

CMP: INR 104

Rating: BUY

TP: INR 276

Stock Info

| | |
|-----------------------------|---------|
| BSE | 507552 |
| NSE | FOODSIN |
| Bloomberg | FI:IN |
| Reuters | FDSI.BO |
| Sector | FMCG |
| Face Value (INR) | 1 |
| Equity Capital (INR cr) | 5.68 |
| Mkt Cap (INR cr) | 766 |
| 52w H/L (INR) | 178/ 95 |
| Avg Yearly Volume (in 000') | 286 |

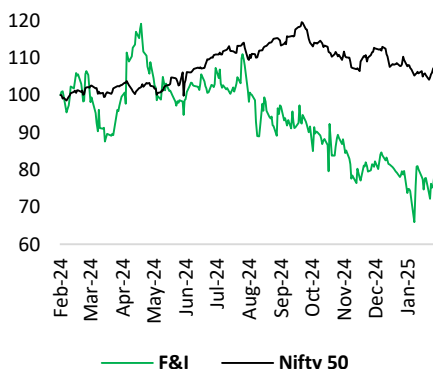
Shareholding Pattern %

(As on December 2024)

| | |
|-----------------|-------|
| Promoters | 25.47 |
| FII | 1.37 |
| DII | 1.14 |
| Public & Others | 72.03 |

| Stock Performance (%) | 1m | 3m | 12m |
|-----------------------|-------|--------|--------|
| Foods & Inns | (3.3) | (17.8) | (28.7) |
| Nifty 50 | (0.1) | (3.6) | 7.6 |

Foods & Inns Vs Nifty 50



Abhishek Jain

Abhishek.jain@arihantcapital.com

022 67114872

Anushka Chitnis

Anushka.chitnis@arihantcapital.com

022 67114870

Q3FY25 export tonnage was up 37% YoY, but down 28% MoM. Revenue came in at INR 1,894 Mn (+26% YoY). EBITDA was INR 186 Mn (+4% YoY), and EBITDA Margin clocked in at 9.8% (-210bps YoY). EBITDA Margin was impacted due to a notional Forex MTM loss of INR 4.19 Cr. PAT was INR 8 Mn (-79% YoY).

Pulps: The export shipment backlog of Q1 and Q2 was called off in Q3. However, the domestic call-offs continued to be slow. Rapid call-offs were witnessed in the last week of December which continued into the 1st month of Q4. Most of the order backlog in domestic markets will come up to speed by Q4. Since December, the new Tomato processing plant has been running at full capacity utilization. The low inventory holding period of the Tomato business is expected to improve the working capital position.

Frozen Food: The pastry line (base for samosas, spring rolls etc.) is helping with cost reduction in frozen snacks and they have started catering the product in HORECA market domestically, and in exports. They will start the commercial production of 2 more lines in this vertical which will result in doubling of capacity by the end of February 2025. The frozen business has been expanding with client additions and incremental business with existing clients. VAP development remains key.

Spices: Investments in increasing distribution reach have not yet yielded the desired results. However, upcoming marketing campaigns might help brand establishment. Domestic geographical and retail presence expansion is still underway, alongside the endeavor to push exports.

Tetra Recart: NPDs and product testing with brands as per their requirement is going on which will help garner traction in Tetra Recart in FY26. They have onboarded culinary consultants to suggest products and develop new ones as per international market requirements. No orders have been confirmed just yet, but talks are ongoing, and it is likely that revenues will flow in after 6 months.

Outlook and valuation: We expect the upcoming summer to be encouraging by way of call-offs for the pulp business (domestic juice demand). There are concerns by way of geographical expansion of Kusum not meeting expectations and volatile currencies leading to forex losses, however, we expect their long-standing relationships with marquee customers to act as a strong moat. Additionally, tomato and mango prices are on the decline which will alleviate cost pressures for the company. We assign a TP of INR 276 (Base Case), and maintain our strong BUY rating.

| INR Mn | FY23 | FY24 | FY25E | FY26E | FY27E | FY28E |
|-------------------|-------|--------|--------|--------|--------|--------|
| Net Sales | 9,994 | 10,268 | 10,622 | 11,723 | 13,047 | 14,412 |
| YoY | 58% | 3% | 3% | 10% | 11% | 10% |
| EBITDA | 994 | 1,270 | 1,318 | 1,436 | 1,638 | 1,849 |
| PAT | 474 | 434 | 516 | 587 | 753 | 930 |
| YoY | 210% | -8% | 19% | 14% | 28% | 23% |
| EPS (INR) | 9.3 | 7.6 | 7.1 | 8.0 | 10.3 | 12.7 |
| YoY | 206% | -18% | -8% | 14% | 28% | 23% |
| EBITDA Margin (%) | 9.95% | 12.37% | 12.41% | 12.25% | 12.56% | 12.83% |
| EV/EBITDA (x) | 8.0 | 6.9 | 5.9 | 5.0 | 4.0 | 2.9 |
| P/E (x) | 11.2 | 13.6 | 14.7 | 13.0 | 10.1 | 8.2 |

Source: Company, Arihant Capital

| INR Mn (Consolidated) | Q3FY25 | Q2FY25 | Q3FY24 | Q-o-Q | Y-o-Y |
|--------------------------------|---------------|----------------|---------------|----------------|-----------------|
| Revenue from Operations | 1,894 | 1,687 | 1,499 | 12.29% | 26.41% |
| Raw Material Costs | 1,130 | 1,000 | 963 | 13.04% | 17.40% |
| Gross Profit | 764 | 687 | 536 | 11.20% | 42.59% |
| <i>Gross Margin</i> | <i>40.33%</i> | <i>40.73%</i> | <i>35.76%</i> | <i>-40bps</i> | <i>458bps</i> |
| Employee costs | 117 | 122 | 79 | -4.13% | 48.16% |
| Other Expenses | 461 | 329 | 278 | 40.04% | 65.68% |
| EBITDA | 186 | 236 | 179 | -21.13% | 4.15% |
| <i>EBITDA margin</i> | <i>9.82%</i> | <i>13.99%</i> | <i>11.92%</i> | <i>-416bps</i> | <i>-210bps</i> |
| Depreciation | 53 | 50 | 40 | 5.12% | 31.49% |
| EBIT | 133 | 186 | 139 | -28.19% | -3.74% |
| Other Income | 33 | 25 | 17 | 35.13% | 98% |
| Finance costs | 158 | 128 | 103 | 23.55% | 54% |
| Share of P/L of JV & Associate | -0 | -1 | -0 | - | - |
| PBT | 8 | 82 | 52 | -90.40% | -84.96% |
| Tax Expense | -0 | -30 | 15 | -99.98% | -100% |
| <i>Effective tax rate %</i> | <i>-0.08%</i> | <i>-36.93%</i> | <i>28.12%</i> | <i>3685bps</i> | <i>-2819bps</i> |
| PAT | 8 | 112 | 37 | -92.99% | -79.06% |
| <i>PAT margin %</i> | <i>0.41%</i> | <i>6.64%</i> | <i>2.50%</i> | <i>-622bps</i> | <i>-209bps</i> |
| EPS (INR) | 0.10 | 1.53 | 0.70 | -93.46% | -85.71% |

Source: Company, Arianth Capital

Inventory levels: Inventory levels at the end of December were close to INR 600 Cr and hadn't moved significantly from September levels.

MTM loss: It was a notional (unrealized) loss incurred due to the rupee depreciation on USD- Sell forward contracts.

Guidance: Tomato and Spices revenue guidance of INR 100 Cr each by FY26 remains intact. The revenue target of INR 1,700 Cr by FY27 has been maintained. They expect to attain INR 350 Cr of the top line with 40,000 tonnes of sales in Q4.

Pectin: Revenues from the pectin JV will materialize in the end.

Client Concentration: 60% of their top line comes from their top 10 clients.

Spray Drying: The expanded capacity continues to run at full capacity from November 2024. There is also good traction in the export markets with new client additions.

| Income statement (INR mn) | FY23 | FY24 | FY25E | FY26E | FY27E | FY27E |
|---|--------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 9,994 | 10,268 | 10,622 | 11,723 | 13,047 | 14,412 |
| YoY (%) | 58.09% | 2.75% | 3.44% | 10.36% | 11.29% | 10.47% |
| Adjusted COGS | 7,008 | 7,113 | 6,923 | 7,459 | 8,252 | 9,102 |
| YoY (%) | 70.14% | 1.49% | -2.67% | 7.75% | 10.64% | 10.29% |
| Personnel/ Employee benefit expenses | 405 | 419 | 539 | 619 | 686 | 743 |
| Manufacturing & Other Expenses | 1,587 | 1,466 | 1,843 | 2,208 | 2,470 | 2,718 |
| Total Expenditure | 9,000 | 8,998 | 9,304 | 10,286 | 11,408 | 12,563 |
| YoY (%) | 103.04% | 27.80% | 3.73% | 8.99% | 14.06% | 12.87% |
| EBITDA | 994 | 1,270 | 1,318 | 1,436 | 1,638 | 1,849 |
| YoY (%) | 103.04% | 27.80% | 3.73% | 8.99% | 14.06% | 12.87% |
| EBITDA Margin (%) | 9.95% | 12.37% | 12.41% | 12.25% | 12.56% | 12.83% |
| Depreciation | 140 | 164 | 208 | 216 | 229 | 234 |
| % of Gross Block | 5.73% | 4.91% | 5.68% | 5.33% | 5.02% | 4.55% |
| EBIT | 854 | 1,106 | 1,110 | 1,220 | 1,410 | 1,615 |
| EBIT Margin (%) | 8.54% | 10.78% | 10.45% | 10.41% | 10.80% | 11.21% |
| Interest Expenses | 277 | 461 | 597 | 579 | 562 | 545 |
| Non-operating/ Other income | 21 | 67 | 134 | 161 | 182 | 201 |
| PBT | 646 | 711 | 647 | 804 | 1,031 | 1,273 |
| Tax-Total | 172 | 277 | 131 | 217 | 278 | 343 |
| Profit After Tax | 474 | 434 | 516 | 587 | 753 | 930 |
| PAT Margin | 4.74% | 4.23% | 4.86% | 5.01% | 5.77% | 6.45% |
| Shares o/s/ paid up equity sh capital | 51 | 57 | 73 | 73 | 73 | 73 |
| Adj EPS | 9 | 8 | 7 | 8 | 10 | 13 |
| Dividend per share | 0.2 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Dividend payout (%) | 2.67% | 6.13% | 7.09% | 6.23% | 4.85% | 3.93% |
| Retained earnings | 461 | 408 | 479 | 550 | 717 | 894 |
| Balance sheet (INR Mn) | FY23 | FY24 | FY25E | FY26E | FY27E | FY28E |
| Sources of Funds | | | | | | |
| Equity Share Capital | 51 | 57 | 73 | 73 | 73 | 73 |
| Reserves & Surplus/ Other Equity | 3,073 | 3,929 | 4,445 | 5,032 | 5,785 | 6,715 |
| Networth | 3,123 | 3,986 | 4,518 | 5,105 | 5,858 | 6,788 |
| Unsecured Loans/ Borrowings/ Lease | | | | | | |
| Liabilities | 51 | 16 | 16 | 16 | 16 | 16 |
| Other Liabilities | 293 | 544 | 558 | 588 | 630 | 685 |
| Total Liabilities | 4,989 | 6,287 | 6,428 | 6,516 | 6,649 | 6,805 |
| Total Funds Employed | 8,112 | 10,272 | 10,946 | 11,621 | 12,507 | 13,593 |
| Application of Funds | | | | | | |
| Net Fixed Assets | 2,347 | 2,852 | 2,926 | 3,077 | 3,320 | 3,630 |
| Investments/ Notes/ Fair value measurement | 292 | 307 | 351 | 408 | 477 | 561 |
| Current assets | 5,550 | 7,193 | 7,774 | 8,274 | 8,889 | 9,636 |
| Inventory | 3,328 | 3,843 | 3,296 | 3,108 | 2,947 | 2,395 |
| Days | 141 | 184 | 174 | 152 | 130 | 96 |
| Debtors | 1,504 | 1,754 | 1,697 | 1,750 | 1,812 | 1,758 |
| Days | 45 | 58 | 58 | 54 | 51 | 45 |
| Other Current Assets | 468 | 1,126 | 1,191 | 1,259 | 1,333 | 1,410 |
| Cash and Cash equivalent | 173 | 387 | 1,482 | 2,017 | 2,615 | 3,836 |
| Current Liabilities/Provisions | 4,398 | 5,343 | 5,570 | 5,749 | 5,962 | 6,190 |
| Creditors / Trade Payables | 1,244 | 941 | 1,137 | 1,255 | 1,397 | 1,543 |
| Days | 46 | 39 | 39 | 39 | 39 | 39 |
| Liabilities | 28 | 113 | 124 | 136 | 148 | 162 |
| Net Current Assets | 1,152 | 1,850 | 2,203 | 2,524 | 2,927 | 3,446 |
| Total Asset | 8,112 | 10,272 | 10,946 | 11,621 | 12,507 | 13,593 |
| Total Capital Employed | 6,960 | 8,422 | 8,742 | 9,097 | 9,580 | 10,147 |
| Cash Flow Statement (INR mn) | FY23 | FY24 | FY25E | FY26E | FY27E | FY27E |
| Profit After tax | 646 | 711 | 647 | 804 | 1,031 | 1,273 |
| Depreciation and amortisation | 140 | 164 | 208 | 216 | 229 | 234 |
| Interest adjustment | 255 | 394 | 463 | 417 | 380 | 345 |
| Change in assets and liabilities | 882 | 1,019 | 1,223 | 1,257 | 1,399 | 1,545 |
| Inventories | -1,234 | -515 | 547 | 189 | 161 | 552 |
| Trade receivables | -558 | -250 | 57 | -53 | -62 | 54 |
| Trade payables | -56 | -303 | 197 | 118 | 142 | 146 |
| Other Liabilities and provisions | 136 | 130 | 20 | 50 | 58 | 68 |
| Other Assets | 42 | -683 | -44 | -47 | -49 | -52 |
| Taxes | -60 | 187 | -7 | -19 | -17 | -14 |
| Net cash from operating activities | 263 | 640 | 1,993 | 1,494 | 1,631 | 2,300 |
| Net Sale/(Purchase) of assets, CWIP | -605 | -669 | -281 | -367 | -472 | -544 |
| Net Sale/(Purchase) of investments | -102 | -7 | -26 | -37 | -47 | -60 |
| Others | 11 | 60 | 116 | 141 | 160 | 177 |
| Net cash from investing activities | -696 | -616 | -191 | -262 | -359 | -427 |
| Interest expense | 17 | -176 | -11 | -11 | -12 | -12 |
| Dividend paid | -13 | -27 | -37 | -37 | -37 | -37 |
| Other financing activities | 408 | -33 | -580 | -578 | -561 | -545 |
| Net cash from financing activities | 531 | 7 | -707 | -697 | -673 | -651 |
| Closing Balance | 123 | 155 | 1,250 | 1,785 | 2,383 | 3,604 |
| FCF | -320 | -283 | 1,741 | 1,191 | 1,276 | 1,949 |
| Capex (% of sales) | 5.83% | 9.00% | 2.35% | 2.56% | 2.68% | 2.44% |

Source: Company, Arihant Capital

| Key Ratios | FY23 | FY24 | FY25E | FY26E | FY27E | FY28E |
|-----------------------------------|--------|--------|--------|--------|--------|--------|
| Solvency Ratios | | | | | | |
| Debt / Equity | 0.92 | 0.98 | 0.86 | 0.76 | 0.66 | 0.57 |
| Net Debt / Equity | 0.86 | 0.88 | 0.53 | 0.37 | 0.22 | 0.01 |
| Debt / EBITDA | 2.89 | 3.06 | 2.95 | 2.71 | 2.38 | 2.11 |
| Current Ratio | 2.72 | 2.76 | 1.83 | 1.31 | 0.78 | 0.03 |
| DuPont Analysis | | | | | | |
| Sales/Assets | 1.23 | 1.00 | 0.97 | 1.01 | 1.04 | 1.06 |
| Assets/Equity | 2.60 | 2.58 | 2.42 | 2.28 | 2.13 | 2.00 |
| RoE | 15.18% | 10.89% | 11.42% | 11.50% | 12.86% | 13.70% |
| Per share ratios | | | | | | |
| Reported EPS | 9.31 | 7.65 | 7.06 | 8.03 | 10.30 | 12.72 |
| Dividend per share | 0.25 | 0.47 | 0.50 | 0.50 | 0.50 | 0.50 |
| BV per share | 61.32 | 70.21 | 61.79 | 69.82 | 80.12 | 92.84 |
| Cash per Share | 31.94 | 33.63 | 40.30 | 48.34 | 57.37 | 73.33 |
| Revenue per Share | 196.20 | 180.89 | 145.27 | 160.32 | 178.43 | 197.10 |
| Profitability ratios | | | | | | |
| Net Profit Margin (PAT/Net sales) | 4.74% | 4.23% | 4.86% | 5.01% | 5.77% | 6.45% |
| Gross Profit / Net Sales | 29.88% | 30.73% | 34.83% | 36.37% | 36.75% | 36.85% |
| EBITDA / Net Sales | 9.95% | 12.37% | 12.41% | 12.25% | 12.56% | 12.83% |
| EBIT / Net Sales | 8.54% | 10.78% | 10.45% | 10.41% | 10.80% | 11.21% |
| ROCE (%) | 8.51% | 13.06% | 12.56% | 12.00% | 12.51% | 13.52% |
| Activity ratios | | | | | | |
| Inventory Days | 141.21 | 184.02 | 173.81 | 152.08 | 130.36 | 96.05 |
| Debtor Days | 44.74 | 57.91 | 58.31 | 54.48 | 50.69 | 44.51 |
| Creditor Days | 46.46 | 38.83 | 39.08 | 39.08 | 39.08 | 39.08 |
| Leverage ratios | | | | | | |
| Interest coverage | 3.09 | 2.40 | 1.86 | 2.11 | 2.51 | 2.96 |
| Debt / Asset | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| Valuation ratios | | | | | | |
| EV / EBITDA | 8.04 | 6.93 | 5.85 | 5.00 | 4.01 | 2.90 |
| PE (x) | 11.17 | 13.60 | 14.74 | 12.96 | 10.09 | 8.18 |
| OCF/EBITDA (%) | 26.42 | 50.41 | 151.24 | 104.04 | 99.55 | 124.38 |

Source: Company, Arianth Capital

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

| Head Office | Registered Office |
|---|---|
| #1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880 | 6 Lad Colony Y. N. Road Indore - 452003, (M.P.) Tel: (91-731) 4214100 Fax: (91-731) 3016199 |

| Stock Rating Scale | Absolute Return |
|--------------------|-----------------|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

| Research Analyst Registration No. | Contact | Website | Email Id |
|--------------------------------------|-------------------------|--|--|
| INH000002764 | SMS: 'Arihant' to 56677 | www.arihantcapital.com | instresearch@arihantcapital.com |

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880