

ADF Foods Ltd.**₹307**

Dec 15, 2017

*Food which feels like Home!!***Buy****Company Background**

Incorporated on August 27, 1990 American Dry Fruits Limited went public in October 1991. It was promoted by Hariram Mewawala, Ramesh Thakkar & Kishore Thakkar. Company operates in the agro-based industry, manufacturing and processing a wide range of canned, bottled and processed vegetables fruits and foods for the export & domestic markets. Within the country, it markets pickles & masalas under the brand name Mother's Recipe. Export performance of the company in the ethnic Indian food line is a major contributor to turnover. It markets its products through American Dry Fruit Stores under the Camel, Aeroplane and Ashoka brands. Company has established marketing & sales network over two decades in the US, UK, Germany, west Asia, Singapore, east Asia and Australia. In 1995-96, it successfully completed the expansion and modernisation of its existing facilities at Nadiad, Gujarat, Nashik and Maharashtra, to manufacture spices and masalas. During the year, the it's Nadiad factory has been awarded the prestigious ISO 9002 certification by BVQI, UK. It has tied up with a new company in September 1997 for distribution of its products in the ethnic market as well as for introduction of select products in the mainstream market in UK.

Key Highlights

- ➔ Company's earning a revenue nearly 96% from exports. It have majorly 3 products; Meal accompaniments, Frozen foods and Can Food & Ready to eat are contributing 47%, 23% and 12% respectively to the total revenue.
- ➔ For FY 2016-17 Company Net sales rose by 3.7% to ₹ 1664.20 mn, other income jumped by 31.60% to ₹ 53.30 mn, interest charges were dip by 16.70% to ₹ 9.5 mn and taxation charges were also declined by 17.90% to ₹ 66.60 mn on YoY basis.
- ➔ Company's range of products includes Meal Accompaniments, Ready-to-eat Curries, Canned Vegetables, Spices, blended masala, IQF Indian Vegetables, Frozen snacks, Parathas, Continental and Mexican Foods, sauces etc. To marketing the wide of products it has strong distribution networks in Asia, Australia, Canada, Europe, Middle East Countries and USA.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	1,588.4	1,649.5	1,720.6
Rev. growth (%)	8.03	3.85	4.31
EBITDA (INR mn)	264.7	290.3	312.5
Net profit (INR mn)	146.0	141.0	123.7
Shares outstanding (mn)	22.4	22.4	22.4
EPS (INR)	6.2	6.0	5.5
EPS growth (%)	17.33	(3.69)	(7.83)
P/E (x)	9.36	13.83	31.29
RONW (%)	7.33	7.72	6.42
ROCE (%)	10.19	12.26	10.02

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Info Codes

Reuters	: AMRN.BO
Bloomberg	: ADFL IN
NSE	: ADFFOODS
BSE	: 519183

Market Data

52 Wk Range (₹)	: 133/347
Shares in Issue (mn)	: 22.4
Market. Cap (bn)	: 6.51
BSE 2 Wk Avg Vol	: 138000

Share Holding Pattern (%)

Promoters Holding	: 39.00
Public & Others	: 42.00
Corporate Holding	: 18.00
Foreign Institution	: 01.00
Institutions	: 00.00

Investment Theme

India's food processing Industry is having a huge growth potential. It is likely to grow from \$ 258 bn in the year 2015 to \$ 482 bn in 2020. ADF has wide variety of products and has business presence in India & Global. To market its wide range of products company has developed good distribution & marketing team, focused to strengthen its network. It planning to launch new products in global market. For 2016-17, revenue from operations of ₹ 1667.3 mn as against ₹ 1609.00 mn in the previous financial year. Net profit for the financial year 2016-17 was ₹ 123.7 mn as against ₹ 141.0 mn in the previous year. Company has announced a dividend ₹ 2.5 per share. We feel looking in the growth expected in the processed food market and the growth showed by the company in the last few years, ADF is a right choice to bite upon for now. The prospects of the company in coming years seem good.

Taste your food with ADF Foods...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	1,494.5	1,605.2	7.4	1,664.2	3.7
Other Income	86.4	40.5	(53.1)	53.3	31.6
Change in Stocks	17.2	18.0	4.7	8.1	(55.0)
Raw Material Con.	782.3	808.4	3.3	902.0	11.6
Employee Exp.	119.5	123.5	3.3	137.8	11.6
Indirect Taxes	7.5	3.8	(49.3)	3.1	(18.4)
Other Exp.	398.5	415.6	4.3	411.7	(0.9)
Operating Exp.	1,307.8	1,351.3	3.3	1,454.6	7.6
Operating Profit	290.3	312.4	7.6	271.0	(13.3)
Total Interest	9.5	11.4	20.0	9.5	(16.7)
Gross Profit	280.8	301.0	7.2	261.5	(13.1)
Net Dep.	73.2	78.9	7.8	71.2	(9.8)
Total Taxation	61.6	81.1	31.7	66.6	(17.9)
Net Profit/Loss	146.0	141.0	(3.4)	123.7	(12.3)

4 Years Balance Sheet

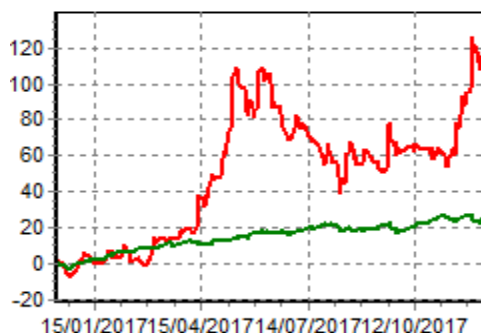
(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	1,810.1	1,845.1	1,966.3	2,023.6
Equity Share capital	223.8	223.8	223.8	223.8
Equity Application Money	0.0	0.0	0.0	(8.0)
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	1,421.1	1,534.2	1,670.0	1,741.5
Secured Loans	152.2	75.9	58.9	47.9
Unsecured Loans	13.0	11.2	13.6	18.4
USES OF FUNDS	1,810.1	1,845.1	1,966.3	2,023.6
Gross Block	935.8	1,280.0	1,290.3	1,327.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	267.4	522.1	588.5	658.3
Net Block	668.4	757.9	701.8	668.7
Capital Work in Progress	85.1	16.9	2.4	8.9
Investments	379.6	263.1	655.1	665.0
Current Assets	893.8	1,026.9	789.2	842.3
Less : Current Liabilities	167.6	168.8	141.2	128.2
Total Net Current Assets	726.2	858.1	648.0	714.1
Misc. Expenses not writtenoff	(49.2)	(50.9)	(41.0)	(33.1)
NOTE				
Book Value of Unquoted Investments	169.6	183.1	575.1	602.0
Market Value of Quoted Investments	221.4	91.6	99.1	84.9
Contingent Liabilities	48.9	56.8	65.7	106.8
Dividend (%)	15.0	15.0	0.0	25.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 16	Mar 17	Jun 17	Sep 17
Net Sales	395.4	405.7	400.4	397.8
Cost Of Sales	357.7	383.1	377.8	345.5
Operating Profit	37.7	22.6	22.6	52.3
Other Income	38.8	31.7	55.4	40.0
Adjusted PBDIT	76.5	54.3	78.0	92.3
Financial Expenses	2.2	2.5	2.4	2.9
Depreciation	18.0	17.7	11.0	11.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	56.4	33.9	64.5	78.2
Tax Charges	18.4	12.4	21.8	19.7
Reported Profit	38.0	21.5	42.7	58.5
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	38.0	21.5	42.7	58.5

52 Week Index Relative Percentage Appreciation

ADF Foods vs SENSEX
Risks Associated

- ➔ Export sales of the company are transacted in foreign currencies where the appreciation of the Indian Rupee can adversely impact the Company's exports. Company is getting approx 96% of its revenue from exports.
- ➔ Major raw material is being agro based, availability of raw material is depends on the nature. If there is any natural calamities, leads to impact the business.
- ➔ For FY 2016-17 Company Net profit was declined by 12.3% to ₹123.70 mn on YoY basis due to two reasons; one is high raw material cost and devaluation of sterling pound on account of Brexit is another reason.

Scope of Growth

- ➔ During the 2016-17 company has launched four exciting new dipping sauces, moreover widened the product portfolio of International brand 'Ashoka' by launching 'Dosa Wraps' and all the new products have received good response from the consumers.
- ➔ Company has moved all its production to a contract packer located in Ohio. It will help the company to reduce the cost of operation & improve financial position.
- ➔ Rising demand for processed food due to higher income levels, busy lifestyle, nuclear families and changes in consumer preferences provide good growth opportunities. India's food processing Industry will grow from \$ 258 bn in the year 2015 to \$ 482 bn in the year 2020.
- ➔ ADF Foods has established marketing and sales network more than 20 years in the US, UK, Germany, west Asia, Singapore, east Asia and Australia that allows wide reach to target markets.

In a Nutshell

ADF Foods was incorporated on August 27, 1990 as American Dry Fruits Limited, promoted by Hariram Mewawala, Ramesh Thakkar & Kishore Thakkar. It has established marketing & sales network over 20 years in the US, UK, Germany, west & east Asia, Singapore and Australia. To market frozen foods in UK it has also incorporated a subsidiary company in UK. It has good products and marketing & distribution network to sell the products. Meal Accompliments is major product for the company is generating nearly 47% and second major product Frozen Foods is contributing around 23% of the revenue. Major raw material is being agro based, availability of raw material is depends on the nature. Therefore, any disruption in the supply due to a nature, that will adversely affect the company's revenue. It has launched four delicious dipping sauces, the launched products got good response from the consumers. Company also invested in product sampling as a part of its brand promotion program and showcased its brand ADF Soul at major supermarkets across the metro cities. It has around 96% of export revenue of its total revenue. If any appreciation of the Indian Rupee can adversely impact the company's export income. Company has moved all its production to a contract packer located in Ohio. This contract manufacturing will help the company to reduce the cost of operation & improve financial position. Company sales rose to ₹ 1667.30 mn from ₹ 1609.0 mn in the previous year, other income jumped by 31.60% to ₹ 53.30 mn and net profit was declined by 12.3% to ₹ 123.70 mn due to two reasons; one is high raw material cost and devaluation of GBP on account of Brexit is another reason. Overall company is moving forward aggressively and prospects of growth are high.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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