

4<sup>th</sup> June 2021

**Foods & Inns Limited (Investor Note – Q4 FY'21 / 12M FY'21)**

**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 Chittor, 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.

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.

Our production was partially impacted during the peak production season (Apr-June) due to COVID related lockdowns across the country. The volumes were down by around 15% in FY'21 and the domestic volumes were down by 61% in H1 FY'21 as April to June also coincide with the peak demand season from local beverage manufacturers who were in turn hit by the absence of demand from the HORECA & Tourism segment. With the slow opening of the aforementioned segments in India, the domestic volumes picked up very well in Q4 FY'21 and we had one of our best quarters historically. The export market in EU slowed down in the Q3 FY'21 because of the 2<sup>nd</sup> lockdown across UK & Europe and has now started opening up in Q1 FY'22. Our sense is that we have gained market share in the local markets from our competition.

**Performance:**

**A) Foods & Inns:**

(In Rs. Crs/-)						
Particulars	Q4 FY'21	Q4 FY'20	YoY Growth	FY'21	FY'20	YoY Growth
<b>Breakup Details</b>						
<b>Tonnage (In MT)</b>	<b>21,251</b>	<b>19,185</b>	<b>11%</b>	<b>46,220</b>	<b>54,848</b>	<b>-16%</b>
-Exports	5,357	6,424	-17%	20,250	23,798	-15%
-Local	15,894	12,761	25%	25,970	31,050	-16%
<b>Sales</b>						
(Including Export incentives & Scrap Sale)	157.8	134.4	17%	356.6	384.3	-7%

**Notes:** MEIS was reduced from 7% to 5% with a cap of Rs.2crs/- per exporter from Sep'20 till Dec'20 and the scheme was withdrawn completely from the 1<sup>st</sup> of Jan 2021. The govt. has proposed a new RoDTEP scheme soon. 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. TMA (Transport & Marketing Assistance) scheme assistance to the tune of Rs.1.96crs has been recognized in Other Income in this financial year. Hence the company has lost out temporarily on around Rs.2.64crs (Net) of incentives based on export this year.

**B) Kusum Spices:**

Kusum Spices								
(In Rs.Crs/-)								
Particulars	Q3 FY'20	Q4 FY'20	FY'20	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY'20
Sales	3.98	4.09	8.07	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 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
- Business 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. This needs to be matched with production during the season period.
  - b) **Domestic markets:** The company saw one of its best quarters in the domestic market in tonnage terms in Q4 – Partially because the domestic market had opened up and partially because of market share gains from competitors. Just as the sales were doing well till April'21 lockdown slowed down the offtake momentum. But as we see the COVID curve

going down, we are more than convinced that our sales momentum seen in Q4 FY'21 should continue and we expect a good FY'22 subject to any further effects from COVID. We expect to gain further domestic market share in the coming quarters.

- c) The govt. of India has announced a Production linked Incentive scheme for the Food sector and we as a company are eligible to apply for the same based on the eligibility criteria defined by the Ministry of Food processing under the Fruits & Vegetable processor category. The Ministry 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.

**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:**

