

CMP: INR 78

Rating: BUY

TP: INR 311

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)	576
52w H/L (INR)	129/75
Avg Yearly Volume (in 000')	208.5

Shareholding Pattern %

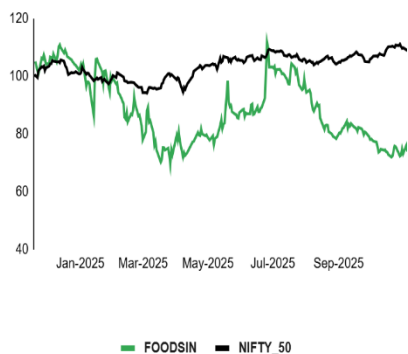
(As on Jun 2025)

Promoters	25.38
FII	0.05
DII	1.13
Public & Others	73.44

Stock Performance (%) 1m 3m 12m

Foods & Inns	(5.14)	(18.13)	(30.1)
Nifty 50	2.85	5.19	10.1

Foods & Inns Vs Nifty 50



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Foods & Inns Ltd reported Q2FY26 revenue of INR 1,925.12 Mn, up 14.12% YoY but down 18.48% QoQ, with gross margin expanding 162 bps YoY to 42.35% (up 334 bps QoQ); however, EBITDA fell 25.24% YoY to INR 176.39 Mn (down 27.72% QoQ) amid a 22.59% YoY rise in employee costs, contracting EBITDA margin by 482 bps YoY to 9.16% (down 117 bps QoQ), while PAT plummeted 94.77% YoY to INR 6.72 Mn (down 90.53% QoQ).

Strong Export Market Outlook with Competitive Pricing: The export market, particularly for mango pulp, appears highly promising due to the company's price competitiveness versus Mexican suppliers, driven by lower Totapuri prices. Early contracted customer indications signal robust demand starting December 2025 through mid-2026, supporting volume growth and margin stability in export revenue streams.

Capacity Expansion with Low Capex Support: The company plans to expand spray-dried powder capacity by adding a mid-sized plant within its existing facility with minimal capital expenditure (~INR 5 crore). This expansion is anticipated to be operational within 18 months, reflecting the company's prudent capex strategy to scale volumes while maintaining capital efficiency.

Diversified Product Portfolio and New Product Development: The company highlighted the addition of new products (chili, garlic, tomato, papaya, banana) and ongoing new product development initiatives catering to changing consumer trends such as health-conscious and vegan segments. This innovation, including recent launches in Canadian and US markets, supports structured revenue diversification beyond mango pulp.

Encouraging Growth in Frozen Foods Segment: Frozen foods volumes grew nearly 39% YoY in Q2 FY26, confirming accelerating momentum in a high-growth segment. Targeted revenue for frozen foods in FY26 stands at INR 90-105 crore, up from INR 68 crore in FY25, indicating sustained demand and potential margin enhancement in value-added product lines.

Outlook and valuation: The company is set for strong volume growth with a focus on exports, targeting 20% annual tonnage growth and expanding into new international markets like Russia and Canada. Despite a dip in profitability due to forex losses, operational leverage and diversified product offerings are expected to improve margins over time. Capital expenditure remains low, preserving cash flow, while digital initiatives aim to revive slower-growing segments. Overall, the company is well-positioned for steady top-line and profit growth driven by volume and product mix enhancements. We assign a TP of INR 311, valuing the company at 25x FY28E EPS of INR 12.4, and maintain our 'BUY' rating.

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	10,268	9,921	11,723	13,047	14,412
YoY	3%	-3%	18%	11%	10%
EBITDA	1,270	1,163	1,379	1,582	1,787
PAT	434	419	581	738	913
YoY	-8%	-3%	39%	27%	24%
EPS (INR)	7.6	5.7	7.9	10.0	12.4
YoY	-18%	-25%	39%	27%	24%
EBITDA Margin (%)	12.37%	11.72%	11.77%	12.12%	12.40%
EV/EBITDA (x)	6.8	7.5	4.9	3.8	2.6
P/E (x)	13.1	17.5	12.6	10.0	8.0

Source: Company, Arihant Capital

INR Mn (Consolidated)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Net Revenue	1925.12	2361.5	1686.99	-18.48%	14.12%
Raw Material Costs	1109.78	1440.3	999.91	-22.95%	10.99%
Gross Profit	815.34	921.2	687.08	-11.49%	18.67%
<i>Gross Margin</i>	<i>42.35%</i>	<i>39.01%</i>	<i>40.73%</i>	<i>334bps</i>	<i>162bps</i>
Employee costs	149.45	138.6	121.91	7.82%	22.59%
Other Expenses	489.51	538.5	329.24	-9.10%	48.68%
EBITDA	176.39	244.0	235.94	-27.72%	-25.24%
<i>EBITDA margin</i>	<i>9.16%</i>	<i>10.33%</i>	<i>13.99%</i>	<i>-117bps</i>	<i>-482bps</i>
Other Non Operating Income	25.75	30.7	24.52	-16.21%	4.99%
Depreciation	65.13	56.7	50.05	14.79%	30.13%
EBIT	137.01	218.0	210.41	-37.16%	-34.88%
Finance costs	126.58	117.0	128.16	8.14%	-1.23%
Share of P/L of JV or Associate	-0.55	-0.4	-0.51	23.30%	7.71%
PBT	9.89	100.54	81.74	-90.17%	-87.91%
Tax Expense	3.17	29.6	-30.20	-89.30%	-110.48%
<i>Effective tax rate</i>	<i>32.02%</i>	<i>29.43%</i>	<i>-36.94%</i>	<i>259bps</i>	<i>6896bps</i>
PAT	6.72	71.0	111.94	-90.53%	-94.00%
<i>PAT margin</i>	<i>0.34%</i>	<i>2.97%</i>	<i>6.54%</i>	<i>-262bps</i>	<i>-620bps</i>
EPS	0.08	0.96	1.53	-91.67%	-94.77%

Stable Performance with Digital Push in Spices Segment: Though Kusum spices demonstrated a flat performance in FY26 thus far, strategic efforts are underway to revitalize growth via a focused digital marketing campaign targeted at younger generations. This indicates the company's intent to leverage brand heritage with modern marketing techniques to unlock growth potential.

Robust Volume Growth with Operational Leverage Potential: The company targets a 20% volume growth annually, supported by better tonnage and gross profit per kg improvement. While revenue is subject to raw material price fluctuations, operational leverage from increased volumes is expected to drive absolute EBITDA growth, particularly in H2FY26 and FY27.

Expanding Geographical Footprint and New Market Penetration: Foods and Inns is gaining traction in newer geographies such as Russia, Canada, and North America with the Tetra Recarte segment, expected to generate growing revenues from FY27 onwards. This geographic diversification mitigates customer concentration risks and supports long-term growth.

Income statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	10,268	9,921	11,723	13,047	14,412
YoY (%)	2.75%	-3.38%	18.16%	11.29%	10.47%
Adjusted COGS	7,113	6,587	7,541	8,335	9,193
YoY (%)	1.49%	-7.39%	14.48%	10.53%	10.29%
Personnel/ Employee benefit expenses	419	488	594	660	714
Manufacturing & Other Expenses	1,466	1,683	2,209	2,470	2,718
Total Expenditure	8,998	8,758	10,344	11,465	12,625
YoY (%)	27.80%	-8.45%	18.58%	14.69%	12.95%
EBITDA	1,270	1,163	1,379	1,582	1,787
YoY (%)	27.80%	-8.45%	18.58%	14.69%	12.95%
EBITDA Margin (%)	12.37%	11.72%	11.77%	12.12%	12.40%
Depreciation	164	207	193	201	201
% of Gross Block	4.91%	4.90%	4.20%	4.02%	3.69%
EBIT	1,106	956	1,186	1,381	1,585
EBIT Margin (%)	10.78%	9.63%	10.12%	10.58%	11.00%
Interest Expenses	461	582	564	548	533
Non-operating/ Other income	67	125	157	178	196
PBT	711	498	779	1,011	1,250
Tax-Total	277	79	197	273	337
Profit After Tax	434	419	581	738	913
PAT Margin	4.23%	4.23%	4.96%	5.65%	6.33%
Shares o/s/ paid up equity sh capital	57	73	73	73	73
Adj EPS	8	6	8	10	12
Dividend per share	0.5	0.3	0.3	0.3	0.3
Dividend payout (%)	6.13%	5.25%	3.79%	2.99%	2.41%
Retained earnings	408	397	559	716	891
Balance sheet (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Equity Share Capital	57	73	73	73	73
Reserves & Surplus/ Other Equity	3,929	5,318	5,899	6,637	7,549
Networth	3,986	5,391	5,972	6,710	7,623
Unsecured Loans/ Borrowings/ Lease Liabilities	16	125	124	123	122
Other Liabilities	544	443	484	538	607
Total Liabilities	6,287	7,511	6,990	7,227	7,493
Total Funds Employed	10,272	12,901	12,962	13,937	15,116
Application of Funds					
Net Fixed Assets	2,852	3,375	3,462	3,656	3,896
Investments/ Notes/ Fair value measurement	307	173	195	216	239
Current assets	7,193	9,290	9,244	10,005	10,922
Inventory	3,843	4,902	3,142	2,977	2,419
Days	184	242	152	130	96
Debtors	1,754	2,149	1,750	1,812	1,758
Days	58	72	54	51	45
Other Current Assets	1,126	2,165	2,281	2,404	2,533
Cash and Cash equivalent	387	70	2,066	2,806	4,204
Current Liabilities/Provisions	5,343	6,649	6,209	6,519	6,849
Creditors / Trade Payables	941	2,586	2,084	2,319	2,562
Days	39	65	65	65	65
Liabilities	113	83	90	97	106
Net Current Assets	1,850	2,641	3,034	3,486	4,074
Total Asset	10,272	12,901	12,962	13,937	15,116
Total Capital Employed	8,422	10,260	9,928	10,451	11,042
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit After tax	711	498	779	1,011	1,250
Depreciation and amortisation	164	207	193	201	201
Interest adjustment	394	456	407	370	337
Change in assets and liabilities	1,019	1,105	1,203	1,331	1,473
Inventories	-515	-1,059	1,760	165	558
Trade receivables	-250	-394	399	-62	54
Trade payables	-303	1,645	-502	235	243
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	2,803	1,620	2,288
Net Sale/(Purchase) of assets, CWIP	-669	-729	-281	-395	-441
Net Sale/(Purchase) of investments	-7	79	-8	-7	-7
Others	60	178	145	163	181
Net cash from investing activities	-616	-472	-144	-239	-268
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	2,029	2,770	4,168
FCF	-283	-880	2,437	1,315	1,988
Capex (% of sales)	9.00%	9.12%	2.56%	2.30%	2.08%

Source: Company, Aриhant Capital

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios					
Debt / Equity	0.98	0.69	0.63	0.56	0.49
Net Debt / Equity	0.88	0.68	0.28	0.14	-0.06
Debt / EBITDA	3.06	3.22	2.71	2.37	2.10
Current Ratio	2.76	3.16	1.22	0.59	-0.26
DuPont Analysis					
Sales/Assets	1.00	0.77	0.90	0.94	0.95
Assets/Equity	2.58	2.39	2.17	2.08	1.98
RoE	10.89%	7.78%	9.73%	10.99%	11.97%
Per share ratios					
Reported EPS	7.65	5.71	7.92	10.05	12.43
Dividend per share	0.47	0.30	0.30	0.30	0.30
BV per share	70.21	73.43	81.35	91.40	103.83
Cash per Share	33.63	29.72	51.47	62.40	80.70
Revenue per Share	180.89	135.13	159.68	177.71	196.31
Profitability ratios					
Net Profit Margin (PAT/Net sales)	4.23%	4.23%	4.96%	5.65%	6.33%
Gross Profit / Net Sales	30.73%	33.60%	35.67%	36.11%	36.21%
EBITDA / Net Sales	12.37%	11.72%	11.77%	12.12%	12.40%
EBIT / Net Sales	10.78%	9.63%	10.12%	10.58%	11.00%
ROCE (%)	13.06%	12.56%	9.68%	11.44%	12.51%
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	2.10	2.52	2.98
Debt / Asset	0.4	0.3	0.3	0.3	0.2
Valuation ratios					
EV / EBITDA	6.77	7.54	4.91	3.81	2.59
PE (x)	13.07	17.51	12.63	9.95	8.04
OCF/EBITDA (%)	50.41	2.17	203.25	102.43	128.03

Source: Company, Aриhant 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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