

CMP: INR 1,059
Rating: ACCUMULATE
Target Price: INR 1,240
Stock Info

BSE 540724

NSE DIAMONDYD

Bloomberg DIAMOND:IN

Reuters PRAT.NS

Sector Packaged Foods

Face Value (INR) 5

Equity Capital (INR cr) 12

Mkt Cap (INR cr) 2,503

52w H/L (INR) 1,450/ 747

Avg Daily Volume (in 000') 40

Shareholding Pattern %
(As on September 2024)

Promoters 59.53

FII 6.31

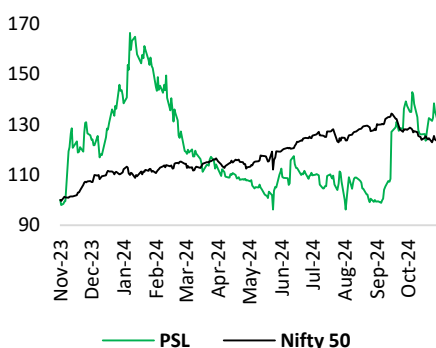
DII 8.96

Public & Others 25.21

Stock Performance (%) 1m 3m 12m

PSL (6.6) 28.2 28.3

Nifty 50 (4.1) (1.7) 22.6

PSL Vs Nifty

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The company delivered a disappointing result with misses all across. Revenue grew 1.69% YoY to INR 439 Cr (+4.68% QoQ), missing our quarterly revenue estimate of INR 457 Cr by 4%. Gross Margin contracted 459bps YoY to 29.23% (-217bps QoQ). EBITDA de-grew 50.02% YoY to INR 19 Cr (-36.12% QoQ), missing our estimate of INR 47 Cr by 58%. EBITDA Margin contracted 454bps YoY to 4.39% (-280bps QoQ), missing our estimate of 10.18% by 579bps. PAT de- grew 63.27% YoY to INR 6 Cr (-34.54% QoQ), missing our estimate of 21 Cr by 70%. The DDM reduced distribution costs from 14% to 10%. Sales force automation has been implemented to enhance efficiency and streamline operations.

Cost pressures persist: The company experienced significant cost pressures, with potato prices rising by 60-65% YoY. Other key ingredients, including wheat and gram, also saw steep inflation, impacting profitability. Palm oil prices are expected to increase further in Q3 due to high import duties, adding additional strain on margins. To counter rising input costs, the company implemented strategies such as reducing product grammage, optimizing trade margins, and cutting costs across different areas. The company is also working on process optimization and may consider further grammage adjustments if necessary.

Capex and Utilization: Current facility utilization is at 55-60%, with no major capex planned. The focus remains on improving the efficiency and output of existing production facilities to maximize returns without additional investments.

Guidance: They aim for a long-term EBITDA margin over 10% and ROCE between 15-20%.

New launches and the export market: Industry-wide volume pressures were prevalent. The company performed well in the INR 5 price point packs and saw strong results in the pellet snacks category. The company launched its premium "Brand Seven Diamond" snack line and began initial export operations, with full dispatches planned for Q3. Additionally, products were listed on a quick commerce platform in Q2, with plans to expand onto more platforms in Q3.

Valuation & Outlook: We anticipate strengthened rural demand in H2 accompanied by favorable seasonal trends. We assign a TP of INR 1,240 valued at a P/E multiple of 50x the FY26E EPS of INR 24.8, yielding an upside of 17% and an 'Accumulate' rating.

Particulars (INR cr)	FY23	FY24	FY25E	FY26E
Revenues	1,653	1,618	1,747	1,905
YoY growth (%)	18.4	(2.1)	8.0	9.0
Operating profit	62	142	105	162
OPM (%)	3.8	8.8	6.0	8.5
Reported PAT	20	55	32	59
YoY growth (%)	(34.0)	171.0	(41.6)	84
EPS (Rs)	8.7	23.1	13.5	24.8
P/E (x)	122.3	45.9	78.7	42.7
Price/Book (x)	3.7	3.5	3.3	3.1
EV/EBITDA (x)	40.6	18.1	22.9	14.6
Debt/Equity (x)	0.1	0.1	0.1	0.1
RoE (%)	3.1	7.6	4.3	7.5

Source: Company Filings & Arihant Research

Quarterly Result

INR Cr (Consolidated)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Net Revenue	439	419	431	4.68%	1.69%
Other Operating Income	2	2	2	1.05%	4.70%
Raw Material Costs	313	290	288	7.93%	8.71%
Gross Profit	128	132	146	-2.54%	-12.12%
<i>Gross Margin</i>	<i>29.23%</i>	<i>31.39%</i>	<i>33.82%</i>	<i>-217bps</i>	<i>-459bps</i>
Employee costs	20	19	19	2.88%	4.17%
Other Expenses	89	82	88	8.62%	1.01%
EBITDA	19	30	39	-36.12%	-50.02%
<i>EBITDA margin</i>	<i>4.39%</i>	<i>7.19%</i>	<i>8.93%</i>	<i>-280bps</i>	<i>-454bps</i>
Other Non Operating Income	3	2	2	14.44%	38.23%
Depreciation	18	18	15	1.07%	14.64%
EBIT	4	15	25	-72.37%	-83.52%
Finance costs	2	2	1	-15.15%	24%
Exceptional Items	9	-	-	-	-
PBT	11	13	24	-12.29%	-51.74%
Tax Expense	5	3	6	51.56%	-21%
<i>Effective tax rate</i>	<i>44.65%</i>	<i>25.84%</i>	<i>27.28%</i>	<i>1881bps</i>	<i>1738bps</i>
PAT	6	10	17	-34.54%	-63.27%
<i>PAT margin</i>	<i>1.43%</i>	<i>2.29%</i>	<i>3.97%</i>	<i>-86bps</i>	<i>-254bps</i>
EPS (INR)	2.58	3.95	6.93	-34.68%	-62.77%

Source: Company Filings & Arihant Research

Concall Highlights:

- Implemented weight reductions and trade margin reforms to counteract cost pressures on inputs.
- **Rationalized operations:** Closed third-party operations in Bangalore and merged them into an owned facility.
- Established a new facility in Jharkhand.
- Transitioned to a direct distribution model nationwide.
- Introduced sales force automation in most regions.
- Engaging consultants to identify potential cost savings and efficiency improvements.
- The new Jammu plant is expected to significantly boost sales and market share.
- Initial disruptions and adverse impacts in some areas following the transition to direct distribution and trade margin reductions.
- Reassessing the roll-out of the DMS after mixed outcomes from initial pilot tests.
- Peak XV Partners, previously Sequoia Capital, exited a 47% stake in September 2024, acquired by Authum Group and Ms. Mahi Madhusudhan Kela. An open offer has been initiated.
- Secured approval under the government's PLI scheme.
- Strategic pivot towards higher price points by boosting the contribution of large pack sales.
- Actively participating in international trade exhibitions to amplify export business.

Company Financials

Consolidated Income statement (INR cr)	FY23	FY24	FY25E	FY26E
Revenue	1,653	1,618	1,747	1,905
Net Raw Materials	1,192	1,077	1,075	1,143
Power & Fuel Cost	0	0	35	38
Employee Cost	75	76	70	95
Contract labour	0	0	411	448
Freight & forwarding charges	0	0	122	133
Advt & Sales	0	0	17	19
Other Expenses	323	323	271	295
Total Expenditures	1,591	1,475	2,001	2,171
EBITDA	62	142	157	181
EBITDA %	3.8	8.8	9.0	9.5
Depreciation	(62)	(68)	(80)	(91)
Interest expense	(7)	(6)	(5)	(4)
Other income	8	9	9	10
Exceptional items	-	(1)	-	-
Profit before tax	2	78	81	95
Taxes	19	(23)	(25)	(29)
Reported Net profit	20	55	56	66
Consolidated Balance sheet (INR cr)	FY23	FY24	FY25E	FY26E
Equity capital	12	12	12	12
Reserves	665	717	771	835
Net worth	676	729	783	847
Debt	81	81	66	51
Deferred tax liab (net)	(0)	17	17	17
Total liabilities	757	827	866	915
Fixed assets	383	466	336	345
Capital Work In Progress	15	1	1	1
Other Intangible assets	152	141	141	141
Goodwill	46	46	46	46
Other non current assets	42	34	10	11
Net working capital	47	41	23	23
Inventories	135	142	142	151
Sundry debtors	14	11	12	13
Loans & Advances	20	18	5	6
Other current assets	24	34	37	40
Sundry creditors	(104)	(115)	(123)	(134)
Other current liabilities & Prov	(42)	(50)	(49)	(54)
Cash	29	31	236	269
Other Financial Assets	43	68	73	80
Total assets	757	827	866	915
Consolidated Cash Flow Statement (INR cr)	FY23	FY24	FY25E	FY26E
Profit before tax	2	78	81	95
Depreciation	62	68	80	91
Tax paid	19	(23)	(25)	(29)
Working capital Δ	(5)	6	18	1
Operating cashflow	77	129	154	158
Capital expenditure	(105)	(137)	50	(101)
Free cash flow	(27)	(8)	204	58
Equity raised	34	2	-	-
Others	40	(5)	18	(7)
Debt financing/disposal	(23)	(0)	(15)	(15)
Dividends paid	(3)	(5)	(2)	(2)
Other items	(24)	18	-	-
Net Δ in cash	(3)	2	205	33
Opening Cash Flow	32	29	31	236
Closing Cash Flow	29	31	236	269

Source: Company Filings & Arianth Research

Ratios

Ratio analysis	FY23	FY24	FY25E	FY26E
Growth matrix (%)				
Revenue growth	18.4	(2.1)	8.0	9.0
Op profit growth	7.1	128.2	10.4	15.1
EBIT growth	(55.9)	932.2	3.9	14.7
Net profit growth	(34.0)	171.0	2.6	16.9
Profitability ratios (%)				
EBITDA margin	3.8	8.8	9.0	9.5
Net profit margin	1.2	3.4	3.2	3.5
RoCE	14.6	7.4	7.2	7.9
RoNW	3.1	7.6	7.5	8.1
RoA	2.7	6.4	6.5	7.2
Per share ratios				
EPS	8.7	23.1	23.7	27.7
Dividend per share	1.0	2.0	1.0	1.0
Cash EPS	35.2	51.5	57.0	65.9
Book value per share	288.3	305.3	327.9	354.6
Valuation ratios				
P/E	99.4	37.4	36.4	31.1
P/B	3.0	2.8	2.6	2.4
EV/EBIDTA	33.2	14.8	12.0	10.2
Liquidity ratios				
Debtor days	3.0	2.4	2.4	2.4
Inventory days	40.9	47.6	47.6	47.6
Creditor days	23.5	28.0	28.0	28.0
Leverage ratios				
Interest coverage	1.2	14.4	16.8	24.2
Net debt / equity	0.1	0.1	(0.2)	(0.3)
Net debt / op. profit	0.8	0.4	(1.1)	(1.2)
Du-Pont Analysis				
Tax burden (x)	13.4	0.7	0.7	0.7
Interest burden (x)	0.2	0.9	0.9	1.0
EBIT margin (x)	0.0	0.1	0.0	0.1
Asset turnover (x)	2.8	2.5	2.4	2.4
Financial leverage (x)	0.9	0.9	1.0	1.0
RoE (%)	3.1	7.8	7.5	8.1

Source: Company Filings & Arian Research

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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%

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