

28th October 2020

CMP – ₹742.9/-

View – Accumulate on dips

Q2FY21 Performance

Agrotech Foods Ltd reported a 12% YoY and QoQ increase in topline growth on account of increase in sales volumes (especially foods business) during the quarter. However, EBITDA degrew by 11% YoY to ₹165mn from ₹186mn led by higher operating costs while operating margins reduced by 186bps to 7.2% in Q2FY21.

Drop in EBITDA and EBITDA margins was due to RM inflation in edible oil basket, higher advertising spends and other expenses.

PAT degrew by 42% to ₹89mn and PAT margins dropped to 3.9% over the same period on the back of lower operating profit and other income. Other Income saw a decline of ~80% YoY on account of lower interest rate as well as no MTM benefit in absence of rate cut during the quarter.

Management guided food business (40-45% of sales) reported double digit growth on the back of strong volume growth particularly seen in RTC and Peanut butter segment.

Important Statistics

M.Cap (₹ Cr)	₹1767.14
52 Week H/L (₹)	825.0/350.0
NSE Code	ATFL
BSE Code	500215

Shareholding pattern (%) Sep'20

Promoter	51.8
DII	8.5
FII	3.0
Public	36.8

Key Concall Highlights

- Company reported 12% YoY and QoQ topline growth on the back of higher sales volume in its foods business. Food business contributed 42% to its overall sales mix and reported 38% YoY volume and 39% value growth and 28% volume and 29% value growth in Q2FY21 and H2FY21 respectively, according to management.
- Out of the total food's business growth (29% up), new products contributed ~5% H1FY21.
- 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 gross margins erosion.
- Company's EBITDA margins were down 186bps YoY to 7.1% on back of significant increase in ad-spends.
- Management highlighted that HUL and Amul has 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.
- 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.
- Management indicated sweet corn and choco spread launched in FY20 are seeing strong traction.
- Sundrop and Crystal reported 10% and 9% YoY volume de-growth in Q2FY21. In the quarter, cereals and chocolate confectionary contributed 120 bps and 40 bps to food's value growth.

Key Risks

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

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Despite being disrupted by Covid-19 pandemic, Agrotech foods Ltd reported 12% YoY topline growth and ~40% volume growth in its food business in Q2FY21. Management is focused on increasing contribution from food business and improving operating margins going ahead. We expect the company will continue A & P spends but at a reduced level while savings in other expense and lower fixed costs will ensure EBITDA expansion. 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 and new launches in niche categories. **At CMP of 742.9, company is trading at ~52x P/E FY20 which is inline to listed peers and thus recommend the stock as "Accumulate On Dips".**

Financial Highlights

(₹ mn)

Particulars	Q2FY21	Q1FY21	Q2FY20	YoY	QoQ
Total revenue from operations	2,286	2,034	2,046	11.7%	12.4%
Total Expenditure	2,121	1,823	1,860	14.0%	16.3%
EBITDA	165	211	186	-11.1%	-21.6%
EBITDA Margins	7.2%	10.4%	9.1%	-186bps	-313bps
Dep	44.1	43.2	48.5	-9.1%	2.1%
EBIT	121.1	167.5	137.4	-11.9%	-27.7%
EBIT Margins	5.3%	8.2%	6.7%	-142bps	-294bps
Finance Cost	4.4	4.2	4.5	-2.2%	4.8%
Other Income	1.9	3.9	11.3	-83.2%	-51.3%
PBT	118.6	167.2	144.2	-17.8%	-29.1%
Tax	29.6	41.9	-9.9	NA	-29.4%
PAT	89	125.3	154.1	-42.2%	-29.0%
PAT Margins	3.9%	6.2%	7.5%	-364bps	-227bps
EPS(₹)	3.76	5.30	6.56	-42.7%	-29.1%

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View – **Accumulate on dips****Disclaimer**

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Disclosure of Interest Statement Agrotech Foods Ltd. as on October 28th, 2020

Name of the Security	Agrotech 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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