



INITIATING COVERAGE REPORT

ADF Foods Ltd

Market Cap.

Rs. 2,087 cr

52 Week H/L

Rs. 262 / 133

CMP

Rs.190

Target Price

Rs.239

FMCG

STOCK DATA

BUY

Reuters Code	AMRN.BO	
Bloomberg Code	ADFL IN	
BSE Code	519183	
NSE Symbol	ADFFOODS	
Face Value	Rs.2	
Shares Outstanding	10.99 Cr	
Avg. Daily Vol. (6m)	2,13,502	
Price Performance (%)		
1M	3M	6M
(3)	(10)	(10)

200 Days EMA Rs.199

SHARE HOLDING (%)

Promoters	36.3
FII	9.6
FI/MF	-
Body Corporate	5.3
Public & Others	48.9

RESEARCH ANALYST

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STRONG BRAND PRESENCE IN THE INTERNATIONAL MARKET COUPLED WITH CAPACITY EXPANSION TO PROPEL GROWTH

ADF Foods Limited (ADF) is one of the leaders in the manufacturing and distribution of food and has a strong brand presence spanning over nine decades. The company has an international presence with over 55+ countries, 180+ distributors, and over 400 SKUs. The company has 8 brands under its umbrella in the frozen foods, ready-to-eat/ready-to-cook items, and meal accompaniments. Currently, the company has an installed capacity of 28,000 MT; however, the company is undergoing a capex for capacity expansion. The capex is divided into 2 parts: greenfield capex (Rs. 60 cr) and brownfield expansion (Rs. 15 cr) until FY26. The debottlenecking activity done by the company has unlocked a potential of ~Rs.100 cr additional revenues.

HEALTHY FINANCIAL PROFILE ENABLES THE COMPANY TO STRONG ARM ANY ADVERSE MARKET TAILWINDS.

The company's revenues have grown at a CAGR of ~18.1% from FY19 to FY23 and were at Rs. 450.3 cr in FY23 from Rs. 231.4 cr in FY19. The EBITDA margins have significantly improved to 17.9% in FY23 as compared to 12.5% in FY19. Subsequently, the net profit margins have improved from 10.9% in FY19 to 12.4% in FY24. The company is a net-debt-free company with investments of Rs.104 cr as of March 31, 2023.

OUTLOOK & VALUATION

The company has launched a number of products in FY23 & FY24 and the same have gain traction during H1FY24. The company is expanding its installed capacity and debottlenecking its existing capacities can yield higher revenues in the near to medium term. **Hence, we have forecasted annual sales growth of 17%, 18% and 20% in FY24E, FY25E and FY26E derived a revenue of Rs. 746 cr for FY26E. We expect the PAT margins to remain in the range of 13%-14% through FY24E to FY26E and EPS of Rs. 9.2 in FY26E. As we assign a P/E multiple of ~26X we arrive at a price target of Rs. 239 which gives us an upside of ~26% from CMP of Rs. 190. Hence, we initiate coverage on ADF Foods Ltd with a BUY rating over an investment horizon of 24-30 months.**

Y/E Mar	Revenue (Rs. cr)	EBITDA (Rs. cr)	EBITDA (%)	PAT (Rs. cr)	NPM (%)	EPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY23	450.3	80.6	17.9%	55.9	12.4%	25.0	7.7	4.8	1.0
FY24E	526.8	102.2	19.4%	71.2	13.5%	6.4	30.1	4.1	4.4
FY25E	621.7	121.2	19.5%	82.8	13.3%	7.4	25.9	3.5	3.8
FY26E	746.0	147.7	19.8%	102.6	13.8%	9.2	20.9	2.9	3.3

COMPANY OVERVIEW

ADF Foods Limited was incorporated in 1932 as a small retail store selling dry fruits and nuts under the name of American Dry Fruit Stores; later, ADF was converted into a public limited company in 1991. ADF has steadily grown and diversified into one of the major food processing companies manufacturing ethnic Indian foods under various brands, with over 180+ distributors spread across 55+ countries and over 400+ SKUs.

The company has 8 brands under one roof and manufactures and distributes ethnic Indian food products like ready-to-eat foods, frozen parathas and naans, frozen vegetables, snacks, frozen paste cubes and paneer, frozen rolls, curry powder, papad, Indian pickles, chutneys, instant mixes, canned food, mango pulp, condiment pastes, vegetables in brine, cooking sauces and pastes, flavored water, spices, and frozen breads. The company has manufacturing facilities at Nasik in Maharashtra and Nadiad in Gujarat, which include capacities for cold and dry storage of raw materials and finished products. The company has also set up 2 distribution warehouses in the USA. ADF has successful brands like Ashoka, Camel, Truly Indian, PJ's, Nate's, Aeroplane, Khansaama, and ADF Soul across the globe in its portfolio through distribution networks in Europe, the United States, the Middle East, Australia, Canada, and Asia.

Ashoka: In 1988, ADF launched ethnic Indian food brand Ashoka with a strong presence in the US, Europe and Australia. Ashoka brand offers range of products which includes ready-to-eat curries, frozen foods, pickles, condiment pastes, mango pulp/slices, chutneys, pappadums, IQF ready-to-cook vegetables, and Microwaveable rice. It is primarily targeted for Indian diaspora worldwide with over 300 products.

Truly Indian: Truly Indian brand is launched to serve the perfect blend of Indian spices, herbs to give the true feeling Indian cuisine to the Indians living abroad. The complete range on Indian ready-to eat delicacies, chutneys, pastes are created and prepared in such manner, which is reflected in the authentic Indian taste.

SOUL: SOUL offers a range of premium quality food targeting the health conscious consumers. Product range comprising traditional ready-to-eat curries, pasta sauces, pickles, ginger garlic paste and mango chutney. It created a niche space in the market and become well recognised brand within short period. Soul offers India's first range of pickles made in virgin olive oil, making it more healthier option in pickles. Soul is a urban-centric brand and launched in India in 2011.

Nate's (US): Nate's is an fast growing vegetarian brand in US and EU. Product are preferred for healthy lifestyle due low sodium and fat content. Initially Nate's brand has Nate's Meatless Meatballs in Classic, Zesty Italian, and Savory Mushroom, and Nate's Mediterranean Bites in Kale, Garlic and Pesto, Sweet Potato, and Southwestern. Later Katti rolls, roti rolls and chaat are added under brand expansion.

PJ's Organics (US): PJ's is non-vegetarian organic brand burritos. It is Mexican fast food with low calorie, low sodium and low saturated fat stuffed with nutritious and quality ingredients in bread roll.

Camel: ADF acquired the 100-year-old brand pickle brand Camel in 1965. The brand was quite popular among Arabs who used to buy it during their visit to India. It offers range of arabic style pickles, spices cooking pastes & curry powder in Iraq, Qatar, Bahrain, Saudi Arabia, UAE, and Oman to other parts of the Gulf.

Aeroplane: Aeroplane brand offers variety of Chutneys, Curry Powders, Pickles, Tamarind pastes . ADF launched the 'Aeroplane' brand for Indian diaspora in middle - east countries in mid 70s.

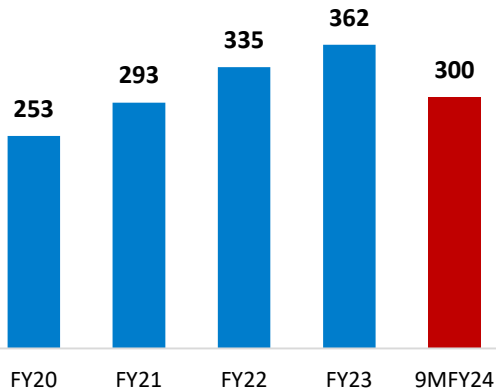
COMPANY OVERVIEW

Business Divisions

1. Processed Foods

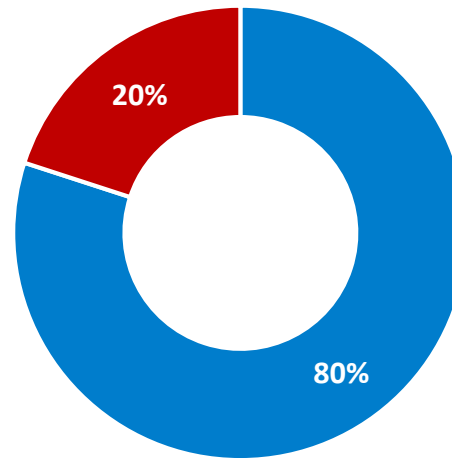
One of the largest Indian exporters of processed foods

Revenue (Rs. cr)



Own product portfolio of leading processed foods brands for South Asian diaspora and mainstream and domestic customers.

FY23

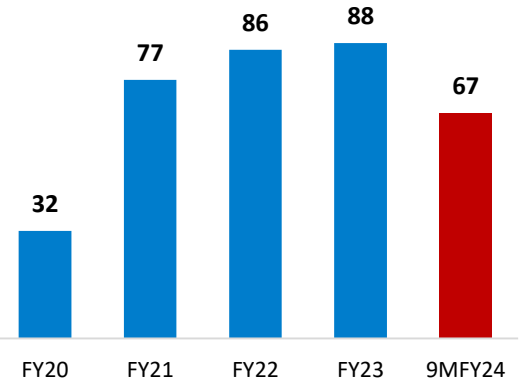


■ Processed Foods ■ Distribution

2. Distribution

Strong presence in US with a growing Europe market

Revenue (Rs. cr)



Agency distribution business for leading FMCG companies at an international level.

Select Key Products

Frozen Products

- Snacks-Punjabi Samosas, Batata Vada, Kathi Rolls
- Vegetables-Green Chilli, Mix Vegetable Cut, Methi, Palak
- Breads-Naans, Parathas

Ready-to-eat & Ready-to-cook

- Ready to eat-Pav Bhaji, Dal Makhani, Matar Paneer
- Ready to eat Vegan Bhindi Masala, Paneer (Tofu) Makhani

Food Accompaniments

- Pickles-Chilli, Lemon, Mango, Mixed
- Chutneys –Coconut, Coriander, Mint, Sandwich, PaniPuri, Date & Tamarind
- Sauces-Pasta and Pizza Sauce

Spices & Others

- Spices-Madras Curry Powder, Tamarind and other

400+ SKUs



Source: Company, Sushil Finance Research

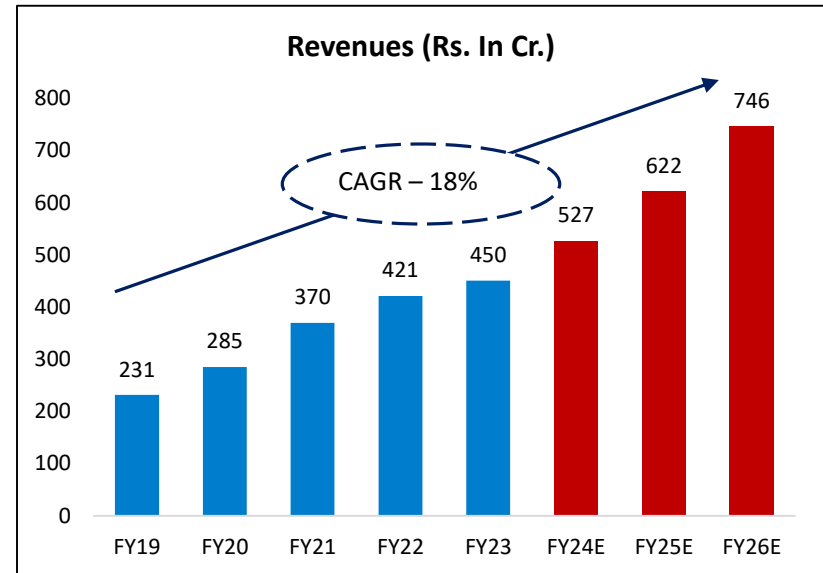
INVESTMENT RATIONALE – STRONG BRAND PRESENCE IN THE INTERNATIONAL MARKET COUPLED WITH CAPACITY EXPANSION TO PROPEL GROWTH TRAJECTORY

For more than 90 years, ADF Foods Limited (ADF) has maintained a significant position in the ethnic food sector. With operations spread across more than 55 countries, including those in North America, the United Kingdom, Europe, the Middle East, and Asia Pacific, it is one of the largest ethnic food processing enterprises in the world. The company can process 28,000 MT at its two manufacturing facilities in India. With two distribution warehouses in the United States and more than 180 distributors worldwide, the company also boasts a robust distribution network.

ADF houses eight global brands and more than 400 SKUs. The products include meal accompaniments, frozen foods, and ready-to-eat/cook items. In FY23, the company introduced 35 new items, and in the upcoming years, it plans to introduce even more.

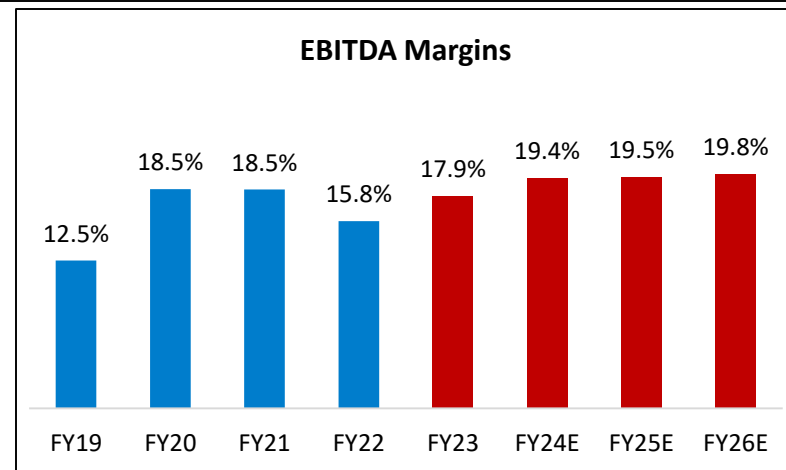
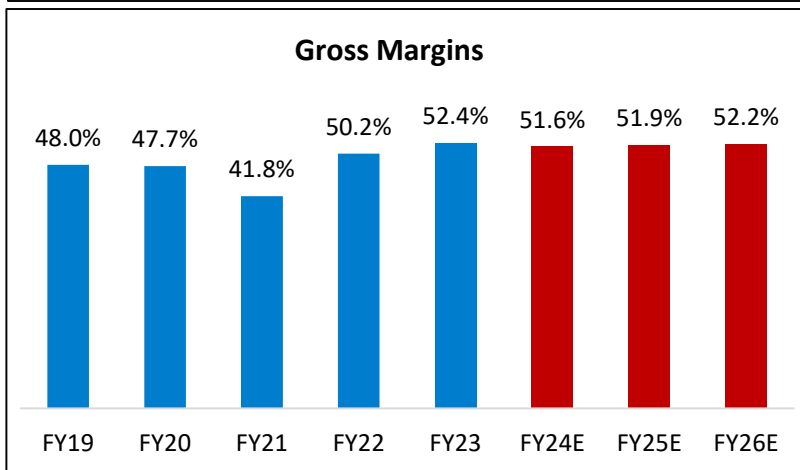
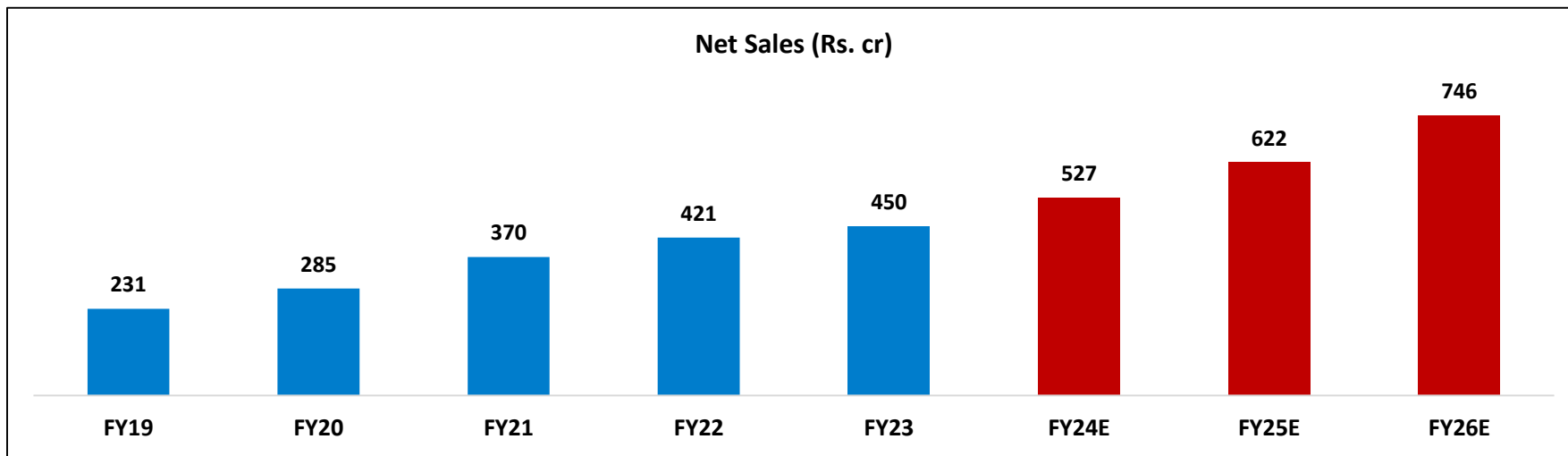
ADF intends to expand its current production facilities at Nadiad and Nasik through brownfield expansion and debottlenecking, which could generate ~Rs. 100 crore in revenue within two years. The company has also planned a cold storage expansion in Nadiad, worth approximately Rs. 15 cr, to further enhance throughput at the Nadiad facility. The company has planned a greenfield expansion in Surat, Gujarat, to increase its capabilities for frozen goods. Additionally, the company will be spending around Rs. 60 cr to unlock fresh capacity.

The company's robust position in the food processing sector, along with the global adoption of Indian cuisine and its planned capital expenditures to spur growth in the medium run, should be advantageous. Additionally, ADF possesses robust research and development skills to consistently create new products that cater to consumers' ever-evolving tastes. Most recently, the company unveiled a new line of ready-to-eat vegan and dairy-free items.

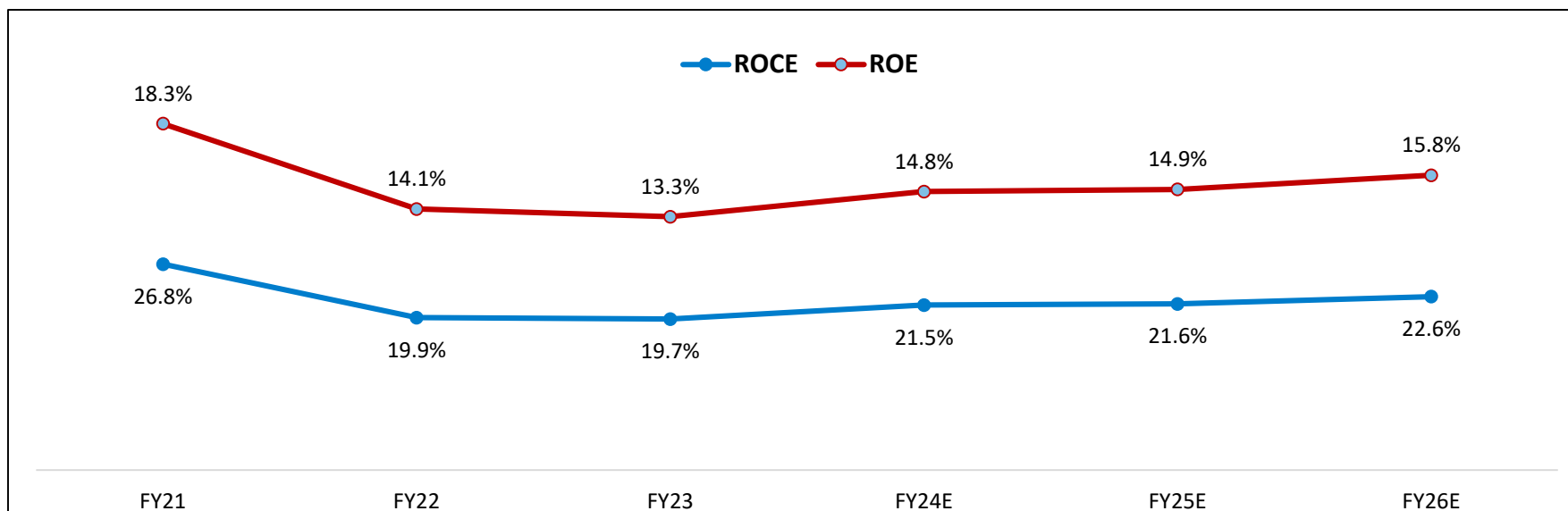
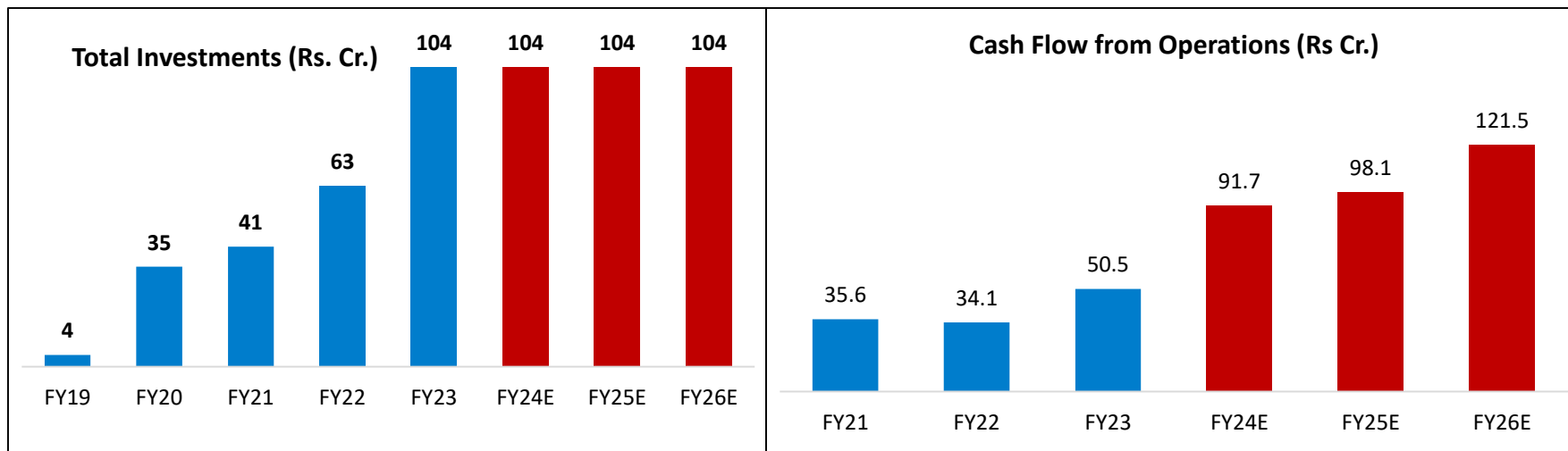


Source: Company, Sushil Finance Research

INVESTMENT RATIONALE- HEALTHY FINANCIAL PROFILE ENABLES THE COMPANY TO STRONG ARM ANY ADVERSE MARKET TAILWINDS.



Source: Company, Sushil Finance Research



Source: Company, Sushil Finance Research

INCOME STATEMENT

(Rs. cr)

Y/E March	FY22	FY23	FY24E	FY25E	FY26E
Total Revenue	421	450	527	622	746
Raw Material Cost	210	214	255	299	357
Employee Cost	24	30	35	42	51
Other Expenses	121	126	134	159	190
EBITDA	67	81	102	121	148
<i>EBITDA Margin (%)</i>	<i>15.8%</i>	<i>17.9%</i>	<i>19.4%</i>	<i>19.5%</i>	<i>19.8%</i>
Depreciation	9	14	15	18	19
EBIT	57	67	87	103	129
<i>EBIT Margin (%)</i>	<i>13.6%</i>	<i>14.9%</i>	<i>16.5%</i>	<i>16.6%</i>	<i>17.2%</i>
Finance Costs	2	3	3	4	3
Other Income	9	11	12	12	13
Profit before Tax	65	75	96	112	139
Tax Expense	16	21	25	29	36
Net Profit	49	56	71	83	103
<i>Net Margin (%)</i>	<i>11.5%</i>	<i>12.4%</i>	<i>13.5%</i>	<i>13.3%</i>	<i>13.8%</i>
EPS	22.7	25.0	6.4	7.4	9.2

Source: Company, Sushil Finance Research

Note: EPS has decrease due to share split from FV of Rs.10 to Rs.2.

BALANCE SHEET STATEMENT

(Rs. cr)

Y/E Mar.	FY22	FY23	FY24E	FY25E	FY26E
PP&E (incl. CWIP)	116	136	166	177	178
Other Non-Current	53	57	57	57	57
Inventories	76	63	77	94	112
Trade Receivables	71	94	108	133	164
Cash and Bank Balances	54	40	51	80	135
Other Current Assets	100	135	134	136	139
Total Assets	471	525	593	677	785
Equity Share Capital	21	22	22	22	22
Reserves & Surplus	322	397	459	533	627
Borrowings	11	-	-	-	-
Trade Payables	58	60	60	60	60
Other Financial Liabilities	32	23	28	34	44
Other Financial Liabilities	16	17	17	20	24
Other Current Tax Liab & Provisions	3	3	4	4	5
Total Liabilities	468	523	591	675	783

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

(Rs. Cr)

Particulars	FY22	FY23	FY24E	FY25E	FY26E
PBT	65	75	96	112	139
Depreciation	9	14	15	18	19
Interest	2	3	3	4	3
CFO before Working Cap chg	76	92	114	134	161
Chg in Inventories	(3)	13	(14)	(17)	(18)
Chg in Trade Receivables	(6)	(23)	(14)	(25)	(31)
Chg in Trade Payables	(3)	(9)	5	6	10
Income Taxes Paid	(16)	(21)	(25)	(29)	(36)
Cash Flow from Operations	34	51	92	98	122
Interest Paid	(2)	(3)	(3)	(4)	(3)
Dividend Paid	(6)	(9)	(9)	(9)	(9)
Other Adjustments	56	28	1	1	2
Cash Flow from Financing	33	(5)	(35)	(40)	(46)
Capital Expenditure	(69)	(34)	(45)	(30)	(20)
Other Adjustments	15	(29)	-	-	-
Cash Flow from Investing	(54)	(63)	(45)	(30)	(20)
Opening Cash	40	54	40	51	80
Total Cash Flow	14	(14)	12	28	56
Closing Cash	54	40	51	80	135

Source: Company, Sushil Finance Research

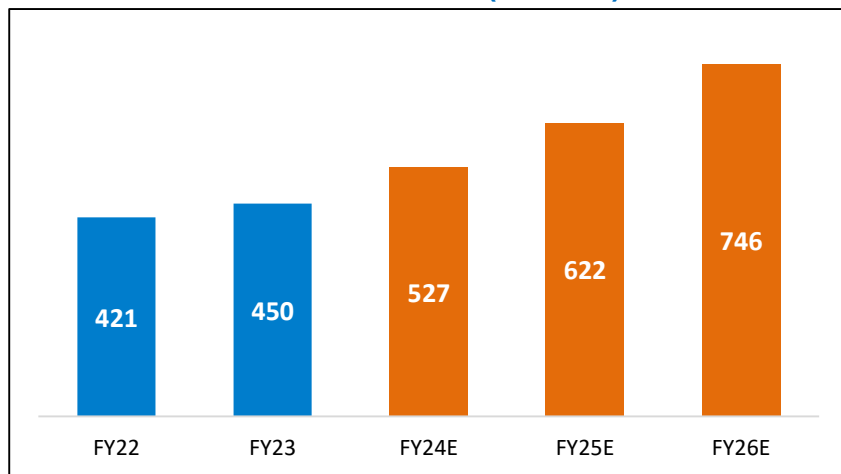
FINANCIAL RATIOS STATEMENT

Ratios	FY22	FY23	FY24E	FY25E	FY26E
<u>Growth (%)</u>					
Revenue	13.9%	6.9%	17.0%	18.0%	20.0%
EBITDA	-2.5%	21.1%	26.7%	18.6%	21.8%
Net Profit	-3.1%	15.1%	27.5%	16.3%	23.9%
<u>Profitability (%)</u>					
EBITDA Margin	15.8%	17.9%	19.4%	19.5%	19.8%
Net Profit Margin	11.5%	12.4%	13.5%	13.3%	13.8%
ROCE	19.9%	19.7%	21.5%	21.6%	22.6%
ROE	14.1%	13.3%	14.8%	14.9%	15.8%
<u>Per Share Data (Rs.)</u>					
EPS	22.7	25.0	6.4	7.4	9.2
BVPS	160.7	187.6	43.1	49.7	58.1
CEPS	27.0	31.1	7.7	9.0	10.9
<u>Valuation (x)</u>					
P/E	8.4	7.7	30.1	25.9	20.9
P/BV	1.2	1.0	4.4	3.8	3.3
EV/EBITDA	31.6	26.1	20.6	17.4	14.3
P/Sales	5.1	4.8	4.1	3.5	2.9
<u>Turnover</u>					
Inventory days	133	107	110	115	115
Debtor days	61	76	75	78	80
Creditor days	55	38	40	42	45
Net WC Days	139	145	145	151	150
<u>Gearing (x)</u>					
D/E	0.0	0.0	0.0	0.0	0.0

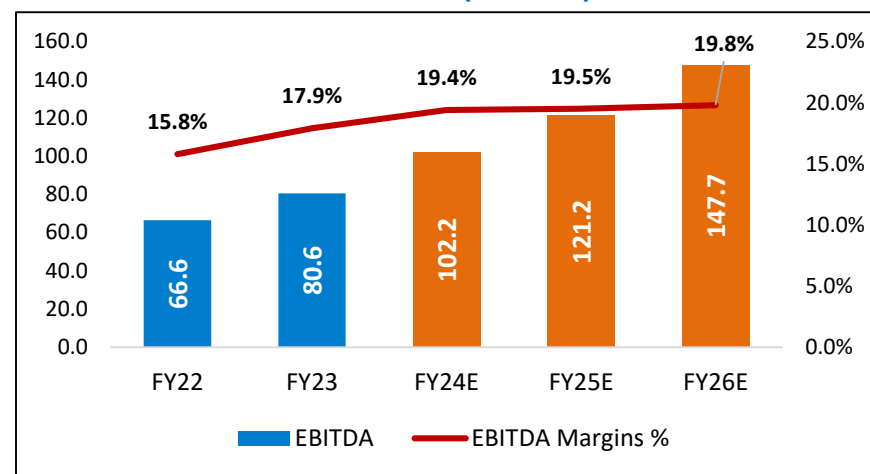
Source: Company, Sushil Finance Research

Note: EPS has decrease due to share split from FV of Rs.10 to Rs.2.

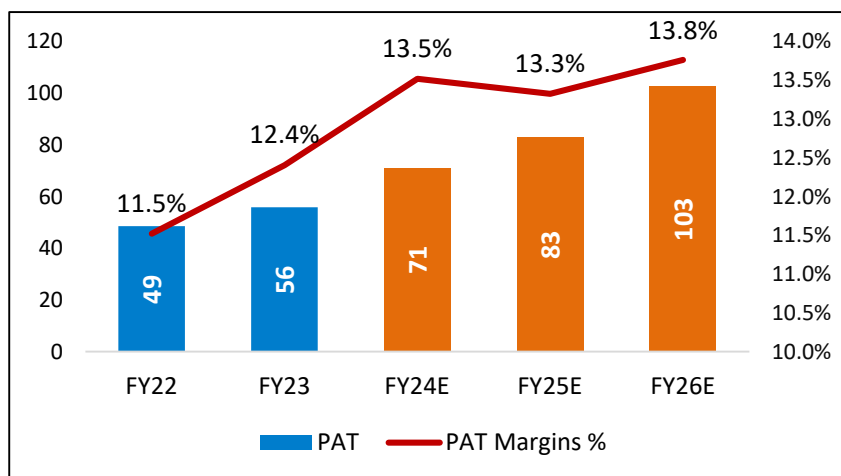
TOTAL INCOME (RS. Crs)



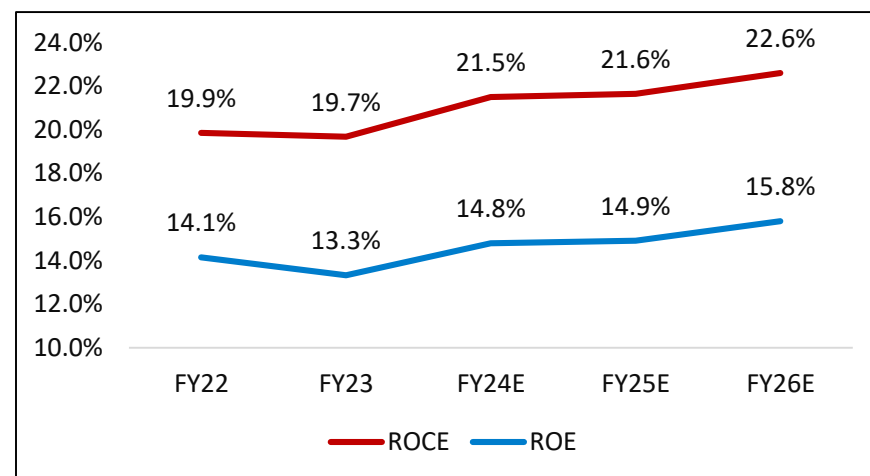
EBITDA (Rs. Crs)



NET PROFIT (Rs. Crs) & NP(%)

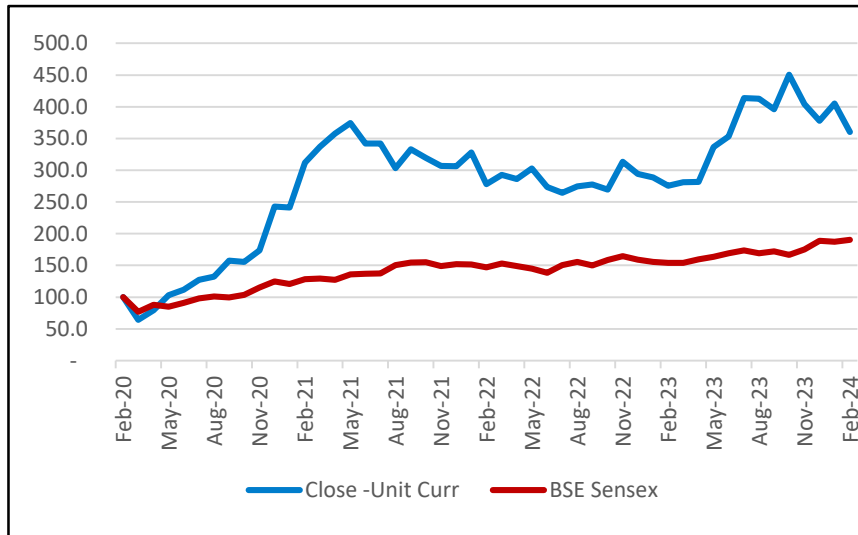
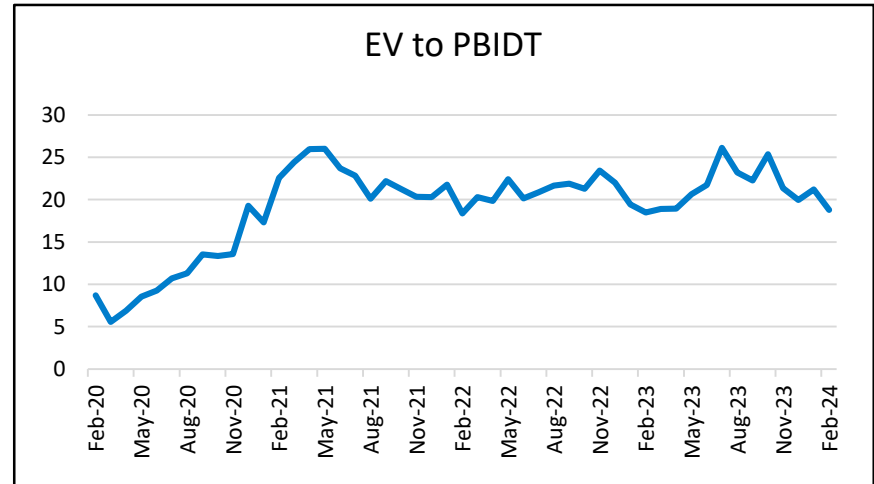


ROCE & ROE



Source: Company, Sushil Finance Research

MARKET INFORMATION



Source: Company, Sushil Finance Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No