

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs176	9.4	Buy	Rs250	42%

*as on 17th Aug, 2023

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. The company has a rich experience and expertise of catering to more than 30 varieties of products processed via a workforce of 374 employees (March 31, 2021) and 3,000+ workers on contractual basis. 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 two state-of-the-art factories in Nashik i.e. Sinnar and Gonde, (Maharashtra), three factories in Chittoor, (Andhra Pradesh) and one factory in Valsad, (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 grew by 31.1% to Rs2,884mn as compared to Rs2,199mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 11% as against 7.9% in Q1FY23
- The net profit came in at Rs143mn as against Rs70mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs2.8 as compared to Rs1.4 in the corresponding period last year

Conference Call Highlights:

- The company has shown robust growth in the core business of pulping, along with consistent growth of other products which includes in-house branded sales. During the quarter under review, the domestic sales were impacted by **unseasonal rains** in North India which posed challenges to beverage consumption which led to reduced offtake by the larger brands in Q1FY24
- The company has received its 1st tranche of incentives under the **PLI scheme** for FY22, amounting to Rs97.1mn wherein the committed capex has been completed and sales revenue targets have been achieved for FY22 and FY23. The total PLI incentives expected is ~Rs1450mn
- To mitigate the issues related to the **Kusum Spices**, the company has started procuring pesticide-compliant raw materials from certified farmers for the FY24 procurement season. F&I is looking at targeting multiple avenues in the export and domestic market to ensure growth in this business
- Mango Pulp is the mainstay of the company contributing ~82% of revenues (in FY23). For the **pulp processing** business, the company is looking at selling higher tonnage in FY24 with a bullish outlook going ahead. The Tomato pulp segment continues to show promising growth and the Management is looking at expanding the Tomato Processing capacity in FY24. The current retail market prices of tomatoes is not impacting the contracts as the company is involved in cost-plus models for these procurement operations
- For the segment related to **spray dried powder**, the company has almost doubled the capacity which was commissioned in March 2023, the company is working on the product mix and the audit process with brands is currently in process. The new technology is helping fetch cost-effective edge
- The new **Tetra Recart** facility at Vankal (Gujarat) was commissioned in March-23 and the current season production under the brand Madhu for mango Aamras has been launched in the Gujarat market. The Management is planning to launch 6SKUs of RTE products under the brand Green Top by Oct'23. The total estimated cost of the project is ~Rs80-100mn and the facility is expected to be ready by September-October 2023
- F&I is investing in setting up a manufacturing facility (Beyond Mango) that will process fruit waste including mango waste and manufacture **Pectin**, Oils and Butter etc. which has a wide number of uses in industries like F&B, Pharma, Personal Care & Cosmetics

Conference Call Highlights:

- The company is looking at continuous **focus on capitalizing** the growing demand for existing products i.e. Mango Pulp in the core business of pulping. In order to increase/improve the utilisation in the Mango off-season, the company is adding other pulpy products
- The company is also focusing on **restructuring the brand** portfolio, growing brand sales in each of the segments, with innovative packaging via Tetra Recart for e.g., in the pulping division the brand Madhu, for the frozen foods brand Green Top and for the spices division the Kusum brand

Financials:

Performance (Q1FY24)							
Q1FY24 Result (Rs mn)	Jun-23	Jun-22	y-o-y	Mar-23	q-o-q	FY23	FY24E
Total Revenue	2884	2199	31.1%	3315	(13.0%)	9956	11449
EBITDA	318	173	83.7%	322	(1.3%)	956	1202
Other Income	21	11	98.7%	22	(2.5%)	59	64
Interest	94	57	64.1%	88	6.3%	277	336
Depreciation	42	36	16.1%	34	23.8%	140	163
Exceptional Items	0	0	-	1	-	53	0
Share of JV	(1)	(1)	(60.1%)	(3)	(81.5%)	(6)	0
Tax	60	19	-	69	(12.8%)	172	215
Net Profit	143	70	-	152	(5.7%)	474	552

Outlook and Recommendations:

The company has reported yet another quarter with stellar growth of ~31.1% on the topline when compared on a y-o-y basis. This growth is despite the decrease in pulp tonnage at 23697 (down by 13.0% on a y-o-y basis). F&I continues to focus on value creation coupled with sustainable growth where larger volumes are invariably leading to absorption of overheads and thus helping in improving the operational efficiency. The Management is continuously working for market expansion, adding newer geographies and newer value-added products. Some of the key triggers which favour F&I include the Quality Control Certifications which act as entry barriers, stickiness to marquee customers as well as diversified market presence, brand restructuring, reimagining packaging and looking at sustainable waste management alternatives. The emerging verticals of F&I include a lot of initiatives taken by the company. To improve the asset utilization during the mango off-season, the company has expanded into other fruits and vegetables in the last few years. With minimal modifications to the existing machinery the company has added products like Guava, Tomato, Chilly, Papaya, Banana, Tamarind, Ginger, Garlic etc., which contribute ~10% of overall revenues. The focus of the Management remains on delivering high quality products and capitalising on new opportunities to create long term value for the stakeholders. We maintain our revised target price of Rs250.

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