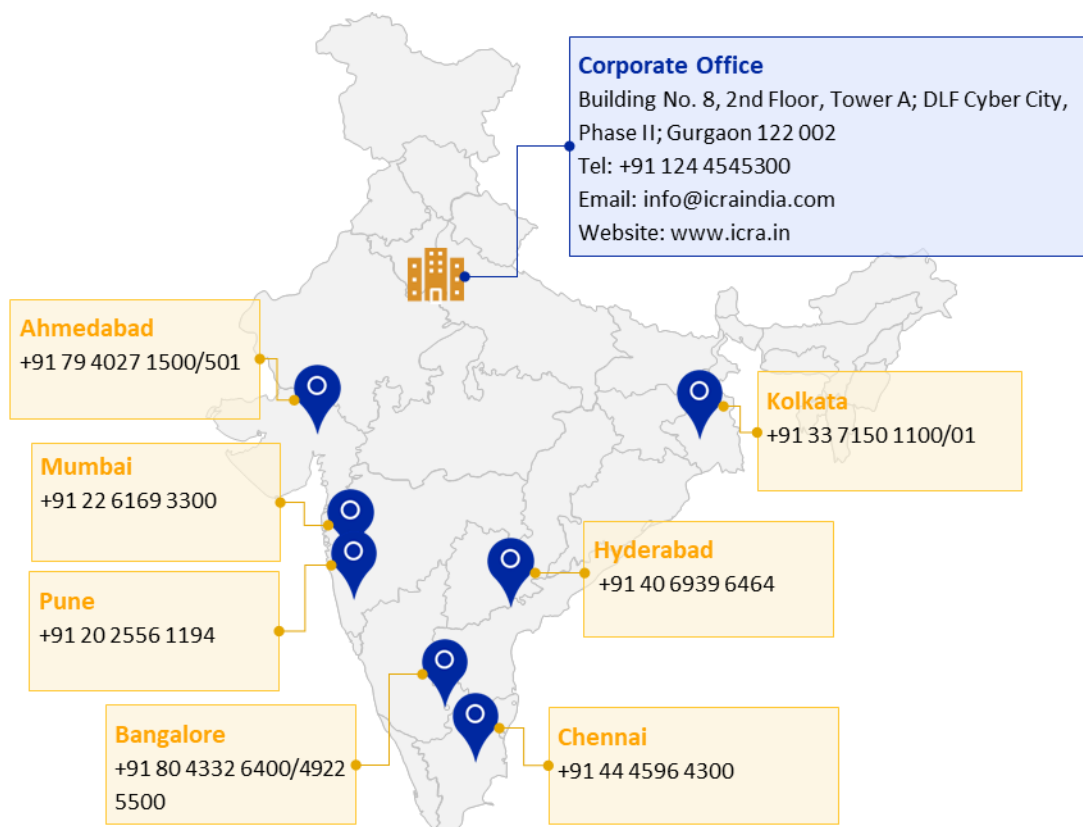


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