

8<sup>th</sup> February 2021

CMP – ₹842.9/-

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**Q3FY21 Performance**

Agro-tech Foods Ltd reported a ~8% Y-o-Y and Q-o-Q topline growth on account of increase in sales volumes (especially foods business) during the quarter. EBITDA grew by 9% Y-o-Y to ₹159mn in Q3FY21 from ₹146mn in Q3FY20 and EBITDA margins were flattish Y-o-Y due to higher RM inflation in edible oil and higher ad spend.

Foods business (~40% of 3QFY21 sales) witnessed robust growth of 40% Y-o-Y (₹990mn) on the back of strong volume growth seen in Ready-To-Cook (RTC) and Peanut Butter segment along with growth in other categories. Ready-To-Eat (RTE) snacks continues to remain subdued given its impulse driven purchase, however it saw sequential improvement as the economy opens up.

PAT grew by ~9%YoY but dropped ~9% Q-o-Q to ₹81.4mn and PAT margins stood at 3.3% compared to 3.3% and 3.9% in Q3FY20 and Q2FY21 respectively.

**Important Statistics**

<b>Mcap (₹ mn)</b>	₹20,567
<b>52 Week H/L (₹)</b>	945.0/350.0
<b>NSE Code</b>	ATFL
<b>BSE Code</b>	500215

**Shareholding pattern (%) Dec'20**

Promoter	51.8
DII	7.7
FII	2.9
Public	37.6

**Key Earnings Highlights**

- Agro-tech Foods Ltd reported a ~8% Y-o-Y and Q-o-Q increase in topline on account of increase in sales volumes (especially foods business) during the quarter. Foods business witnessed strong growth of 40% Y-o-Y (₹990mn) on back of strong volume growth seen in Ready-To-Cook (RTC) and Peanut Butter segment along with growth in other categories.
- EBITDA grew by 9% Y-o-Y to ₹159mn in Q3FY21 from ₹146mn in Q3FY20 led and EBITDA margins were flattish Y-o-Y due to higher RM inflation and higher ad spends (up 15% Y-o-Y).
- PAT grew by ~9%YoY but dropped ~9% Q-o-Q to ₹81.4mn and PAT margins stood at 3.3% compared to 3.3% and 3.9% in Q3FY20 and Q2FY21 respectively.
- Management highlighted, gross margin in foods business was higher on account of better mix (RTC and Peanut Butter carries higher margin than RTE), however higher inflation in edible oil resulted in overall gross margins erosion.
- Management highlighted that HUL and Amul had launched peanut butter as called out earlier, however management believes it has strong competitive moat (in-house manufacturing and strong sourcing) to keep the prices lower at the same time providing better quality.
- The company is evaluating options to launch new products such as pasta and noodle while it will be launching two new products under cereals/confectionary in Dec'20.

Particular	FY20	FY19
Total Revenue	8,355	8,237
EBITDA	584	647
PAT	338	343
EPS	14.35	14.63
RoE (%)	8.3%	9.1%
RoCE(%)	9.5%	12.6%
Net Debt/Equity	0.0	0.0
P/E	57.6	58.7
EV/ EBITDA (x)	34.6	31.2

**Key Risks**

Sharp rise in cost of its raw materials, intense competition in its key categories, 2<sup>nd</sup> or 3<sup>rd</sup> wave of Covid-19.

**View**

Agro-tech foods Ltd reported 33% YoY topline growth and ~32% volume growth in its food business in 9MFY21. Management is focused on increasing contribution from food business and improving operating margins going ahead. We believe company will achieve higher growth on the back of its focus on high margin Ready to cook and peanuts category, increased distribution reach of mass products, pan India presence of manufacturing facilities and new launches in niche categories. **At CMP of ₹842.9, company is trading at ~58x P/E FY20 which is in-line with listed peers and thus recommend the stock as "Accumulate On Dips".**

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## Financial Highlights

(₹ mn)

Particulars	Q3FY21	Q2FY21	Q3FY20	YoY	QoQ
Total revenue from operations	2,466	2,286	2,287	7.8%	7.9%
Total Expenditure	2,307	2,121	2,142	7.7%	8.8%
<b>EBITDA</b>	<b>159</b>	<b>165</b>	<b>146</b>	<b>9.3%</b>	<b>-3.8%</b>
<b>EBITDAM</b>	<b>6.4%</b>	<b>7.2%</b>	<b>6.4%</b>	<b>9bps</b>	<b>-78bps</b>
Dep	48.8	44.1	48.7	0.2%	10.7%
<b>EBIT</b>	<b>110.2</b>	<b>121.1</b>	<b>96.8</b>	<b>13.8%</b>	<b>-9.0%</b>
<b>EBITM</b>	<b>4.5%</b>	<b>5.3%</b>	<b>4.2%</b>	<b>24bps</b>	<b>-83bps</b>
Finance Cost	5.1	4.4	4.4	15.9%	15.9%
Other Income	1.5	1.9	7.4	-79.7%	-21.1%
PBT	106.6	118.6	99.8	6.8%	-10.1%
Tax	25.2	29.6	24.8	1.6%	-14.9%
<b>PAT</b>	<b>81.4</b>	<b>89</b>	<b>75</b>	<b>8.5%</b>	<b>-8.5%</b>
<b>PATM</b>	<b>3.3%</b>	<b>3.9%</b>	<b>3.3%</b>	<b>2bps</b>	<b>-59bps</b>
EPS (₹)	3.44	3.76	3.17	8.5%	-8.5%

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**Disclosure of Interest Statement Agro Tech Foods Ltd. as on February 8<sup>th</sup>, 2021**

Name of the Security	Agro Tech Foods Ltd.
Name of the analyst	Yogita Desai
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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