

Bloomberg Code	ADFL IN
No of share O/S (in crs)	2.00
Market Cap (in Rs. crs)	1536.7
Face Value (in Rs)	10.00
Dividend Yield (%)	0.39
52 Wk High/Low (in Rs)	1049/333

ADF Foods targets to cross Rs 600 cr by FY24
Key Highlights
Q1FY22 witnessed growth in revenue to the tune of about 17% driven by demand and volume

ADF Foods reported a net revenue of Rs. 86.2 crores in Q1FY22, a growth of 16.7% on a YoY basis and -16.0% sequentially, driven by steady demand and volume offtake in the core business (67% contribution to revenue). The standalone business registered a revenue of Rs 61.9 cr (+64.5% YoY) in Q1FY22 due to scale of production post the initial Covid lockdown in the previous fiscal. The US subsidiary business contributed Rs 11 cr (13%) to revenue and the Agency Distribution business has contributed Rs 16.5 cr (19%) towards revenue. This represents a 28.2% decline but the company plans to keep focusing on this business as it helps strengthen their network and provides an additional lever for growth. The Indian business contributed 1% to revenue.

Raw material and freight costs have gone up but the company plans to mitigate impact by increasing prices

The EBITDA for the quarter was Rs 12.4 crores with a margin of 14.4% (-250bps YoY and -530bps QoQ). It declined by 0.3% YoY and 38.5% QoQ. EBIT Margin in the Agency Distribution business was 16% in the quarter and in the Processed and Preserved Foods vertical was 19%. Due to shortage of containers, freight cost (10% of revenue) has gone up but owing to its large size, the company has been able to pass on some of the increase by increasing prices by about 10%.

Other income grew by 456.7%/78.8% on a YoY/QoQ basis mainly due to foreign currency gains and treasury income. As a result, the net profit for the quarter stood at Rs 11.1 crores, marking a growth of 28.7% YoY and -25.4% QoQ. The net profit margin was 12.9% (+120bps YoY and -170 bps QoQ). The company continues to maintain a zero debt balance sheet.



Earnings Call Highlights

- The company has strengthened sales and marketing by hiring Mr John Campbell as an additional country manager for retail brands to handle US markets. It has also appointed Mr Simon Roberts as Sales Agent for the UK mainstream market.
- The newly leased capacity in Surat commenced commercial production from this quarter and this along with debottlenecking and modernization projects, which will increase capacity by 10%, will drive growth till FY23.
- From FY24 the company expects its greenfield expansions to come on-stream. With the 7 acres of land allotted in Surat, the company plans to increase capacities for frozen food and ready to eat and condiments with the potential to add ~10,000 MTPA of overall capacity in Phase 1. The first expansion is estimated at a capex of Rs 60 cr.
- The company commenced operations from the recently leased warehouse of 66,000 sqft in New Jersey, USA.
- Volume growth on a year on year basis has been ~45%.

Valuation

At the CMP of Rs. 767.5, ADF Foods Ltd. is trading at a P/E of 30.1 with an estimated FY22 adjusted EPS of Rs. 27.5

Financial Summary

Revenue grew at 16.7% YoY and -16.0% QoQ to Rs 86.2 cr in Q1FY22.

Raw Material cost exhibited an 8.4% growth YoY but some of the impact was mitigated by price increases taken by the company.

Other income consists mainly of forex gains and treasury income. It was up 456.7% YoY and 78.8% QoQ in the quarter.

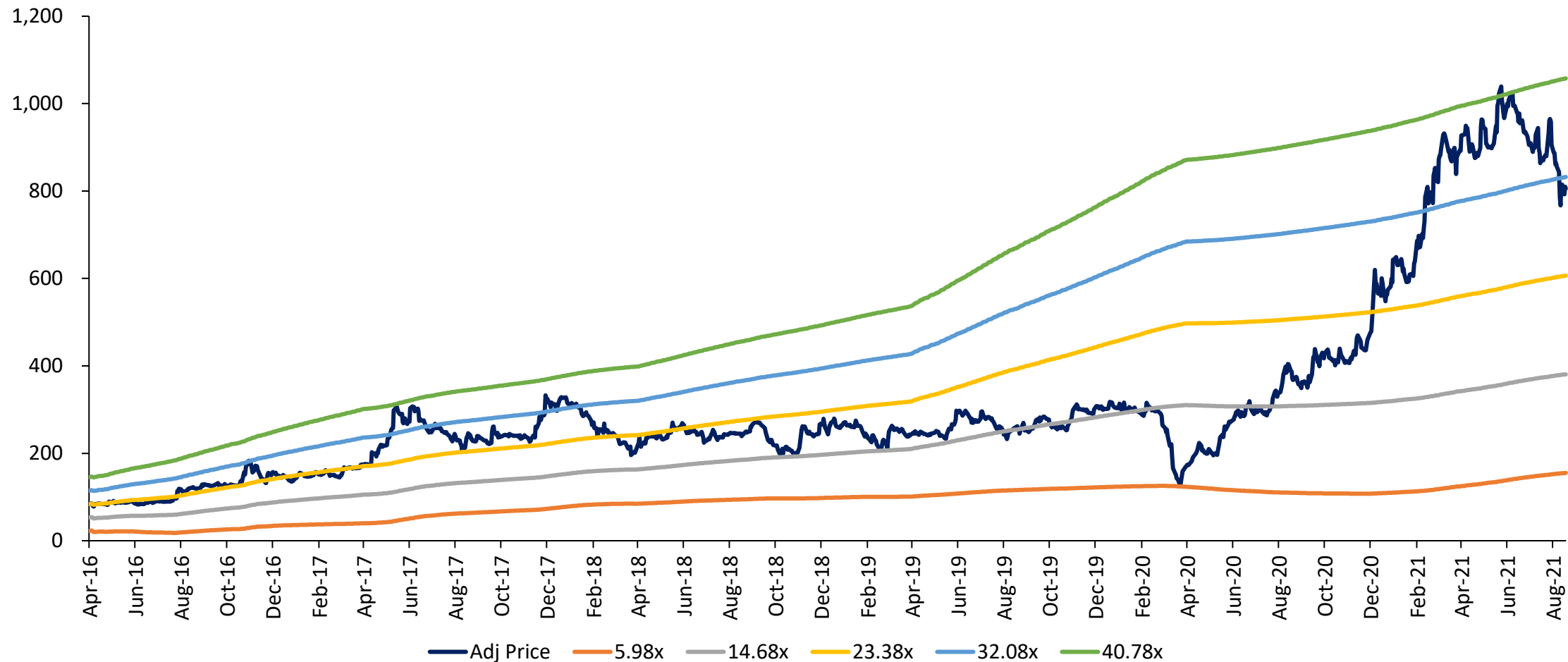
The company continues to be debt free.

Figures are in Rs Cr	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY20	FY21	YoY (%)
Net Sales	86.2	73.9	16.7	102.6	-16.0	285.2	369.3	29.5
Raw Material Cost	48.8	45.0	8.4	57.0	-14.5	149.1	215.1	44.3
RM Cost to Sales (%)	56.6	60.9		55.6		52.3	58.2	
Employee Cost	4.8	3.9	22.2	5.3	-10.1	17.6	17.7	0.0
Employee Cost to Sales (%)	5.5	5.3		5.2		6.2	4.8	
Operating Expenses	20.2	12.5	61.6	20.1	0.9	65.4	68.8	5.2
Operating Expenses to Sales (%)	23.5	16.9		19.6		22.9	18.6	
EBITDA	12.4	12.5	-0.3	20.2	-38.5	53.1	67.8	27.6
EBITDA Margin (%)	14.4	16.9		19.7		18.6	18.3	
Depreciation	1.4	1.5	-0.0	1.5	-3.3	5.9	5.9	0.3
Interest	0.1	0.3	-55.3	0.3	-43.3	1.3	1.2	-13.4
Other Income	3.5	0.6	456.7	2.0	78.8	9.4	6.0	-36.2
Other Income to Sales (%)	4.1	0.9		1.9		3.3	1.6	
Exceptional Income / Expenses	0.0	0.0		0.0		-0.3	0.0	
Profit Before Tax	14.3	11.3	26.6	20.4	-29.7	55.0	66.7	-21.3
Tax Rate (%)	22.3	23.6		26.8		22.2	24.9	
Profit After Tax	11.1	8.7	28.7	14.9	-25.4	42.8	50.1	17.1
PAT Margin (%)	12.9	11.7		14.6		15.0	13.6	
Adjusted EPS	5.6	4.2	31.2	7.5	-25.4	21.0	25.0	19.3
Shareholder's Funds				273.5		204.4	273.5	33.8
BV per share				136.6		100.2	136.6	36.3
Net Debt				-81.3		-31.6	-81.3	
Net Debt to Equity				-0.3		-0.2	-0.3	
Net Debt to EBITDA				-1.5		-0.6	-1.5	
Capex				-3.3		-10.3	-3.3	
RoE(%)				18.3		20.9	18.3	
RoCE(%)				17.0		16.1	17.0	
P/E	30.1	14.2		39.8		8.0	39.8	
P/B				7.3		1.7	7.3	
EV/EBITDA				28.2		5.8	28.2	

Segmental Performance

Figures are in Rs. Crores	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY21	FY19	FY20	FY21
Segment Revenue												
Agency Distribution	7	2	9	14	23	20	15	18	17	0	32	76
Share in Revenue	11%	4%	13%	18%	31%	21%	15%	18%	19%	0%	12%	21%
Processed and Preserved Foods	59	55	61	66	51	74	83	84	70	231	241	293
Share in Revenue	89%	96%	87%	83%	69%	79%	85%	82%	81%	100%	88%	79%
Revenue	66	57	70	80	74	94	98	103	86	231	273	369
Segment Results												
Agency Distribution	1	0	2	5	4	2	3	1	3	0	8	10
EBIT Margin	14%	0%	22%	36%	17%	10%	20%	7%	16%	0%	25%	13%
Processed and Preserved Foods	18	17	12	14	10	14	17	23	13	47	59	64
EBIT Margin	31%	31%	20%	21%	20%	19%	20%	28%	19%	20%	24%	22%
EBIT	19	17	14	19	14	16	20	25	16	47	67	74
EBIT Margin	29%	30%	20%	24%	19%	17%	20%	24%	18%	20%	25%	20%

1 year forwarded valuation band chart



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