

AGRO TECH FOODS LTD.

Industry
Bloomberg
BSE Code
NSE Code

Con. Staples
ATFL IN
500215
ATFL

14 June 2018

RATING	ACCUMULATE
CMP	673
Price Target	768
Previous Target	768
Potential Upside	14%

Stock Info

52wk Range H/L	820/487
Mkt Capital (Rs Cr)	1640
Free float (%)	48%
Avg. Vol 1M (,000)	18
No. of Shares (Crore)	2
Promoters Pledged %	NA

Key Highlights

- ATFL's has reported mixed set of numbers for Q4FY18. Sales for this quarter was inline, grew by 4% YoY to Rs 214 cr(Vs our expectation of Rs 215 cr) while PAT was lower than our expectation. PAT grew by 12% YoY to Rs 8 cr (Vs our expectation of Rs 10 cr).
- Gross margin declined by 301 bps YoY and 292 bps QoQ which is not comparable as company passed on all benefits related to GST like adjustment related to service taxes, input tax credit to the consumer.
- EBITDA margin improved by 12 bps YoY to 7.32%. The company is able to maintained its EBITDA margin by lowering employee cost, other expenses and advertising &promotion expenses by 40 bps ,92 bps and 181 bps YoY respectively.
- On yearly basis, sales remained flat to Rs 812 cr while PAT grew by 14% to Rs 32 cr. Food business has posted a growth of 15% to Rs 196 cr. For the full year EBITDA margin improved by 57bps to 8.1%.

4Q FY18 Result:

ATFL's sales in Q4FY18,grew by 4% YoY to Rs 214 cr(Vs our expectation of Rs 215 cr) on account of 42% and 40% revenue growth in peanut butter and bagged snacks business.Gross margin declined by 301 bps YoY and 292 bps QoQ to 30.7% due to passing of GST benefits to the consumer.EBITDA for this quarter grew by 6% YoY to Rs 16 cr.EBITDA margin improved by 12 bps YoY to 7.32%.Employee cost, other expenses and advertising &promotion expenses declined by 40 bps ,92 bps and 181 bps YoY. PAT margin improved by 24 bps YoY but contracted by 70 bps QoQ to 3.5%.The company has done higher provisioning of taxes by 130 bps YoY to 36%.

View and Valuation

ATFL's number for Q4FY18 remained mixed. The company has reported sales of Rs 214 cr (Vs expect. of Rs 215 cr) while PAT was below estimates to Rs 8cr (Vs expect. Rs 10cr).Overall, company is better placed to take advantage of demand recovery going forward with its new launches in food segment and expansion of its distribution reach. Higher contribution of food business in total revenue will ensure better margin going ahead. Cash in the books of the company rose to Rs 30 cr from Rs 4 cr in previous year. We expect sales and PAT to grow at CAGR of 10% and 25% over FY18 to FY20e respectively and recommend ACCUMULATE with the previous target price of Rs 768.

Key Risks to our rating and target

- We expect company to take price hike in Q1FY19. Any delay in pricing action by management will be key risk to our estimates.
- Delay in new product launches.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	782	808	812	873	974
EBITDA	57	61	66	71	88
EBIT	41	45	48	53	71
PAT	23	28	32	37	49
EPS (Rs)	10	11	13	15	20
EPS growth (%)	-37%	19%	14%	17%	34%
ROE (%)	7%	9%	9%	10%	12%
ROCE (%)	9%	14%	14%	14%	18%
BV	138	126	139	151	167
P/B (X)	4	4	5	4	4
P/E (x)	51	45	56	45	33

Research Analyst

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4Q FY 18 Results

Mixed set of numbers

Financials	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	206	188	197	215	214	4.0%	-0.1%	808	812	0.4%
Other Income	0	0	0	0	0	336.4%	84.6%	0	1	203.2%
COGS	137	122	126	142	149	8.7%	4.3%	533	539	1.1%
Gross Margin	34%	35%	36%	34%	31%	-3.0%	-2.9%	34%	34%	-0.5%
Employee Cost	11	11	12	11	11	-3.8%	-4.5%	51	54	6.5%
Other Expenses	34	35	31	33	33	-1.9%	-0.2%	164	153	-6.6%
EBITDA	15	15	18	18	16	5.7%	-12.2%	61	66	8.0%
EBITDA Margin	7%	8%	9%	8%	7%	0.1%	-1.0%	8%	8%	0.6%
Depreciation	4	4	4	4	4	4.6%	-0.9%	17	18	8.7%
EBIT	11	10	13	13	11	6.1%	-15.8%	45	48	7.8%
Interest	0	0	0	0	0	-95.6%	0.0%	4	0	-94.4%
PBT	10	10	13	14	12	14.0%	-13.9%	40	49	20.5%
Exceptional								(4)		100.0%
Tax	4	4	5	5	4	18.3%	-8.6%	17	17	1.2%
PAT	7	6	9	9	8	11.7%	-16.7%	28	32	14.1%
PAT Margin	3%	3%	4%	4%	4%	0.2%	-0.7%	3%	4%	0.5%

Sales growth led by strong performance in Peanut butter and bagged snacks

The company has reported a sales growth of 4% in Q4FY18 on the back of strong performance of Peanut butter and Bagged snacks. Peanut butter grew by 42% in value terms and 73% in the volume terms in this quarter. On yearly basis, Peanut butter has grown by 94% in volume terms and 62% in value terms while Bagged snacks grew by strong 48% in value terms. These two businesses remain growth drivers for the company. Food business is now close to Rs 200 cr which will give company base from where business can easily scaled up. Going forward we expect strong growth from Peanut butter and Bagged snacks business led by distribution expansion and new launches.

Passing of GST benefits to consumer impacted gross margin

Gross margin declined by 301 bps YoY and 292 bps QoQ which is not comparable as company passed on all benefits related to GST like adjustment related to service taxes, input tax credit to the consumer. While EBITDA margin improved by 12 bps YoY to 7.32%. The company is able to maintain its EBITDA margin by lowering employee cost, other expenses and advertising & promotion expenses by 40 bps, 92 bps and 181 bps YoY.

Continue to add new outlets in its distribution reach

The company is continuously increasing its distribution reach. Overall coverage of the company increased from 350000 (Q2FY18) to 400000 outlets in this quarter. Presently Instant pop corn is available on 270000 stores while Peanut butter is available in excess of 70000 retail stores. The company has recruited 500 feet on street on its subsidiary payroll to increase its coverage. Going forward, we expect increasing penetration driven by distribution expansion to drive growth for ATFL.

Q4FY18 Result Concall Highlights:

- ✓ Food business contributed ~25% of the total sales this year. Next goal of the company is to inch it up to ~30%.
- ✓ Inventory days went down on yearly basis due to company's efforts of sourcing corn from various countries (reducing dependence on Argentina) and development of full supply chain.
- ✓ Recently the company has installed second line of Nacho. Going forward management expects strong growth from Nacho, moderate growth from Peanut butter and continued increase in instant popcorn.
- ✓ The company is planning to launch more Indian snacks in next six months.
- ✓ The company didn't take price hike post GST.
- ✓ The company plans for Rs12-15 cr capex every year going ahead.
- ✓ In next 12 months, company plans to enter into two new categories.

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Exhibit: Sundrop Oil (volume growth)

Volume of Sundrop oil improved sequentially while realization continue to decline.

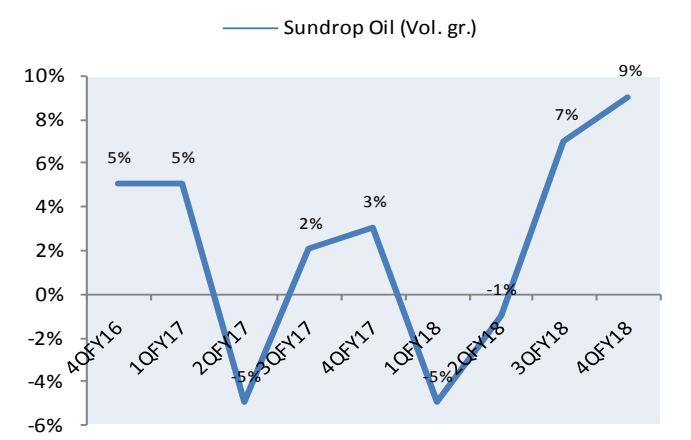


Exhibit: Peanut butter (Volume growth)

Peanut butter continues to grow on the back of expansion of distribution.

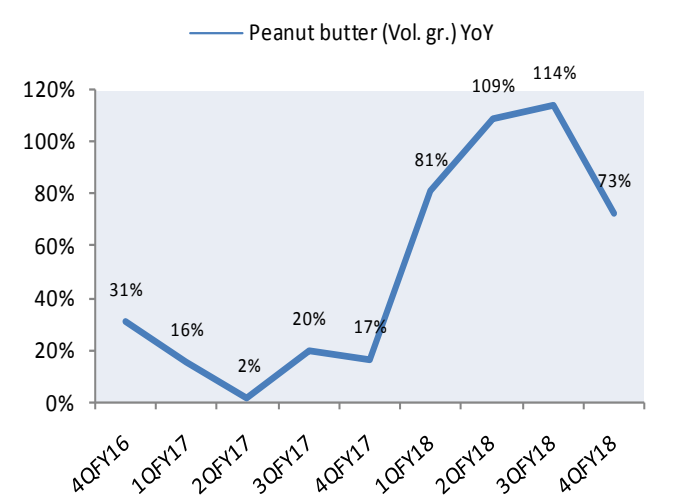


Exhibit: Sales and Sales growth

Sales growth was impacted negatively led by decrease in Tax exempt trade channels like CSD,CPC and other canteen.

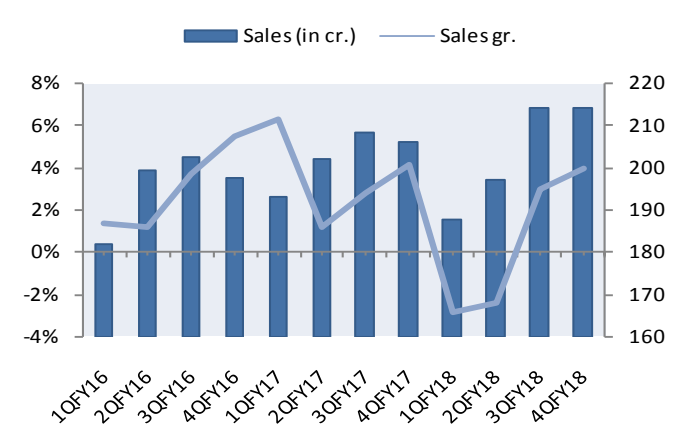


Exhibit: PAT and PAT growth

PAT for this quarter grew by 12% YoY despite erosion in gross margin.

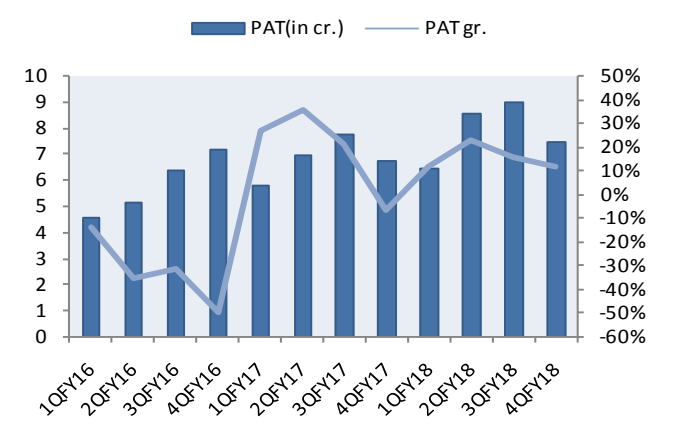


Exhibit:Gross and EBITDA margin

Gross margin declined by 301 bps YoY and 292 bps QoQ.

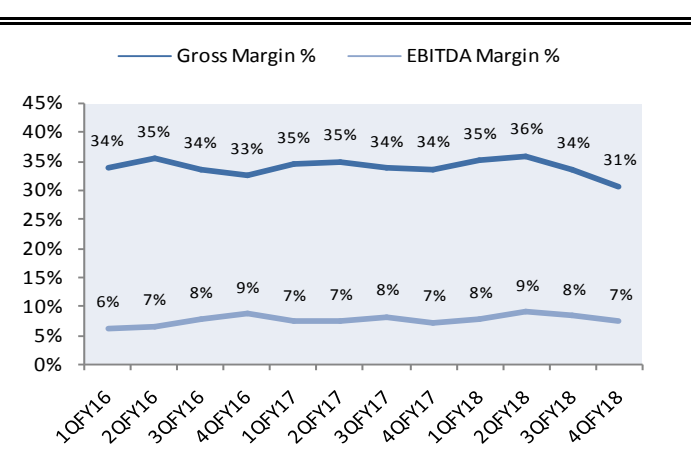
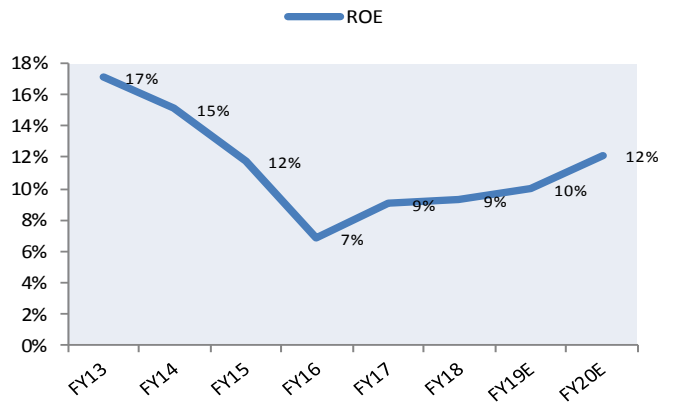


Exhibit:ROE

We expect ATFL's ROE to improve to 10% and 12% in FY19e and FY20e respectively.



Financial Details

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	24	24	24	24	24	24	24	24
Reserves	221	258	289	313	282	315	344	382
Networth	245	282	314	337	306	340	369	406
Debt	-	15	26	96	18	-	-	-
Other Non Current Liab	11	16	19	22	12	14	14	14
Total Capital Employed	245	297	340	433	324	340	369	406
Net Fixed Assets (incl CWIP)	127	164	199	222	213	208	193	187
Non Current Investments	-	-	-	-	-	-	-	-
Other Non Current Assets	186	242	277	302	242	243	228	222
Non Current Assets	186	242	277	302	242	243	228	222
Inventory	57	99	106	146	116	95	102	113
Debtors	43	21	25	43	39	50	54	60
Cash & Bank	11	6	10	7	4	9	29	21
Other Current Assets	27	8	7	10	8	39	58	100
Current Assets	138	134	148	206	167	192	242	295
Creditors	44	40	40	41	53	65	70	78
Provisions	7	7	7	1	7	7	7	8
Other Current Liabilities	17	15	19	11	13	10	10	11
Curr Liabilities	68	62	66	53	73	81	87	96
Net Current Assets	70	72	82	152	94	111	155	198
Total Assets	324	376	425	508	409	435	470	517

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	789	764	760	782	808	812	873	974
Change (%)		-3%	-1%	3%	3%	0%	8%	12%
EBITDA	65	70	61	57	61	66	71	88
Change (%)		8%	-13%	-7%	8%	8%	7%	24%
Margin (%)	8%	9%	8%	7%	8%	8%	8%	9%
Depr & Amor.	7	11	15	16	17	18	17	17
EBIT	58	59	46	41	45	48	53	71
Int. & other fin. Cost	0	2	1	5	4	0	-	-
Other Income	3	0	0	0	0	1	3	5
EBT	61	57	45	35	40	49	57	76
Exp Item	-	-	-	-	4	-	-	-
Tax	19	14	8	12	17	17	20	27
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	42	43	37	23	28	32	37	49
Adjusted PAT	42	43	37	23	25	32	37	49
Change (%)		2%	-13%	-37%	19%	14%	17%	34%
Margin(%)	5%	6%	5%	3%	3%	4%	4%	5%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	17%	15%	12%	7%	9%	9%	10%	12%
ROCE	24%	20%	14%	9%	14%	14%	14%	18%
Asset Turnover	2.4	2.0	1.8	1.5	2.0	1.9	1.9	1.9
Debtor Days	20	10	12	20	18	22	22	22
Inv Days	27	47	51	68	52	43	43	43
Payable Days	20	19	19	19	24	29	29	29
Int Coverage	1,933	29	37	8	10	NA	NA	NA
P/E	29	29	32	51	45	56	45	33
Price / Book Value	5	4	4	4	4	5	4	4
EV/EBITDA	18	18	19	21	20	27	23	18
FCF per Share	(29)	(13)	(1)	(62)	86	50	40	44
Div Yield	0.4%	0.4%	0.4%	0.0%	0.4%	0.3%	0.4%	0.6%

Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
PBT	61	57	45	35	46	49	57	76
(inc)/Dec in Working Capital	(30)	(22)	(11)	(66)	48	14	(6)	(11)
Non Cash Op Exp	7	11	15	16	17	18	17	17
Int Paid (+)	0	2	1	5	5	0	-	-
Tax Paid	(18)	(13)	(9)	(9)	(16)	(17)	(20)	(27)
others	(3)	(0)	(0)	(0)	(0)	-	-	-
CF from Op. Activities	18	35	41	(18)	101	64	48	55
(inc)/Dec in FA & CWIP	(47)	(48)	(42)	(44)	(14)	(13)	(2)	(11)
Free Cashflow	(29)	(13)	(1)	(63)	86	50	46	44
(Pur)/Sale of Inv								
others	4	1	1	1	0	-	-	-
CF from Inv. Activities	(43)	(47)	(42)	(43)	(14)	(13)	(42)	(51)
inc/(dec) in NW								
inc/(dec) in Debt	-	15	11	70	(78)	(18)	-	-
Int. Paid	(0)	(2)	(1)	(5)	(5)	(0)	-	-
Div Paid (inc tax)	(5)	(6)	(6)	(6)	(6)	(6)	(8)	(12)
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	(5)	7	4	59	(89)	(24)	(8)	(12)
Inc(Dec) in Cash	(30)	(5)	3	(3)	(2)	26	(2)	(7)
Add: Opening Balance	41	11	6	10	7	4	31	29
Closing Balance	11	6	10	7	4	31	29	21

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