

12<sup>th</sup> August 2021

**Foods & Inns Limited (Investor Note – Q1 FY'22)**

**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 2<sup>nd</sup> 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), Kusum Masala – (Spices), Triveni Global - (Frozen food) & Zatpat Zaldee - (QSR).

The company as an initiative towards Sustainability and Value addition has entered into a Joint Venture on the 13<sup>th</sup> 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 signed an agreement on the 31<sup>st</sup> of May 2021 to undertake a factory premise on job work basis to expand its capacities in the Fruits & Vegetable processing segment.

For more details please visit: [www.foodsandinns.com](http://www.foodsandinns.com) / [www.linkedin.com/company/foodsandinns](https://www.linkedin.com/company/foodsandinns)

**COVID related impact / update:**

As the COVID-19 situation has evolved - safety, hygiene & wellbeing have been our number one priority as a business.

The second wave of COVID coincided with our peak production season. Despite that our production has almost doubled from the levels seen in FY'20-21 and 75% higher as compared to FY'19-20 due to expansion of our capacities organically and inorganically. We have now learnt to live with these uncertain times with the help of local labour in our factories who have replaced the migrant labours. During the peak mango production period, we created a Bio Bubble environment to retain all the workers inhouse.

Domestic markets were extremely favourable this quarter as we gained further market share from our competition and we continue to see domestic traction continuing in the months of July and August 2021. We have an order backlog continuing in the export markets due to unavailability of containers.

**Performance:**

**A) Foods & Inns:**

Particulars	Q1 FY'22	Q1 FY'21	YoY Growth	FY'21	FY'20
<b>Breakup Details</b>					
<b>Sales Tonnage (In MT)</b>	<b>17,653</b>	<b>7,440</b>	<b>137%</b>	<b>46,220</b>	<b>54,848</b>
-Exports	4,993	5,197	-4%	20,250	23,798
-Domestic	12,660	2,242	465%	25,970	31,050
<b>Sales (In Rs. Crores/-)</b>					
(Including Export incentives & Scrap Sale)	141.7	65.9	115%	356.6	384.3

**Notes:** MEIS was reduced from 7% of FOB value and the scheme was withdrawn completely from the 1<sup>st</sup> of Jan 2021. The govt. has proposed a new RoDTEP scheme. RoDTEP incentives would be applicable from the 1<sup>st</sup> of January 2021. But as the scheme has not been finalized, we have not recognized any incentives on the same during this quarter.

**B) Kusum Spices:**

Kusum Spices	(In Rs.Crores/-)								
Particulars	Q3 FY'20	Q4 FY'20	FY'20	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY'21	Q1 FY'22
Sales	3.98	4.09	8.07	2.33	3.70	3.33	4.9	14.26	3.81

**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 EBITDA margins 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
- **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 for the mango pulp business. The production of fruit pulp has increased this year despite second wave of COVID and the order book has also increased approximately by around 70%.
  - b) **Domestic markets:** The company saw one of its best quarters in the domestic market in tonnage terms in Q4 FY'21 – Partially because the domestic market had opened up and partially because of market share gains from competitors. Despite the second wave of

COVID we are more than convinced that our sales momentum seen in Q4 FY'21 as well as Q1 FY'22 should continue and we expect a good FY'22 subject to any further effects from COVID. The packed food and snacks demand is growing substantially post COVID resulting in huge 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 March'2022 which will double our capacity for Spray Dried products.

Despite uncertain market conditions, our priority remains supporting our employees, partners and communities to navigate these tough times. We are focused on the key value drivers and lowering our carbon footprint, to unlock a sustainable future growth for the company and maximize value for stakeholders.

- **Other Key Developments:**

- a) The govt. of India has announced a Production linked Incentive scheme for the Food sector and we as a company have applied for the same based on the eligibility criteria defined by the Ministry of Food processing under the Fruits & Vegetable processor category. The government is expected to announce the selected companies under the scheme by the end of August'21.
- b) The Ministry of Food Processing has also nominated Foods & Inns as the anchor for fruit 'Mango' as we are one of the largest processors of the fruit and have asked us to provide Inputs under 'Operation Greens' for setting up value chain development projects.
- c) The Ministry of Commerce and Industry has directed a dedicated task force to deliberate on how to grow India's Food processing sector to 10x in the next 5 years. Foods and Inns has been invited by the ministry to participate in the task force deliberations.
- d) The Andhra Pradesh Economic Development Board is planning a scheme where they have invited bids to operate one of their proposed state of the art integrated Fruit Processing Units that it intends to develop where the entire capex investment will be done by the Andhra Pradesh government in each of its Parliamentary Constituencies. The successful bidder in each constituency will be able to run these facilities based on lease rentals to be paid to the government for a period of 10 years extendable by mutual consent. These units are intended to create a continuous demand to the farmers produce as well as provide minimum sales price. Foods and Inns has already submitted the Expression of Interest to the scheme and is looking forward to taking further steps of application after the granular details of the scheme is spelt out.
- e) 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.

**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

