Sector: Packaged Foods | RESULT REVIEW Q1FY26 | Declared On: 13 Aug 2025

Foods & Inns Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs93	6.8	Hold	Rs115	24%

as on 19th Aug, 2025

About the Company:

Established in 1967, Foods and Inns Limited (F&I) is a well-known name that has pioneered in the food processing industry. The company primarily manufactures and markets a range of processed tropical fruit pulps, purees, and vegetables. The company commenced its journey ~50 years ago with mango processing business and today, F&I is one of the leading manufacturers of mango and guava pulp in India while catering to the Fortune-500 FMCG companies on a global level. Over the years, F&I has grown to be a major exporter of aseptic, canned and frozen fruit pulp, F&V chunks, RTE food and processed spices with established markets in the USA, Europe, Australia, Middle East and some Asian destinations. Some of the marquee clients include Coca Cola, BARR, Nestle, Unilever, Pepsico, Riedel, Kraft Heinz, Lacnor, Symrise, Argana, Epigamia, Paper Boat, Dohler, Les vergers Boiron etc. Headquartered in Mumbai (Maharashtra), the company has state-of-the-art factories; 1 in Maharashtra (in Nashik i.e. Sinnar and Gonde), 3 in Andhra Pradesh and 2 factories in Gujarat. The company owns brands/trademarks Madhu (Fruit Pulp), Green Top (IQF Vegetables), Kusum Masala (Spices), Triveni Global (Frozen Food) and Zatpat Zaldee (QSR and Frozen Food) and is selling products under these brands.

Results: Quick Glance:

- The net sales for the quarter under review de-grew by 4.5% to Rs2361mn as compared to Rs2473mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 10.3% as against 10.6% in Q1FY25
- The net profit came in at Rs71mn as against Rs70mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs0.96 as compared to Rs1.15 in the corresponding period last year

Conference Call Highlights:

- In Q1FY26, the drop in the margins was largely because of change in product mix and not due to weaker demand or cost pressures. The company has sold more chilli, garlic, and other such products, which generally carry lower margins, and also dealt in a cheaper variety of mango, which further reduced the margin percentage
- The company has also witnessed a significant drop in the Totapuri mango prices from ~Rs27 per kg last year to ~Rs8 per kg this year which has reduced the realizations, however the profitability has not been affected as the absolute gross profit increases, the working capital requirements will ease significantly (since the business works on a cost-plus model, wherein any fluctuations in the raw material prices are passed on to customers). Also ~70% of their mango procurement is Totapuri, this reduction in cost will directly translate into much lower working capital deployment on a per-ton basis
- In terms of **tomato** which is emerging as a strong growth segment, in FY25, the company was unable to fully cater to tomato demand due to capacity constraints, however, the same has eased now and inventory has already been built up. With this, the company expects tomato-based product sales to grow strongly from ~Rs750-800mn last year to nearly ~Rs1300-1400mn in FY26E
- In terms of the **spray-dried powder** business, the company is witnessing significant opportunity, particularly in the export market where customers are increasingly demanding high purity products. The current installed capacity is around 6MT per day, and the company is actively evaluating addition of another ~4-5MT per day
- On product portfolio, the Management indicated that while mango, tomato, and guava are the core pulps, they also process banana, papaya, chili, garlic, and others, and are exploring new fruits like jamun. A major focus area is frozen vegetables, which have been growing strongly over the past three years driven by both Indian and mainstream demand in Europe and the US, and the company is expanding contract farming in this category to ensure pesticide-compliant supply
- **Kusum spices** is now an established brand with strong recall, and F&I continue to build it steadily, especially in Western India where they are strengthening their presence; the strategy remains focused on long-term brand equity rather than aggressive short-term push
- On the **exports** front, the sales to the US account for ~USD7-8mn, which is ~8% of total revenue, and while recent tariff changes announced in the US have caused some short-term disruption, with certain customers holding back shipments; thus, the Management do not expect a major long-term impact

Conference Call Highlights (contd.):

- The Management indicated that the large conglomerates are entering the pulp business and the industry consolidation is underway, but they remain confident in their established procurement network and customer relationships. In addition to this, the global beverage brands are expanding capacity and allocating higher procurement budgets, which should drive volume growth for the company in the coming years. The Management also confirmed that they have longstanding supply relationships with marquee clients like Coca-Cola and PepsiCo, and also supply to major ice cream makers, Unilever's kitchen brands, and leading food companies like Capital Foods for chili and garlic-based ingredients
- The Management acknowledged that models like Sahyadri Farms have been successful in grapes through farmer cooperatives, and explained that the government's recently announced cluster development program which is an opportunity where F&I is actively exploring. If implemented effectively, this could enable larger farmer tie-ups around their processing facilities, helping them replicate similar benefits in pulps and other fruits, they see strong potential through instruments like Farmer Producer Organizations and cluster programs, some of which they are already piloting for mango in regions like Hong Kong and plan to extend to other crops
- The company regularly participates in leading global fairs such as Anuga in Cologne, SIAL in Paris, and Gulfood in Dubai, and is now planning to also exhibit in the US from next year given the growing importance of that market
- In terms of the PLI scheme, under the branding category (Category III), F&I had committed to spend ~Rs54mn overseas, but since the company's international retail distribution network is still underdeveloped, they decided not to deploy the spend and are therefore not claiming the corresponding government incentive of ~Rs27mn. However, under the capex category (Category I), they had committed investments to expand capacity, for which the company has already received ~Rs500mn as incentive, while the balance of nearly ~Rs950mn will be received over the next 3 years' time
- The top 10-12 customers (all fortune 500 companies), contribute ~65-70% of total revenues, giving the company a strong and stable order book
- On debt part, the Management highlighted that last year the working capital borrowings had increased due to both higher raw material prices and slower customer call-offs, but with raw material prices now has reduced significantly and turnaround in categories like tomato, working capital requirements per ton can reduce substantially
- Regarding the capex, the Management highlighted that all previously committed projects, including expansions under the govt.'s PLI scheme, have already been completed and are operational. While there are no large plans for major capex, they are exploring new opportunities such as cluster development schemes announced by the government, and any decision on fresh investments will be communicated in future quarters
- On the overall revenue target, the Management has indicated that the earlier given guidance of reaching ~Rs18bn by FY27E will be difficult due to lower raw material prices which will bring down sales realizations, but emphasized that the absolute profits and volumes will still improve steadily. They also highlighted that most of their procurement is linked to customer orders, which gives them visibility on volumes and ensures that the expected ~20% y-o-y procurement growth will be matched by growth in sales tonnage
- Overall, the Management continue to remain confidence that despite margins fluctuations, FY26E will see stronger volumes, improved gross profits, better working capital efficiency, and healthy growth in tomato and mango-related products

Financials:

Performance (Q1FY26)							
Q1FY26 Result (Rs mn)	**Jun-25**	**Jun-24**	**y-o-y**	**Mar-25**	**q-o-q**	**FY25**	**FY26E**
Total Revenue	2361	2473	(4.5%)	3973	(40.6%)	9921	10318
EBITDA	244	263	(7.3%)	478	(48.9%)	1163	1083
Other Income	31	40	(23.2%)	28	10.7%	125	128
Interest	117	141	(16.9%)	154	(24.1%)	582	481
Depreciation	57	51	12.1%	54	5.2%	207	223
Exceptional Items	0	0	-	0	-	0	0
Share of JV	(0.4)	(0.5)	-	(0.4)	-	(1.9)	(1.9)
Tax	30	41	(27.9%)	68	(56.4%)	79	132
Net Profit	**71**	**70**	**1.2%**	**229**	**(69.1%)**	**419**	**373**

Outlook and Recommendations:

In Q1FY26, the company has been witnessing some pressure on margins largely due to an unfavorable product mix, which reflected higher sales of lower-value pulps and spices. The sharp fall in raw material prices, particularly Totapuri mango, is expected to significantly ease working capital needs in the coming quarters while also providing headroom for improving absolute profitability. F&I is well placed to scale production and serve its global customer base, which includes several Fortune 500 brands in beverages, ice creams, and packaged foods. The strong customer concentration with global leaders provides revenue visibility, while ongoing farmer tie-ups, government-backed cluster programs, and contract farming initiatives in mango, guava, and frozen vegetables strengthen supply security and ensure compliance with stringent global standards. The company's export business, which contributes significantly to the revenues, is poised to benefit from its established international presence and plans to expand into the growing US market. However, short-term tariff uncertainty may temporarily impact order timelines. At the same time, new categories such as jamun-based products and frozen vegetables offer incremental growth drivers, while the B2B spice business under the Kusum brand and private-label partnerships in Q-commerce provide optionality to diversify revenues. The newly established centralized R&D center in Nashik will further support customer co-creation, enabling the company to remain a preferred supplier for multinational brands as they expand their own capacities. The debt levels are expected to reduce on the back of lower working capital and PLI incentives continuing to flow in over the next three years, the balance sheet is positioned to strengthen, creating room for selective investments in high-margin categories. Taken together, the company is entering a phase of stable, volume-led growth where absolute profitability should steadily rise, supported by capacity readiness, deeper integration with farmers, a widening product portfolio, and long-term relationships with global FMCG leaders. The execution of some of the projects in hand can take some time to flourish which can also put some more stress on the overall margins profile, thus we have cut our estimates and revised the target price to Rs115.

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