

May 13, 2024

Result Update – Q4FY24

CMP : ₹227

Target : ₹300

ANAND RATHI

- 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 (pickles 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 Rath Research

(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
<u>Liabilities</u>				
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
<u>Assets</u>				
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

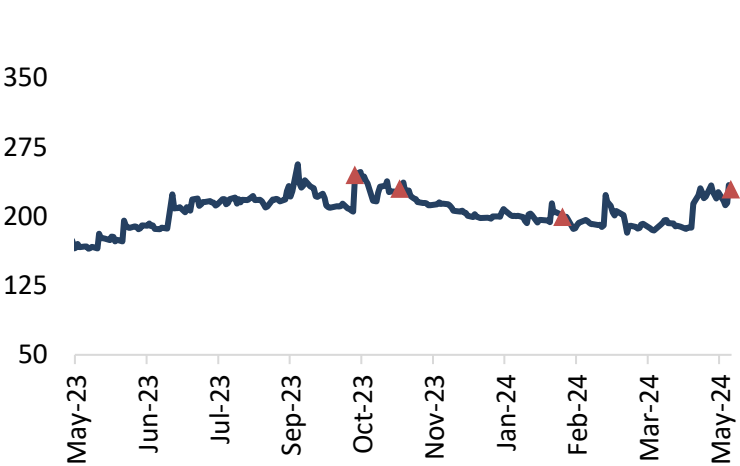
Key Risks:

- ❑ 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 Rath 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 Rath Research



Disclaimer:

Analyst Certification

- ❑ The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter “SEBI”) and the analysts’ compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report

Anand Rathi Ratings Definitions

- ❑ Analysts’ ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid-Caps & Small Caps as described in the Ratings Table below::

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

Disclaimer:**Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014**

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd (BSE), National Stock Exchange of India Ltd. (NSEIL), Metropolitan Stock Exchange of India Ltd. (MSE), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. (CDSL), ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: - This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable.

ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Continued...

Disclaimer:

Contd...

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Copyright: - This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Contd...



Disclaimer:

Contd.

- ☐ Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates
- ☐ Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Sr. No.	Statement	Answers to the Best of the knowledge and belief of the ARSSBL/ its Associates/ Research Analyst who is preparing this report
1	ARSSBL/its Associates/ Research Analyst/ his Relative have any financial interest in the subject company? Nature of Interest (if applicable), is given against the company's name?.	NO
2	ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?.	NO
3	ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report or at the time of public appearance?.	NO
4	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months.	NO
5	ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months.	NO
6	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.	NO
7	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months.	NO
8	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report.	NO
9	ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	NO
10	ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	NO

Disclaimer:

Contd...

Other Disclosures pertaining to distribution of research in the United States of America

Research report is a product of Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) under Marco Polo Securities 15a6 chaperone service which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution by only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, ARSSBL has entered into a chaperoning agreement with a U.S. registered broker dealer, Marco Polo Securities Inc. ("Marco Polo").

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

- ☐ As of the publication of this report, ARSSBL does not make a market in the subject securities.
- ☐ Additional information on recommended securities/instruments is available on request.
- ☐ Compliance officer-Deepak Kedia, email id - deepakkedia@rathi.com, Contact no. +91 22 6281 7000.
- ☐ Grievance officer-Madhu Jain-email id- grievance@rathi.com, Contact no. +91 22 6281 7191
- ☐ ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097. Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106