

- On a consolidated basis, ADF Foods topline increased by 24.8% YoY and 18.5% QoQ to Rs 1,536 mn led by higher sales volume and better product mix.
- EBITDA grew by 29.6% YoY and 27.2% QoQ to Rs343 mn. EBITDA margin increased by 82bps YoY and 153bps QoQ to 22.3%.
- PBT grew by 35.9% YoY and 18.8% QoQ to Rs311 mn. Net profit was up by 55.7% YoY and 31.1% QoQ to Rs250 mn. Overall Q4FY24 performance was above our estimates.
- The company continued to witness strong demand across all brands. The flagship 'Ashoka' brand saw continued addition of new products and launch in new markets as well as increased penetration in existing markets.
- Under the 'SOUL' brand, the Company added leading e-commerce platforms including Swiggy Instamart for wider reach
- The distribution business issues is getting resolved at a gradual pace. Although, the supply chain challenging pertains.
- The management is aiming to generate for Rs1 bn sales through ADF Soul (pickels and chutneys) over next 3 years via General and Modern trade in domestic markets.
- During the year, company got listed in 2 more chains in US (300 Stores) for truly Indian and in Germany (1000-1500 stores), UK (500-600 stores). Going ahead, company is expecting \$1 mn of revenue in FY25.
- The company is planning an investment of Rs130 mn and Rs80-100 mn towards SOUL and Truly Indian. The capacity utilisation Nadiad and Nasik plant stands at 70% as per product lines. Total capex to be spent will be around Rs1000 mn in next 18 months.
- Surat greenfield plant will be operational in 15 months. Going ahead, company is planning to launch 20 additional products such as Frozen foods, sauces etc under SOUL brand.
- ADF is currently selling only on e-commerce platforms such as their own website, Amazon, and Big Basket. ADF remains confident in achieving its target of doubling the topline in every four years. Moreover, they intend to keep EBITDA margins at a sustained level of 18-20% and 20% topline growth in FY25. We remain confident towards the growth prospects in coming quarters and profitability. **Therefore, we maintain our BUY rating on the stock with target price of ₹300.**

Quarterly Results

Consolidated						
(In ₹ mn)	Q4FY24	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Net Sales	1,536	1,297	18.5%	5,203	4,503	15.6%
Operating Expense	1,193	1,027	16.2%	4,154	3,709	12.0%
EBITDA	343	270	27.2%	1,049	793	32.3%
Other Income	18	38	-53.1%	111	125	-11.6%
Depreciation	44	40	10.0%	156	137	13.5%
EBIT	317	268	18.4%	1,004	781	28.5%
Interest	6	6	2.4%	23	27	-11.9%
PBT	311	262	18.8%	981	755	30.0%
Tax	60	71	-14.6%	243	196	23.8%
Net Profit	328	267	31.1%	594	414	43.6%

Consolidated						
Margins	Q4FY24	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Operating Margin %	22.3%	20.8%	153bps	20.2%	17.6%	255bps
Net Margin %	16.3%	14.7%	157bps	14.2%	12.4%	178bps

Source: Company, Anand Rathi Research

Consolidated Financials

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Net Sales	4,503	5,203	6,308	7,181
Operating Expense	3,696	4,154	5,069	5,795
EBITDA	806	1,049	1,238	1,386
Other Income	112	111	126	144
Depreciation	137	156	201	224
EBIT	781	1,004	1,163	1,306
Interest	27	23	21	19
PBT	755	981	1,142	1,287
Tax	196	243	286	322
PAT	559	738	857	965
Margins	FY-23	FY-24	FY-25E	FY-26E
Sales Growth %	6.9	15.6	21.2	13.8
PAT Growth %	15.1	32.1	16.1	12.6
EBITDA Margin %	17.9	20.2	19.6	19.3
Net Margin %	12.4	14.2	13.6	13.4

Source: Company, Anand Rathi Research

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Liabilities				
Equity Share Capital	224	224	224	224
Reserves & Surplus	3,969	4,188	4,935	5,790
Total Shareholder's Funds	4,192	4,411	5,158	6,014
Minority interest	24	9	9	9
Long-Term Liabilities	496	487	487	487
Other Long-term Liabilities	12	15	15	15
Deferred Tax Liability	96	113	113	113
Short-term Liabilities	431	526	599	682
Total	5,250	5,561	6,381	7,319
Assets				
Net Fixed Assets	1,816	1,387	1,786	1,862
Long-Term L&A	134	667	667	667
Non Current Investments	-	-	-	-
Other Non-Current Assets	1	1	1	1
Current Asset	3,299	3,505	3,927	4,789
Total	5,250	5,560	6,381	7,319
(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
EPS (₹)	5.1	6.7	7.8	8.8
P/E (x)	44.3	33.8	29.1	25.8
P/B (x)	1.2	1.1	1.0	0.8
ROE	20.9	18.3	14.1	13.3

Key Risks:

- The company is engaged in exports. Therefore, fluctuations in currency can dampen their financial performance.
- The company remains exposed to sharp fluctuations in raw material prices. Any hike in input cost cannot be entirely passed on to customers due to competitive environment.
- Significant part of its revenues from UK, US and Middle-east. Therefore, any macro challenges can affect the performance of the company

Rating and Target Price history

ADFFOODS rating history & price chart



Source: Bloomberg, Anand Rathi Research

Note: Prices are as on 13 May 2024 close.

ADFFOODS rating details

Date	Rating	Target Price (₹)	Share Price (₹)
13-Oct-2023	BUY	300	240
08-Nov-2023	BUY	300	234
07-Feb-2024	BUY	300	198
13-May-2024	BUY	300	227

Source: Bloomberg, Anand Rathi Research

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