

3rd February 2022

Foods & Inns Limited (Investor Note – Q3 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 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), 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 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 signed an agreement on the 31st of May 2021 to undertake a factory premise on job work basis to expand its capacities in the Fruits & Vegetable processing segment.

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

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. We have an order backlog continuing in the export markets due to unavailability of containers and extremely high freight cost which has made us non-competitive in certain markets.

Performance: Q3 FY'22

A) Foods & Inns:

Particulars	Q3 FY'22	Q3 FY'21	YoY Growth	Q3 FY'20	9M FY'22	FY'21	FY'20
Breakup Details							
Sales Tonnage (In MT)	14,568	9,012	62%	9,489	52,576	46,220	54,848
-Exports	6,079	4,888	24%	6,099	19,145	20,250	23,798
-Domestic	8,489	4,123	106%	3,390	33,431	25,970	31,050
Sales (In Rs. Crores/-)							
(Including Export incentives & Scrap Sale)	117.76	67.73	74%	79.48	425.52	356.6	384.3

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	Q2 FY'22	Q3 FY'22	
Sales	3.98	4.09	8.07	2.33	3.70	3.33	4.9	14.26	3.81	3.99	3.83	

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:
 - Increasing the share of value added and branded products across its food offerings.
 - Increasing its operating leverage by producing allied products during non-peak season
 - Converting its waste into Value additive products
- Geographical outlook:**
 - 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. 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%. Normalization of freight cost in an essential condition for the export markets to do well as that would get help us be cost competitive as compared to other countries.
 - Domestic markets:** Despite the second and third wave of COVID we are more than convinced that our sales momentum 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 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 July'2022 which will

double our existing capacity for Spray Dried products. We have also installed the Tetra Recart plant at our new Vankal facility and expect the plant to be fully operational by April 2022. We will be associating with prominent brands to fulfil their packaging requirements in the Recart form. 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.

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 Updates:**

- a) Foods & Inns got selected under the Production Linked Incentive 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 anywhere between Rs.110 crores to Rs.150crs between the period FY'22-23 to FY'26-27 based on future growth in sales. 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.
- d) The Ministry of Food Processing has 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.
- e) The company has shifted its Spice manufacturing facility from its acquired rented premises in Goregaon (Mumbai) to its own campus in Gonde (Nashik). This will help the company save on

rental costs incurred in prime city space in Mumbai as well as enable a state-of-the-art facility to be able to export to the US and Europe. Manufacturing in Gonde will commence in the next 15 days and further installation of sterilization and ETO units in the newly built campus under the PLI scheme are under consideration.

- f) 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 local 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. No development has taken place post submitting our EOI in 2021.

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.

Contact:

- 1) writetous@foodsandinns.com
- 2) Landline: 022-35110013 / 022-22615032
- 3) Mr. Anand Krishnan, CFO (Email: anand@foodsandinns.com)
- 4) Mrs. Randeep Kaur, Company Secretary (Email: randeep@foodsandinns.com)

Our Brands:



PRODUCT LIST

