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Generating Wealth

Q3FY26 Result Update
16th Feb 2025

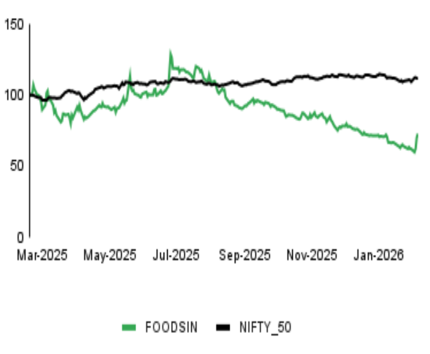
Foods & Inns Ltd.

CMP: INR 61	
Rating: BUY	
TP: INR 234	
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)	450
52w H/L (INR)	129/57
Avg Yearly Volume (in 000')	202.2

Shareholding Pattern % *(As on Dec 2025)*	
Promoters	25.40
FII	0.14
DII	1.13
Public & Others	73.33

Stock Performance (%)	1m	6m	12m
Foods & Inns	(4.12)	(33.3)	(37.4)
Nifty 50	(0.87)	2.39	10.9

Foods & Inns Vs Nifty 50



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Foods & Inns reported a weak Q3FY26 performance with consolidated net revenue declining 21.8% QoQ and 20.6% YoY to INR 1,504.7 mn, mainly due to lower volumes, though gross margin improved sharply to 47.0% (+467 bps QoQ, +669 bps YoY) driven by softer raw material costs. EBITDA stood at INR 169.2 mn, down 9.1% YoY and 4.1% QoQ, with margin improving to 11.3%. However, higher depreciation and finance costs led to a 22.4% YoY decline in EBIT to INR 129.3 mn. Despite a 50.9% YoY rise in PBT to INR 11.9 mn, elevated tax expense impacted profitability, resulting in PAT falling 45.6% YoY to INR 4.3 mn, with EPS at INR 0.05.

Diversification Strategy and Transition to a Year-Round Platform: The company is successfully transitioning from a seasonal, mango-centric processor into a diversified, global food ingredients platform. The company is aggressively expanding non-mango verticals—including tomato, guava, chili, and garlic to mitigate traditional seasonality and reduce the mango-to-non-mango revenue ratio toward a 60:40 target. Despite flat sales tonnage in Q3 FY26 due to temporary US export delays, the company's structural focus on scalable and differentiated platforms like frozen foods and specialty ingredients provides a clear path for sustainable long-term value creation.

Resilient Core Business and Absolute Margin Focus: The core fruit and vegetable pulping segment remains fundamentally sound, operating on a pass-through pricing model that protects absolute gross margins from raw material price volatility. While reported revenue has faced headwinds from lower average realizations as a result of cheaper inventory from the 2025 crop season, the company's internal targets aim for 10–15% annual growth in absolute EBITDA and Gross Profit. Furthermore, favorable Totapuri mango flowering indicators suggest continued raw material softness, which is expected to enhance India's export competitiveness in upcoming seasons.

Outlook and valuation: The short-to-medium-term outlook remains constructive, underpinned by the company's expectation of a stellar Q4 FY26, historically the company's strongest period, alongside the anticipated receipt of PLI incentives expected to be similar to or higher than the INR 25 crore recorded in the previous fiscal. The company has set an internal annual growth target of 10–15%. Despite the current total debt of INR 460 crore, the risk profile is mitigated by a lean long-term debt of just INR 50 crore, with the remainder primarily dedicated to cycle-dependent working capital for inventory buildup. Long-term valuation upside is heavily tied to the commercialization of the Pectin and Tetra Recart platforms in FY27, which are expected to significantly enhance the margin profile by transitioning the business toward high-value, non-seasonal functional ingredients. We assign a TP of INR 234, valuing the company at DCF Valuation, and maintain our 'BUY' rating.

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	10,268	9,921	10,401	10,516	10,697
YoY	*3%*	*-3%*	*-2%*	*1%*	*2%*
EBITDA	1,270	1,163	1,274	1,321	1,372
PAT	434	419	455	496	544
YoY	-8%	-3%	-12%	9%	10%
EPS (INR)	7.6	5.7	6.2	6.8	7.4
YoY	*-18%*	*-25%*	*-12%*	*9%*	*10%*
EBITDA Margin (%)	12.37%	11.72%	12.25%	12.56%	12.83%
EV/EBITDA (x)	6.8	7.5	5.4	4.8	4.0
P/E (x)	13.1	17.5	16.7	15.3	14.0

Source: Company, Arihant Capital

INR Mn (Consolidated)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Net Revenue	**1504.70**	**1925.12**	**1894.31**	***-21.84%***	***-20.57%***
Raw Material Costs	797.19	1109.78	1130.28	*-28.17%*	*-29.47%*
Gross Profit	707.51	815.34	764.03	*-13.23%*	*-7.40%*
Gross Margin	*47.02%*	*42.35%*	*40.33%*	*467bps*	*669bps*
Employee costs	126.49	149.45	116.87	*-15.36%*	*8.23%*
Other Expenses	411.80	489.51	461.07	*-15.87%*	*-10.69%*
EBITDA	**169.22**	**176.39**	**186.09**	***-4.06%***	***-9.06%***
EBITDA margin	*11.25%*	*9.16%*	*9.82%*	*208bps*	*142bps*
Other Non Operating Income	22.43	25.75	33.17	*-12.87%*	*-32.37%*
Depreciation	62.33	65.13	52.61	*-4.30%*	*18.46%*
EBIT	**129.33**	**137.01**	**166.65**	***-5.61%***	***-22.40%***
Finance costs	116.93	126.58	158.31	*-7.62%*	*-26.14%*
Share of P/L of JV or Associate	-0.51	-0.55	-0.46	*-6.61%*	*10.41%*
PBT	**11.89**	**9.89**	**7.88**	***20.27%***	***50.88%***
Tax Expense	7.60	3.17	-0.01	*139.97%*	
Effective tax rate	*63.88%*	*32.02%*	*-0.08%*	*3186bps*	*6396bps*
PAT	**4.29**	**6.72**	**7.89**	***-36.10%***	***-45.55%***
PAT margin	*0.28%*	*0.34%*	*0.41%*	*-6bps*	*-13bps*
EPS	0.05	0.08	0.1	***-37.50%***	***-50.00%***

High-Growth Momentum in Frozen Foods and Strategic Partnerships: The frozen food vertical has emerged as a primary growth engine, recording a 35% YoY volume increase in Q3 FY26 and a 37% increase for the nine months. This segment is benefiting from higher realizations through value-added snacks and Indian breads, with Nasik facilities currently running three shifts to meet an order book that exceeds current capacity. Strategic wins, including long-term supply contracts with two large airline customers, underscore the company’s ability to crack high-entry-barrier B2B segments and scale its global footprint.

High-Margin Innovation: Pectin and Tetra Recart Platforms: Future profitability is anchored in high-margin, innovative platforms such as the Pectin project and Tetra Recart packaging. The Pectin initiative, a waste-to-value circular economy project, targets an import-heavy INR 350–400 crore Indian market; while commercial revenues are expected to materialize in FY27 following rigorous customer testing, it represents a significant potential game changer for EBITDA margins. Similarly, the Tetra Recart segment is gaining traction in Russia, Europe, and the US as a sustainable alternative to traditional canning, with the company expecting volume to scale 5x to 6x in the coming year.

Financial Health and PLI-Led Incentives: The company maintains a disciplined financial profile with a total debt of approximately INR 460 crore, the vast majority of which (INR 410 crore) is short-term working capital required to support seasonal inventory buildup. Long-term debt has been reduced to INR 50 crore, primarily utilized for PLI-linked capital expenditures in greenfield and brownfield projects. Profitability in Q4 is expected to be bolstered by the disbursement of PLI incentives, which management indicates will be similar to or slightly higher than the INR 25 crore received for the previous fiscal year.

Risk Mitigation and Outlook for Q4 FY26: Operational risks, specifically the US tariff uncertainties and delayed tomato crop procurement, appear to be stabilizing. US call-offs, which were temporarily paused due to a lack of clarity on 18–50% tariff structures, are expected to resume as importers receive clarity on potential refunds. Additionally, while the tomato season was delayed, production is currently running at full capacity, with significant volume recovery anticipated in Q4.

Income statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	10,268	9,921	10,401	10,516	10,697
YoY (%)	*2.75%*	*-3.38%*	*-2.08%*	*1.11%*	*1.72%*
Adjusted COGS	**7,113**	**6,587**	**6,618**	**6,652**	**6,756**
YoY (%)	*1.49%*	*-7.39%*	*-4.40%*	*0.52%*	*1.56%*
Personnel/ Employee benefit expenses	419	488	550	553	551
Manufacturing & Other Expenses	1,466	1,683	1,959	1,991	2,018
Total Expenditure	**8,998**	**8,758**	**9,126**	**9,196**	**9,325**
YoY (%)	*27.80%*	*-8.45%*	*-3.30%*	*3.62%*	*3.93%*
EBITDA	**1,270**	**1,163**	**1,274**	**1,321**	**1,372**
YoY (%)	*27.80%*	*-8.45%*	*-3.30%*	*3.62%*	*3.93%*
EBITDA Margin (%)	12.37%	11.72%	12.25%	12.56%	12.83%
Depreciation	164	207	216	229	234
% of Gross Block	4.91%	4.90%	5.33%	5.02%	4.55%
EBIT	**1,106**	**956**	**1,058**	**1,092**	**1,138**
EBIT Margin (%)	10.78%	9.63%	10.17%	10.38%	10.64%
Interest Expenses	461	582	579	562	545
Non-operating/ Other income	67	125	143	147	149
PBT	**711**	**498**	**623**	**678**	**745**
Tax-Total	277	79	168	183	200
Profit After Tax	**434**	**419**	**455**	**496**	**544**
PAT Margin	4.23%	4.23%	4.38%	4.71%	5.09%
Shares o/s/ paid up equity sh capital	57	73	73	73	73
Adj EPS	8	6	6	7	7
Dividend per share	0.5	0.3	0.5	0.5	0.5
Dividend payout (%)	6.13%	5.25%	8.03%	7.37%	6.72%
Retained earnings	**408**	**397**	**419**	**459**	**508**

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	4,900	5,396	5,940
Networth	**3,986**	**5,391**	**4,973**	**5,469**	**6,013**
Unsecured Loans/ Borrowings/ Lease Liabilities	16	125	16	16	16
Other Liabilities	544	443	588	630	685
Total Liabilities	**6,287**	**7,511**	**6,375**	**6,378**	**6,407**
Total Funds Employed	**10,272**	**12,901**	**11,348**	**11,847**	**12,421**
Application of Funds					
Net Fixed Assets	**2,852**	**3,375**	**3,077**	**3,320**	**3,630**
Investments/ Notes/ Fair value measurement	307	173	402	467	547
Current assets	**7,193**	**9,290**	**8,006**	**8,239**	**8,478**
Inventory	3,843	4,902	2,757	2,376	1,778
Days	*184*	*242*	*152*	*130*	*96*
Debtors	1,754	2,149	1,552	1,461	1,305
Days	*58*	*72*	*54*	*51*	*45*
Other Current Assets	1,126	2,165	1,259	1,333	1,410
Cash and Cash equivalent	387	70	2,296	2,888	3,748
Current Liabilities/Provisions	**5,343**	**6,649**	**5,608**	**5,691**	**5,792**
Creditors / Trade Payables	941	2,586	1,114	1,126	1,145
Days	*39*	*65*	*39*	*39*	*39*
Liabilities	113	83	136	148	162
Net Current Assets	**1,850**	**2,641**	**2,398**	**2,547**	**2,685**
Total Asset	**10,272**	**12,901**	**11,348**	**11,847**	**12,421**
Total Capital Employed	**8,422**	**10,260**	**8,950**	**9,299**	**9,735**

Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit After tax	**711**	**498**	**623**	**678**	**745**
Depreciation and amortisation	164	207	216	229	234
Interest adjustment	394	456	435	415	396
Change in assets and liabilities	1,019	1,105	1,144	1,176	1,211
Inventories	-515	-1,059	539	382	598
Trade receivables	-250	-394	144	92	156
Trade payables	-303	1,645	-24	12	19
Other Liabilities and provisions	130	-136	50	58	68
Other Assets	-683	-822	-47	-49	-52
Taxes	187	-54	-19	-17	-14
Net cash from operating activities	**640**	**25**	**1,787**	**1,654**	**1,986**
Net Sale/(Purchase) of assets, CWIP	-669	-729	-367	-472	-544
Net Sale/(Purchase) of investments	-7	79	-31	-42	-55
Others	60	178	123	125	125
Net cash from investing activities	**-616**	**-472**	**-276**	**-390**	**-474**
Interest expense	-176	75	-11	-12	-12
Dividend paid	-27	-22	-37	-37	-37
Other financing activities	-33	413	-578	-561	-545
Net cash from financing activities	**7**	**326**	**-697**	**-673**	**-651**
Closing Balance	**155**	**34**	**2,065**	**2,656**	**3,516**
FCF	**-283**	**-880**	**1,484**	**1,300**	**1,635**
Capex (% of sales)	9.00%	9.12%	2.88%	3.33%	3.28%

Source: Company, Arihant Capital

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios					
Debt / Equity	0.98	0.69	0.78	0.71	0.65
Net Debt / Equity	0.88	0.68	0.32	0.18	0.02
Debt / EBITDA	3.06	3.22	3.06	2.95	2.84
Current Ratio	2.76	3.16	1.25	0.76	0.11
DuPont Analysis					
Sales/Assets	1.00	0.77	0.92	0.89	0.86
Assets/Equity	2.58	2.39	2.28	2.17	2.07
RoE	10.89%	7.78%	9.16%	9.06%	9.05%
Per share ratios					
Reported EPS	7.65	5.71	6.23	6.78	7.45
Dividend per share	0.47	0.30	0.50	0.50	0.50
BV per share	70.21	73.43	68.02	74.80	82.24
Cash per Share	33.63	29.72	49.47	56.29	65.93
Revenue per Share	180.89	135.13	142.25	143.82	146.30
Profitability ratios					
Net Profit Margin (PAT/Net sales)	4.23%	4.23%	4.38%	4.71%	5.09%
Gross Profit / Net Sales	30.73%	33.60%	36.37%	36.75%	36.85%
EBITDA / Net Sales	12.37%	11.72%	12.25%	12.56%	12.83%
EBIT / Net Sales	10.78%	9.63%	10.17%	10.38%	10.64%
ROCE (%)	13.06%	12.56%	12.00%	11.00%	10.88%
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	39.08	39.08	39.08
Leverage ratios					
Interest coverage	2.40	1.64	1.83	1.94	2.09
Debt / Asset	0.4	0.3	0.3	0.3	0.3
Valuation ratios					
EV / EBITDA	6.77	7.54	5.41	4.77	3.97
PE (x)	13.07	17.51	16.70	15.34	13.97
OCF/EBITDA (%)	50.41	2.17	140.25	125.28	144.74

Source: Company, Arihant Capital

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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