

**CMP: INR 154**

**Outlook: Positive**

**Stock Info**

BSE	507552
NSE	FOODSIN
Bloomberg	FI:IN
Reuters	FDSI.BO
Sector	FMCG
Face Value (INR)	1
Equity Capital (INR cr)	5.68
Mkt Cap (INR cr)	892
52w H/L (INR)	222 / 126
Avg Yearly Volume (in 000')	468

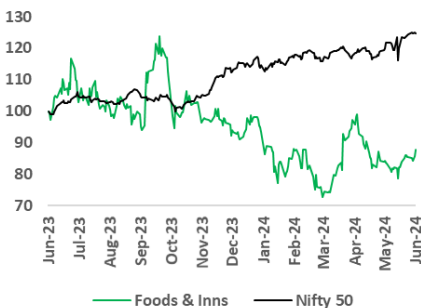
**Shareholding Pattern %**

(As on April, 2024)

Promoters	20.0
FII	0.29
DII	0.00
Public & Others	79.67

Stock Performance (%)	1m	3m	12m
Foods and Inns	4.6	19.3	(12.1)
Nifty 50	4.1	6.5	24.5

**Foods & Inns Vs Nifty 50**



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We visited the Sinnar and Gonda plants of Foods & Inns and interacted with the CFO, Mr. Anand Krishnan, as well as the plant head. Foods & Inns is engaged in the business of processing and marketing fruit pulps (mainly mango), concentrates, spray dried fruit & vegetable powders, powder of various spices, frozen vegetables & snacks.

**Demand:** The demand for pulp is increasing, with new players like Reliance entering the market. The company currently fulfills 45% of the mango pulp requirement for Coke for Maaza.

**Capacity:** Major capacity expansions have been completed, setting the current profit margins as a baseline and the company should benefit from operating leverage.

**Revenue Guidance:** The target for FY26 is INR 18,000-20,000 million (which is 2x the FY24 revenue), with a projected PAT of INR 1,000 million or more. The breakdown includes INR 13,000-14,000 million from mango pulp, INR 2,000 million from tomato pulp, INR 1,000 million from guava pulp, INR 1,500-2,000 million from frozen food, INR 1,000 million from Kusum spices, and INR 500 million from spray-dried powder.

**Capital Infusion:** The recent capital infusion of INR 1,000 million working capital debt will improve the working capital situation, which will lead to better credit ratings, reduced interest costs, and the ability to negotiate better advances with customers which will improve the overall inventory situation what has been shot for FY24.

**EBITDA margins:** Overall EBITDA margins are likely to improve from current levels. EBITDA margins are projected to be 12-15% for the Kusum spices business (35% Gross Margin) and 25% for the spray drying business.

**Tetra Recart:** The company has recently ventured into the Tetra Recart business with a recent capacity expansion of INR 300 million, which has a revenue potential of INR 900 million, with a gross margin of 15%. This can scale up to 40% gross margin in the next 2-3 years.

**Tomato Pulp:** The company is adding a tomato processing line at its Nashik plant, a prime region for tomato pulp production. Additionally, they have begun exporting tomatoes to Spain and Sri Lanka.

**Banana Pulp:** Tensions between Russia and Ecuador have opened up an opportunity for India in the banana pulp market, which is expected to materialize by FY25-26.

**Debt Equity:** The long-term target for the debt-to-equity ratio is 2:1, with the majority of the debt being working capital debt.

**Outlook and Valuation:** The company has completed majority of capacity expansion and we believe that the company can reach a revenue of INR 18,000-20,000 million in FY26. The revenue of mango pulp can reach to INR 14,000-15,000 million from the current revenue of INR 8,000 million. The frozen food segment is witnessing good demand globally and the company can generate a revenue of INR 2,000 million by FY26 from the current revenue of INR 460 million. The company is trading at 0.87x Sales FY24 and 24x P/E FY24 which is a very attractive valuation.

**Q1FY25 guidance:** We anticipate a minimum volume growth of 20% in pulp business in Q1FY25- on the base of FY23.

**Working capital and Margin improvement:** The company is also changing their strategy away from just-in time- procurement of fruit to avoid the seasonality that comes with it. This will lead to a gradual improvement in margins and inventory values.

**Capacity Utilization:** It crosses 100% when fruit is in season (the excess is outsourced for the 3-4 months). It is low for the remaining 8 months, which the company is attempting to fill with other products like tomato, guava, and banana.

**Tomato export:** The company is working to improve color and lycopene values of tomatoes to make them more desirable to export partners and domestic conglomerates like HUL.

**Tetra Recart opportunity:** Buyers in major markets like Europe and Canada are moving away from canned good and toward Tetra Recart technology which opens a huge opportunity in the HoReCa segment for Foods & Inns.

**Kusum Spice expansion:** The company expanded Kusum Spices into the North and West in FY24.

**Debtor days** for Q4FY24 were elevated due to a bulk of sales being done in March.

The **poor FCF and OCF generation** for the year was due to fruit procurement prices peaking.

The **gross margin** of mango and tomato pulp is the same.

INR Mn	FY21	FY22	FY23	FY24
Revenue	3,708	6,322	9,956	10,201
YoY	-5%	70%	57%	2%
EBITDA Margin	6.41%	8.25%	9.85%	11.79%
PAT	39	153	474	367
EPS (INR)	0.78	3.04	9.31	6.46
ROE	2.15%	7.77%	18.90%	9.21%
ROCE	6.64%	11.61%	18.72%	15.13%
D/E (x)	0.90	1.13	1.36	1.18
P/E (x)	69.63	27.54	12.72	20.16
P/B (x)	1.50	2.14	2.40	1.86

Source: Company Filings, Aриhant Research



Sorting of fresh mangoes on arrival



Sorting of mangoes once ripened



Mangoes sent for making pulp



Cutting of mangoes by skilled workforce



Packaging of Samosa (frozen food)



Packaging of Kathi roll layer (frozen food)

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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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