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Consumer Staples & Discretionary

Initiating coverage

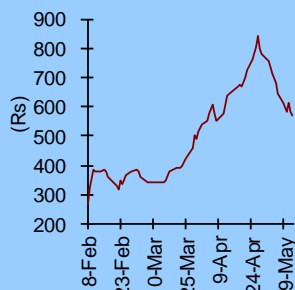
Target price: Rs550

Shareholding pattern

	Dec '21	Mar '22
Promoters	87.9	87.9
Institutional investors	4.0	2.5
MFs and others	0.7	0.3
Fls/Banks	0.2	0.0
Insurance	0.0	0.0
FIs	3.1	2.2
Others	8.1	9.6

Source: BSE

Price chart



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INDIA

ICICI Securities

Adani Wilmar Limited

HOLD

Well poised to capture accelerated growth in packaged food retail; initiate with HOLD

Rs569

Adani Wilmar (AWL) is a strong market leader (50:50 JV between Adani Group and Wilmar) in branded edible oil and industry essentials with aspirations to further scale-up packaged foods. Strong competitive advantages (price-laddering, oil segments, scale, market intelligence (courtesy Wilmar)) in edible oil provide AWL with an edge over competition. Further, AWL enjoys multiple synergies across all three business segments which augur well for scale up of packaged foods business – a) scale in procurement & logistics, b) brand recall of 'Fortune' and c) readily available distribution and mix-load supply chain benefit from edible oil. We model revenue / EBITDA / PAT CAGR of 9%/24%/35% over FY22-24E. We initiate coverage on the stock with HOLD rating and SoTP-based TP of Rs550. Key risks: 1) Higher volatility in raw material prices, 2) failure in scaling up packaged foods.

- **Significant competitive advantage of presence across price points and oil segments with backend scale and market intelligence:** AWL has presence across consumer price points and edible oil types, which allows it to capture various consumer segments to maintain and further consolidate its leadership in branded edible oil category. Further, scale in procurement and market intelligence (through its joint venture partner Wilmar Group) of edible oil business provides significant competitive advantage over competition and acts as an entry barrier for entrants.
- **'Fortune' brand to drive expansion in packaged foods business:** AWL has plans to drive expansion in packaged foods business. We believe there is a possibility of a pleasant surprise in the segment (execution is the key). AWL also plans to invest incremental capex to support the high growth in packaged foods business (lower utilisation levels in edible plants which implies lower capex requirement). Besides, its recent acquisition (announced) of Kohinoor Brand (domestic) rights strengthens its position in the branded rice category.
- **Synergies across business segments:** AWL operates across three segments: a) edible oil, b) packaged foods and c) industrial essentials. We believe all three businesses have significant synergies (especially at the back-end) for AWL. For example, in the process of crushing and refining for edible oil business, various by-products are sold in industrial business. Similarly, front-end distribution of edible oil provides readily available distribution for packaged foods.
- **Valuations and risks:** We model revenue / EBITDA / PAT CAGR of 9%/24%/35% over FY22-24E. Though we believe in the long-term opportunity of the business, higher valuation multiple restricts our ability to have a positive stance at this point. We initiate coverage on the stock with HOLD rating and SoTP-based target price of Rs550. Key risks: 1) Higher volatility in RM prices, and 2) failure in scaling up foods business. On the upside: Sharper-than-expected scale-up in operating margins.

Market Cap	Rs739bn/US\$9.6bn	Year to March	FY21	FY22	FY23E	FY24E
Bloomberg	AWLTD IN	Revenue (Rs mn)	370,904	542,136	563,725	639,971
Shares Outstanding (mn)	1,299.7	Adj. Net Profit (Rs mn)	7,276	8,037	11,280	14,625
52-week Range (Rs)	841/230	Dil. Rec. EPS (Rs)	6.4	6.2	8.7	11.3
Free Float (%)	12.1	% Chg YoY	57.9	(2.9)	40.3	29.6
FII (%)	3.1	P/E (x)	89.3	91.9	65.5	50.5
Daily Volume (US\$'000)	NA	CEPS (Rs)	8.7	8.6	11.5	14.2
Absolute Return 3m (%)	49.2	EV/EBITDA (x)	49.5	43.0	33.0	27.9
Absolute Return 12m (%)	NA	Dividend Yield (%)	-	-	-	0.5
Sensex Return 3m (%)	(9.0)	RoCE (%)	10.1	8.1	9.8	10.8
Sensex Return 12m (%)	9.7	RoE (%)	22.1	10.6	12.9	14.9

Please refer to important disclosures at the end of this report

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Market leadership in edible oil category

Leadership in branded edible oil with presence across different varieties

AWL offers a comprehensive portfolio of edible oil products, including soyabean oil, palm oil, sunflower oil, rice bran oil, mustard oil, groundnut oil, cottonseed oil, blended oil, vanaspati, specialty fats and a range of functional edible oil products with distinctive health benefits. Market share of AWL in the Refined Oil in Consumer Packs (ROCP) of branded edible oil was ~18% in FY21 (18.8% in FY22), putting AWL as the dominant No. 1 edible oil brand in India. Over the past two decades, AWL has established leadership across different product offerings in the edible oil market in India.

Chart 1: AWL's leadership across edible oil market in India



Presence across price points through multiple brands

Edible oil products are offered under 'Fortune', flagship premium brand, as well as several masstige brands which are strategically placed in the markets to compete with regional brands with competitive pricing. AWL has brands catering to various price points. 'Fortune' with premium pricing and 'Bullet' with value pricing – so as to optimise its customer reach, to have products for a diverse range of consumers and achieve better brand recognition. Further, the company has a number of masstige brands, including Bullet, King's, Aadhar, Raag, Alpha, Jubilee, Avsar, Golden Chef and Fryola.

Chart 2: AWL's edible oil brands across price points

Source: Company Data

Increased focus on functional edible oils to strengthen portfolio and drive premiumisation

In recent years, AWL has placed a significant emphasis on health impact of edible oil products. Accordingly, it offers a series of functional edible oil products with distinctive health benefits, including:

- Fortune Rice Bran Health Oil, which helps increase high-density lipoprotein. AWL introduced rice bran oil as part of its efforts to offer edible oil products with intended health benefits;
- Fortune Xpert Pro Immunity Oil, which contains over 100 antioxidants, Vitamin A, D and E and gamma oryzanol; and
- Fortune Xpert Pro Sugar Conscious Oil, which is curated with fine unrefined sesame oil and premium quality physically refined rice bran oil.

AWL plans to launch one more functional edible oil product with intended health benefits under the Fortune Xpert range in near future to strengthen portfolio. It will continue to strengthen its leading position in the edible oil market by introducing additional premium products. To target health conscious consumers, AWL aims to focus on health benefits in development of new edible oil products.

We believe given the strong market leadership, presence across basket of oils and price-laddering strategy of AWL in branded edible oil business places it significantly ahead of the competition in branded edible oil business. It is well placed to capture a) premiumisation opportunity, b) switching behaviour of consumers between different types of oil, which is a common phenomenon when a particular oil is significantly inflationary and c) shift from unpackaged to packaged goods.

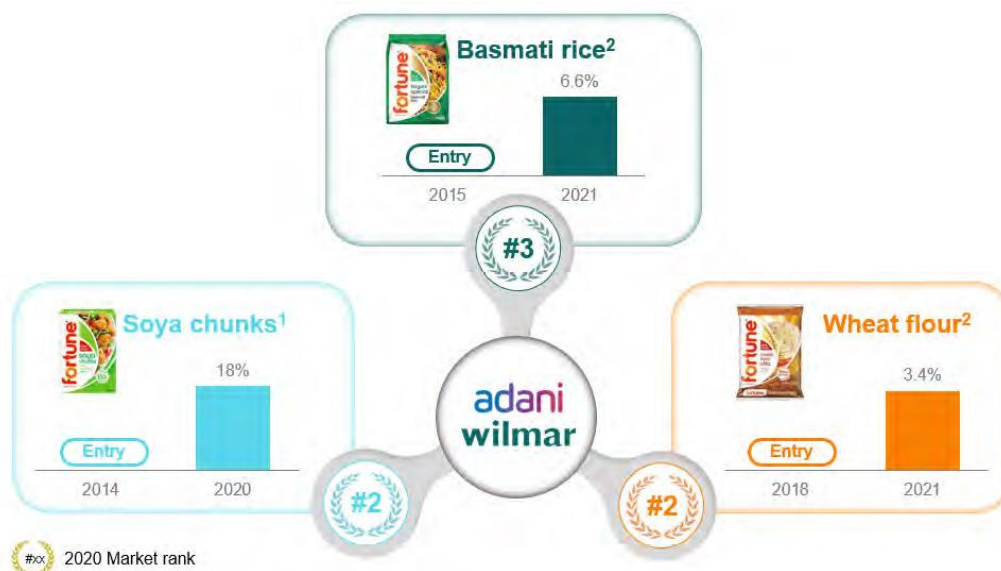
We expect the edible oil business to witness 10% volume growth CAGR over FY22-24E (including impact of Bangladesh acquisition). Growth in FY21 was muted at 4% due to the impact of covid. Volume growth picked up in FY22. In FY23E, we expect volume growth of 11% with some benefit of full year consolidation of Bangladesh – we note Bangladesh operations are mainly in the edible oil segment. For FY24E, we expect volume growth of 9.0% in edible oil business.

Revenue growth for AWL includes the impact of RM inflation. Inflation in edible oil, which started in FY21, continues with expectations that it will continue at least till 1HFY23E.

Increased focus to grow packaged foods business to capture industry tailwinds by utilising flagship brand 'Fortune'

AWL forayed into food products in FY13 and currently offers its extensive array. It is one of the fastest growing packaged food companies in India, based on its revenue growth in the last five years (Source: Technopak Report).

Chart 3: Market share of key packaged food products



Source: Technopak Report, Nielsen Retail Index – MAT March 2021

Note: ¹Market share by value, ²Market share by volume

In recent years, AWL has been increasing focus on value-added products, with an aim to diversify revenue streams and generate high profit margins. The value-added products launched in recent years include fortified foods, ready-to-cook soya chunks and khichdi, and FMCG.

Strong brand recall across a diverse range of price points: Fortune, flagship brand, is the largest selling edible oil brand in India (Source: Technopak Report). As of March 31, 2021, it was present in one out of three households in India with a household reach of 90.5mn through Fortune brand (Source: IMRB). Strong brand recall has enabled AWL to be present in most packaged food categories through 'Fortune' brand.

The brand's structure of using a single brand identity for multi-categories optimises marketing costs and enhances brand equity.

Demand for packaged foods in India is experiencing rapid growth. Certain food categories, which used to be predominantly sold in loose form, are being increasingly sold in packages. However, the penetration rate of packaged foods in India remains low, which provides significant potential for growth for packaged edible oil and food products.

With established brands and expertise, AWL is well positioned to leverage these industry trends to further strengthen the portfolio of core 'in the kitchen' products. It also intends to enhance packaged food portfolio by introducing new value-added products, including functional foods and healthy foods, to target the young demographic.

AWL has also been growing its foods business on the back of strong brand franchise. We expect 30%+ growth in foods business volumes for the next two years. The main focus of the company is on staples food and the second focus will be on extension of this. It will continue to launch more such extensions and also expand in RTC products like dalia, khichdi etc. AWL is also keen for inorganic growth opportunities in the category.

Expand distribution network with an omni-channel approach

As of March 31, 2021, AWL had ~5,566 distributors (5,775 distributors in FY22) across 28 states and eight union territories throughout India catering to over 1.6mn (1.7mn in FY22) retail outlets, representing ~35% of retail outlets in India. From FY19 to FY21, the number of distributors grew by 33%. We note distribution network of AWL appears to be lower as compared to some large FMCG players which is mostly due to the difference in product portfolio (that restricts the universe of outlets in which AWL can be present) which allows FMCG players to be present in various types of outlets like pan shops, medical shops etc.

AWL is able to benefit from the mix load benefit of supplying edible oil along with packaged food products. Given the low margins packaged food products have, smaller players don't find it viable to service outlets if the volume demand is lower. However, AWL's edible oil business is widely distributed and packaged foods business gets the benefit of reaching outlets even if volumes are lower due to mix load benefit from supplying edible oil to these outlets.

AWL plans to expand distribution network in order to further penetrate both urban and rural areas and increase sales. It will continue to increase the coverage of retail outlets and also adopt omni-channel strategy and endeavour to extend customer reach through e-commerce platforms, including Fortune Online portal, and Fortune Mart stores which serve as fulfilment centres for home delivery of products ordered through Fortune Online. AWL aims to expand online reach from current 20 cities and towns to 100 cities and towns in the next five years. Further, it aims to open more than 40 Fortune Mart stores across India in the next few years (launched 28 New Fortune Mart stores in FY22, taking the total count to 33, spread across India).

AWL empowers *kiranas* and small retailers with 'Fortune Business', which is a mobile application recently launched to provide business owners with one-stop access to a wide selection of products. The Fortune Business mobile application serves department stores, hotels, restaurants and bakeries as well. It has been launched in Ahmedabad and will be scaled up in a phased manner. Additionally, it intends to build separate distribution channels for masstige brands to compete with regional brands and further penetrate regional markets.

Focus on increasing brand awareness

AWL will employ celebrity endorsement, digital advertising and other brand building initiatives in marketing campaigns to increase brand awareness. In FY19, FY20 and FY21, advertising expenses were Rs1,356mn, Rs1663mn and Rs1564mn, or 0.5%, 0.6% and 0.4% of revenue from operations, respectively. To market brands, AWL uses:

- *Product brand advertising.* As part of product brand strategy, AWL will strive to maintain market share in the leadership categories and at the same time also grow challenger categories across edible oil and packaged food and FMCG segments. The company strategically prices challenger categories in order to compete with regional brands and capture market share. For challenger categories, AWL endeavours to focus on driving strong cultural connect and ensure share of voice (SOV) and share of brand experience (SOE) to be in-line with share of market (SOM).
- *Range advertising.* Range advertising will be conceptualised with focus on highlighting the entire range of kitchen essentials across edible oil and food and FMCG categories.
- *Digital connect.* AWL will also focus on increasing digital connect and reach by tying up with influencers and bloggers and drive on e-commerce sales to communicate with the young demographic.

To continuously launch new products and enhance customer base

AWL plans to launch new products to capture consumer trends. It has been evaluating new products in adjacent categories, based on a set of criteria, including the ability to create a differentiated offering, competitive intensity, go-to-market capability, back-end product fitment, category, scale and profitability of the new products. Potential new products may include additional functional edible oils, cold pressed or infused oils, noodles and pasta, poha, biryani rice kit, masala oats and dalia, honey, instant dry mixes for idly, dosa, poha and khaman, Chinese, Mexican and Schezwan flavoured rice, traditional savoury snacks, biscuits, cookies, khari/rusks, low calorie sugar, vermicelli, cake mix, dishwash bars and floor cleaner.

Pursue strategic acquisitions

Through acquisitions, AWL seeks to:

- *Expand geographic presence.* AWL may pursue acquisitions in edible oil and food industry to strengthen presence in the southern regions where regional companies are strong. It intends to consolidate market share through acquisitions of regional players. For example, it has recently acquired Bangladesh Edible Oil Limited, an edible oil manufacturer with market leadership in some edible oil categories in Bangladesh, which will help expand into the Bangladesh market and further increase edible oil manufacturing capacity.
- *Include additional products in portfolio.* AWL is seeking to acquire brands and businesses from food and FMCG companies to expand product and brand portfolios, increase food and FMCG manufacturing capacities and distribution access. It also hopes to improve its overall business performance in terms of top line and margins through such acquisitions. For example, the company intends to grow food business through strategic acquisitions and partnerships with third party staple food manufacturers. It may also seek growth in ready-to-cook and ready-to-eat food product offerings through strategic acquisitions and partnerships. Strategy to acquire brands and businesses will be guided by the principle to enhance not only the product portfolio but also to de-risk business from dependency on any single product or category.

Market leading position in industry essentials

AWL is one of the largest basic oleochemical manufacturers in India in terms of revenue, and the largest manufacturer of stearic acid and glycerine in India with market share of 32% and 23%, respectively. Further, AWL was the largest exporter of castor oil and one of the largest exporters of oleochemicals in India as of March 31, 2020 (*Source: Technopak Report*).

Strong raw material sourcing capabilities

AWL imports a significant portion of raw materials, and market leadership has facilitated it to source raw materials from top global suppliers from international markets. It was India's largest importer of crude edible oil, as of March 31, 2020 (*Source: Technopak Report*), which provides the company with bargaining power to source better quality raw materials on favourable commercial terms. Wilmar International, the holding company of Lence Pte. Ltd., one of the shareholders, is the largest palm oil supplier in the world (*Source: Technopak Report*), and provides AWL with additional competitive edge as it need not depend on third-party suppliers for sourcing of palm oil. In FY21, ~30% of imported raw materials by value were sourced from Wilmar Group. AWL also benefits from market intelligence on price movements in the international market from Wilmar Group to manage price risk associated with the import of raw materials.

In India, AWL has established a broad procurement network of channel partners that includes agents acting on behalf of farmers, traders, *aadatias* (middlemen), market yard players, commission agents and brokers across the key raw material producing belts. Long-standing relationships with suppliers, brought by efficient and timely payment system, enables the company to secure raw materials even during the periods with leanest availability and give various logistical flexibilities.

We believe strong sourcing capability and marketing intelligence provided by Wilmar group provides a significant competitive advantage in the food business which is volume led and comparatively lower margins business as compared to FMCG business. Backend scale and efficiency allows in reducing supply chain cost which is a competitive advantage against smaller players and helps it further consolidate the market leadership.

Integrated business model with well-established operational infrastructure and strong manufacturing capabilities

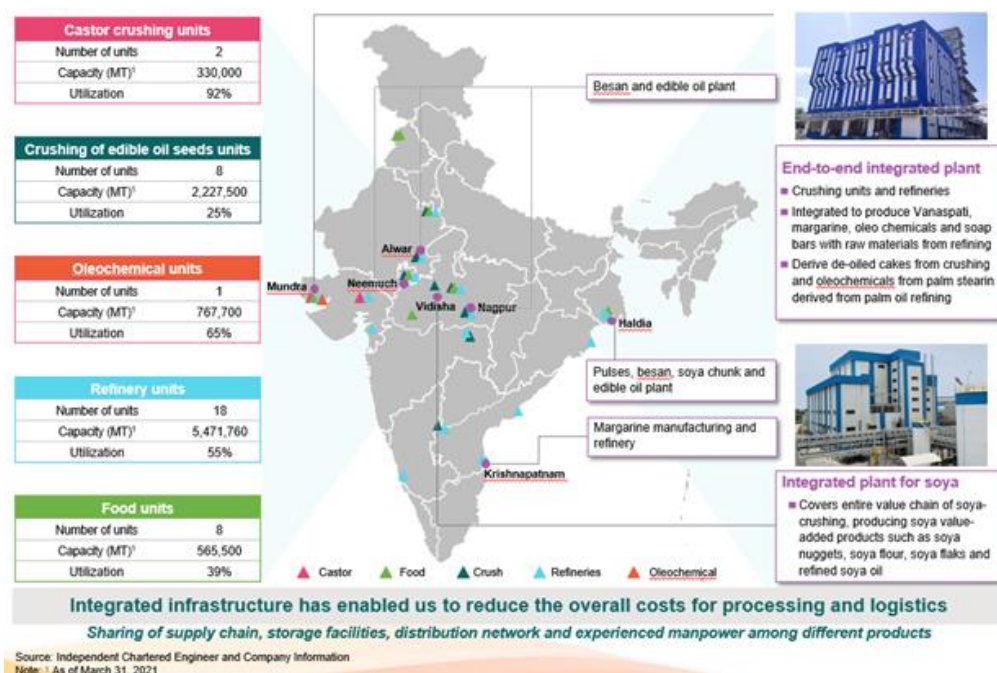
AWL operates an integrated manufacturing infrastructure to derive cost efficiency across different business lines. Integrated infrastructure includes the following:

- *Backward and forward integration.* Most crushing units are fully integrated with refineries to refine crude oil produced in-house. Further, they derive de-oiled cakes from crushing and use palm stearin derived from palm oil refining to manufacture oleochemical products, such as soap noodles, stearic acid and glycerin, and FMCG, such as soaps and handwash. For example, plant in Mundra is an end-to-end integrated plant which produces *vanaspati*, margarine, oleochemical products and soap bars with raw materials from the refining process;
- *Integration of manufacturing capacities of edible oils and packaged foods at same locations.* Such integrated manufacturing infrastructure has enabled to share supply chain, storage facilities, distribution network and experienced manpower

among different products and reduce the overall costs for processing and logistics. For example, (i) *besan* units at edible oil plants in Alwar, Saoner (Nagpur) and Neemuch; (ii) pulse, *besan* and soya chunk units at edible oil plant in Haldia; (iii) rice unit at castor oil plant in Mundra; (iv) soya value-added products at crushing unit in Vidisha; and (v) a margarine unit at refinery in Krishnapatnam.

AWL has 22 plants that are strategically located across 10 states in India, comprising 10 crushing units and 19 refineries with an aggregate designed capacity of 8,525 MT per day and 16,285 MT per day, respectively, as of March 31, 2021. Out of 19 refineries, ten are port-based to facilitate the use of imported crude edible oil and reduce transportation costs, while the remaining are located in the hinterland in proximity to raw material production bases to reduce storage costs. Refinery in Mundra is one of the largest single location refineries in India with designed capacity of 5,000 MT per day (*Source: Technopak Report*). In addition, as of March 31, 2021, AWL had 28 leased tolling units across India to cater to the excess demand and ensure presence across different parts of the country, which produce mustard oil, rice bran oil, wheat flour, rice, pulses, sugar, soya chunks and *khichdi* with raw materials.

Chart 4: AWL's integrated infrastructure



Source: Independent Chartered Engineer and Company Data

Focus on environmental and social sustainability

AWL is committed to maintaining environmental and social sustainability. Efforts towards environmental and social sustainability include:

- *Sourcing sustainable palm oil.* AWL procured ~95.6% of crude palm oil that is traceable up to mills in CY20. Among nine palm oil refineries, seven are certified by the Roundtable on Sustainable Palm Oil (“**RSPO**”).
- *Promoting green energy.* AWL has implemented solar power at its five plants.
- *Conserving water.* AWL has installed zero liquid discharge systems at seven plants, which allows to recover and reuse wastewater from manufacturing process.
- *Using recyclable packaging.* Approximately 97% of its packing material used in FY21 was recyclable.
- *Community upliftment.* AWL has been implementing the SuPoshan project as a part of corporate social responsibility initiatives towards eradication of malnutrition and anemia in India with focus on children between 0-5 years of age, adolescent girls and women in reproductive age at various locations.

A number of manufacturing facilities have received ISO 14001 certifications for environmental management systems and/or ISO 45001 certifications for occupational health and safety management systems.

Strong parentage with professional management and experienced Board

The Adani Group is a multinational diversified business group with significant interests across transport and logistics, including ports, shipping, airports and railways, and energy and utility sectors, including power generation, transmission and distribution. Wilmar Group is one of Asia’s leading agri-business groups. Wilmar Group’s integrated business model encompasses the entire value chain of the agricultural commodity business from cultivation and milling of palm oil and sugarcane to processing, branding and distribution of a wide range of edible food products, animal feeds and industrial agri-products such as oleochemicals and biodiesel. AWL benefits from Adani Group’s in-depth understanding of local markets, extensive experience in domestic trading and advanced logistics network and leverage on Wilmar Group’s global sourcing capabilities and technical know-how.

Experienced senior management team: Kuok Khoon Hong, the Non-Executive Chairman of Company, is the co-founder of Wilmar International Limited and has over 40 years of experience in agri-business industry. Angshu Mallick, the CEO and MD of AWL, has over 35 years of experience in marketing and sales in food industry. Shrikant Kanhere, the CFO of AWL has over 18 years of experience in the field of finance and accounts.

Mundra plant visit and management interaction

We visited Mundra manufacturing cluster of Adani Wilmar. It accounts for ~30% of AWL's consolidated revenues (>Rs100bn (US\$1.5bn)). Mundra refinery was the first plant of AWL (started in 2000).

Link for [Photos](#) and [Videos](#) from plant visit.

Takeaways from Plant visit:

- **Size begets scale:** The Mundra oil refinery was the largest refinery when it started in 2000 with a refining capacity of 600 tons per day (TPD) while most of the plants at that time had a capacity of ~100 TPD. Over the year, the refining capacity had increased to 4,900 TPD across >70 acres of land. The plant also has oleochemical capacity of around 800 TPD (400 TPD in 2013 and additional 400 TPD in 2021). Products manufactured at these plants were edible oils (soya bean oil, sunflower oil and palm oil), oleochemicals (fatty acids & speciality oils etc.), rice, castor oil and soaps. In addition to above, various by-products of palm oil refining too are manufactured in the form of value-added products such as bakery shortenings, fats, lauric fats and vanaspati which are used in bakery, chocolates, ice cream, pastries, etc. Such large capacities provide scale benefits for AWL, according to management. Further, processing and selling of by-products also capture the entire value chain benefits.
- **Automated plants:** All the units within both of these plants were fully automated with minimal human intervention. Most of the operations had only one or two operators / officers who manage the unit from control room with no manual intervention and automatic cleaning, and real time data could be tracked through screens. This ensures 1) faster production, 2) prevents adulteration / contamination of refined oil (untouched by hand) and 3) minimal dependence on workforce.
- The overall employee headcount for Mundra refinery is ~750 with ~350 employees on the company's payroll. Majority of these employees were involved in packaging lines and loading lines. The important point to note is that they have integrated automation even in the oldest unit of plant which was installed in the year 2000.
- **Backward integration:** The plant was also backward integrated with its own automated packaging lines with a capacity of 3,700 TPD for edible oil and 1,100 TPD for Oleochemicals. This includes packaging in the form of pouches, tins, PET bottles, cartons etc. Packaging lines are the only place where edible oil is visible! All the packaging lines have entry through cleaning room to avoid contamination. According to management, own packaging likely leads to (1) faster dispatch of final products, (2) savings on transportation cost (due to location of Mundra plant) and (3) savings on value chain (margins of third-party manufacturer). That said, it increases capital intensity and adds complexity.
- **Mundra plant has two CCPL (cross country pipeline) lines** which enables it to directly discharge the imported edible oil from the vessel at port to tank farms. AWL has ~160 tank farms with a storage capacity of ~77,000 MT for edible oil. Apart from edible oil, AWL has a tank farm of ~36,000 tonnes for storage of Oleochemicals. This likely provides savings on transportation cost.

- **Fully equipped quality lab:** Mundra refinery is equipped with quality lab which preforms quality check across 8,000 parameters for 2,000 samples every day. The company has capability to track and call back the product (if required) to shipment (back-end) and consumer (front-end) if the laboratory detects any quality issues with the product. The plant is compliant with FSSAI regulations and Wilmar regulations. Further, it gets audited by AIB (America Institute of Baking) International Inc.
- **Application lab for by-products:** Plant is also equipped with application labs to create and test final products of various by-products of palm oil refining – examples of value-added products such as bakery shortenings, fats, lauric fats, vanaspati. Final products created here are bakery, chocolates, ice cream, pastries etc. These final products are generally created to check quality, consistency and application of by-products for institutional customers which have high quality requirements. Further, new final products are created to test and find new application of these by-products.
- **ESG:** Mundra plant has 1) solar installation of 1,499 KWP and 2) state of the art Zero Liquid Discharge (ZLD) along with Effluent Treatment Plant (ETP) for reuse of water in the plant. Total installed capacity of ETP and ZLD is 1,750 KLD.

Takeaways from Management meet:

- **Drive growth in the Foods business:** With strong presence in edible oils, AWL is focused on (1) adding more value-added products over the next five years and (2) expand its portfolio and presence in the Foods and FMCG business.
- **AWL is targeting growth of >30% CAGR in Foods (non edible oil).** The business also has better gross margin potential. For the Foods business, it aims to establish processing units across the country as logistically, it is important to be closer to the consumer. It is also targeting inorganic growth in Foods.
- **Measures amidst global uncertainty:** Amidst inflationary pressure, AWL is using multiple strategies to tide over the same. AWL says it has good relationships with global suppliers, limiting the concerns on availability. Secondly, the broad product portfolio and multi-brand architecture limit the impact of downtrading. It also highlights the continuous premiumisation agenda and is also focused on reducing costs.
- **Edible oil business:** It intends to follow two strategies – (1) markets where it is not strong – AWL will more aggressively bundle food offerings to better cater to the trade and consumer and (2) Markets where it is strong – keep driving premiumisation. Besides, the focus is on increasing rural penetration. AWL targets ~9% revenue growth in refined oil in consumer packs (RoCP) business.
- **Institutional opportunity:** AWL sees significant potential in the institutional business and believes the margin profile of the business is also good. For the HoReCa segment, it intends to offer the complete portfolio of kitchen staples and also products like handwash, toilet cleaner, etc.
- **Non-Basmati Rice:** AWL sees big potential in the Non-Basmati Rice (NBR) market as Basmati rice is just 10% of the market and most of the branded players only cater to it (Basmati rice). The rice consumed in India is different for each state. AWL plans to have manufacturing units in six zones to cater to regional requirements.

- It has already acquired a rice plant in the state of West Bengal which will also cater to Jharkhand and Orissa. For the rice business, it intends to create local brands for the respective states. Local brands will be competitive in pricing to already present local brands and loose products while Fortune brand will continue to command the premium.
- **Industry essentials:** In the industry essentials segment, there are a few players and some of the segments are niche in nature. AWL is also present in castor oil which is growing at 6-7%. India is the largest producer of castor oil in the world. Going forward, it is planning to get into derivatives of castor oil. AWL benefits from technological support from Wilmar (largest oleochemical player in the world).
- **AWL intends to get into major downstream oleo products including soaps, cleaners and specialty chemicals.** In the soap noodles market, it has 10% market share. AWL says it benefits from proximity to port which offers good export potential. Currently, most of the value-added products are produced in China and then exported to the US. There is an opportunity to capture exports markets with benefits from China+ strategy of buyers in the US and Europe. Requirement of water for value-added products is 15-20x. Wilmar China has reduced this requirement and AWL has the access to that technology which provides a competitive edge.

Table 1: Year-wise timeline of capacity additions in Mundra Refinery

Year	Make	Capacity
2000	Desmet	600 TPD
2001	Alfa	200 TPD
2005	Alfa	1,000 TPD
2008	Desmet	400 TPD
2009	Lipico	1,000 TPD
2015	Lipico	200 TPD
2017	Lipico	1,500 TPD
Total Capacity		4,900 TPD

Source: Company, I-Sec research

*Apart from above, plant also has oleochemical capacity of around 800 TPD (400 TPD in 2013 & additional 400 TPD in 2021). In addition to above, various byproducts of palm oil refining are manufactured in the form of value-added products such as bakery shortenings / fats / lauric fats / vanaspati used extensively in bakery, chocolates, ice cream, pastries and various such food products.

Table 2: Year-wise timeline of capacity additions in Mundra Refinery

Year	Type	Capacity
2011	Castor Crushing Plant	500 TPD
2019	Rice Plant	300 TPD

Source: Company, I-Sec research

Chart 5: Products displayed across the plant

Source: Company Data, I-Sec research

Chart 6: Certifications received by the plant

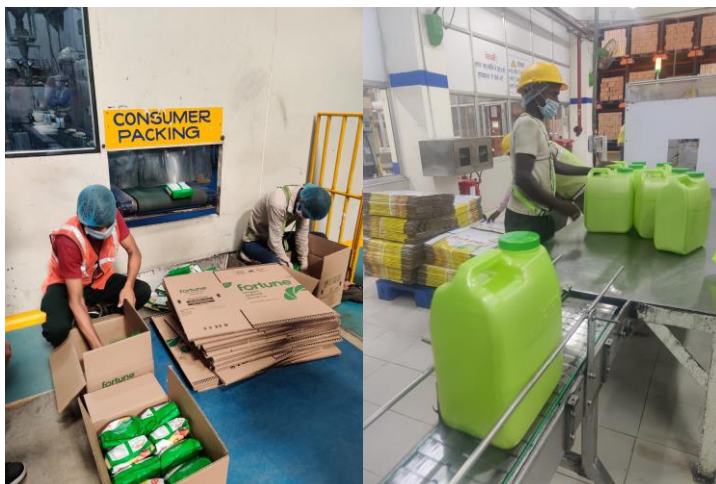
Source: Company Data, I-Sec research

Chart 7: Control room for automated refining units

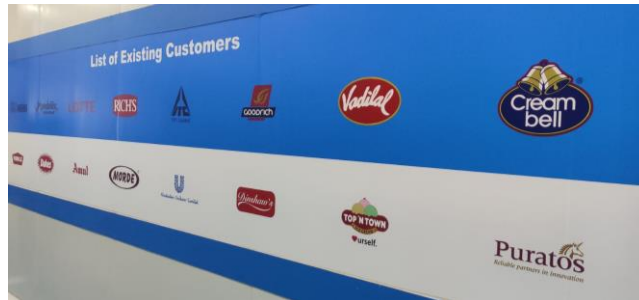
Source: Company Data, I-Sec research

Chart 8: Automatic racking units for faster dispatch

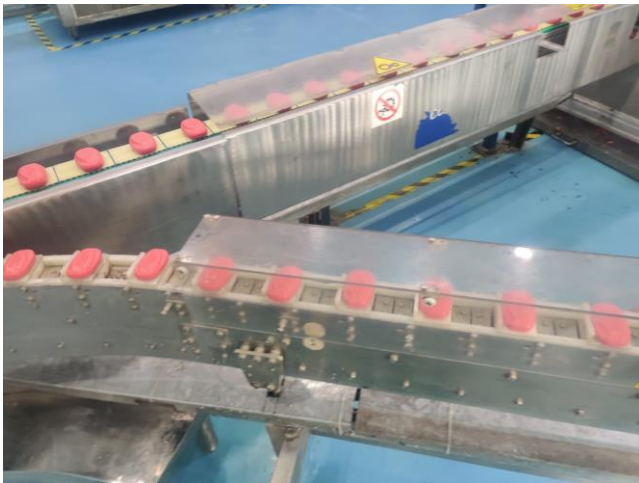
Source: Company Data, I-Sec research

Chart 9: Packaging lines

Source: Company Data, I-Sec research

Chart 10: Institutional clients

Source: Company Data, I-Sec research

Chart 11: Soap manufacturing line

Source: Company Data, I-Sec research

Chart 12: Quality check Laboratory

Source: Company Data, I-Sec research

Chart 13: Final bakery products by Application lab

Source: Company Data, I-Sec research

Acquisition of Kohinoor Brand (domestic)

Adani Wilmar recently announced the acquisition of several brands including the Kohinoor Brand (domestic rights) from McCormick Switzerland GMBH. This transaction mainly includes 'Kohinoor' – premium Basmati rice, 'Charminar' – affordable rice and 'Trophy' – HORECA segment.

The acquisition gives AWL exclusive rights over the brand 'Kohinoor' basmati rice along with 'Ready to Cook', 'Ready to Eat' curries and meals portfolio under the Kohinoor brand umbrella in India.

We believe the addition of Kohinoor's domestic brand portfolio will further aid in establishing a strong position in the branded rice market (both basmati and non-basmati rice). It also leverages the reach of Kohinoor brand to drive synergies for AWL across geographies.

Industry Overview

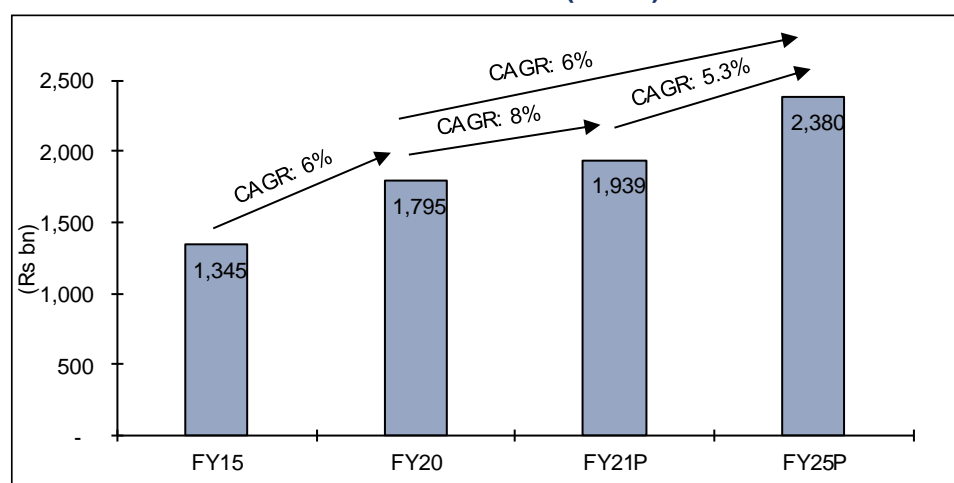
Overview of Packaged Edible Oil Market in India

Total consumption of edible oil in Indian in FY20 is estimated to be 22mt. Of the total requirement, it is estimated ~10mt is produced domestically from primary (Soybean, Rapeseed & Mustard, Groundnut, Sunflower, Safflower & Niger) and secondary sources (Oil palm, Coconut, Rice Bran, Cotton Seeds & Tree Borne Oilseeds) and the remaining 60% is met through imports. Out of 10mt, almost 7mt is available for sale in B2B and B2C markets.

Branded Edible Oil Retail Market in India

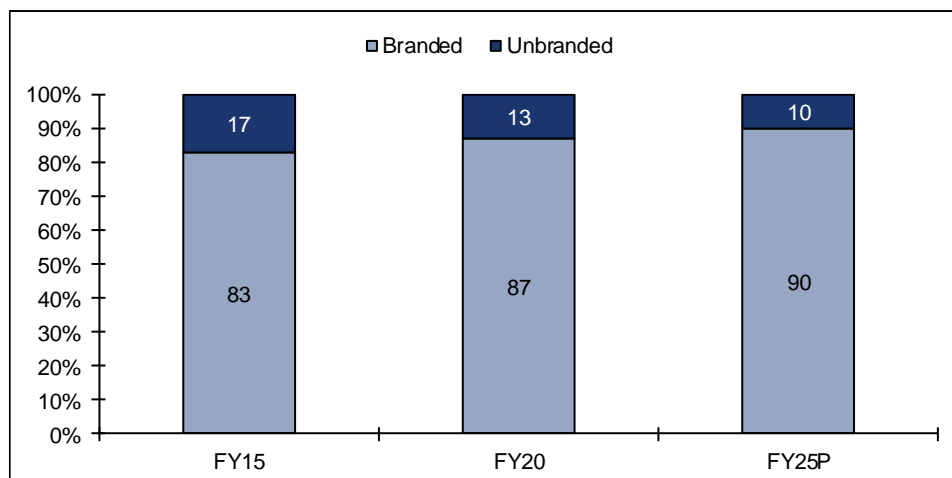
The edible oil retail market is estimated to be Rs1.79trn in FY20 and is expected to grow at a CAGR of 5.3% in the next 5 years; it has been growing steadily at a CAGR of 6% in the last five years. The share of unbranded play is consistently dropping and is estimated to shrink to ~10% by FY25.

Chart 14: Edible Oil Retail Market in India (Rs bn)



Source: Technopak Research

The branded edible oil market is estimated to be around Rs1.56trn and is likely to grow faster than the overall category.

Chart 15: Share of Branded Edible Oil Market in India

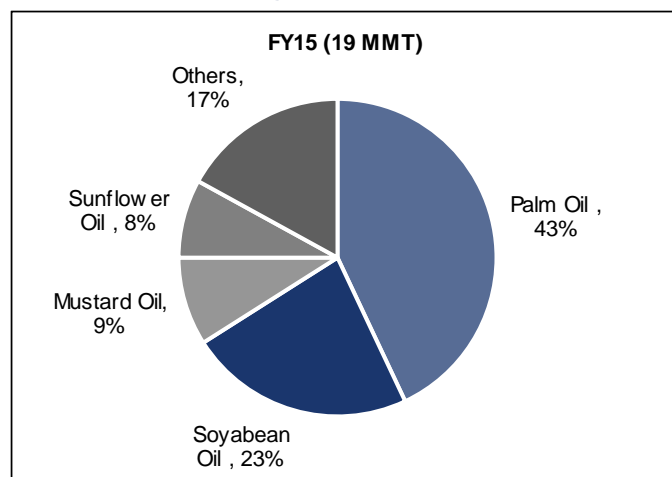
Source: Technopak Research

Palm oil and soybean oil are the largest segments

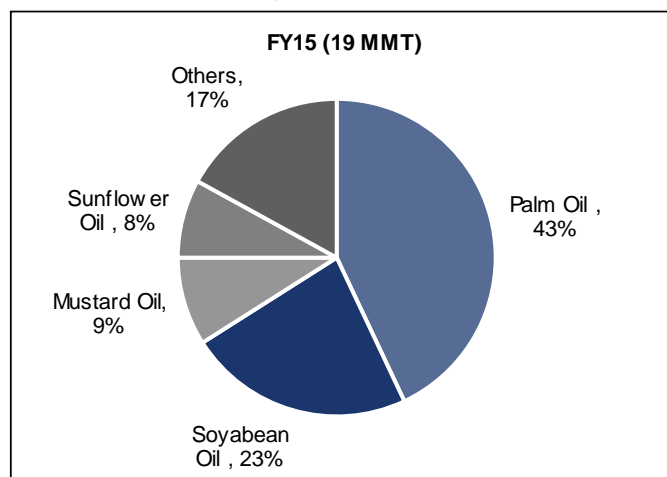
The four key edible oils including palm, soya, mustard and sunflower constitute 85-88% of the total consumption in India in terms of volume. Palm oil is primarily used by large-scale food processing enterprises. It is also used in blended oils for domestic consumption. Palm and soybean are also being used by the HoReCa segment. India imports most of its palm oil consumption.

Soybean oil, mustard oil and sunflower oil are largely used for domestic consumption. Other oils include sesame oil, coconut oil, groundnut oil, rice bran oil, among others.

Consumption in rural India constitutes almost 50% of total consumption in this category by volume and is growing at a faster rate than the urban India.

Chart 16: Market segmentation (FY15)

Source: Technopak Research

Chart 17: Market segmentation (FY20)

Source: Technopak Research

Edible oil players have brands across premium and popular segments

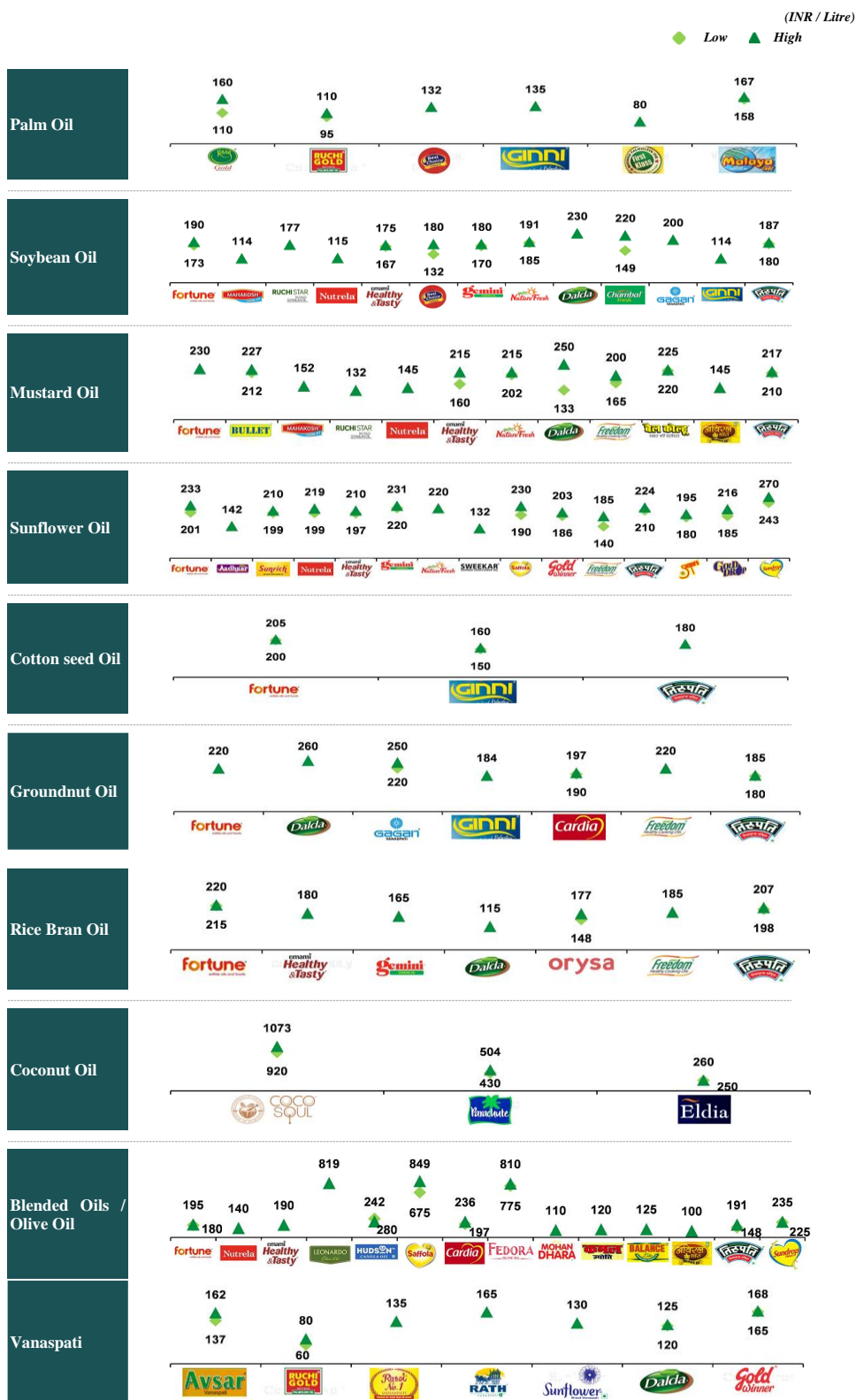
Most edible oils players have created brands across premium and popular value segments. The width of the portfolio lends access to various socio-economic classes without disturbing the positioning of other brands and flexibility to introduce product variants accordingly. While palm oil and blends thereof are largely positioned as popular varieties, given its application for industries, soyabean, mustard and sunflower can be positioned across the two segments.

Chart 18: Value Segments and Key Brands



Source: Technopak Analysis, Secondary Research

Chart 19: Price Benchmarking for Key Players (Rs/litre)

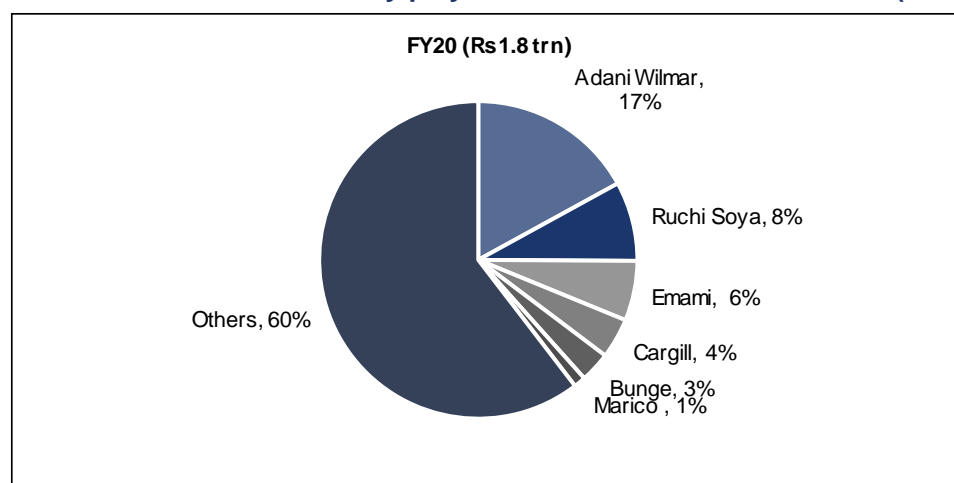


Source: Secondary Research (Price as on 5th June 2021)

Adani Wilmar and Ruchi Soya are the largest players in branded oil business

The combined share of the top six players in branded oil business (Adani Wilmar, Ruchi Soya, Emami, Cargill, Bunge and Marico) has been estimated ~40% in FY20. Adani Wilmar and Ruchi Soya are few of the largest suppliers of edible oil with outputs of 2.8mt and 1.4mt, respectively, in FY20. Adani Wilmar contributed 12% and Ruchi Soya contributed 6% in total oil consumption of 22mt in India. It is estimated that there would be around 2,000 such brands out of which ~top 100 brands would be contributing almost 50%.

Chart 20: Market share of key players in branded edible oil market (FY20)

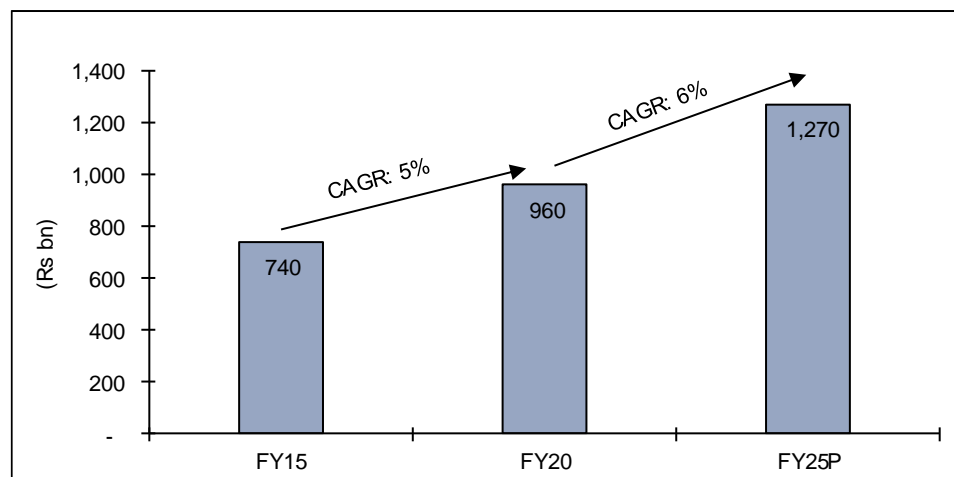


Source: Estimations based on Annual Report, Published Articles

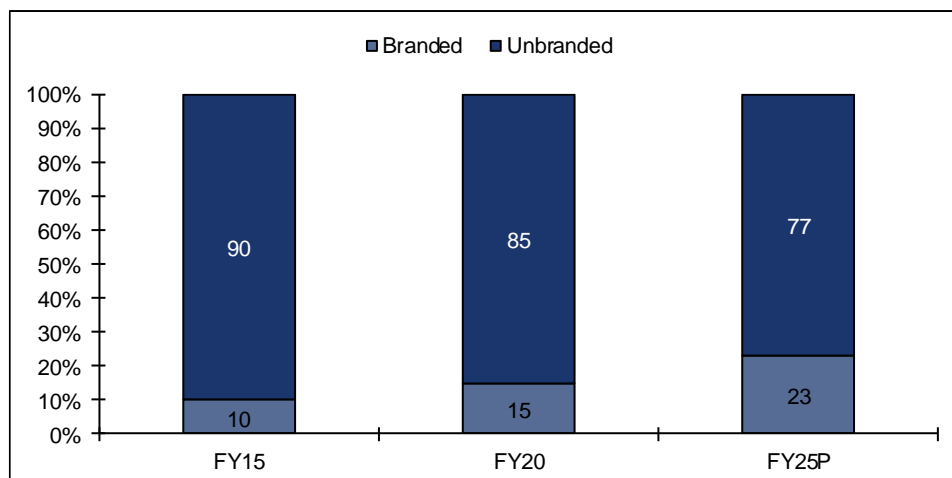
Indian packaged wheat flour market

The branded packaged wheat flour has emerged rapidly in the country in the past fifteen years capitalising on hygiene and convenience factors. Wheat is the staple food for most Indians in wheat growing areas (North and West India).

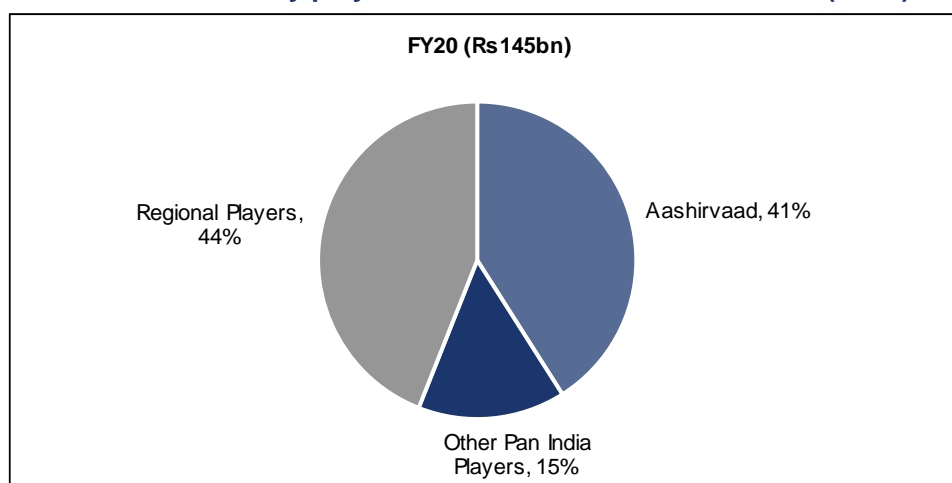
Chart 21: Wheat flour retail market in India



Source: Technopak Research

Chart 22: Share of branded wheat flour market in India

Source: Technopak Research

Chart 23: Share of key players in branded wheat flour market (FY20)

Source: Estimations based on Annual Reports

Other key highlights

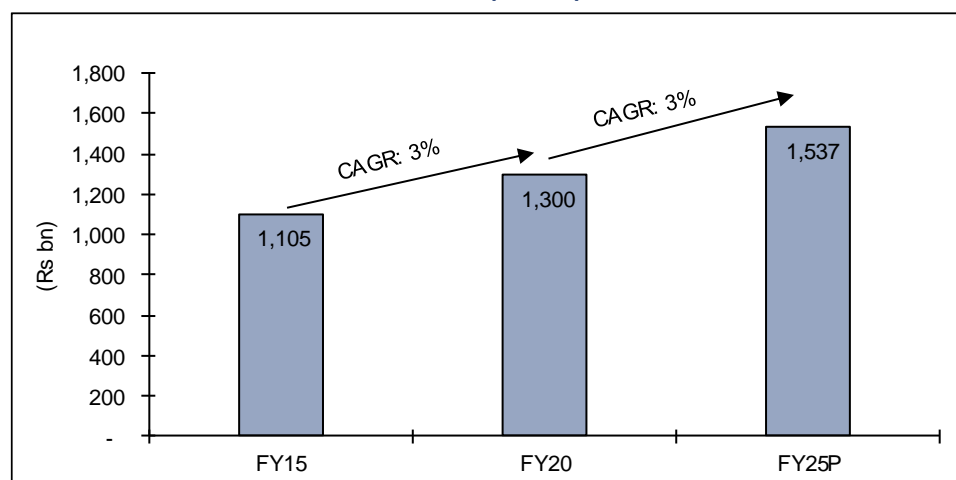
North and west constitute 70% of the market: Northern and western states account for almost 70% of the total consumption of the branded wheat flour. This consumption trend mirrors the overall consumption of wheat flour as southern and eastern states are primarily rice consuming regions.

Emerging varieties positioned around health driving premiums: Health has become the new frontier for all packaged food categories exhibiting faster growth than that of the overall category. Mirroring the trend, introduction of new variants in health and wellness segment such as multigrain, low carb, sugar release control, high fibre, high protein, and fortified wheat flour varieties is aiding the growth of packaged wheat flour market.

Indian packaged rice market

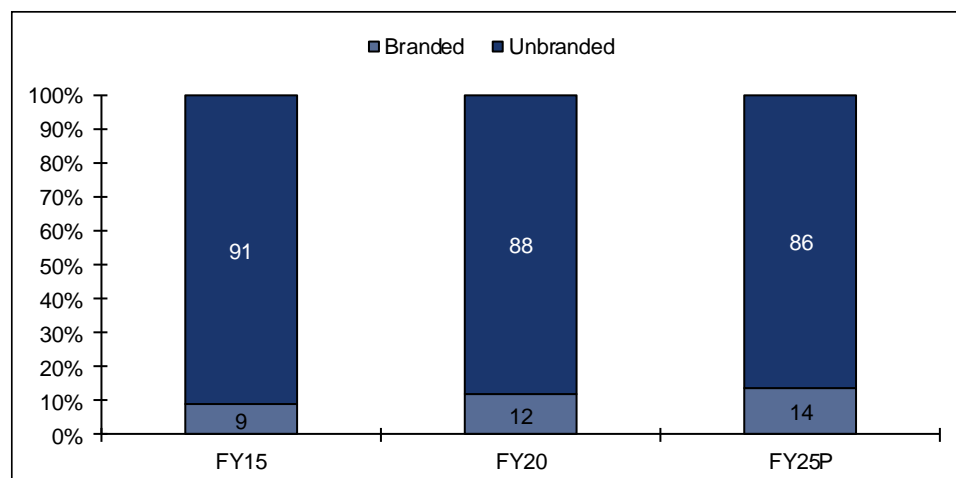
India packaged rice market is estimated to be Rs150bn in FY20 and is projected to grow at a CAGR of ~7.5% for the next five years. Packaged rice players are expanding their product portfolio to include varieties of rice such as brown rice, rice for diabetic patients, organic rice, which is further anticipated to push demand for packaged rice in urban centres over coming years.

Chart 24: Rice retail market in India (Rs bn)

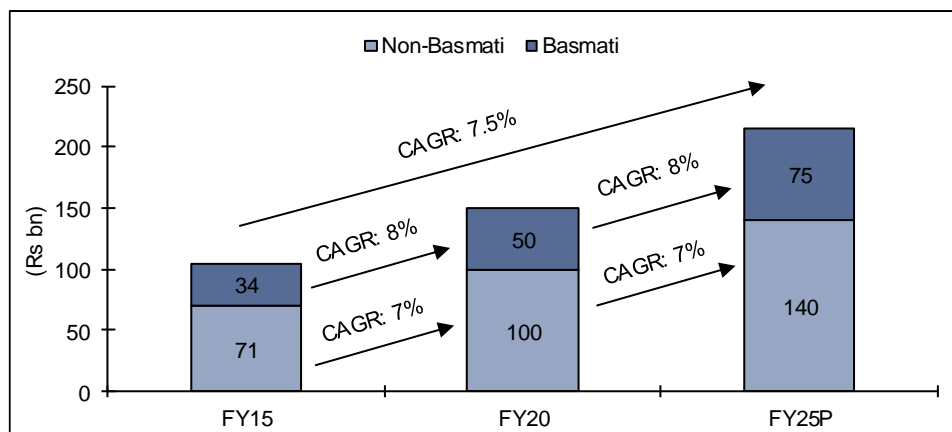


Source: Technopak Research

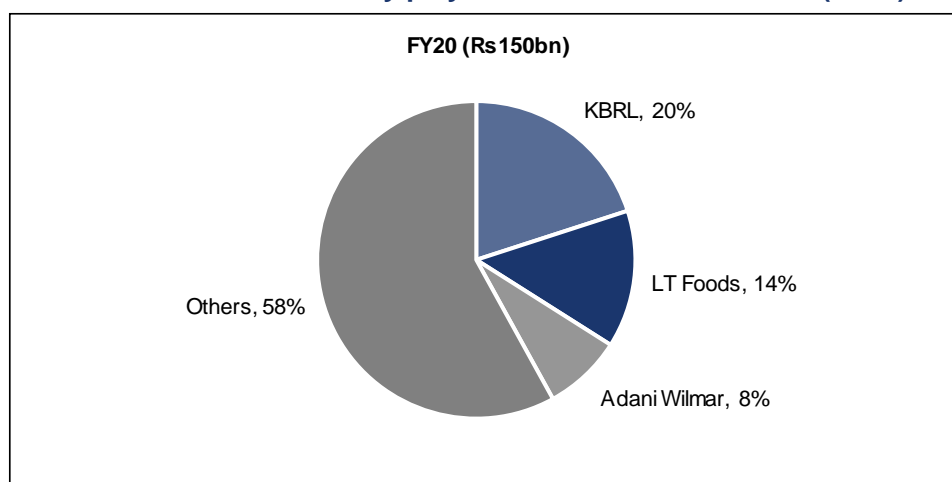
Chart 25: Share of branded rice in India



Source: Technopak Research

Chart 26: Split of branded rice retail market in India

Source: Technopak Research

Chart 27: Market share of key players in branded rice market (FY20)

Source: Estimations based on Annual Reports, Secondary Research

Other key highlights

Non-basmati rice is largely unbranded: While 50% of basmati rice consumed domestically is branded in terms of volume, non-basmati rice available for retail is largely unbranded. Branded play in this category was started by exporters dealing in basmati rice who leveraged their supply chain capabilities to introduce products for the Indian market in premium basmati segment.

Export potential led to creation of brands: Branded play has been witnessed largely in basmati segment due to the early initiatives of the exporters of basmati rice who recognised the potential of domestic market to adopt premium products and established their brands in basmati segment.

Financial performance

Volume growth focus across segments

We expect edible oil business to witness 10% volume growth CAGR over FY22-24E (including impact of Bangladesh acquisition). Growth in FY21 was muted at 4% due to the impact of covid. Volume growth picked up in FY22. In FY23E, we expect volume growth of 11% with some benefit of full year consolidation of Bangladesh – we note Bangladesh operations are mainly in edible oil segment. For FY24E, we expect volume growth of 9% in edible oil business.

Revenue growth for AWL includes the impact of RM inflation. On an overall basis, AWL reported revenue growth of 25% in FY21 and 46% growth in FY22. Inflation in edible oil, which started in FY21, continues with expectations that it will continue at least till 1HFY23E.

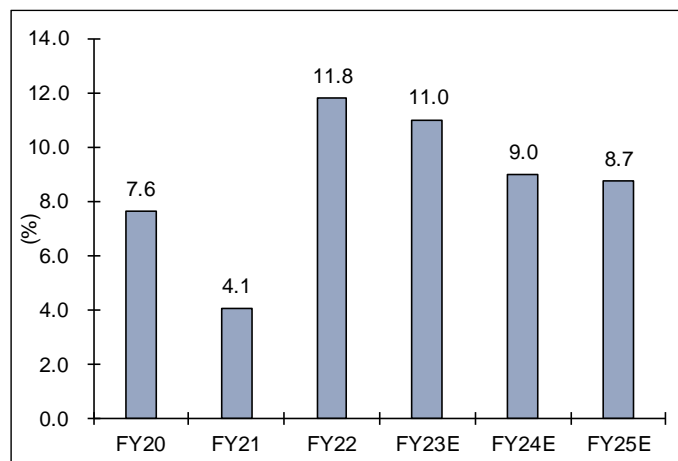
AWL has also been growing its foods business on the back of strong brand franchise. We expect 30%+ growth in foods business volumes for the next two years. The main focus of the company is on staples food and the second focus will be on its extension. It will continue to launch more of these extensions and also expand in RTC products like dalia, khichdi etc. AWL will also be keen for inorganic growth opportunities in the category.

In the industrial essentials segment, there was volume pressure in FY22 due to lower sales of mustard de-oilcake. This was because of sharp inflation in mustard seed prices as a result of which AWL's mustard de-oilcake was not competitive in international market. However, the situation is expected to ease out in FY23E.

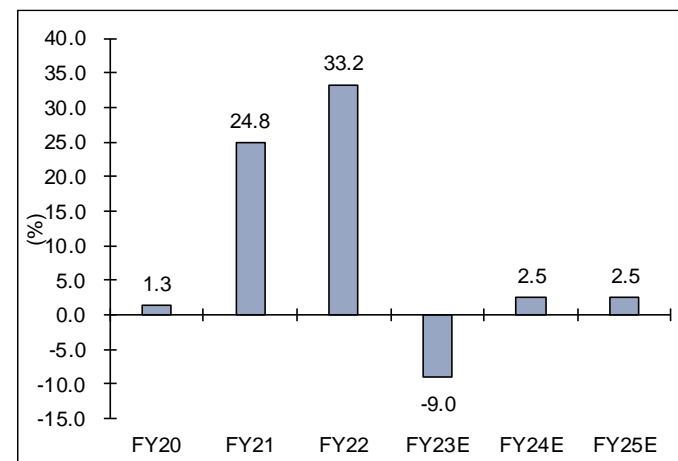
Table 3: Segmental revenue and growth rate (% YoY)

	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue (Rs mn)						
Edible Oil	2,15,398	2,34,767	3,04,978	4,54,008	4,58,593	5,12,363
Foods and FMCG	18,669	19,530	19,066	26,212	37,025	52,690
Industry essentials	53,421	43,221	47,112	61,915	68,107	74,918
Total	2,87,975	2,96,570	3,70,904	5,42,136	5,63,725	6,39,971
Growth (% YoY)						
Edible Oil		9.0	29.9	48.9	1.0	11.7
Foods and FMCG		4.6	-2.4	37.5	41.3	42.3
Industry essentials		-19.1	9.0	31.4	10.0	10.0
Total		3.0	25.1	46.2	4.0	13.5

Source: Company, I-Sec research

Chart 28: Edible oil volume growth (% YoY)

Source: Company, I-Sec research

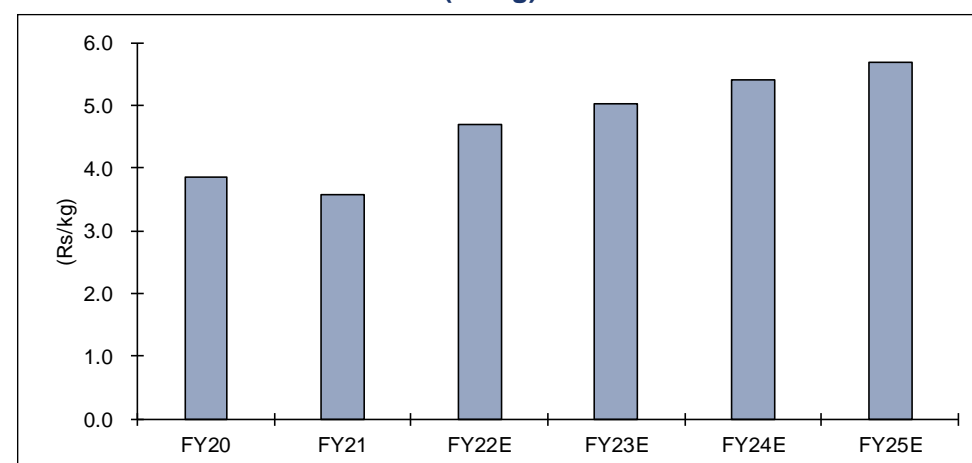
Chart 29: Edible oil price growth (% YoY)

Source: Company, I-Sec research

In terms of volume, edible oil comprised 66% of overall volumes in FY21. This was followed by foods and FMCG (10.8%) and industry essentials (22.9%). However, given edible oil is a relatively expensive product having higher realisations, the value contribution of the segment is 82%.

Improving unit EBITDA with volume focus to drive EBITDA growth

Most companies in edible oil category focus on unit margins. Given the price volatility in the segment, % margins can be misleading at times. AWL has been able to pass on most of the price increases in raw material. This along with some operating efficiencies has led to expansion of unit EBITDA in FY22. Compared from FY20 levels (given FY21 saw a decline), we expect unit margins to expand at a CAGR of 8.8% over FY20-24E. In terms of EBITDA margins, this would translate to 4.2% margin in FY24E from 3.4% in FY21 and 4.6% in FY20.

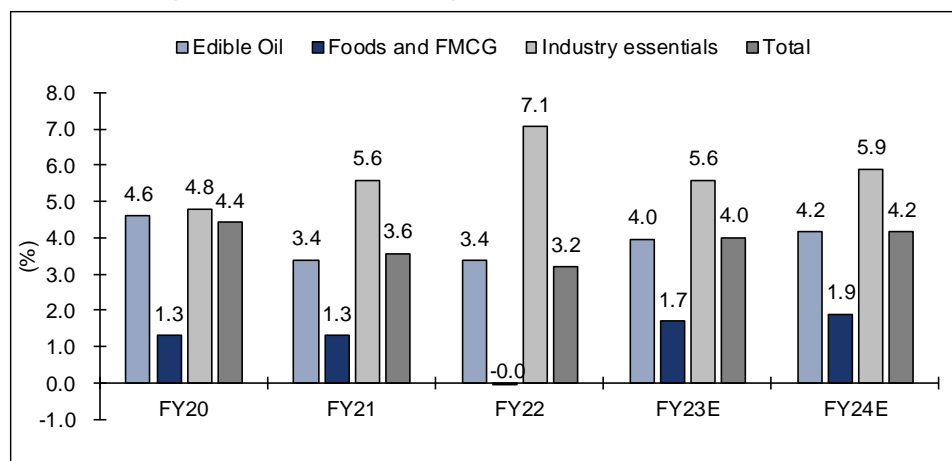
Chart 30: Edible oil unit EBITDA (Rs/kg)

Source: Company, I-Sec research

Foods and FMCG has much lower inflationary impact. AWL is still investing in growth of this segment and the margins realised are low (1.3% in FY21 and break-even in FY22). For the foods and FMCG segment, we expect margin expansion to 1.9% in FY24E. In the long term, the company has sufficient levers for margin expansion in the

category such as (1) driving procurement efficiencies, (2) operating leverage benefit, (3) premiumisation through product extensions and (4) cost control measures. We believe low margin profile of foods and FMCG segment is not a concern as long as the company is able to sustain the growth profile.

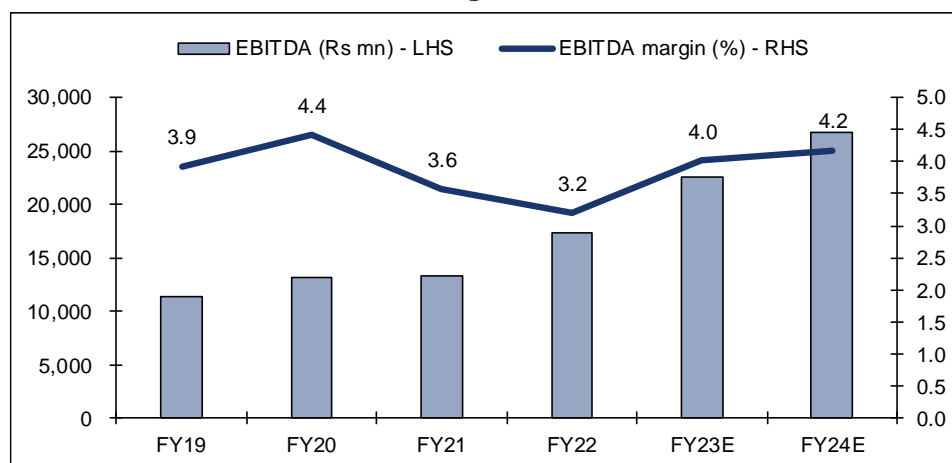
Chart 31: Segmental EBITDA margin (%)



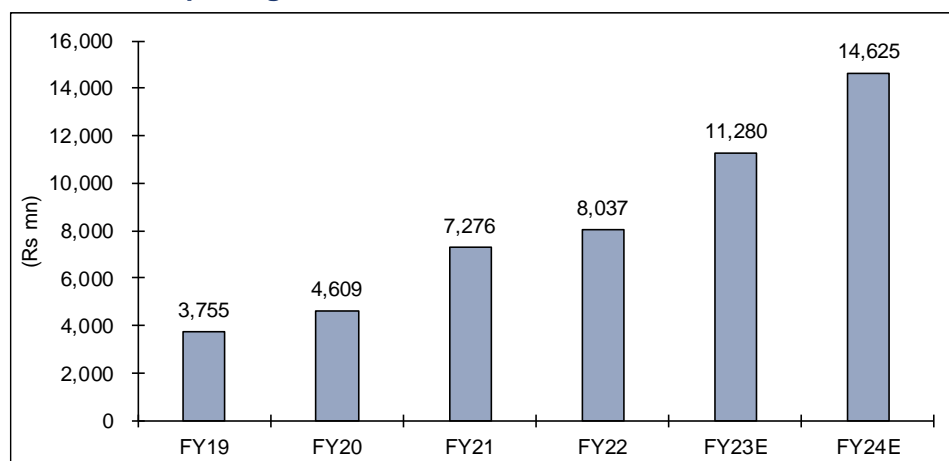
Source: Company, I-Sec research

We expect consolidated EBITDA margin to expand from 3.2% in FY22 to 4.2% in FY24E. We are building 9% decline in realisations for the year (FY23E). Our estimates imply 24% CAGR in EBITDA over FY22-24E to Rs26.7bn. In FY24E, we expect net profit of Rs14.6bn (vs Rs7.3bn in FY21).

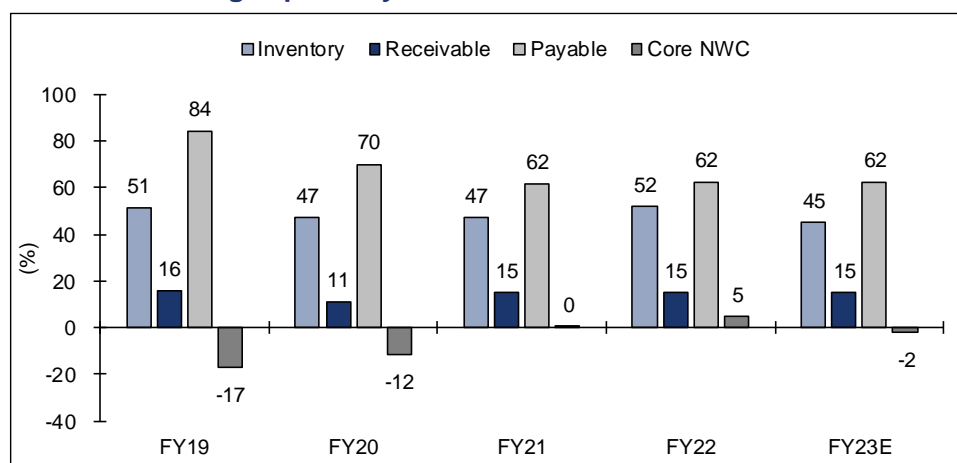
Chart 32: EBITDA and EBITDA margin



Source: Company, I-Sec research

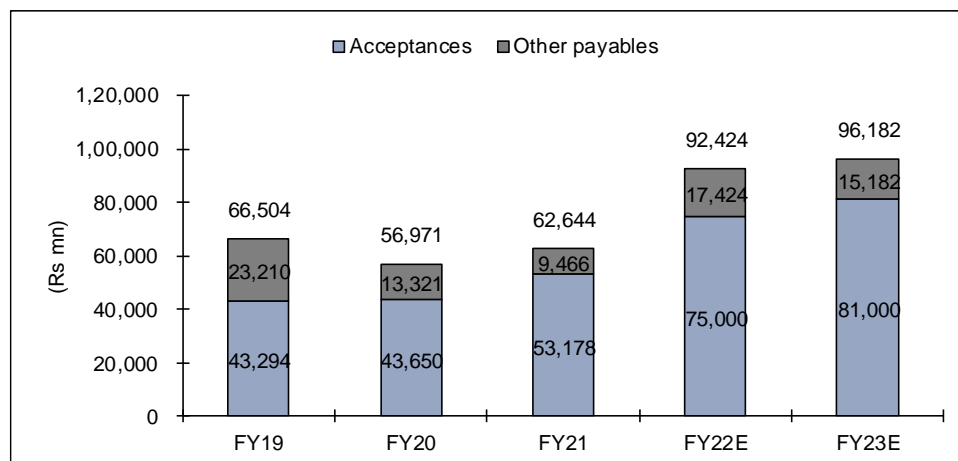
Chart 33: Net profit growth

Source: Company, I-Sec research

Chart 34: Working capital days

Source: Company, I-Sec research

In terms of working capital days (on a reported basis), AWL had 52 days of inventory, 15 days of receivable and 62 days of payables in FY22, implying +5 core working days. However, trade payables include working capital loans (acceptances) which are non-fund based borrowings. The rise in working capital loans is due to inflation in edible oil prices.

Chart 35: Working capital loan (acceptances) in trade payables

Source: Company, I-Sec research

Capex

AWL is expected to incur capex of Rs8-9bn in FY23E and FY24E. This capex will mainly be utilised for setting up food processing units and also expansion of edible oil capacities. It is expanding its palm oil capacity at Haldia given the facility is operating at ~90% utilisation levels and has strategic cost advantages.

Valuation

SoTP-based valuation

We value Adani Wilmar on SoTP methodology. We initiate coverage on the stock with **HOLD** rating based on SoTP-based target price of Rs550, which implies ~3% downside.

Table 4: SoTP valuation

(Rs mn, year ending Mar 31)

Segment	Val Metric	Sales / EBITDA (FY24E)	Multiple (x)	EV (Rs mn)	Per Share Value (Rs/sh)
Edible Oil	EV/EBITDA	21,293	22.0	468,442	360
Industry Essentials	EV/EBITDA	4,420	18.0	79,563	61
Foods and FMCG	EV/Sales	52,690	4.0	210,762	162
Sub-total					584
Less: Net debt				45,561	35
Total Equity Value (Rounded off)					550

Source: I-Sec research

Table 5: Valuation summary

Company	CMP (Rs)	TP (Rs)	Rating	PE (x)		EV/EBITDA (x)		ADTV (US\$ mn)	Market Cap	
				FY23E	FY24E	FY23E	FY24E		(Rs bn)	(US\$ bn)
Staples										
Adani Wilmar	569	550	HOLD	66	51	33	28	NM	742	9.6
Bajaj Consumer	148	300	BUY	10	9	7	6	1.9	22	0.3
Britannia	3,279	3,350	HOLD	43	38	31	27	15.2	790	10.3
Colgate	1,602	1,800	ADD	38	34	25	23	7.6	436	5.7
Dabur	501	650	BUY	45	39	36	31	14.6	885	11.5
Emami	428	480	ADD	23	20	19	16	2.8	190	2.5
GCPL	797	1,000	ADD	37	32	28	24	16.9	81	1.1
HUL	2,194	2,450	ADD	54	47	38	33	60.7	5,156	67.0
ITC	259	260	ADD	18	17	14	13	87.0	3,187	41.4
Jyothy Labs	147	180	BUY	21	17	15	13	0.8	54	0.7
Marico	500	550	ADD	44	38	32	27	12.1	647	8.4
Mrs. Bector's Foods	288	380	ADD	23	19	11	9	2.2	17	0.2
Nestle	16,403	19,500	ADD	62	52	41	35	15.8	1,582	20.6
Tata Consumer	738	925	BUY	56	47	34	29	23.6	705	9.2
Varun Beverages	1,091	1,030	HOLD	54	41	26	22	8.7	466	6.1
Discretionary										
Avenue Supermarts	3,231	3,900	BUY	80	61	55	43	22.5	2,096	27.2
Bata	1,679	1,850	HOLD	45	38	33	27	10.0	216	2.8
Burger King India	90	125	ADD	NM	110	30	20	3.8	45	0.6
FSN E-Commerce Ventures	1,309	1,250	HOLD	235	144	126	80	19.5	622	8.1
Go Fashion (India)	976	1,300	BUY	60	46	46	35	1.2	53	0.7
Jubilant Foodworks	475	720	BUY	53	40	34	27	47.7	314	4.1
Kalyan Jewellers	62	100	BUY	15	12	8	7	1.0	6	0.1
Page Industries	41,788	46,000	ADD	68	56	48	41	11.8	466	6.1
Sapphire Foods	1,013	1,800	BUY	49	34	22	16	2.4	64	0.8
Sheela Foam	3,175	3,900	BUY	51	38	35	27	1.6	155	2.0
Titan	2,092	2,550	BUY	62	49	42	35	47.6	1,856	24.1
United Spirits	823	950	ADD	51	42	33	28	19.1	598	7.8
Westlife Development	425	600	BUY	68	43	31	23	1.2	66	0.9
Paints										
Akzo Nobel	1,765	2,150	ADD	24	20	15	13	0.3	81	1.0
Asian Paints	3,064	3,200	HOLD	73	61	49	41	57.3	2,940	38.2
Berger Paints	657	650	REDUCE	64	54	41	35	6.2	638	8.3
Indigo Paints	1,442	1,650	HOLD	52	40	32	24	1.5	69	0.9
Kansai Nerolac	398	415	HOLD	35	29	22	18	1.5	215	2.8

Company	EV/ sales (x)		P/B (x)		P/CEPS (x)		RoE (%)		RoCE (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Staples										
Adani Wilmar	1.3	1.2	8	8	49	40	13	15	10	11
Bajaj Consumer	1.6	1.5	3	2	10	9	25	26	27	28
Britannia	5.2	4.7	26	21	39	34	60	57	33	37
Colgate	7.7	7.1	32	31	32	29	93	101	111	120
Dabur	7.2	6.5	10	9	39	34	22	23	16	17
Emami	5.3	4.9	8	7	23	20	37	36	44	46
GCPL	6.2	5.6	7	7	33	29	21	22	20	21
HUL	9.0	8.2	10	10	49	42	19	22	15	17
ITC	5.0	4.6	5	5	17	15	27	28	29	30
Jyothy Labs	2.3	2.1	4	3	17	14	18	21	19	22
Marico	6.1	5.5	18	17	40	34	42	47	37	41
Mrs. Bector's Foods	1.5	1.3	3	3	13	11	14	14	15	16
Nestle	9.4	8.4	68	62	53	45	116	124	41	44
Tata Consumer	4.7	4.2	4	4	45	39	8	9	9	10
Varun Beverages	4.9	4.4	9	8	32	26	18	21	18	22
Discretionary										
Avenue Supermarts	4.8	3.8	13	10	67	53	17	19	23	25
Bata	6.1	5.3	10	8	29	25	24	24	34	33
Burger King India	2.3	1.8	6	6	21	15	(0)	5	5	9
FSN E-Commerce Ventures	10.9	7.9	43	33	154	98	18	23	24	30
Go Fashion (India)	8.7	6.9	10	9	31	25	28	30	24	26
Jubilant Foodworks*	6.0	5.0	14	11	30	24	29	31	25	28
Kalyan Jewellers	0.7	0.6	2	2	9	8	11	13	11	12
Page Industries	10.3	8.9	36	30	61	51	59	59	40	40
Sapphire Foods	2.7	2.1	6	5	15	12	11	14	18	23
Sheela Foam	4.5	3.9	9	7	39	30	20	21	17	21
Titan	5.4	4.6	16	13	54	43	29	29	32	33
United Spirits	5.6	5.0	10	9	41	35	22	23	28	29
Westlife Development	3.3	2.8	11	9	27	21	18	24	28	35
Paints										
Akzo Nobel	2.0	1.8	6	5	19	16	24	26	25	27
Asian Paints	8.4	7.3	19	16	60	50	27	28	24	26
Berger Paints	6.2	5.4	14	12	51	44	24	24	21	21
Indigo Paints	5.5	4.4	9	7	39	29	17	18	20	21
Kansai Nerolac	2.9	2.5	5	4	27	23	13	15	13	14

Source: Bloomberg, Company data, I-Sec research

*Jubilant Foodworks had last split the face value of its shares from Rs10 to Rs2, therefore target price is adjusted from Rs3,600 to Rs720.

Key Risks

- **Unfavourable local and global weather patterns** may have an adverse effect on business, results of operations and financial condition.
- **Commodity risk:** Products are in the nature of commodities and their prices are subject to fluctuations that may affect profitability.
- **Brand risk:** AWL relies heavily on existing brands, the dilution of which could adversely affect business.
- **Third-party risk:** AWL utilises the services of certain third parties for operations and any deficiency or interruption in their services could adversely affect business and results of operations.
- **Non-compliance with and changes in, safety, health and environmental laws and other applicable regulations,** may adversely affect business, results of operations and financial condition.
- **AWL in the past entered into related-party transactions and may continue to do so in the future, which may involve conflict of interest with equity shareholders.**
- **Sharper-than-expected scale-up in operating margins.**

Financial summary

Table 6: Profit and Loss statement

(Rs. mn, year ending Mar 31)

	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Revenue	287,975	296,570	370,904	5,42,136	5,63,725	6,39,971
Less:						
Cost of goods sold	250,652	253,702	324,898	4,87,914	5,01,707	5,66,365
Employee cost	2,069	2,239	3,217	3,922	4,059	4,544
Other expenses	23,942	27,534	29,536	32,938	35,344	42,349
Total operating expenses	276,662	283,475	357,651	5,24,773	5,41,110	6,13,257
EBITDA	11,312	13,095	13,253	17,363	22,615	26,714
Less: D&A	1,993	2,413	2,673	3,091	3,675	3,854
EBIT	9,319	10,683	10,580	14,272	18,940	22,860
Less: Gross Interest	4,869	5,692	4,066	5,408	7,258	7,694
Add: Other Income	1,222	1,100	1,052	1,723	2,930	3,855
Recurring PBT	5,673	6,090	7,566	10,588	14,613	19,021
Less: Taxes	2,123	2,060	1,039	2,844	3,653	4,755
Less: Minority Interest	(206)	(578)	(749)	(294)	(320)	(359)
Net Income (Reported)	3,755	4,609	7,276	8,037	11,280	14,625
Extraordinary items	-	-	-	-	-	-
Recurring Net Income	3,755	4,609	7,276	8,037	11,280	14,625

Source: Company data, I-Sec research

Table 7: Balance sheet*(Rs. mn, year ending Mar 31)*

	FY19	FY20	FY21	FY22	FY23E	FY24E
ASSETS						
Current Assets, Loans & Advances						
Inventories	40,416	38,264	47,777	77,165	69,500	78,901
Sundry debtors	12,580	9,212	15,151	22,186	23,167	26,300
Cash and bank balances	12,155	14,321	11,885	44,940	60,620	66,890
Other current assets	2,898	4,178	1,735	3,432	3,432	3,432
Loans and advances	8,265	7,339	9,764	11,038	11,038	11,038
Total Current Assets	76,314	73,315	86,311	1,58,761	1,67,757	1,86,561
Current Liabilities & Provisions						
Current Liabilities	66,504	56,971	62,644	92,424	96,182	1,09,278
Provisions and other liabilities	3,845	4,468	11,508	10,140	10,140	10,140
Total Current Liabilities & Provisions	70,349	61,439	74,151	1,02,563	1,06,321	1,19,418
Net Current Assets	5,966	11,875	12,160	56,198	61,436	67,143
Investments	1,470	2,060	3,321	3,621	3,621	3,621
Fixed assets						
Gross block	33,379	42,485	44,358	55,670	59,170	63,170
Less: Accumulated depreciation	5,334	7,405	9,700	12,791	16,466	20,320
Net Block	28,045	35,080	34,658	42,879	42,704	42,851
CWIP	5,704	3,249	5,305	3,760	8,760	13,760
Right of use assets	2,039	2,317	2,207	2,455	2,455	2,455
Intangible assets	189	182	149	674	1,874	1,874
Other non-current assets	2,266	1,656	1,315	1,023	1,040	1,155
Total Assets	45,679	56,419	59,115	1,10,609	1,21,889	1,32,858
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' fund						
Equity share capital	1,143	1,143	1,143	1,300	1,300	1,300
Reserves and surplus	19,967	24,564	31,838	74,764	86,044	97,012
Total Shareholders Fund	21,110	25,707	32,981	76,064	87,344	98,312
Borrowings	18,295	23,003	19,040	25,681	25,681	25,681
Lease Liability	772	1,051	1,009	1,330	1,330	1,330
Deferred tax liabilities	(1)	(1)	-	-	-	-
LT Provisions	5,503	6,659	6,085	7,535	7,535	7,535
Total Liabilities and shareholders' equity	45,679	56,419	59,115	1,10,609	1,21,889	1,32,858

Source: Company data, I-Sec research

Table 8: Cash flow*(Rs. mn, year ending Mar 31)*

	FY19	FY20	FY21	FY22	FY23E	FY24E
Cash flow from operating activities						
PBT	5,673	6,090	7,566	10,588	14,613	19,021
Add: Depreciation	1,993	2,413	2,673	3,091	3,675	3,854
Add: Interest	3,512	4,173	3,223	3,280	7,258	7,694
Add: Other Operating activities	(1,275)	1,261	(2,509)	(463)	(2,610)	(3,497)
CFO before change in NWC	9,902	13,937	10,953	16,495	22,935	27,073
(Inc)/dec in debtors	(715)	3,401	(5,971)	(6,680)	(981)	(3,133)
(Inc)/dec in inventories	(2,939)	2,152	(9,513)	(18,159)	7,665	(9,400)
(Inc)/dec in other current assets	(4,943)	387	(363)	(1,823)	(17)	(115)
Inc/(dec) in trade payables	16,327	(12,759)	8,027	25,634	3,758	13,097
Inc/(dec) in current liabilities/provisions	637	1,905	9,070	(1,430)	-	-
Change in NWC	8,368	(4,915)	1,250	(2,459)	10,425	448
Less: Taxes Paid	1,340	1,209	2,943	2,437	3,653	4,755
Net Cash flow from Operating Activities	16,930	7,813	9,260	11,600	29,707	22,766
Capital Commitments	(9,079)	(6,307)	(4,620)	(5,356)	(9,700)	(9,000)
Free Cashflow	7,852	1,506	4,640	6,243	20,007	13,766
Cashflow from Investing Activities						
Other non-operating income	1,038	737	721	828	2,930	3,855
Others	(1,296)	506	(939)	(34,084)	-	-
Net Cashflow from Investing Activities	(258)	1,243	(218)	(33,256)	2,930	3,855
Cashflow from Financing Activities						
Increase in reserves	-	-	-	35,071	-	-
Inc (Dec) in Borrowings	(4,042)	4,282	(3,623)	(4,591)	-	-
Interest Paid	(3,381)	(4,038)	(3,357)	(3,185)	(7,258)	(7,694)
Dividend paid including tax and others	-	-	-	-	-	(3,656)
Others	(200)	(321)	(330)	(381)	-	-
Net Cashflow from Financing Activities (e)	(7,623)	(78)	(7,310)	26,915	(7,258)	(11,351)
Total Increase / (Decrease) in Cash	(29)	2,671	(2,887)	(98)	15,680	6,270

Source: Company data, I-Sec research

Table 9: Key ratios*(year ending Mar 31)*

	FY19	FY20	FY21	FY22E	FY23E	FY24E
Per Share Data (Rs)						
EPS	3.3	4.0	6.4	6.2	8.7	11.3
Cash EPS	5.0	6.1	8.7	8.6	11.5	14.2
Dividend per share (DPS)	-	-	-	-	-	2.8
Book Value per share (BV)	18.5	22.5	28.9	58.5	67.2	75.6
Growth (%)						
Net Sales		3.0	25.1	46.2	4.0	13.5
EBITDA		15.8	1.2	31.0	30.3	18.1
PAT		22.7	57.9	10.5	40.3	29.6
DPS		NM	NM	NM	NM	NM
Valuation Ratios (x)						
P/E	173.1	141.0	89.3	91.9	65.5	50.5
P/CEPS	113.1	92.6	65.3	66.4	49.4	40.0
P/BV	30.8	25.3	19.7	9.7	8.5	7.5
EV / EBITDA	58.0	50.1	49.5	43.0	33.0	27.9
EV / Sales	2.3	2.2	1.8	1.4	1.3	1.2
Operating Ratios						
Raw Material / Sales (%)	87.0	85.5	87.6	90.0	89.0	88.5
Employee cost / Sales (%)	0.7	0.8	0.9	0.7	0.7	0.7
Other exps / Sales (%)	8.3	9.3	8.0	6.1	6.3	6.6
Other Income / PBT (%)	21.5	18.1	13.9	16.3	20.1	20.3
Effective Tax Rate (%)	37.4	33.8	13.7	26.9	25.0	25.0
Working Capital (days)	(11.9)	(9.2)	(4.4)	3.2	(3.7)	(3.5)
Inventory Turnover (days)	51.2	47.1	47.0	52.0	45.0	45.0
Receivables (days)	15.9	11.3	14.9	14.9	15.0	15.0
Payables (days)	84.3	70.1	61.6	62.2	62.3	62.3
Net D/E (x)	0.3	0.3	0.2	(0.3)	(0.4)	(0.4)
Profitability Ratios (%)						
Net Income Margins	1.3	1.6	2.0	1.5	2.0	2.3
RoACE		12.2	10.7	10.1	10.2	11.3
RoAE		19.7	24.8	14.7	13.8	15.8
Dividend Payout	-	-	-	-	-	25.0
Dividend Yield	-	-	-	-	-	0.5
EBITDA Margins	3.9	4.4	3.6	3.2	4.0	4.2

Source: Company data, I-Sec research

Appendix – 1

About the Company

Vision

AWL's vision is to be a leading agribusiness company committed to sustainably deliver safe, nutritious and quality agricultural commodity and food through innovation, highest standards of environmental, social and governance practices, and the creation of livelihoods in communities in which the company operates to deliver long-term value to all stakeholders.

Business

Joint venture of Adani Group and Wilmar Group: AWL is a joint venture incorporated in 1999 between the Adani Group and the Wilmar Group. As a joint venture between the Adani Group and the Wilmar Group, AWL benefits from strong parentage.

Product portfolio: AWL's portfolio of products spans across three categories: (i) Edible oil, (ii) packaged food and FMCG and (iii) industry essentials. A significant majority of sales pertain to branded products, which is ~73% of edible oil and food and FMCG sales volume for FY21 (excluding industry essentials which were offered on a non-branded basis).

AWL is one of the few large FMCG food companies in India to offer most essential kitchen commodities for Indian consumers, including edible oil, wheat flour, rice, pulses and sugar (Source: Technopak Report). Staples, such as edible oils, wheat flour, rice, pulses and sugar, account for approximately 66% of the spend on essential kitchen commodities in India (Source: Technopak Report). Their products are offered under a diverse range of brands across a broad price spectrum and cater to different customer groups.

Chart 36: AWL's presence across a wide array of categories



Source: Company Data

Note: All pie charts are shown by sales volume as of FY21; Branded / institutional split based on Edible oils and Food & FMCG (Excludes Industry Essentials); ¹ Includes ricebran, groundnut, cotton seed and coconut oil; ² Includes maida and suji / rawa; ³ VAP means value added products, includes sugar as well; ⁴ Includes soaps, sanitizers and handwashes; ⁵ Includes de-oiled cake (DOC), Palm Sterin and Palm Fatty Acid, etc.

Key Business Categories

Edible Oil

AWL offers a comprehensive portfolio of edible oil products, including soyabean oil, palm oil, sunflower oil, rice bran oil, mustard oil, groundnut oil, cottonseed oil, blended oil, *vanaspati*, specialty fats and a range of functional edible oil products with distinctive health benefits. As of March 31, 2021, the ROCP market share of branded edible oil was 18% (18.8% in FY22), putting AWL as the dominant No. 1 edible oil brand in India (Source: Nielsen Retail Index – MAT March 2021). AWL also offers various specialty fats, including (i) industrial margarine, bakery shortening and *vanaspati* which are primarily supplied to restaurants, cafes and bakeries for baked products, (ii) lauric fats as substitutes for milk fat and cocoa butter substitutes for ice cream and confectionery, and (iii) bulk packaging of frying oil. AWL is one of the largest players in specialty fats and oils in India (Source: Technopak Report).

Table 10: AWL's market share of brands across edible oil sub-categories

Product	Market share		Ranking in India
Soyabean oil*	Fortune	22.8%	First
	King's	6.4%	Third
	Total	29.2%	
Sunflower oil*	Fortune	8.3%	Third
	Aadhar	2.6%	***
	Total	10.9%	
Palmolein oil*	Raag	15.1%	Second
	Alpha	0.7%	***
	Fryola	0.3%	***
	Total	16.1%	
Mustard oil**	10%		First
Rice bran oil*	25.1%		***

Sources: *Nielsen Retail Index – MAT March 2021, based on the data as of March 31, 2021.

**Technopak Report, based on the data as of 2020.

***Ranking unavailable

In recent years, AWL has placed a significant emphasis on health impact of edible oil products. Accordingly, it offers a series of functional edible oil products with distinctive health benefits, including:

- Fortune Rice Bran Health Oil, which helps increase high-density lipoprotein. AWL introduced rice bran oil as part of efforts to offer edible oil products with intended health benefits;
- Fortune Xpert Pro Immunity Oil, which contains over 100 antioxidants, Vitamin A, D and E and gamma oryzanol; and
- Fortune Xpert Pro Sugar Conscious Oil, which is curated with fine unrefined sesame oil and premium quality physically refined rice bran oil.

AWL plans to launch one more functional edible oil product with intended health benefits under the Fortune Xpert range in the near future to strengthen portfolio.

Edible oil products are offered under Fortune, flagship brand, as well as several masstige brands, including King's, Aadhar, Bullet, Raag, Alpha, Jubilee, Avsar, Golden Chef and Fryola. 'Fortune' is its premium brand, whereas other brands are

masstige brands which are strategically placed in the markets to compete with regional brands with competitive pricing.

AWL also offers edible oil to multinational and leading Indian companies, such as Britannia, customised to their requirements and specifications in bulk form on a business-to-business (B2B) basis.

In FY19, FY20 and FY21, revenue from edible oil business was Rs215,398mn, Rs234,767mn and Rs304,978mn, or 74.8%, 79.16% and 82.23% of revenue from operations, respectively.

Chart 37: AWL's edible oil brands across price points



Source: Company Data

Packaged Food and FMCG

AWL forayed into food products with focus on staple foods in FY13. It offers a wide array of packaged foods, including packaged wheat flour, rice, pulses, besan, sugar, soya chunks and ready-to-cook khichdi.

AWL leverages its soya crushing capacities to offer (i) soya chunks, which is a textured vegetable protein offered in consumer packs. It started to offer soya chunks, which are high in protein, in FY15; and (ii) a series of soya value-added products derived from soybeans, including soya flour, soya grits, soya flakes and soya bari which are offered in loose packs. In 2021, the market share of packaged wheat flour and basmati rice under the Fortune brand was ~3.5% (~4.7% in FY22) and ~6.1% (~6.5% in FY22), respectively, ranking second and third, respectively, in India (Source: Nielsen Retail Index – MAT March 2021). AWL also introduced soya chunkies as ready-to-cook product with three different flavours. In FY20, it launched ready-to-cook khichdi, which is a combination of rice, pulses and other grains. AWL offers khichdi with three different flavours from three different regions of India.

It intends to premiumise packaged food portfolio by introducing new value-added products, such as fortified wheat flour, multi-grain wheat flour, fortified rice, low glycemic index rice and various ready-to-cook and ready-to-eat products.

Packaged foods are offered under 'Fortune', flagship brand, as well as 'Jubilee' and 'Golden Chef' as masstige brands. AWL plans to launch additional foods under masstige brands to compete with regional brands and increase market penetration. It also offers unbranded food products, such as soya value-added products, to institutional clients.

It also offers FMCG products such as soaps, hand wash and sanitisers. The revenue and volume generated from sales of soap grew by 175.6% and 173.5% in FY21 YoY, respectively.

In FY19, FY20 and FY21, revenue from food and FMCG business was Rs18,669mn, Rs19,530mn and Rs19,066mn, or 6.48%, 6.59% and 5.14% of revenue from operations, respectively.

Industry Essentials

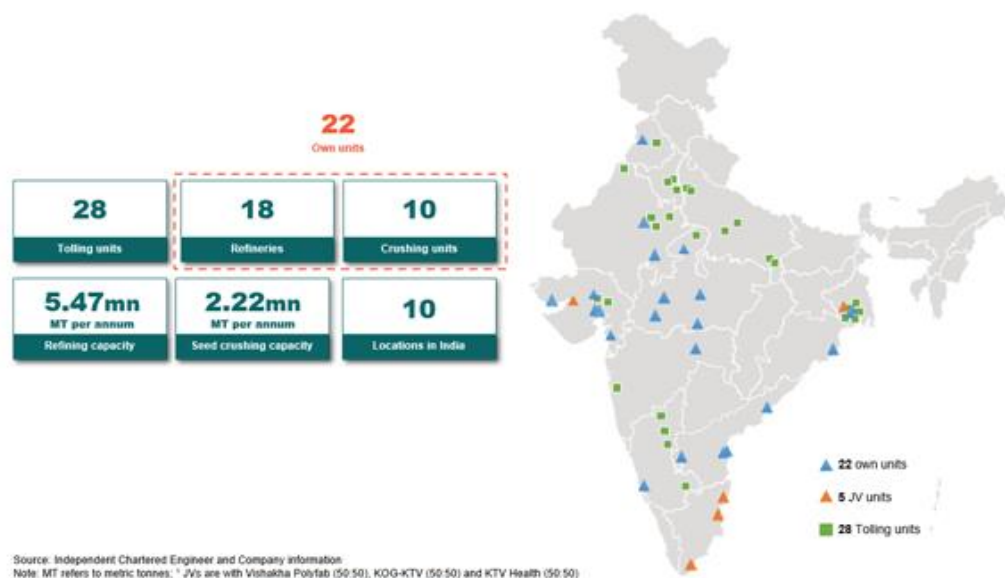
Further, AWL offers certain industry essentials to institutional customers, including:

- Oleochemicals, including stearic acids, soap noodles, palmitic acid, oleic acid and glycerin, which are primary ingredients for home and personal care products, including soaps, detergents, cosmetics, polymer, pharmaceuticals and industrial rubber;
- Castor oil and its derivatives, such as steric acid and ricinoleic acid, for medical, pharmaceutical, cosmetic and aeronautical use; and
- *De-oiled cakes*, which are by-products after oil extraction from soybeans, mustard seeds and castor seeds and used as livestock feed.

In FY19, FY20 and FY21, revenue from industry essentials business was Rs53,421mn, Rs43,221mn and Rs47,112mn, or 18.55%, 14.57% and 12.70% of revenue from operations, respectively.

Manufacturing Facilities

Chart 38: AWL has 22 plants across 10 states in India and 28 leased tolling units



The manufacturing units operated include:

Edible oil. AWL has 22 plants that are strategically located across 10 states in India, comprising 10 crushing units and 19 refineries with an aggregate designed capacity of ~8,525 MT per day and ~16,285 MT per day, respectively. In addition, it has seven tolling units for edible oil as of March 31, 2021, which produce mustard oil and rice bran oil with raw materials AWL provides.

AWL also manufactures specialty fats at refineries. Premium grade specialty fats are manufactured at strategic locations, such as Kakinada, Mundra, Krishnapatnam and Haldia with logistic advantages to cater to all geographic regions in India.

Packaged foods. As of March 31, 2021, food manufacturing capacity was 1,885 MT per day. Most of these food manufacturing facilities are located at the company's existing crushing units or refineries to utilise its facilities for production, storage, distribution network and experienced manpower. In addition, it had 20 tolling units for packaged foods as of March 31, 2021, which produce wheat flour, rice, pulses, sugar, soya chunks and khichdi with raw materials AWL provides.

Industry essentials.

Oleochemicals. AWL manufactures oleochemicals at Mundra plant. Its designed output for oleochemicals is 400 MT per day. AWL is adding one more unit with a designed output of 400 MT per day to oleochemical plant, given its high utilisation levels and demand. This additional unit is planned to be operational by August 2021.

Castor oil and its derivatives. One of the castor oil manufacturing facilities is strategically located at Meda Adraj in north Gujarat, a region rich in castor production and the other in Mundra, which is an important port to export castor oil out of India. For

castor oil, it has a crushing capacity of 1,100 MT per day and a refining capacity of 600 MT per day at two locations in Gujarat.

De-oiled cakes. AWL manufactures de-oiled cakes by crushing soya, mustard and castor seeds at crushing units.

Joint ventures also contribute to manufacturing capacity. KOG-KTV Food Products Private Limited and KTV Health Foods Private Limited are both regional edible oil refiners and have presence in branded edible oil market through their brands ROOBINI and SUNLAND in the state of Tamil Nadu. Visakha Polyfab Private Limited is among the largest manufacturers of poly films in India for pouch packing (Source: Technopak Report), which are used for AWL's products as a part of forward integration.

Raw Materials and Procurement

Key raw materials include (i) crude edible oils, including crude soyabean oil, sunflower oil, palm oil, mustard oil, rice bran oil, groundnut oil and cottonseed oil, (ii) oilseeds, including soybeans, mustard seeds and castor seeds, and (iii) unprocessed staple foods, including wheat, rice and pulses.

AWL sources raw materials from top global suppliers, such as Cargill, LDC, AAA, COFCO and Viterra. Predominantly, crude soybean oil is imported from Argentina and Brazil, sunflower oil from Ukraine and Russia and palm oil from Indonesia and Malaysia.

Under domestic procurement, it sources wheat, paddy, pulses, oilseeds (including soybeans, mustard seeds and castor seeds) and crude edible oils (including rice bran oil, groundnut oil and cottonseed oil). These are mostly procured for refineries and processing units in the hinterland. For procurement of castor seeds, it has sourcing agents in ~29 Agriculture Produce Market Committees across Gujarat who are experienced in castor business. Procurement for staple foods is based on government policies, minimum support price and seasonality. The key regions of staple food procurement are Madhya Pradesh, Rajasthan, Maharashtra, Uttar Pradesh, Bihar, Haryana and Gujarat. It procures crude rice bran oil from Punjab, West Bengal, Andhra Pradesh, Karnataka and Chhattisgarh, and crude groundnut oil and cottonseed oil from Gujarat.

AWL procures palm stearin externally sometimes for oleochemical manufacturing, either from domestic markets or through imports, although AWL is able to derive it from palm oil refining process as a by-product.

Distribution Network

AWL has the largest distribution network among all branded edible oil companies in India with 5,566 distributors (5,775 distributors in FY22). Distributors are located in 28 states and eight union territories throughout India, catering to over 1.6mn (1.7mn in FY22) retail outlets (Source: Technopak Report). In addition, as of March 31, 2021, AWL has over 5,150 salesmen going shop-to-shop to service customers on a daily basis. It had 85 depots, with an aggregate storage space of approximately 1.6mn square feet as of March 31, 2021, across the country to ensure availability of products. As of March 31, 2021, clearing and forwarding agents operated over 805 delivery

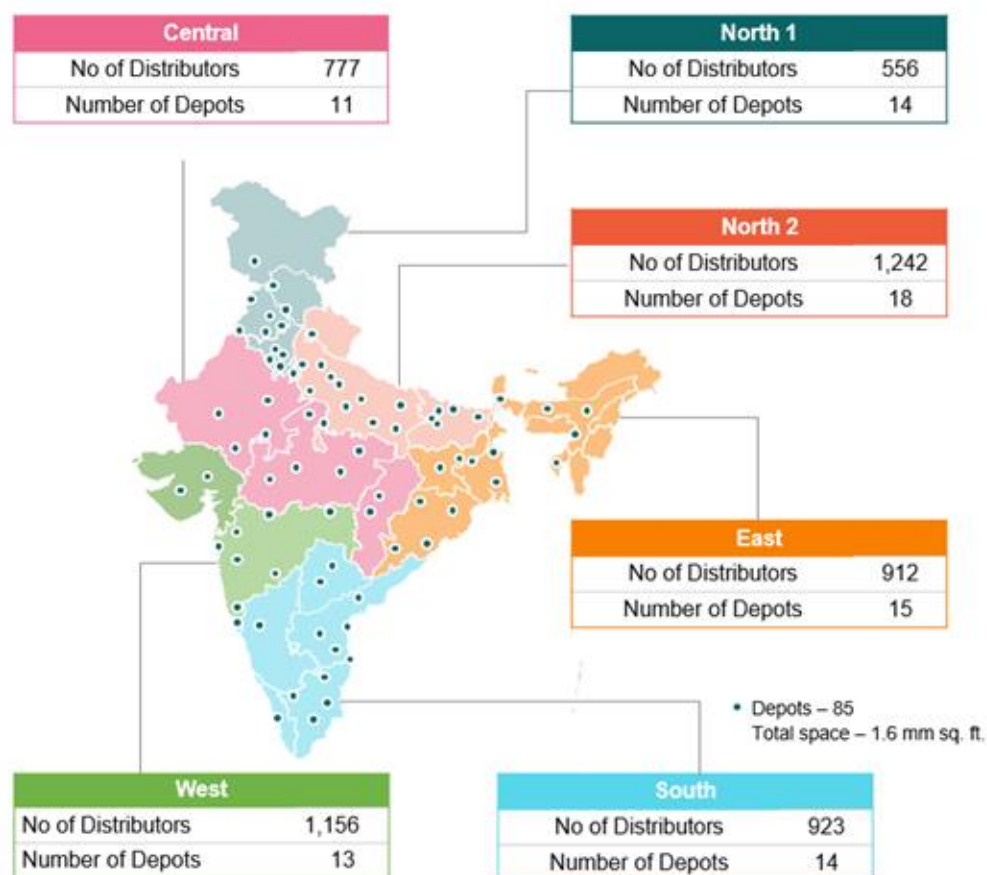
vehicles, dispatching products from depots to distributors, and distributors operated over 4,200 delivery vehicles, catering to retail outlets across the country.

Table 11: AWL's distribution network

	As of March 31,		
	2019	2020	2021
Distributors	4,173	4,884	5,566
Common distributors for edible oils and packaged foods	2,743	3,393	3,598
Salesmen	3,500	4,200	5,150
Delivery vehicles operated by clearing and forwarding agents	622	666	805
Delivery vehicles operated by distributors	3,000	3,500	4,200

Source: Company Data

Chart 39: AWL's distribution network by region



Source: Company Data

As of March 31, 2021, AWL was present in one out of three households in India with household reach of 90.51mn through Fortune brand. (Source: IMRB).

Table 12: Household reach of Fortune Brand

(mn)		As of March 31,					
		2019		2020		2021	
Urban	Total	89.29	100.00	92.77	100.00	97.47	100.00
	Fortune oils	36.34	40.69	37.42	40.33	41.74	42.82
Rural	Total	154.76	100.00	158.58	100.00	168.26	100.00
	Fortune oils	40.64	26.26	42.61	26.86	48.77	28.98
All India (urban + rural)	Total	244.05	100.00	251.35	100.00	265.73	100.00
	Fortune oils	76.99	31.54	80.03	31.84	90.51	34.06

Source: IMRB, Company Data

Direct Sales to Institutional Customers

In addition to the distribution network, AWL also offers products, such as edible oil and industry essentials to institutional customers directly. Institutional customers are primarily food companies such as Britannia and industrial application oriented companies. For institutional customers, it provides customised product solutions and variants depending upon their individual requirements. These customised products are first developed and tested at application centre before running a final trial at plants.

Exports

As of March 31, 2021, AWL exported its products, including branded edible oil products, foods, FMCG and industry essentials to over 50 countries. It has recently introduced branded edible oil products to the Middle East. It is also exporting industry essentials, such as castor oil and oleochemicals, to the Middle East, Southeast Asia, East Africa, Europe, United States and Canada. In FY19, FY20 and FY21, AWL generated Rs31,660.06mn, Rs29,270.87mn and Rs27,461.55mn from export sales, representing ~10.99%, ~9.87% and ~7.40% of revenue from operations, respectively.

E-commerce Channels

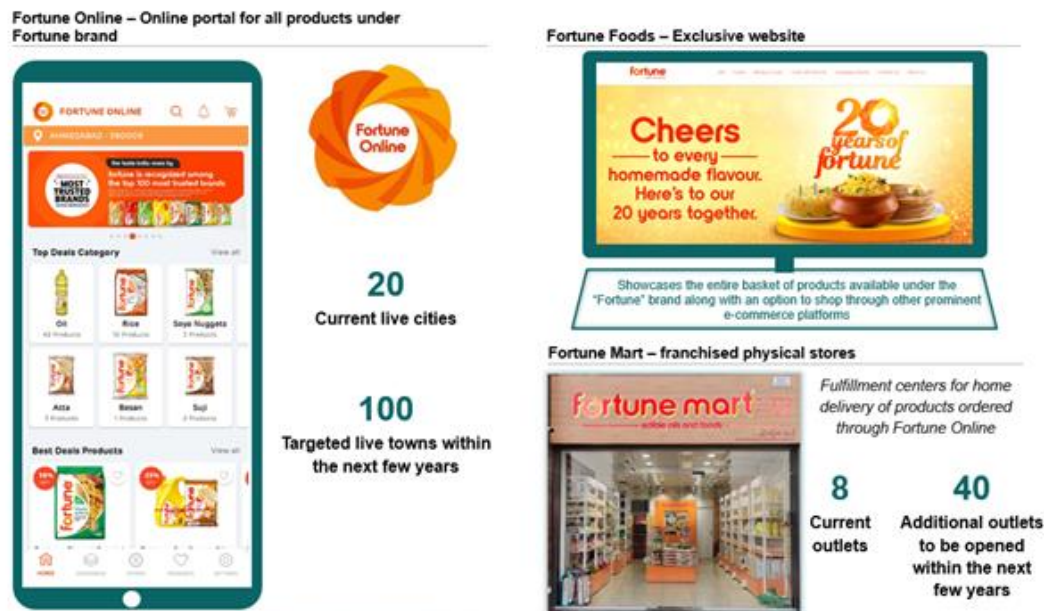
AWL has adopted an omni-channel strategy to extend customer reach. It has an exclusive website 'Fortune Foods' showcasing the entire basket of products available under the Fortune brand. It has recently launched an online portal, Fortune Online, which is a one-stop-shop for all the products under the Fortune brand along with mobile application Fortune Online. Currently, customers in more than 20 cities and towns can place orders through Fortune Online. The mobile application has been downloaded more than 25,000 times since its launch. In addition, AWL partners with certain e-commerce platforms, such as Grofers, and has presence across major e-commerce platforms. Online sales through e-commerce platforms increased by 53.30% from FY20 to FY21 and ~34% from FY21 to FY22.

It has also recently launched 'Fortune Business', which is a mobile application to provide business owners with one-stop access to a wide selection of products. The Fortune Business mobile application serves department stores, hotels, restaurants and bakeries as well. It was launched in Ahmedabad and will be scaled up in a phased manner.

It has recently launched Fortune Mart, which is a franchised physical store dedicated to Fortune-branded products. It will be a self-sustaining outlet to showcase AWL's

entire range of products under different stock-keeping units. It will also serve as a fulfillment centre for home delivery of products ordered through Fortune Online to domestic customers. AWL aims to open more than 40 Fortune Mart stores across India in next few years.

Chart 40: Fortune Online and Fortune Foods



Source: Company Data

Marketing

As of March 31, 2021, sales and marketing team comprised 619 personnel and is based in headquarters and key distribution centres. AWL has also assigned a trade marketing head for each region. Marketing initiatives include advertising through print and electronic media and TV commercials, promoting brands through social media, hosting exhibitions and outdoor promotional activities. It employs a go-to-market approach and engages different advertising strategies for premium and masstige brands. In the regions where it is seeking to increase market share, it can educate consumers about health concerns over inferior quality edible oils so that they may upgrade to AWL's products. In the regions where it has established market position, advertisements focus on health benefits of premium products for consumers who may further upgrade.

Marketing is driven by both product advertising and range advertising. Product advertising is intended to maintain market share of some products and increase market share of some other products. Range advertising promotes range of products. For example, a recently launched advertising campaign 'Rukna Mat' promotes the entire range of edible oils and foods. In FY19, FY20 and FY21, business development and promotional expenses were Rs1,879mn, Rs2,850mn and Rs2,554mn, or 0.65%, 0.96% and 0.69% of revenue from operations, respectively.

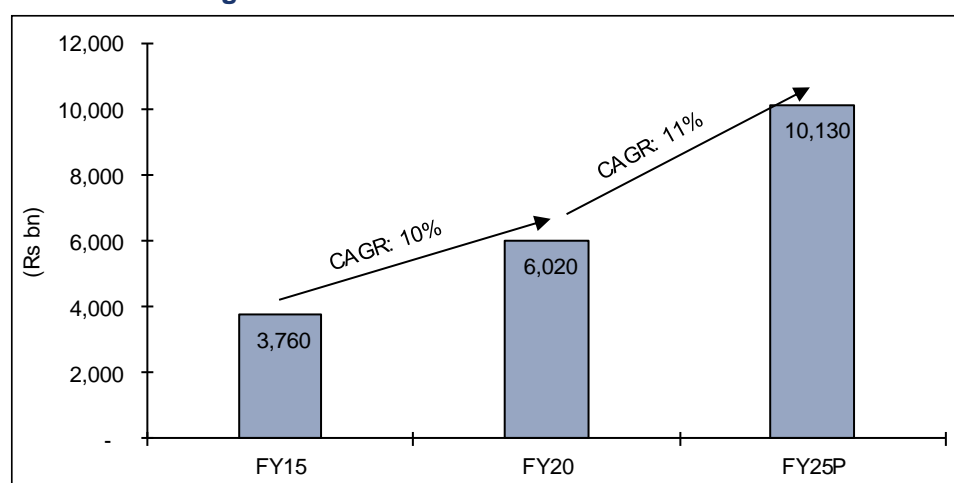
Appendix – 2

India packaged food market overview

The Indian packaged food retail market, estimated at ~Rs6trn in FY20, contributes only 15% to the total food and grocery retail market is estimated at Rs39.5trn in FY20. While the Indian food retail remains dominated by unbranded products such as fresh fruits and vegetables, loose staples, fresh unpackaged dairy and meat, packaged food market is growing at almost double the pace of the overall category and is expected to gain a market share of 17% by FY25E. Health concerns and limitation in movement due to covid have accelerated the growth of packaged food products which offer consistent and assured quality along with convenience.

The penetration of packaged food is limited in the Indian households. Annual per capita spend on all categories of packaged food in India is estimated to be ~Rs4,650, much lesser as compared to China at ~Rs16,000 and the USA at more than Rs112,500.

Chart 41: Packaged Food Retail Market in India



Source: Technopak Research

The spending on the essential kitchen commodities accounts for 23% of the total spend on food and grocery. Within this, staples such as edible oils, wheat flour, rice, pulses, sugar etc. account for 66% and the balance comprises dairy products.

Among large FMCG players, limited players like Adani Wilmar and Patanjali have entered multiple categories in essential kitchen commodities. Adani Wilmar is present in most of the categories through its brand 'Fortune'. Over the years, essential kitchen commodities such as edible oils, wheat flour, rice, pulses, sugar and dairy have been largely handled by players focused within a specific segment.

Table 13: Presence of large FMCG (Food) companies across Essential Kitchen Commodities

	Edible Oils	Wheat Flour	Rice	Pulses	Sugar	Dairy (Fresh Packaged)
HUL		✓				
Dabur						
ITC		✓				✓
Nestlé						
Britannia						
Godrej						
Marico	✓					
Parle						
Adani Wilmar	✓	✓	✓	✓	✓	
PepsiCo						
Ruchi Soya	✓	✓				
Patanjali	✓	✓	✓	✓	✓	
Emami Agrotech	✓					

Source: Secondary Research

Amongst large FMCG players, few players like Emami Agrotech, Patanjali and Adani Wilmar have registered a double-digit revenue growth rate in the last 5 years. Adani Wilmar has become the fastest growing packaged food company.

Table 14: Key Players in FMCG Products – Financials

	Revenue				EBIDTA			
	FY 2015	FY 2020	FY2021	CAGR (FY 15-20)	FY 2015	FY 2020	FY2021	CAGR (FY15-20)
HUL	32,721	38,785	45,996	3.46%	6,491	10,085	11,837	9.21%
Dabur	7,806	8,623	9,561	2.01%	1,474	2,098	2,328	7.31%
ITC	50,389	46,807	48,525	-1.46%	15,017	20,676	18,773	6.61%
Nestlé	8,482	13,350	-	9.49%	1,164	3,255	-	22.83%
Britannia	7,345	10,987	12,379	8.39%	1,001	2,125	2,644	16.25%
Godrej	4,703	5,474	6,254	3.08%	906	1,538	1,717	11.17%
Marico	4,689	5,853	6,337	4.53%	803	1,403	1,440	11.81%
Parle	9,294	12,292	-	5.75%	791	1,149	-	7.74%
Adani Wilmar	17,442	29,767	37,196	11.28%	555	1,419	1,431	20.65%
PepsiCo	7,682	5,480	-	-6.53%	187	469	-	20.19%
Ruchi Soya	28,397	13,118	-	-14.31%	691	401	-	-10.30%
Patanjali	2,029	9,089	-	34.97%	468	1,004	-	16.50%
Emami Agrotech	4,303	12,692	-	24.15%	236	815	-	28.18%

Source: Annual Reports, MCA Reports

Other key highlights and trends

GT continues to be the dominant channel. Packaged food remains a distributor-led category with 75% of sales channelised through general trade (*kiranas*). However, modern retail including hypermarkets, supermarkets, e-commerce platform is a growing channel of sales for this category contributing ~25% off-take of packaged food. The key reason behind the dominance of general trade is its robust outreach and coverage.

Consumers shifting towards packaged and branded products. This shift is now also visible in staple categories like edible oil, wheat flour, spices and pulses given the growing concern for food safety and inclination towards hygienically packaged products. The share of branded wheat flour has grown from 3% in FY08 to 15% in FY20 and the share of branded salt has grown from 5% in FY07 to 88% in FY20 by value. This shift has been accelerated by covid pandemic and this is expected to continue in future.

Convenience and healthy eating trends continue to drive sales. Companies are using health as a platform to introduce new variants in almost all categories. Introduction of these products not only augments the brand's ability to command premium but also outpaces growth of the overall category. The perception of packaged foods is changing among consumers as there has been a significant rise in convenience, availability and affordability of such products across the country.

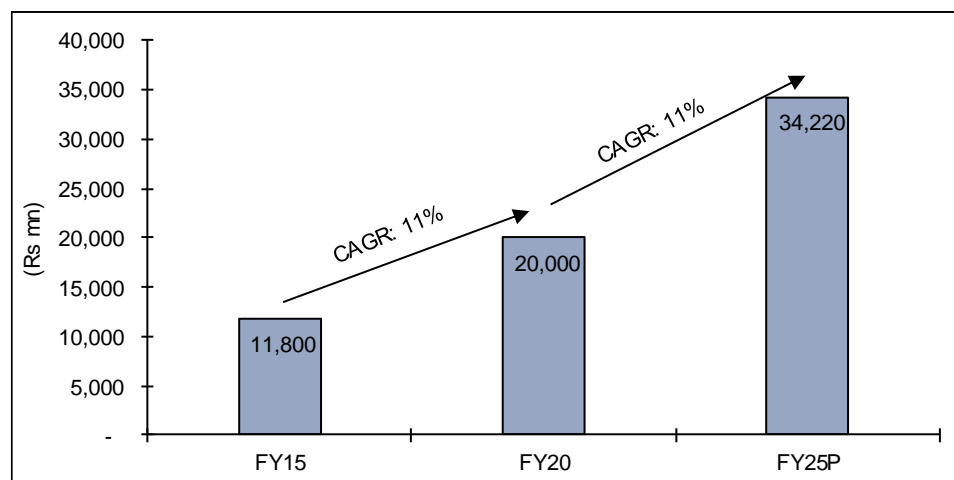
Growing necessity, convenience and availability to drive future growth. Packaged food will continue to post double-digit growth over the forecast period, mainly due to rising demand for convenience as a result of the increasingly hectic pace of modern life, as well as growing awareness and availability.

Consumers across spectrum are moving towards premium products. Whether this means a change from preparing all foods from scratch to purchasing certain ready-made items, a move from standard to premium snack items, or the switch from basic staples to enriched, organic or luxury versions, consumers are moving upwards through food categories and prices.

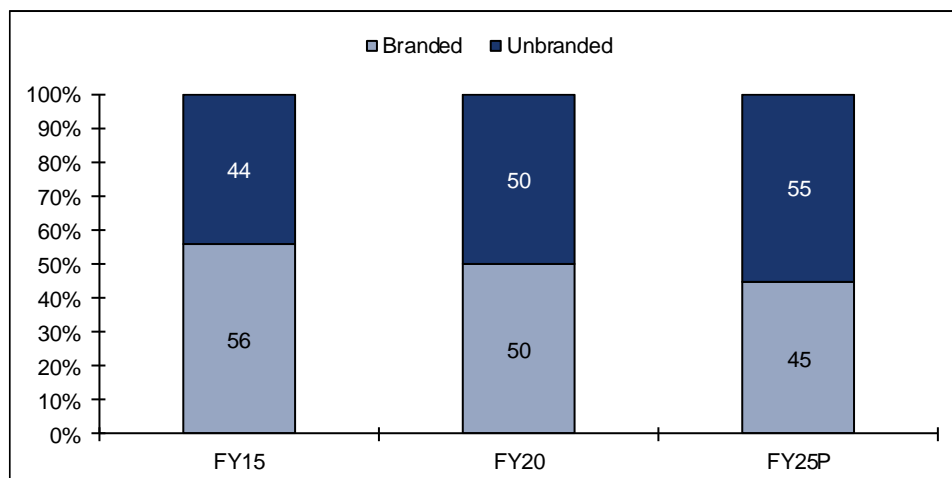
Indian Soya Chunk Retail Market

The size of soya chunks retail market in India is estimated to be Rs20bn comprising both branded and unbranded segments with almost equal share in terms of value. Total market for branded soya chunks is Rs10bn nationally with West Bengal having a market share of more than one third of total size.

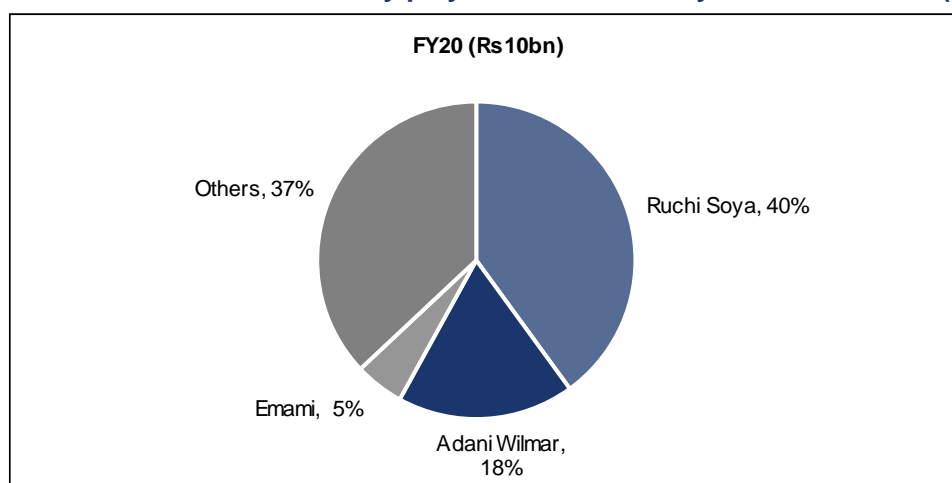
Chart 42: Soya Chunks Retail Market in India (Rs mn)



Source: Technopak Research

Chart 43: Share of Branded Soya chunks

Source: Technopak Research

Chart 44: Market share of key players in branded soya chunks market (FY20)

Source: Estimations based on Primary, Secondary Research

Other key highlights

North and east constitute 80% of the market. The growth in soya chunks is led by eastern and northern regions of India which contribute 80% sales to the total market of soya chunks (branded and unbranded) as recipes such as soya chunks, dry soya granules bhurji, soya chaps, soya pulao and many others have been a part of regular diet in these regions since 1990s. Soya chunks provide an alternative to cottage cheese in the north and to meat in the eastern region. Consumption in western and southern regions has remained relatively low.

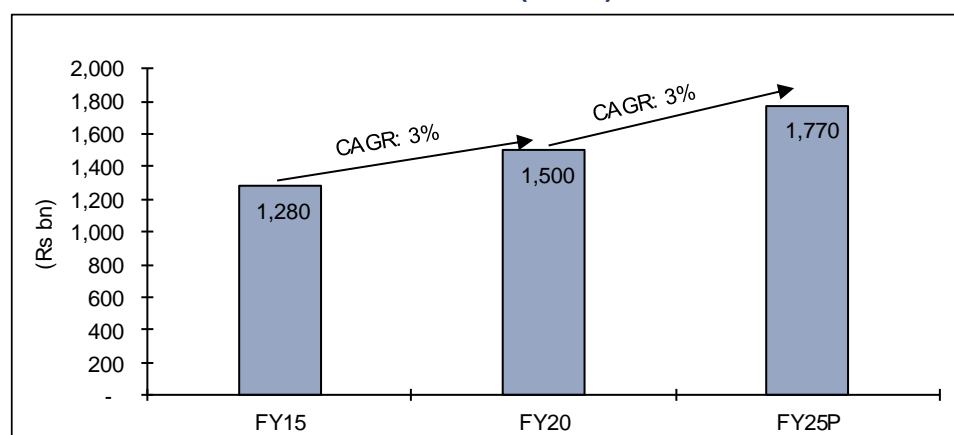
Entry of new players and private labels: In addition to new brands like Emami and Marico, there are retailers both brick and mortar and e-commerce introducing private labels in this category. Bigbasket sells soya chunks and granules under its umbrella brand BB Popular and BB Royal. Amazon also offers soya chunks under its private label Vedaka.

Positioned as protein-rich vegetarian food item. Soya chunks and granules have been positioned as high protein low-cost meat substitute. India has the highest number of vegetarians in the world, with more than 400mn people identifying as vegetarians. Additionally, India is largely a protein deficient country with relatively lower per capita consumption than the recommended values.

Indian packaged pulses market

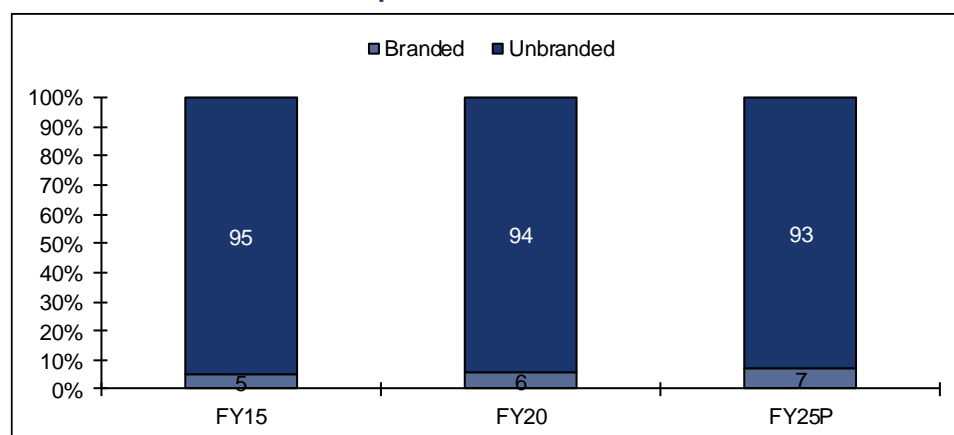
A significant share of the Indian population is vegetarian and pulses represent the main source of proteins in their diets. India's large consumer base is also the major driver of pulses market.

Chart 45: Pulses retail market in India (Rs bn)



Source: Technopak Research

Chart 46: Share of branded pulses market in India



Source: Technopak Research

Other key highlights

Pulses is largely a fragmented category. While national players like Tata with its brand Sampann and Adani with its brand Fortune are new entrants, most other brands are region focused, thereby, making the category fragmented.

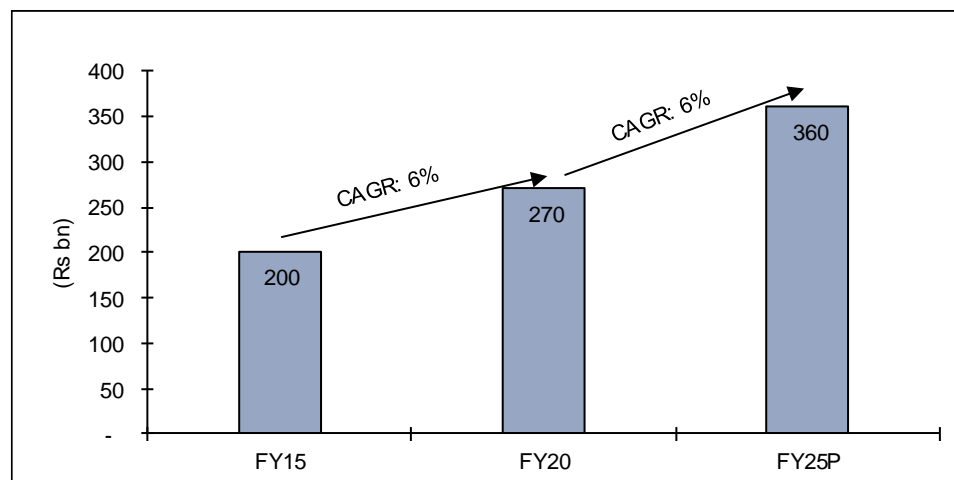
Private labels and regional brands: Proliferation of regional brands and growth of private labels introduced by modern retail formats including e-commerce is lending impetus to the growth of packaged pulses. Staples such as pulses, sugar, spices

present a good opportunity for modern retailers to develop private labels due to the limited branded play and thereby limited brand association in these categories.

Indian packaged besan (Bengal gram flour) market

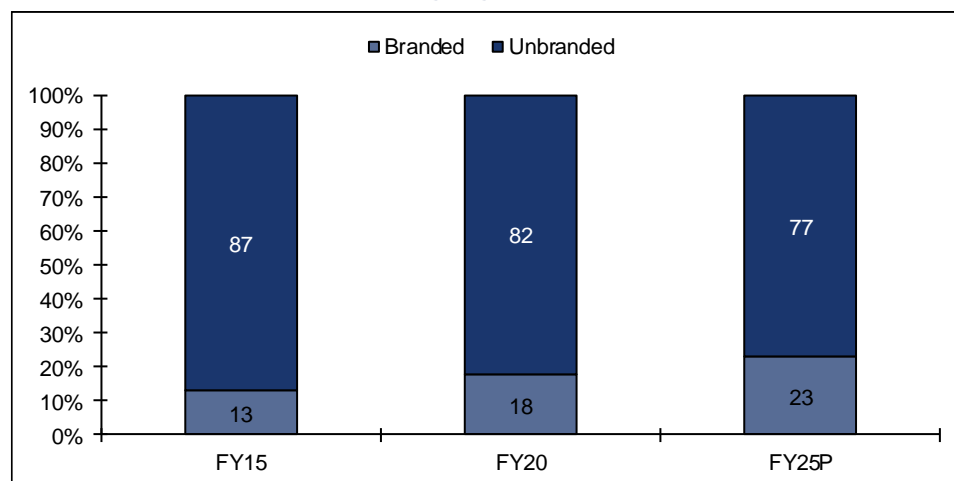
Besan (Bengal gram flour) is a milled product obtained from Bengal gram. Out of 10mt Bengal gram produced in India, almost 40-50% is milled into the flour form. While it remained largely unbranded until a few years ago, the transition of this unbranded market to branded play is now outpacing the growth of the overall category.

Chart 47: Bengal gram flour retail market in India



Source: Technopak Research

Chart 48: Share of branded bengal gram flour in India



Source: Technopak Research

Castor oil market overview

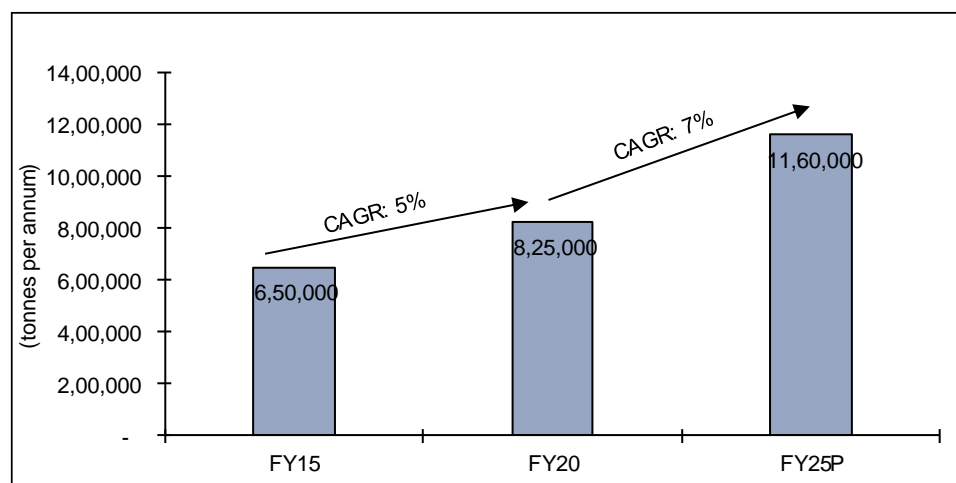
Castor oil is a multi-purpose vegetable oil obtained from castor found mainly in tropical areas of Africa and Asia. India is the single largest producer of castor seeds and accounts for 85% of the total global castor oil-seeds production, followed by China and Brazil. Castor oil production in India is estimated to grow at 7% CAGR.

India has 88% share in the global exports of castor oil. The major trading partners in this sector are China, Europe, Thailand, Japan and USA. China has been one of the biggest importers of castor oil due to its demand for sebacic acid (a basic industrial chemical compound) which is developed from castor oil.

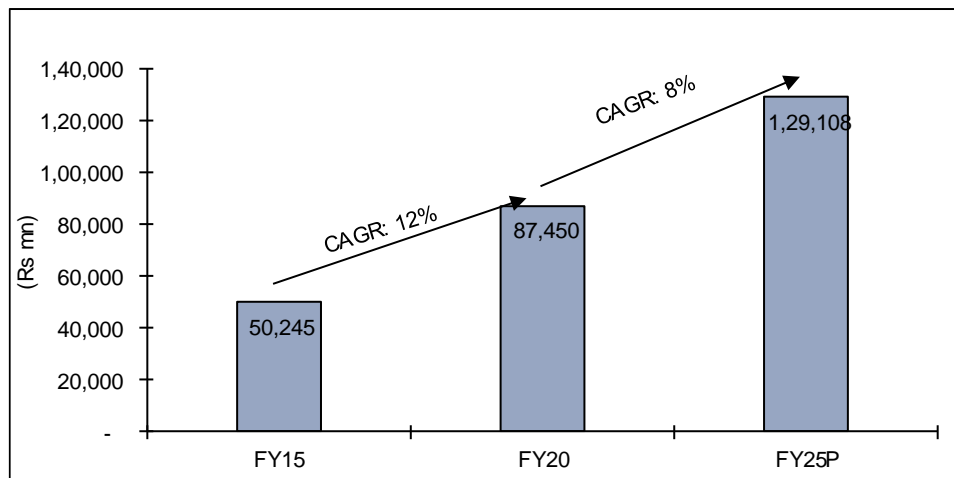
Castor oil and derivatives are used as inputs in cosmetic, pharmaceuticals, paints and various other industries. Indian players like Adani Wilmar, Jayant Agro and Gokul Agri supply castor oil and derivatives directly to players in consuming industries. These players have an advantage over other castor oil processors due to easy availability of castor in the region, low transportation cost and access to logistics for finished products through seaports in the area. A smaller share of castor oil and derivatives is traded through intermediaries, traders and suppliers.

In India, Gujarat is the main castor oil producing state accounting for approximately 85% of the total domestic production, followed by Rajasthan (12%) and Andhra Pradesh (~1%).

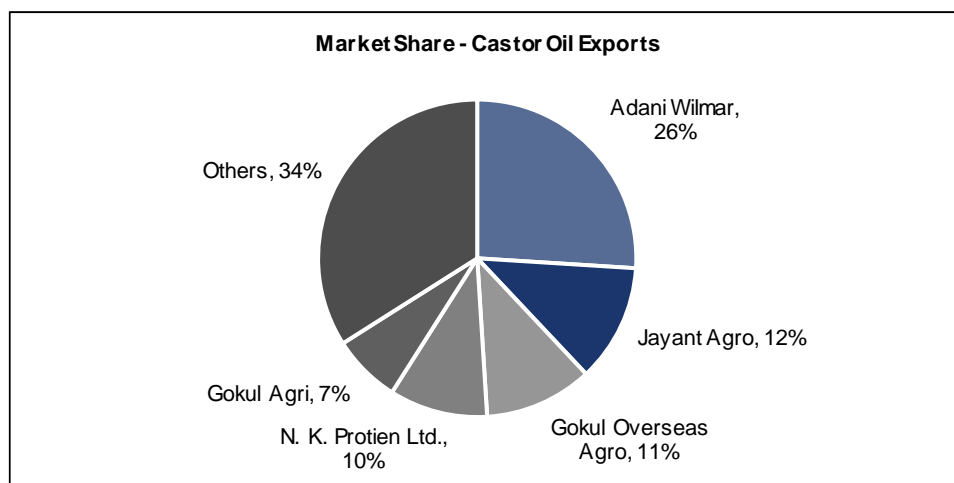
Chart 49: Indian Castor Oil Production



Source: Technopak Research

Chart 50: Indian Castor Oil Production

Source: Technopak Research

Chart 51: Castor Oil Exports from India

Source: Secondary research, Primary research & Estimation based on Technopak Research

Appendix – 3

Promoters and management profile

Table 15: Board of directors

Name	Designation	Experience	Description
Kuok Khoon Hong	Non-Executive Chairman	~40 years of experience in agribusiness industry	He holds a bachelor's degree in business administration from the University of Singapore. He is the co-founder of Wilmar International Limited and currently, he is the Chairman and Chief Executive Officer of Wilmar International Limited.
Angshu Mallick	Chief Executive Officer and Managing Director	~35 years of experience in marketing and sales in food industry	He holds a bachelor's degree in dairy technology from Dairy Science College, National Dairy Research Institute, Karnal and a post graduate diploma in rural management from the Institute of Rural Management, Anand. Previously, he worked with Gujarat Co-operative Milk Marketing Federation Limited as Manager, Marketing and Distribution.
Pranav Vinod Adani	Non-Executive, Independent Director	Non-	He holds a bachelor's degree of science in business administration from the Boston University, United States. He has been working with the Adani group since 1999 and currently heads the oil and gas, city gas distribution and agri infrastructure businesses of Adani Group.
Malay Ramesh Mahadevia	Non-Executive, Independent Director	Non-	He holds a bachelor's and master's degree in dental surgery from the University of Bombay and degree of doctor of philosophy (science) from Gujarat University. He has been working with the Adani group since 1993 and was the Group HR Director of Adani Group.
Madhu Ramachandra Rao	Independent Director		He holds a bachelor's degree in commerce from the University of Bombay and has passed the final examination held by the Institute of Chartered Accountants of India. He was the chief financial officer and president of Shangri-La International Hotel Management Limited and was an executive director of Shangri-La Asia Limited in Hong Kong.
Dorab Erach Mistry	Independent Director		He passed the examination for bachelor's degree in commerce from the University of Bombay and the final examination held by the Institute of Chartered Accountants of India. He has been working with the Godrej Group since 1976 and is currently a director of Godrej International Trading & Investments Pte Ltd., Singapore.
Dipali H Sheth	Independent Director		She holds a bachelor's degree in economics from the University of Delhi. She has worked with RBS Business Services India Private Limited as a country head of human resources, Standard Chartered Bank, Procter & Gamble Distribution Company Limited and DCM Limited.
Anup Pravin Shah	Independent Director		He passed the bachelor's degree in commerce and holds a degree of doctor of philosophy (commerce) from the University of Mumbai. He is a certified chartered accountant and has been associated with Pravin P Shah & Co., Chartered Accountants as a partner since 2001.

Source: Company Data

Table 16: Management profile

Name	Designation	Experience	Description
Shrikant Kanhere	Chief Financial Officer	18 years of experience in the field of finance and accounts	He passed the bachelor's degree in commerce from Vikram University, Ujjain. He is a fellow member of Institute of Chartered Accountants of India. He worked at Vodafone DigiLink Limited as General Manager - Finance & Accounts, Reliance Industries Limited and Adani Exports Limited.
Biplab Pakrashi	Business Head – Oils & Fats	34 years of experience across sales, marketing, product management, supply chain management and business information technology alignment	He holds a bachelor's degree and master's degree in science (geology) from Maharaja Sayajirao University of Baroda. He also holds a master's degree in science (applied geology) Maharaja Sayajirao University of Baroda. Further, he holds a post graduate diploma in rural development management from Institute of Rural Management, Anand. He has worked at Gujarat Co-operative Milk Marketing Federation Limited.
Saumin Sheth	Business Head – Trading, Oleochemicals and Castor	21 years of experience in the field of international sourcing and trading, risk management, techno-commercial operations and marketing of bulk products	He holds a bachelor's degree in commerce from Gujarat University
Ravindra Kumar Singh	Head – Technical and Operations	30 years of experience in the field of food business	He holds a bachelor's degree in chemical technology (oil technology) from Kanpur University. Prior to joining company, he worked at the National Dairy Development Board.
Siddhartha Ghosh	Chief Human Resource Officer		He holds a post graduate diploma in social service from Xavier Institute of Social Service, Ranchi. Prior to joining the company, he worked at Reliance Industries Limited as Senior Vice President (Cluster/ Sector Industrial Relations Head), Aditya Birla Insulators, Jindal Steel & Power Limited and Coal India Limited.
Rajneesh Bansal	Head - Procurement and Supply Chain	25 years of experience in various fields including business development and corporate communication, agriculture and FMCG sector	He holds a bachelor's degree in engineering (mechanical) from Karnataka University, Dharwad and a master's degree in industrial engineering from Thapar Institute of Engineering and Technology, Patiala. Further, he has completed a post graduate diploma in management from the Indian Institute of Management, Kozhikode. Prior to joining the company, he worked at Adani Port Limited and Indian Space Research Organisation.
Satendra Aggarwal	Business Head - Foods & FMCG and Marketing		He has passed the bachelor's degree in science and the master's degree in management studies from University of Bombay Prior to joining Company, he was the chief operating officer at Ruchi Soya Industries Limited and has also worked at Hindustan Unilever Limited.
Venkata Rao Damera	Chief Information Officer	15 years of experience in the IT sector	He holds a bachelor's degree in science from Andhra University and passed the examination for master's degree in computer applications from Osmania University. Prior to joining the company, he was associated with Emami Limited as President-IT, LG Polymers India Private Limited, ITC Infotech, Godfrey Phillips India Limited.
Darshil Lakhia	Company Secretary and Compliance Officer	14 years of experience in corporate secretarial and other related compliances	He holds a bachelor's and master's degree in commerce from Gujarat University. He is a member of the Institute of Company Secretaries of India.

Source: Company Data

Appendix – 4

Table 17: Upcoming facilities

Project	Segment	Product	Annual Capacity (Input basis)		Year of COD
			TPD	MT / Year	
Nagpur (Project 1)	Food & FMCG	Soya Nugget	100	33000	Nov 2023
Nagpur (Project 2)	Food & FMCG	Soya Flour	150	49500	Feb 2024
Nagpur (Project 3)	Food & FMCG	Pulses	240	79200	Oct 2023
Haldia 1	Edible Oil	Palm	1500	495000	Dec 2023
Bundi	Edible Oil	Mustard Crushing	500	165000	Nov 2023
Kadi	Food & FMCG	Pulses	240	79200	May 2024
Kadi	Food & FMCG	Besan	150	49500	May 2024
Neemuch	Food & FMCG	Pulses	240	79200	Jan 2024
Gohana	Edible Oil	Mustard Crushing	500	165000	
Gohana	Edible Oil	Ricebran Oil	100	33000	
Gohana	Edible Oil	Cottonseed Oil	100	33000	
Gohana	Food & FMCG	Wheat Flour	200	66000	Mar 2025
Gohana	Food & FMCG	Rice (P2R)	576	190080	
Gohana	Food & FMCG	Rice (R2R)	320	105600	

Source: Company, I-Sec research

Appendix – 5

Table 18: Financial summary of Bangladesh operations

	CY19A	CY20A
Volumes (in MT)	1,99,712	1,98,432
Revenue	15,300	14,890
EBITDA	74	92
EBITDA Margin (%)	4.9	6.2
PBT	490	700
PBT Margin (%)	3.2	4.7
PAT	330	480
PAT Margin (%)	2.2	3.3

Source: Company, I-Sec research

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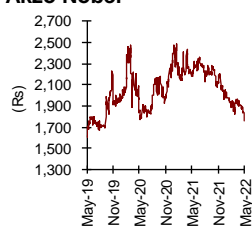
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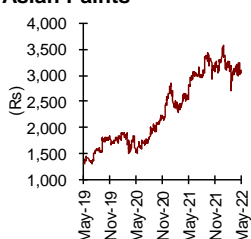
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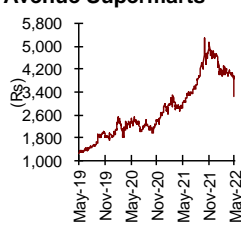
Akzo Nobel



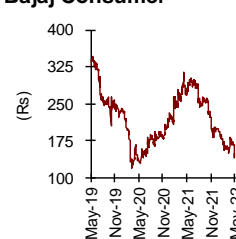
Asian Paints



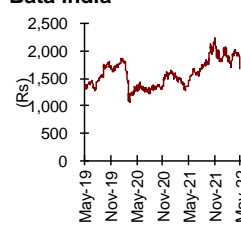
Avenue Supermarts



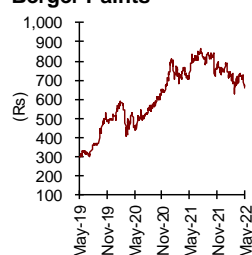
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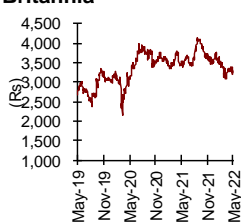
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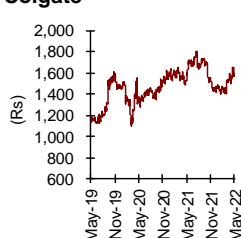
Berger Paints



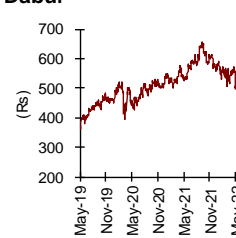
Britannia



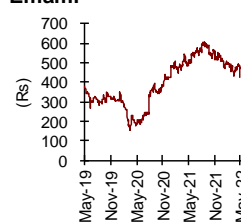
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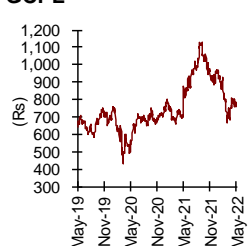
Dabur



Emami



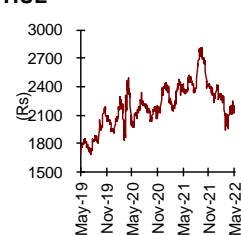
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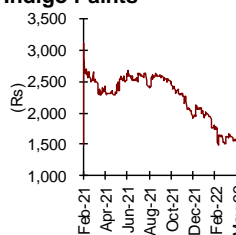
Go Fashion India



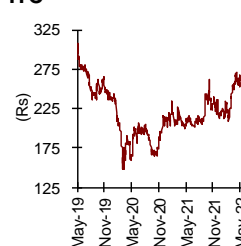
HUL



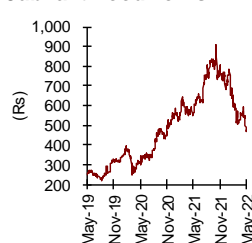
Indigo Paints



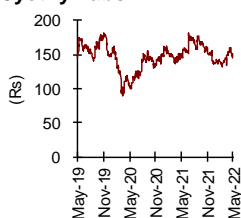
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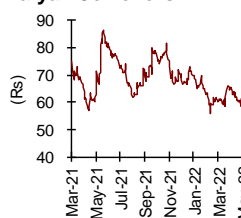
Jubilant Foodworks



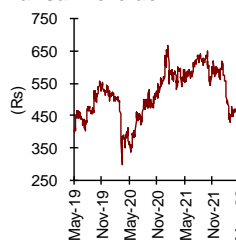
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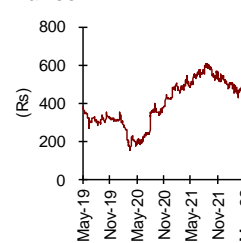
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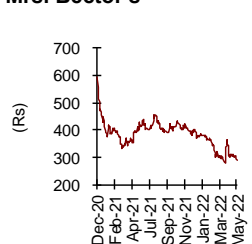
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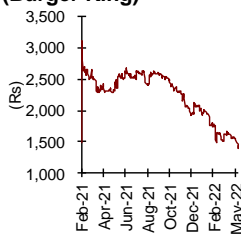
Marico



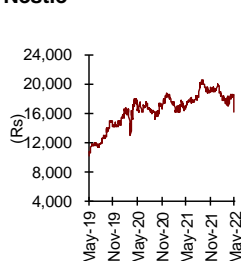
Mrs. Bector's



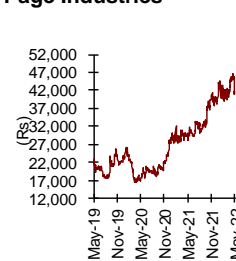
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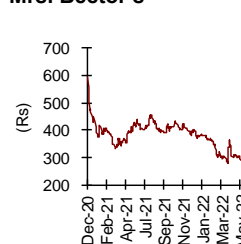
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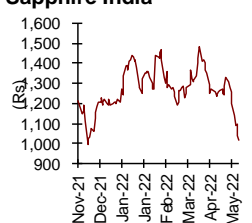
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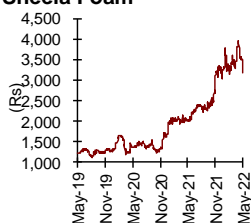
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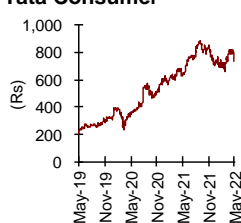
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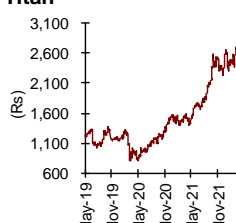
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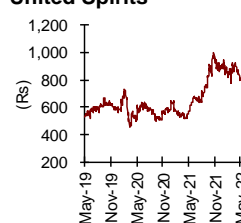
Tata Consumer

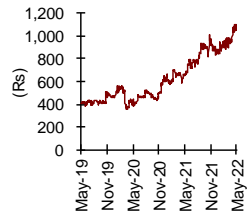
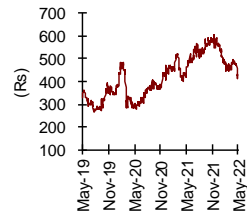


Titan



United Spirits



Varun Beverages**Westlife Development**

Source: Bloomberg

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