

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		Current Rating (FY2024)				Chronology of Rating History for the past 3 years			
		Type	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

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 45964318
ksrikumar@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Roshan Dugar
+91 20 6606 9924
roshan.dugar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.