

ADANI WILMAR

COMPANY UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	240
12 month price target (INR)	424
52 Week High/Low	404/232
Market cap (INR bn/USD bn)	312/3.6
Free float (%)	9.2
Avg. daily value traded (INR mn)	923.5

SHAREHOLDING PATTERN

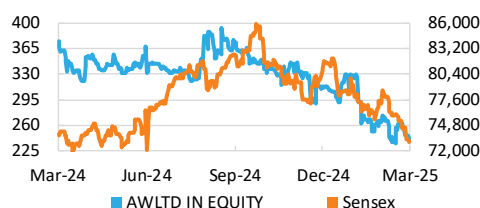
	Dec-24	Sep-24	June-24
Promoter	87.8%	87.8%	87.8%
FII	1.2%	1.0%	0.7%
DII	0.1%	0.1%	0.1%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	5,12,616	6,16,380	6,48,663	6,83,251
EBITDA	11,353	20,649	24,974	26,510
Adjusted profit	2,015	11,125	12,951	14,242
Diluted EPS (INR)	1.6	8.6	10.0	11.0
EPS growth (%)	(65.4)	452.1	16.4	10.0
RoAE (%)	2.4	12.5	12.9	12.5
P/E (x)	168.3	30.5	26.2	23.8
EV/EBITDA (x)	40.5	21.8	17.8	16.4
Dividend yield (%)	0	0	0	0

PRICE PERFORMANCE



Building up value-added portfolio

Adani Wilmar (AWL) has announced the acquisition of GD Foods (Tops brand)—a leading player in sauces and pickles. AWL shall acquire 80% in the first tranche at EV of ~INR6bn and EV/sales of 1.6x, which in our view is reasonable, and balance 20% over next three years. With the foods segment comprising ~10% of AWL's total business, the salience of the Tops brand within foods segment will be 6.6% post-acquisition (0.7% of overall revenue). It will be margin accretive and can be expanded pan-India in the longer term (currently more North India).

AWL reported its best-ever quarter in Q3FY25 with revenue/EBITDA/PAT surging 31%/57%/105% YoY. We remain positive on the stock; maintain 'BUY' with a target price of INR424.

Insights on acquisition

Outlook: AWL is set to acquire GD Foods at an EV of ~INR6bn and EV/sales of ~1.6x, which in our view is reasonable. This acquisition shall enable AWL to expand into a wide range of value-added categories, with over 80 products across various segments. AWL has a pan-India presence (particular focus on North India); post-acquisition it shall be able to further leverage its distribution capabilities and scale up operations. **This acquisition would significantly enhance AWL's margin-accretive product portfolio**, adding 0.7% to overall sales. AWL's foods segment constitutes ~10% of the total business and post-acquisition Tops's salience in the food category shall be 6.6%.

Acquisition details: The acquisition would be executed in multiple tranches, with 80% of the shares to be acquired in the first tranche, and the balance 20% over the next three years. The first tranche is likely to be closed within 60 days from execution date of share purchase agreement (SPA). The transaction shall be funded via internal accruals or IPO proceeds. For subsequent tranches, the price per share shall be arrived at based on EV calculated through a pre-determined method set out in SPA.

About GD Foods

GD Foods is a leading food processing company with a strong reputation as a household brand in North India for over 40 years. The company operates under its flagship brand "Tops", which is among the top three players in the tomato ketchup and pickles categories. The company offers products such as tomato ketchup, snack sauce, specialty sauces and culinary sauces, jams, pickles, noodles, instant mixes, corn and choco flakes and cooking essentials such as vinegar, baking powder, cake mix, corn cake mix and corn flour. It has 1,50,000 retail outlets and three in-house manufacturing facilities. GD Foods posted revenue of ~INR4bn and EBITDA of INR320mn. The company reported gross margin of 48% and EBITDA margin of 8%.

CCI approval for exit: CCI approval for Adani's exit from AWL's agri business is still pending, with approval anticipated in coming months. The deadline for Adani's exit from AWL's agri business has been set for Dec-25. Once CCI approval is received, the exit process is likely to begin.

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	5,12,616	6,16,380	6,48,663	6,83,251
Gross profit	59,868	69,651	77,840	83,357
Employee costs	4,208	4,315	4,541	4,783
Other expenses	25,663	24,039	25,947	28,697
EBITDA	11,353	20,649	24,974	26,510
Depreciation	3,639	3,664	4,491	4,937
Less: Interest expense	7,491	6,735	6,679	6,623
Add: Other income	2,936	3,371	2,976	3,555
Profit before tax	3,159	13,621	16,779	18,505
Prov for tax	918	2,997	4,228	4,663
Less: Other adj	0	0	0	0
Reported profit	2,015	11,125	12,951	14,242
Less: Excp.item (net)	0	0	0	0
Adjusted profit	2,015	11,125	12,951	14,242
Diluted shares o/s	1,300	1,300	1,300	1,300
Adjusted diluted EPS	1.6	8.6	10.0	11.0
DPS (INR)	0	0	0	0
Tax rate (%)	29.0	22.0	25.2	25.2

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Gross margin (%)	11.7	11.3	12.0	12.2
Staff cost (% of rev)	0.8	0.7	0.7	0.7
A&P as % of sales	0.6	0.5	0.6	0.6
EBITDA margin (%)	2.2	3.4	3.9	3.9
Net profit margin (%)	0.4	1.8	2.0	2.1
Revenue growth (% YoY)	(11.9)	20.2	5.2	5.3
EBITDA growth (% YoY)	(31.6)	81.9	20.9	6.2
Adj. profit growth (%)	(65.4)	452.1	16.4	10.0

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	83.0	87.0	90.0	91.0
Vol growth Edible Oil	9.2	10.0	3.0	3.0
Vol growth Food	17.0	28.0	10.0	10.0
Vol growth Ind essen	7.3	(8.0)	5.0	5.0
Freight as % of sales	3.0	2.9	2.9	2.8
COGS % of consol rev	88.3	88.7	88.0	87.8
Other exp (% of rev)	5.0	3.9	4.0	4.2

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	168.3	30.5	26.2	23.8
Price/BV (x)	4.1	3.6	3.2	2.8
EV/EBITDA (x)	40.5	21.8	17.8	16.4
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	1,300	1,300	1,300	1,300
Reserves	81,860	92,985	1,05,936	1,20,178
Shareholders funds	83,160	94,284	1,07,235	1,21,477
Minority interest	0	0	0	0
Borrowings	24,154	23,954	23,754	23,554
Trade payables	69,995	85,380	89,142	93,682
Other liabs & prov	13,342	13,342	13,342	13,342
Total liabilities	1,98,065	2,24,375	2,40,889	2,59,470
Net block	44,258	49,176	53,742	57,956
Intangible assets	5,045	5,163	4,805	4,354
Capital WIP	8,695	8,695	8,695	8,695
Total fixed assets	57,998	63,034	67,243	71,006
Non current inv	3,116	3,616	4,016	4,416
Cash/cash equivalent	28,096	37,204	44,439	53,389
Sundry debtors	17,829	23,642	24,880	26,207
Loans & advances	521	521	521	521
Other assets	81,338	87,190	90,623	94,764
Total assets	1,98,065	2,24,375	2,40,889	2,59,470

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	2,015	11,125	12,951	14,242
Add: Depreciation	3,639	3,664	4,491	4,937
Interest (net of tax)	7,491	6,735	6,679	6,623
Others	(2,433)	(875)	852	708
Less: Changes in WC	(6,202)	3,720	(908)	(928)
Operating cash flow	2,889	21,372	19,837	20,918
Less: Capex	(9,301)	(8,700)	(8,700)	(8,700)
Free cash flow	(6,412)	12,672	11,137	12,218

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	2.4	12.5	12.9	12.5
RoCE (%)	10.1	18.1	18.8	18.2
Inventory days	60	50	51	51
Receivable days	13	12	14	14
Payable days	63	52	56	56
Working cap (% sales)	3.9	2.6	2.6	2.6
Gross debt/equity (x)	0.3	0.3	0.2	0.2
Net debt/equity (x)	0	(0.1)	(0.2)	(0.2)
Interest coverage (x)	1.0	2.5	3.1	3.3

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	(65.4)	452.1	16.4	10.0
RoE (%)	2.4	12.5	12.9	12.5
EBITDA growth (%)	(31.6)	81.9	20.9	6.2
Payout ratio (%)	0	0	0	0

Exhibit 1: Trends at a glance

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Revenue (INR mn)	1,47,241	1,41,500	1,53,786	1,38,726	1,29,281	1,22,672	1,28,284	1,32,380	1,41,686	1,44,605	1,68,593
EBITDA (INR mn)	4,431	2,539	4,460	3,588	1,304	1,437	5,042	3,570	6,189	5,662	7,916
PAT (INR mn)	1,936	488	1,959	936	-597	-772	2,009	1,567	3,132	3,110	4,109
Gross Margin (%)	10.1	9.5	9.9	10.4	9.1	10.0	12.9	13.5	12.8	12.3	13.3
EBITDA Margin (%)	3.0	1.8	2.9	2.6	1.0	1.2	3.9	2.7	4.4	3.9	4.7
Edible oil											
Revenue growth %	22.7	-2.5	3.8	-12.8	-14.5	-19.5	-22.8	-5.5	8.2	21	38
Volume (MMT)	0.70	0.82	0.96	0.88	0.89	0.85	0.94	0.98	1.00	1.00	0.98
Volume growth %	6	-1	9	-	27	4	-2	11	12	17	4
Food & FMCG											
Revenue growth %	65.8	18.0	44.8	53.2	27.6	26.4	24.9	15.7	39.7	34.0	22.0
Volume (MMT)	0.19	0.22	0.22	0.25	0.23	0.26	0.26	0.28	0.33	0.35	0.31
Volume growth %	53	41	26	38	21	19	17	9	42	33	23
Industry essentials											
Revenue growth %	67.1	-18.7	18.0	7.6	-15.6	1.7	0.4	-11.5	0.0	-9.0	4.0
Volume (MMT)	0.30	0.28	0.29	0.36	0.36	0.34	0.34	0.28	0.34	0.29	0.32
Volume growth %	22	22	38	55	21	25	17	-22	-6	-15	-3
Edible oil market share %	19.7	19.5	19.5	19.5	19.5	19.6	19.8	19.0	19.0	16.1	~18
Wheat market share %	4.9	4.9	4.8	5.0	5.0	5.2	5.4	5.6	5.9	5.3	5.8
Rice market share %	8.4	8.5	7.5	7.2	5.9	7.4	5.7	7.7	7.8	NA	6.1

Source: Company, Nuvama Research

Exhibit 2: Segmental performance

Year to March - Net Revenue (INR mn)	Q3FY25	Q3FY24	% growth YoY	Q2FY25	% growth QoQ
Edible oil	1,33,867	97,108	37.9	1,09,765	22.0
Foods	15,580	12,734	22.3	17,181	-9.3
Industry essentials	19,146	18,441	3.8	17,657	8.4
EBIT (INR mn)					
Edible oil	5,706	2,973	91.9	3,728	53.1
Foods	-459	138	-432.6	15	NA
Industry essentials	816	205	297.4	556	46.7
EBIT margin %					
Edible oil	4.3	3.1	39	3.4	26
Foods	-2.9	1.1	-372	0.1	NA
Industry essentials	4.3	1.1	283	3.1	35

Source: Company, Nuvama Research

GD Foods acquisition: Key takeaways

Key financial highlights

- In FY24, GD Foods reported revenue of INR3.86bn.
- The company reported a gross margin of 48% and an EBITDA margin of 8% for FY24.
- Between FY21 and FY24, GD Foods experienced a CAGR of 15%.
- Total 82% of the company's revenue contribution is derived from the GT channel.
- GD Foods offers over 80 products across eight different categories.
- The company has three in-house manufacturing facilities.
- With a presence in more than 15 states, GD Foods has established over 150,000 retail touchpoints.
- The company has a network of over 120 super stockists and distributors.

Revenue breakdown

- The majority of GD Foods' revenue comes from Uttar Pradesh, Delhi, Haryana, Bihar and Punjab.
- General trade contributes to a higher share of revenue followed by modern trade and others.

Market leadership

- GD Foods is the third-largest player in the tomato ketchup market.
- The company is the market leader in culinary sauces and snack sauces in North India.
- It is the leading player in the jams category in North India.

Transaction details

- AWL shall initially acquire 80% shares from existing promoters while the balance 20% shall be acquired in a phased manner over the next three years.
- The existing promoter shall continue to support in the value creation and transition the business to AWL.
- GD Foods shall continue to operate as a separate entity.
- The acquisition will be funded through internal accruals and IPO proceeds (if applicable).
- The first tranche is likely to be closed within 60 days from execution date of SPA.

AWL's rationale for acquisition of GD Foods

- Enrichment of portfolio with value-added products while staying focused on kitchen essentials.
- Addition of a very large range of high gross margin products.
- Addition of another strong brand in the kitchen essentials category.

- Unlocking value of target through strong sales and distribution capabilities and deepening partnerships with modern channels (Q-commerce and MT).
- Bring AWL's best-in-class manufacturing and operational capabilities to leverage strength of "Tops" products.
- Leverage AWL's pan-India presence and rural reach.
- Significant addition of new product categories (with limited competition from national players).

Exhibit 3: "Tops" – large range of products focusing on kitchen needs



Source: Company, Nuvama Research

Q3FY25 conference call takeaways

Detailed takeaways

Outlook

- The food business shall remain in the growth stage till FY28, and it expects 20–25% gross margin after FY28E.
- The company expects 8–9% volume growth from the Edible oil segment to consolidate its market share.
- It aims to become the largest chana producer and has three plants in Nagpur, Neemuch and the outskirts of Ahmedabad.

Q3FY25 financial highlights

- Total revenue increased 31% YoY while underlying volume growth was 5% YoY.
- EBITDA increased 57% YoY.
- Gross margin was 13.3%, increasing 41bp YoY.
- Gross profit per MT stood at INR13,427 in Q3FY25 compared with INR10,942 in Q3FY24.
- EBITDA per MT was INR4,956 in Q3FY25 versus INR3,556 in Q3FY24.
- The company has delivered 13% RoCE on a trailing 12 months basis.
- AWL plans to expand its direct reach to 1mn outlets within two–three years.

Industry data

- Rural continued to outpace urban in terms of Edible Oil consumption, growing 8% YoY compared with urban inching up 4% YoY. Total growth for Edible oil stood at 5% YoY.
- For wheat, rural significantly outperformed with 24% growth YoY compared with -1% YoY growth in urban.
- Total growth for basmati rice was 4% YoY compared with 8% in Q3FY24.

Edible oil

- Edible oil volumes grew in double-digits and exhibited robust profitability in the last five quarters. The market share reduced due to a decrease in market share in the palm oil category.
- Delivered robust 38% YoY revenue growth with volume growth of 4% YoY.
- Branded sales volume decreased in low-single digits, primarily due to a double-digit decline in packed palm oil sales and downtrading by consumers.
- Branded sales increased across all other edible oils.
- The company introduced special packs of soybean oil in Bihar to celebrate “Chhath Puja”.
- Demand was hurt by a sharp rise in underlying commodity prices following the customs duty hike in mid-September; consumers downgraded their purchases with inventory destocking happening at the trade level.

- A significant surge in palm oil prices resulted in double-digit volume decrease in palm oil sales.
- Capacity utilisation in Q3FY25 stood at 58% compared with 63% in Q3FY24.

Food and FMCG

- Strong growth in soya nuggets was driven by enhanced capacity, logistics, and technology, with competitors lacking similar manufacturing capabilities. Soya nuggets sales contribute 60–65% during March–October, with the remaining sales occurring between November and February.
- The company has the largest soya manufacturing capacity at 6,000 tons per month.
- Soya nuggets are positioned in the FMCG food product segment, with competition primarily from one major player.
- Demand for sattu increases during summer, particularly in eastern India.
- The company operates a single Basmati rice plant under a toll arrangement. It faces capacity limitations until the full operation of the Gohana plant.
- The Gohana plant has commenced operations and the company holds 600-tons of paddy and 500tons of rice stock, signalling potential for increased production.
- AWL aims to grow its market share in the Basmati rice sector over the next two–three quarters, potentially achieving a more dominant position.
- Revenue increased 22% YoY, with volume growth of 23% YoY.
- The segment recorded double-digit growth in both general trade and Q-commerce.
- The company outpaced the industry in terms of wheat growth, with the introduction of small packs boosting sales in the south and west regions.
- Branded sales of pulses, soya nuggets, sugar and poha experienced strong growth in Q3FY25.
- Capacity utilisation decreased by 300bp to 53% from Q3FY24.
- Market share for wheat flour increased by 500bp to 5.8% in Dec-24 compared with Dec-23.
- Market share for Basmati rice declined to 6.1% in Dec-24 from 7.4% in Dec-23.
- The company continues to consolidate market share across most food categories.

Industry essentials

- In Q3FY25, this segment's revenue inched up by 4% YoY due to lower sales in castor meals and oil meal.
- This segment experienced a 3% volume decline in Q3FY25.

Gohana operation

- The Gohana plant shall become operational from Q1FY26 funded via IPO.

- The company had only one plant in Firozpur, which had operational limits. Once the Gohana plant starts to operate, the plant shall have storage capacity of 600tons of paddy and production capacity of 500tons of rice per day.
- With the Gohana operation, it will have capacity of 6,25,000 tons per annum in which oil production will be ~2,00,000 tons, leading to cost savings.

Business mix

- In terms of volume mix, Edible is at 61%, Food & FMCG at 19% and Industry essentials at 20%.
- Value mix: Edible oil at 76%, Food and FMCG at 10% and Industry essentials at 14%.
- The salience of rural in volumes stood at ~30%.

Channel performance

- Revenue from alternate channels increased in double digits YoY with revenue over the past 12 months at INR33bn.
- The e-commerce (including quick commerce) sales volume continued to grow rapidly at 41% YoY.
- The volume from alternate channel grew 16% YoY in Q3FY25.
- Quick commerce surged 81% YoY.
- Branded exports sales volume surged ~35% YoY in Q3FY25.

HORECA

- The HORECA channel recorded a volume growth exceeding 35% for 9MFY25 generating revenue of INR60bn in the last 12 months.

Key commodity trends

- Palm (CPO) prices traded at a premium to crude, sunflower and soybean oil during Q3FY25.

Distribution

- The total reach stood at 2.1mn-plus outlets as on Dec-24.
- Rural coverage stood at 43,600-plus rural towns as on Dec-24, up 58%.
- The company has a direct reach of 43,000 rural towns as of Dec-24 compared with just 5,000 towns in Mar-22.

Market share

- Adani Wilmar has a relative market share of 1.5x.
- The company has the potential to consolidate market share as 50% share is held by regional brands.

Others

- Employee costs have gone up due to onetime incentive provision due to company policy because of exceptional results.
- Other expenses increased due to high marketing provisions.
- Inventory gain in Q3FY25 due to benefit from commodity cycle.

Company Description

Adani Wilmar is one of the largest FMCG food companies in India offering essential kitchen commodities to Indian consumers, including edible oil, wheat flour, rice, pulses and sugar. The company was incorporated in January 1999 as a joint venture between the Adani Group and the Wilmar Group, one of Asia's leading agri-business groups. The company is engaged in the manufacture of packaged food, edible oils, bakery & lauric products, personal care products and industry essentials (including oleochemicals, castor oil and its derivatives and de-oiled cakes). Its operations are diversified into value-added edible oil products such as rice bran health oil, fortified foods, ready-to-cook soya chunks, khichdi and other fast-moving consumer goods. Adani Wilmar boasts the widest pan-India distribution network among branded edible oil companies.

Investment Rationale

Branded products in India are growing faster, compared to unorganised players and loose products in all major segments of essentials, thereby increasing as a share of the overall grocery segment. Adani Wilmar being a player in branded products is expected to benefit from it. In the edible oils segment, low per capita consumption and emergence of exotic oils indicate huge headroom for growth. A number of packaged food categories have witnessed a significant increase in the overall branded product usage. Adani Wilmar has significant presence in in edible oil (Number 1 player), Wheat flour (Number 2) and Basmati Rice (Number 3). Further, Adani Wilmar is working towards transitioning itself into a foods company and working towards increasing salience of Foods and FMCG.

Key Risks

- Fluctuating prices of commodities can impact company's profitability
- Reliability on edible oil vertical
- Lack of long-term agreements with raw material supplier.

Additional Data

Management

Chairman	Mr. Dorab Erach Mistry
MD	Mr. Anghu Mallick
CFO	Mr. Shrikant Kanhere
Exe. Director	Mr. Ravindra Kumar Singh
Auditor	SRBC & Co LLP/Dharmesh Parikh & Co LLP

Holdings – Top 10*

	% Holding		% Holding
Vanguard Group	0.47	Charles Schwab	0.03
Manulife Financ	0.05	State Street co	0.03
Franklin Resour	0.05	Blackrock Inc	0.02
Boston Partners	0.04	American Intern	0.02
ICICI Prudentia	0.03	Nippon Life Ind	0.01

*Latest public data

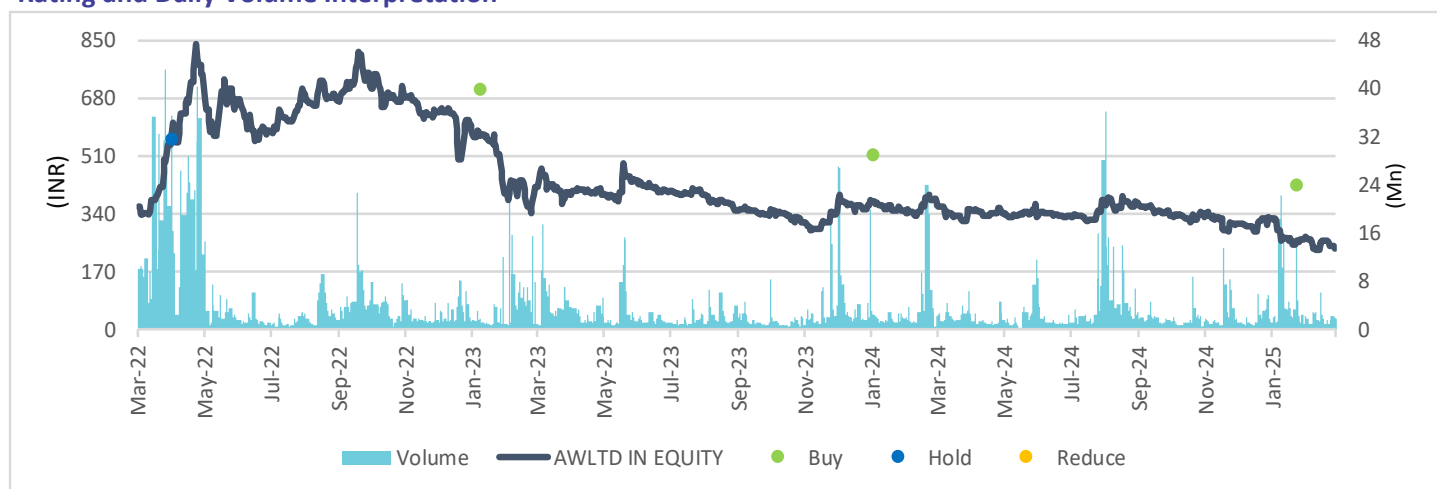
Recent Company Research

Date	Title	Price	Reco
27-Jan-25	Impressive profits; <i>Result Update</i>	274	Buy
08-Jul-24	Annual Report Insights: FY24; <i>Company Update</i>	333	Buy
05-Jul-24	Strong volumes for Edible Oil and FMCG; <i>Nuvama Flash</i>	332	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
17-Feb-25	Bajaj Consumer Care	Cheap, but unexciting; <i>Result Update</i>
13-Feb-25	Consumer Staples	Gradual recovery to continue; <i>Sector Update</i>
11-Feb-25	VBL	Strong inorganic-led growth; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	232
Hold	<15% and >-5%	62
Reduce	<-5%	23

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