

16th May 2022

Foods & Inns Limited (Investor Note – 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 & 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

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 in FY'22 as we gained market share from our competition.

Performance: Q4 FY'22 & FY'22

A) Foods & Inns:

Particulars	Q4 FY'22	Q4 FY'21	YoY Growth	FY'22	FY'21	YoY Growth	FY'20
Breakup Details							
Sales Tonnage (In MT)	25,983	21,209	23%	78,379	46,220	70%	54,848
-Exports	5,525	5,357	3%	24572	20,250	21%	23,798
-Domestic	20,458	15,852	29%	53807	25,970	107%	31,050
Sales (In Rs. Crores/-)							
(Including Export incentives & Scrap Sale)	190.96	157.78	21%	616.49	356.6	73%	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	Q4 FY'22	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	4.25	15.88		

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. Current China led lockdowns due to COVID has resulted in average 45 days of delay in container availability. Normalization of freight cost is 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'23. One of the major beverage brand has indicated investment of 300 Mn US Dollars in a couple of years to expand their exposure in India. Accordingly, 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.

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 (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 August 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.

- g) Being the golden jubilee year of the company's operation, the Board has recommended a dividend of 25% for FY'21-22.

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

