

8th August 2022

Foods & Inns Limited (Investor Note – Q1 FY'23)

Key Business Indicators:

Domestic markets were extremely favourable in FY'22 as we gained market share from our competition. Coca-Cola India unit as well as Pepsi Co. bottlers in India reported their best ever quarter by sales volume in April to June 2022 which was announced during their respective quarterly earnings. This was primarily led by affordable single serve packs and expansion in distribution network. Coca-Cola & its bottling partners are investing around USD 1 Billion to expand production capacity by upto 40% and expand its addressable market in the country by targeting occasions, innovation & culture as per a Business Standard report dated 27th July 2022. Coca Cola's mango-based drink was singled out as the growth driver in India in their result commentary on Economic Times dated 26th July 2022.

Mango raw material prices increased this season due to lower mango crop availability which in turn is expected to increase processed price realisations.

We expect an increased demand in other processed fruits and vegetables like guava, tomato, chilli etc. Such incremental demand in other categories should help in better absorption of our Fixed Overheads.

Increasing outreach of electricity in India's villages, return of mobility, Govt. push for incremental fruit content in drinks to reduce GST and increased demand from HORECA as well as Tourism sectors led to the strong sector revival.

Performance: Q1 FY'23

A) Foods & Inns:

Particulars	Q1 FY'23	Q1 FY'22	YoY Growth	FY'22	FY'21
Breakup Details					
Sales Tonnage (In MT)	34,548	17,653	96%	78,379	46,220
-Exports	3,668	4,993	-27%	24572	20,250
-Domestic	30,880	12,660	144%	53807	25,970
Sales (In Rs. Crores/-)					
(Including Export incentives & Scrap Sale)	213.8	141.7	51%	616.5	356.6

B) Kusum Spices:

Kusum Spices (In Rs.Crores/-)											
Particulars	Q1 FY'23	Q1 FY'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	FY'22	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY'21
Sales (Rs. Crs/-)	6.16	3.81	3.99	3.83	4.25	15.88	2.33	3.70	3.33	4.9	14.26

Notes: The FY'20 number shown in the table above is the revenue of Kusum spices since Foods & Inns entered as a 99.99% partner i.e. Oct'19.

Overall Business outlook (Foods & Inns / Kusum Spices):

- The company is working towards improving its ROCE & EBITDA on a sustainable basis by:
 - a) Increasing the share of value added and branded products across its food offerings.
 - b) Increasing its operating leverage by producing allied products during non-peak season
 - c) Converting its waste into Value additive products
 - d) Focussing on the Asset Light model of expansion
 - e) Concentrating on Higher EBITDA margin business

- **Geographical outlook:**
 - a) **Export markets:** The company sees good opportunities for growth in the markets of EU, UK, US, Canada, Japan, Middle East & South Korea for products across its portfolio. The company sees a strong demand pipeline not only for the mango pulping business but for other fruit pulp like guava, tomato etc. Decreasing trend in ocean freight cost is likely to boost export market demand.

 - b) **Domestic markets:**

Based on the Key Business indicators mentioned in the earlier part of this document, we are very bullish on the sustainability of growth in domestic markets. The packed food and snacks demand is growing substantially post COVID resulting in increased demand in our Spray Dried product category. Anticipating the increase in demand in Spray Dried products we have our new brownfield expansion scheduled to be commercially operational by September'2022 which will double our existing capacity for Spray Dried products. This year we have diversified our product portfolio further to reduce our dependency on Mango and this will be a conscious strategic path we will follow moving ahead. Fruit based drinks especially guava based is seeing substantial increase in demand. Tomato paste consumption in India has now started depending majorly on Domestic production unlike earlier times where there used to be substantial import from China which has thrown open business opportunities for our company.

- **Other Updates:**
 - a) Foods & Inns got selected under the Production Linked Incentive (PLI) Scheme of the Govt. of India under Fruits & Vegetables processing category. The selection was under both Component 1 as well as Component 3 of the scheme and the company stands to receive incentives of around Rs.148crs on a best-case basis between the period FY'22-23 to FY'26-27 based on future growth in sales and investment as per committed capex. As per the scheme guidelines we have to grow our sales at a minimum CAGR of 10% over FY'22 to FY'27 to receive incentives under Component 1 of the PLI Scheme. The incentives will be payable upto a CAGR of 15% on eligible sales. Under Component 3 of the scheme, we are expected to get incentives of 50% of our Branding & Marketing expenses incurred abroad over the period FY'22 to FY'26. These incentives under both the components will be in the form of direct bank transfers to the company upon achieving yearly milestones as committed under the scheme.

- b) The Govt. of India under Budget FY'22-23 has enhanced its focus on chemical-free Natural farming throughout the country. It has announced various programmes under PPP mode with private agri-tech players and stake holders of agri value chain for delivery of digital & hi-tech services to farmers. These initiatives augur well for the company as the company has partnered with IDH from Netherlands to drive sustainable mango farming in India by addressing environmental issues such as climate impact, pesticide management, crop traceability etc. Increasing smallholding farmer income is also a KPI of this tie up.
- c) To achieve our ESG goals, we have filed our GHG (Green House Gas) inventories and Carbon Emission data via Carbon Disclosure Project (CDP). This brings us on a global platform with other players who are collectively trying to reduce global emissions. We have been rated B-under the CDP platform which is a great achievement for the company in our industry globally.
- e) The company has shifted its Spice manufacturing facility from its acquired rented premises in Goregaon (Mumbai) to its own campus in Gonde (Nashik). The state-of-the-art facility will help us to grow our export business worldwide. Further installation of sterilization and ETO units in the newly built campus under the PLI scheme are under consideration.
- f) We have installed the Tetra Recart machinery at our greenfield facility at Vankal (Gujarat) and are currently having test runs and expect the plant to be commercially operative by the end of October 2022. We will also be associating with prominent brands to fulfil their packaging requirements in the Recart form. The Tetra Recart facility will run under an exclusivity arrangement in India for the first couple of years of operation with the company having First Right of Refusal for future expansions.

About:

Foods & Inns (FIL) is a manufacturer and exporter of a range of processed tropical fruits pulps, purees, and vegetables with state-of-the-art factories in Chittoor, Valsad, Sinnar and Gonde (Nashik). The company operates in the food processing industry and its principal divisions are Aseptic, Canning, Spray drying, Frozen fruits, IQF (Individually Quick Frozen) vegetables and snacks. Product range includes tropical fruit purees, concentrates of Mango, Guava, Papaya apart from Tomato Paste, Natural Fruit & Vegetable Powders.

The company became a 99.99% partner in Kusum spices (Spice brand established in 1972) from the 2nd of October 2019 and has consequently widened its offerings in the foods segment. The Indian spice market is ~ Rs.40,000cr industry (Source: APEDA)

The company owns brands/trademarks such as Madhu - (Fruit Pulp), Green Top - (IQF Vegetables & Other RTE Snacks), Kusum Masala – (Spices), Triveni Global - (Frozen food) & Zatpat Zaldee - (QSR).

The company as an initiative towards Sustainability and Value addition entered into a Joint Venture on the 13th of April 2021 with a food technology company to convert its fruit waste into Pectin, Oils & Butter. The idea behind the venture is to upscale waste from mango processing to address its disposal and convert into pectin which has a huge potential in India given that 95% of India's pectin requirement is imported. The joint venture company is named Beyond Mango Pvt. Ltd.

Managing waste is a huge pollution control challenge as well as large waste disposal cost. This initiative removes the challenges with an immediate and opposite effect.

The company has also associated with other plants to expand its capacities in the Fruits & Vegetable processing segment and has already started work with a few contracts in place.

The company has been rated B- under the CDP (Carbon Disclosure Platform) which is a global standard.

For more details please visit: www.foodsandinns.com / www.linkedin.com/company/foodsandinns

Disclaimer:

This document may contain some statements on the company's business or financials which may be construed as forward looking. The actual results may be materially different from these forward-looking statements.

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Our Brands:



PRODUCT LIST





green top
FROZEN FOODS

100% Veg



SPIRALIZED ZUCCHINI

Colourful and convenient noodle cut vegetables, ready to use in your favourite recipes. Enjoy as a quick and easy alternative to pasta.

400g (Net Wt)

FROZEN VEGGIES

SWEET CORN

Freshly frozen to seal in the goodness, taste and nutrition.

1kg (Net Wt)

GREEN PEAS

Freshly frozen to seal in the goodness, taste and nutrition.

1kg (Net Wt)

FROZEN SNACKS

MIX VEG SAMOSA

Delicious spicy vegetables wrapped in flaky crispy pastry.

400g (Net Wt) 10 (Pcs)

VEGETABLE ROLL

Mixed spicy vegetables wrapped in flaky crisp pastry.

400g (Net Wt) 10 (Pcs)

PROUDLY
Made in India



FALAFEL TIKKI

A traditional Middle Eastern specialty made with chickpeas, onions and spices.

240g (Net Wt) 12 (Pcs)

PROUDLY
Made in India

FROZEN VEGGIES

SPIRALIZED BUTTERNUT SQUASH

Colourful and convenient noodle cut vegetables, ready to use in your favourite recipes. Enjoy as a quick and easy alternative to pasta.

400g (Net Wt)

SPIRALIZED BEETROOT

Colourful and convenient noodle cut vegetables, ready to use in your favourite recipes. Enjoy as a quick and easy alternative to pasta.

400g (Net Wt)

PROUDLY
Made in India