

CMP: INR 91

Rating: BUY

TP: INR 148

Stock Info

BSE	507552
NSE	FOODSIN
Bloomberg	FI:IN
Reuters	FDSI.BO
Sector	FMCG
Face Value (INR)	1
Equity Capital (INR cr)	7.34
Mkt Cap (INR cr)	671
52w H/L (INR)	149/75
Avg Yearly Volume (in 000')	241.4

Shareholding Pattern %

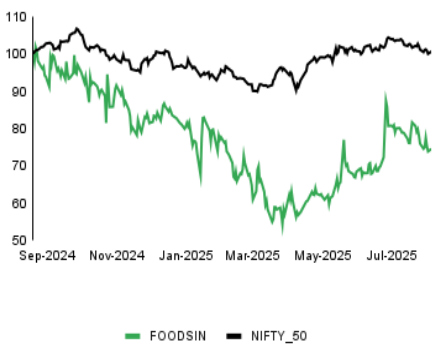
(As on Jun 2025)

Promoters	25.37
FII	0.0
DII	1.26
Public & Others	73.37

Stock Performance (%) 1m 3m 12m

Foods & Inns	(21.9)	(17.2)	(36.3)
Nifty 50	(0.4)	(0.6)	1.24

Foods & Inns Vs Nifty 50



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Foods & Inns Ltd posted mixed Q1 FY26 results, with revenue declining 4.5% YoY to INR 2,361.5 Mn and EBITDA down 7.3% YoY, while gross margin improved by 141 bps to 39% on better operating efficiencies. PAT rose slightly by 1.2% YoY, though profitability came in below estimates. Operationally, performance was supported by lower mango (Totapuri) prices, a strong guava crop, and 10.3% growth in pulp volumes led by domestic demand (+12.4% YoY), even as exports remained flat. Frozen food volumes surged nearly 50% on healthy global demand, spray-dried powders operated at full utilization with capacity expansion planned, and Kusum Spices secured a returning tender-based client for H2 FY26. Export traction was encouraging with Russia debut orders for Tetra Recart and repeat orders from Finland.

Cost-plus model drives resilient profitability: The company's cost-plus pricing model protects profitability by passing raw material cost changes directly to customers, ensuring absolute gross profit growth even if margins fluctuate. This offers predictable earnings backed by volume expansion.

Margins impacted by Q1 product mix shifts: Q1 FY26 margins dipped slightly due to higher sales of lower-margin products like chili and garlic, and cheaper mango varieties. The company expects normalization as product mix stabilizes, focusing on gross profit rather than margin percentage.

Tomato capacity expansion targets strong volume growth: Expanded tomato processing capacity, operational since December, is expected to nearly double tomato segment revenues from INR 750–800 Mn to INR 1,300–1,400 Mn in FY26.

Capex plans focused on spray-dried powder expansion: All previously planned capex is complete. The company is evaluating a potential 4–5 MT/day expansion in spray-dried powder capacity to tap into seasoning and export markets. (From 6MT to up to 11MT per day).

Outlook and valuation: The current market price offers a compelling entry point supported by expected margin tailwinds, capacity expansions in tomato and spray-dried powders, and strong export growth. With a 20% volume growth target for FY26 and nearly doubling tomato segment revenues to INR 1,300-1,400 Mn, the company benefits significantly from over INR 400 Mn received under the PLI scheme, with INR 950 Mn more expected. The company's leadership in fruit processing and diversification into high-margin frozen foods and spices strengthens its growth outlook. Despite near-term working capital pressures, long-term fundamentals remain solid. We assign a TP of INR 148, valuing the company at the DCF Model, and maintain our 'BUY' rating.

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	10,268	9,921	11,750	13,679	16,104
YoY	3%	-3%	18%	16%	18%
EBITDA	1,270	1,163	1,504	1,813	2,361
PAT	434	419	964	901	1,342
YoY	-8%	-3%	130%	-6%	49%
EPS (INR)	7.6	5.7	13.1	12.3	18.3
YoY	-18%	-25%	130%	-6%	49%
EBITDA Margin (%)	12.37%	11.72%	12.80%	13.25%	14.66%
EV/EBITDA (x)	6.8	7.5	4.2	3.0	1.6
P/E (x)	13.1	17.5	7.6	8.1	5.5

Source: Company, Arihant Capital

INR Mn (Consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Net Revenue	2361.5	3973.3	2472.8	-40.57%	-4.50%
Raw Material Costs	1440.3	2913.8	1543.0	-50.57%	-6.66%
Gross Profit	921.2	1059.6	929.8	-13.06%	-0.92%
<i>Gross Margin</i>	<i>39.01%</i>	<i>26.67%</i>	<i>37.60%</i>	<i>1234bps</i>	<i>141bps</i>
Employee costs	138.6	122.3	126.9	13.34%	9.22%
Other Expenses	538.5	459.5	539.7	17.21%	-0.22%
EBITDA	244.0	477.8	263.1	-48.93%	-7.26%
<i>EBITDA margin</i>	<i>10.33%</i>	<i>12.03%</i>	<i>10.64%</i>	<i>-169bps</i>	<i>-31bps</i>
Other Non-Operating Income	30.7	27.8	40.0	10.66%	-23.24%
Depreciation	56.7	53.9	50.6	5.24%	12.05%
EBIT	218.0	451.7	252.5	-51.73%	-13.66%
Finance costs	117.0	154.2	140.9	-24.07%	-16.93%
Share of P/L of JV or Associate	-0.4	-0.4	-0.5	1.14%	-13.67%
PBT	100.54	297.07	111.12	-66.16%	-9.52%
Tax Expense	29.6	67.8	41.0	-56.35%	-27.87%
<i>Effective tax rate</i>	<i>29.43%</i>	<i>22.82%</i>	<i>36.92%</i>	<i>661bps</i>	<i>-749bps</i>
PAT	71.0	229.3	70.1	-69.06%	1.22%
<i>PAT margin</i>	<i>2.97%</i>	<i>5.73%</i>	<i>2.79%</i>	<i>-276bps</i>	<i>18bps</i>
<i>EPS</i>	<i>0.96</i>	<i>3.08</i>	<i>1.15</i>	<i>-68.83%</i>	<i>-16.52%</i>

Sharply lower mango costs improve working capital cycle: Procurement prices for mango dropped from INR 27/kg to INR 8/kg, significantly reducing working capital requirements per ton.

Exports to global brands anchor top-line stability: Exports contributed 35-38% of revenues, with a decade-spanning client base including Coca-Cola, Pepsi, Unilever, etc. Participation in major food exhibitions and plans to enter the US market further diversify export opportunities.

Active debt reduction supported by better cash flow: Total debt stands at INR 4,270 Mn. Lower input costs and faster inventory turnover support debt reduction goals. The company's blended cost of debt was around 9.75%.

Deep farmer ties strengthen the moat against competitors: Long-term partnerships with farmers, FPO engagements, and government cluster programs secure raw material quality and supply, helping defend market share amid growing competition from larger conglomerates.

Centralized R&D center enables innovation and collaborations: The new R&D facility in Nashik, launching soon, will allow co-development with clients for customized food products. Growth areas include frozen vegetables, spices, and niche fruits like Jamun.

Equity Expansion and Growth Funding: Management remains open to future rights issues to enhance liquidity and market cap, which could appeal to institutional and HNI investors. Any such decision will align with growth strategies and funding needs as the business continues to scale.

Q-Commerce and Distribution: Although the company's primary focus is B2B, it is exploring partnerships with Q-commerce brands for private label packaging and distribution. B2C efforts remain niche, mainly in frozen categories and spices.

Income statement (INR mn)	FY24	FY25	FY26E	FY27E	FY27E
Net Sales	10,268	9,921	11,750	13,679	16,104
YoY (%)	2.75%	-3.38%	18.44%	16.41%	17.73%
Adjusted COGS	7,113	6,587	7,521	8,345	9,626
YoY (%)	1.49%	-7.39%	14.18%	10.95%	15.35%
Personnel/ Employee benefit expenses	419	488	613	797	922
<i>Manufacturing & Other Expenses</i>	1,466	1,683	2,113	2,724	3,195
Total Expenditure	8,998	8,758	10,247	11,866	13,743
YoY (%)	27.80%	-8.45%	29.31%	20.55%	30.20%
EBITDA	1,270	1,163	1,504	1,813	2,361
YoY (%)	27.80%	-8.45%	29.31%	20.55%	30.20%
EBITDA Margin (%)	12.37%	11.72%	12.80%	13.25%	14.66%
Depreciation	164	207	193	201	201
% of Gross Block	4.91%	4.90%	4.20%	4.02%	3.69%
EBIT	1,106	956	1,311	1,612	2,159
EBIT Margin (%)	10.78%	9.63%	11.16%	11.78%	13.41%
Interest Expenses	461	582	564	548	533
Non-operating/ Other income	67	125	126	179	211
PBT	711	498	872	1,243	1,838
Tax-Total	277	79	-92	342	496
Profit After Tax	434	419	964	901	1,342
PAT Margin	4.23%	4.23%	8.20%	6.59%	8.34%
Shares o/s/ paid up equity sh capital	57	73	73	73	73
Adj EPS	8	6	13	12	18
Dividend per share	0.5	0.3	0.3	0.3	0.3
Dividend payout (%)	6.13%	5.25%	2.29%	2.44%	1.64%
Retained earnings	408	397	942	879	1,320
Balance sheet (INR Mn)	FY24	FY25	FY26E	FY27E	FY27E
Sources of Funds					
Equity Share Capital	57	73	73	73	73
Reserves & Surplus/ Other Equity	3,929	5,318	6,281	7,182	8,525
Networth	3,986	5,391	6,355	7,256	8,598
Unsecured Loans/ Borrowings/ Lease Liabilities	16	125	124	123	121
Other Liabilities	544	443	484	538	607
Total Liabilities	6,287	7,511	6,995	7,339	7,793
Total Funds Employed	10,272	12,901	13,349	14,595	16,391
Application of Funds					
Net Fixed Assets	2,852	3,375	3,462	3,656	3,896
Investments/ Notes/ Fair value measurement	307	173	195	218	246
Current assets	7,193	9,290	9,631	10,660	12,191
Inventory	3,843	4,902	3,134	2,980	2,533
<i>Days</i>	184	242	152	130	96
Debtors	1,754	2,149	1,754	1,900	1,964
<i>Days</i>	58	72	54	51	45
Other Current Assets	1,126	2,165	2,281	2,404	2,533
Cash and Cash equivalent	387	70	2,457	3,370	5,152
Current Liabilities/Provisions	5,343	6,649	6,214	6,631	7,149
Creditors / Trade Payables	941	2,586	2,089	2,431	2,862
<i>Days</i>	39	65	65	65	65
Liabilities	113	83	90	97	106
Net Current Assets	1,850	2,641	3,416	4,029	5,042
Total Asset	10,272	12,901	13,349	14,595	16,391
Total Capital Employed	8,422	10,260	9,933	10,566	11,349

Source: Company, Arianth Capital

Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit After tax	711	498	872	1,243	1,838
Depreciation and amortisation	164	207	193	201	201
Interest adjustment	394	456	438	369	322
Change in assets and liabilities	1,019	1,105	1,617	1,493	1,888
Inventories	-515	-1,059	1,769	154	447
Trade receivables	-250	-394	395	-146	-64
Trade payables	-303	1,645	-497	343	431
Other Liabilities and provisions	130	-136	56	67	80
Other Assets	-683	-822	-95	-100	-105
Taxes	187	-54	-18	-16	-15
Net cash from operating activities	640	25	3,226	1,794	2,662
Net Sale/(Purchase) of assets, CWIP	-669	-729	-281	-395	-441
Net Sale/(Purchase) of investments	-7	79	-8	-9	-12
Others	60	178	113	165	195
Net cash from investing activities	-616	-472	-176	-240	-257
Interest expense	-176	75	-12	-13	-14
Dividend paid	-27	-22	-22	-22	-22
Other financing activities	-33	413	-563	-547	-532
Net cash from financing activities	7	326	-663	-641	-620
Closing Balance	155	34	2,421	3,334	5,117
FCF	-283	-880	2,859	1,489	2,362
Capex (% of sales)	9.00%	9.12%	2.55%	2.19%	1.86%
Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios					
Debt / Equity	0.98	0.69	0.59	0.52	0.44
Net Debt / Equity	0.88	0.68	0.20	0.05	-0.16
Debt / EBITDA	3.06	3.22	2.49	2.07	1.59
Current Ratio	2.76	3.16	0.86	0.21	-0.60
DuPont Analysis					
Sales/Assets	1.00	0.77	0.88	0.94	0.98
Assets/Equity	2.58	2.39	2.10	2.01	1.91
RoE	10.89%	7.78%	15.16%	12.42%	15.61%
Per share ratios					
Reported EPS	7.65	5.71	13.13	12.28	18.28
Dividend per share	0.47	0.30	0.30	0.30	0.30
BV per share	70.21	73.43	86.56	98.83	117.12
Cash per Share	33.63	29.72	56.85	71.28	96.43
Revenue per Share	180.89	135.13	160.06	186.32	219.35
Profitability ratios					
Net Profit Margin (PAT/Net sales)	4.23%	4.23%	8.20%	6.59%	8.34%
Gross Profit / Net Sales	30.73%	33.60%	35.99%	38.99%	40.23%
EBITDA / Net Sales	12.37%	11.72%	12.80%	13.25%	14.66%
EBIT / Net Sales	10.78%	9.63%	11.16%	11.78%	13.41%
ROCE (%)	13.06%	12.56%	9.68%	12.19%	13.92%
Activity ratios					
Inventory Days	184.02	242.31	152.08	130.36	96.05
Debtor Days	57.91	71.79	54.48	50.69	44.51
Creditor Days	38.83	64.88	64.88	64.88	64.88
Leverage ratios					
Interest coverage	2.40	1.64	2.32	2.94	4.05
Debt / Asset	0.4	0.3	0.3	0.3	0.2
Valuation ratios					
EV / EBITDA	6.77	7.54	4.24	3.02	1.56
PE (x)	13.07	17.51	7.62	8.15	5.47
OCF/EBITDA (%)	50.41	2.17	214.48	98.97	112.77

Source: Company, Arihant Capital

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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