

Industry
Bloomberg
BSE CODE

Cons. Staples
ATFL IN
500215

Decline in Ready to Eat and Peanut butter may impact foods growth

RATING	NEUTRAL
CMP	518
Price Target	571
Potential Upside	10%

Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	738/350
Mkt Capital (Rs Cr)	1263
Free float (%)	48%
Avg. Vol 1M (,000)	1
No. of Shares (Cr)	2
Promoters Pledged %	NA

RESEARCH ANALYST

RAJEEV ANAND
rajeev.anand@narnolia.com
+91-22-62701229

4QFY20 Result update

- ATFL reported numbers below expectation wherein sales stood at Rs. 205 cr. (vs. expectation of Rs. 210 cr.) with 2% YoY growth impacted due to de-growth in Ready to Eat segment to the extent of 13% YoY on account of COVID-19.
- The Company's food business posted a value growth of 18% YoY to Rs. 64 cr. driven by Ready to Cook and Spreads category while cereals & confectionary (new Portfolio) also contributed to the extent of 320 bps/174 bps to the food business in 4QFY20.
- The Company's edible oil business which comprise of Sundrop oil de-grew by 6% YoY and Crystal grew by 5%YoY. However, the value decline in Sundrop remained restricted on full year basis to 3% led by specific strategic actions taken by the company in past at both the premium and lower end of the portfolio in Sundrop oil portfolio.
- Gross Margin contracted by 266 bps to 29.8% YoY on account of gross margin deterioration from edible oil business due to increase in commodity prices. However, the company managed to minimize the decline to some extent from food business margins.
- EBITDA margin contracted by 214 bps to 5.17% YoY due to gross margin deterioration while reduction in Ad & P expense by 45 bps reduced the decline. PAT de-grew by 52% YoY to Rs. 4 cr. with PAT margin of 2% impacted by margin deterioration.

View and Valuation

ATFL posted numbers below expectation in 4QFY20; Revenue grew by 2% YoY impacted by de-growth in Ready to Eat category to the extent of 13% YoY. As of now operations at all manufacturing facility and warehouses has been resumed while field sales is gradually improving with the opening of lock down in many states. Going forward Ready to Cook, Edible oil, chocolate spreads, Cereals and Confectionary are expected to post good numbers led by increased in home consumption in coming months due to fear of spread of disease while Ready to Eat and Peanut butter are expected to remain impacted due to retail contraction and lower physical activities due to lock down. Crystal being commodity business continues to remain volatile as it depends highly on commodity prices. Margin are expected to remain impacted on account of higher commodity prices while higher margin from food business will provide some cushion. In the near term, we expect some dent in foods business growth due to under performance of RTE and Peanut butter. Thus, we maintain our NEUTRAL rating with a target price of Rs. 571.

Key Risks to our rating and target

- Volatility in the volume growth of Sundrop oil and food business.
- Gross margin deterioration led by input inflation.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20E
Net Sales	782	808	812	824	835
EBITDA	57	61	66	65	58
EBIT	41	45	48	47	39
PAT	23	28	32	34	34
EPS (Rs)	10	11	13	14	14
EPS growth (%)	-37%	19%	14%	8%	-1%
ROE (%)	7%	9%	9%	9%	8%
ROCE (%)	9%	14%	14%	13%	9%
BV	138	126	139	154	168
P/B (X)	4	4	5	4	2
P/E (x)	51	45	56	41	29

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

4QFY20 Results Below expectation

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	200	198	204	229	205	2.2%	-10.5%	824	835	1.4%
Other Income	1	1	1	1	0	-58%	-39.2%	4	3	-10.0%
COGS	135	133	135	160	144	6.3%	-10.1%	562	571	1.6%
Gross Margin	32%	33%	34%	30%	30%	-2.7%	-0.3%	32%	32%	-0.1%
Employ. Cost	11	10	11	11	12	5.7%	11.9%	56	55	-1.5%
A&P expenses	3	5	6	6	2	-30.6%	-67.7%	-	-	-
Other Exp.	36	35	35	38	37	0.8%	-2.6%	141	151	7.1%
EBITDA	15	15	18	14	11	-27.7%	-26.9%	65	58	-9.8%
EBITDA Mar.	7%	7%	9%	6%	5%	-2.1%	-1.2%	8%	7%	-0.9%
Depreciation	4	5	5	5	5	28.6%	2.3%	17	19	12.0%
EBIT	11	10	14	10	6	-47.2%	-41.1%	47	39	-17.8%
Interest	0	0	0	0	0	1333%	-2%	0	2	1866.7%
PBT	12	11	14	10	6	-51.7%	-42.6%	51	41	-21%
Exceptional Item	-	-	-	-	-	-	-	-	-	-
Tax	4	4	(1)	3	2	-51.0%	-31.4%	17	7	-60%
PAT	8	7	15	7	4	-52.0%	-46.5%	34	34	-1%
PAT Margin	4%	4%	8%	3%	2%	-2.2%	-1.3%	4%	4%	-0.1%

Concall Highlights

- The Company's food growth till 24-March-20 stood at 29% but ended up registering a growth of 18% YoY to Rs. 64 cr. In 4QFY20 due to COVID-19.
- The Company's ready to eat segment remained most impacted due to COVID-19 and declined by 13% YoY in 4QFY20 while down by 42% decline in QTD May-20 driven by retail contraction and choices in manufacturing (The Company choose to manufacture RTC).
- For FY20, revenue breakup for food business stood at 55% from RTC, 18% from RTE, 23% from spread, 2% from cereals and rest ~2% from vending business.
- Start-up of Unnao facility and Chittoor plants are pushed back due to some pending civil works.
- The Company currently has a market share of ~33% in Peanut butter.
- The Company has not witnessed any delay in payment from traditional channel on account of lockdown.
- As per the Company competitive intensity in peanut butter category is seen when the prices of peanut is very low.
- The Company will continue focussing on advancement in Ready to Cook segment and will come up with new launches in coming months.
- The Company's total reach stood at 400000 stores as of now while the largest distributed product is RTC popcorn
- All plants and warehouse of company are now open except those falling under containment zones.
- For the Company field sales functioning has improved as more retail stores are getting opened.
- Consumption trends in RTC, premium edible oil, chocolate spreads and breakfast cereals is improving with people staying indoors due to lockdown.
- The Company is witnessing moderate spreads growth due to lower Physical Fitness activities while chocolate spread is doing better.
- Lower out-of home or Impulse Purchase is negatively impacting Ready to Eat Snacks, Vending Business and Bulk Packs of Sundrop and Crystal Edible Oils.
- On QTD basis, Sundrop Cereals/ Sundrop Chocolate Confectionery contributed to the extent of 174 bps/74 bps of Foods Growth thus both products are doing well.
- The Company is currently witnessing increase in consumption of premium of edible oil as of 1QFY21 as a result of positive impact of mix and manufacturing choices.

Exhibit: Sundrop oil volume growth

Volume de-growth for FY20 remained restricted to 1% led by measures undertaken to make the business profitable.

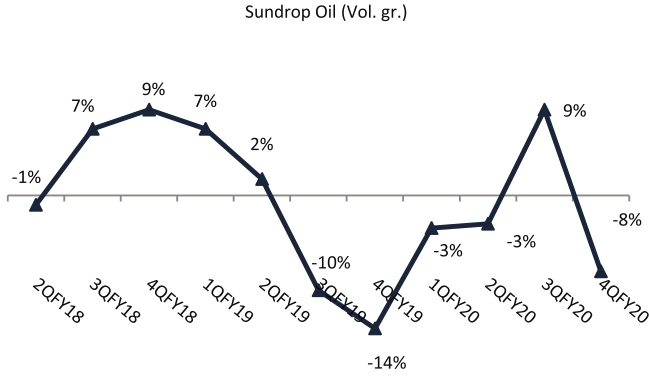


Exhibit: Sales and sales growth

Sales growth remained impacted due to under performance of RTE segment.

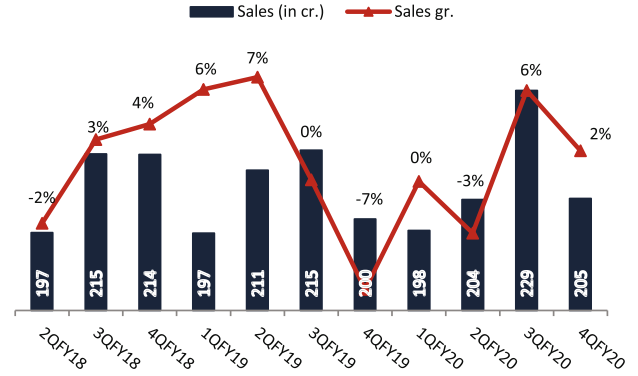


Exhibit: Gross margin and EBITDA margin

Gross margin deterioration led by the increase in commodity prices.

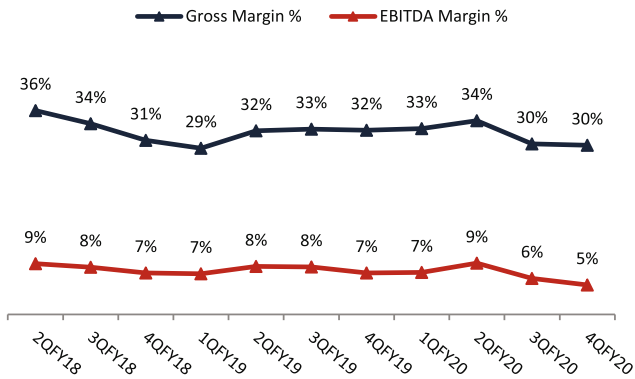


Exhibit: Ad & P expenses

Ad & Promotion expense declined by 45 bps to 1% of sales in 4QFY20.

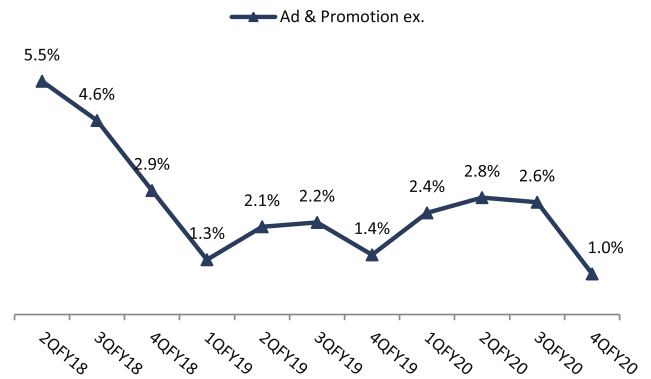
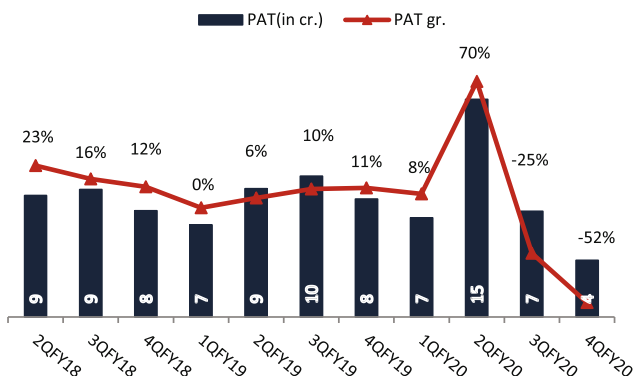


Exhibit: PAT and PAT growth

The Company posted a PAT de-growth of 52% YoY while PAT margin stood at 2% in 4QFY20.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Share Capital	24	24	24	24	24	24	24	24
Reserves	221	258	289	313	282	315	352	384
Networth	245	282	314	337	306	340	376	409
Debt	-	15	26	96	18	-	-	4
Other Non Current Liab	11	16	19	22	12	15	15	26
Total Capital Employed	245	297	340	433	324	340	376	413
Net Fixed Assets (incl CWIP)	127	164	199	222	213	208	193	246
Non Current Investments	-	-	-	-	-	-	-	-
Other Non Current Assets	186	242	277	302	242	245	234	300
Non Current Assets	186	242	277	302	242	245	234	300
Inventory	57	99	106	146	116	95	84	78
Debtors	43	21	25	43	39	50	81	75
Cash & Bank	11	6	10	7	4	9	4	5
Other Current Assets	27	8	7	10	8	38	66	50
Current Assets	138	134	148	206	167	192	235	208
Creditors	44	40	40	41	53	65	64	48
Provisions	7	7	7	1	7	7	5	4
Other Current Liabilities	17	15	19	11	13	10	9	17
Curr Liabilities	68	62	66	53	73	82	78	69
Net Current Assets	70	72	82	152	94	110	157	139
Total Assets	324	376	425	508	409	437	470	507

Income Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Revenue from Operation	789	764	760	782	808	812	824	835
Change (%)		-3%	-1%	3%	3%	0%	1%	1%
EBITDA	65	70	61	57	61	66	65	58
Change (%)		8%	-13%	-7%	8%	8%	-2%	-10%
Margin (%)	8%	9%	8%	7%	8%	8%	8%	7%
Depr & Amor.	7	11	15	16	17	18	17	19
EBIT	58	59	46	41	45	48	47	39
Int. & other fin. Cost	0	2	1	5	4	0	0	2
Other income	3	0	0	0	0	1	4	3
EBT	61	57	45	35	40	49	51	41
Exp Item	-	-	-	-	4	-	-	-
Tax	19	14	8	12	17	17	17	7
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	42	43	37	23	28	32	34	34
Adjusted PAT	42	43	37	23	25	32	34	34
Change (%)		2%	-13%	-37%	19%	14%	8%	-1%
Margin(%)	5%	6%	5%	3%	3%	4%	4%	4%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
ROE	17%	15%	12%	7%	9%	9%	9%	8%
ROCE	24%	20%	14%	9%	14%	14%	13%	9%
Asset Turnover	2	2	2	2	2	2	2	2
Debtor Days	20	10	12	20	18	22	36	33
Inv Days	27	47	51	68	52	43	37	34
Payable Days	20	19	19	19	24	29	28	21
Int Coverage	1,933	29	37	8	10	NA	NA	NA
P/E	29	29	32	51	45	56	41	29
Price / Book Value	5	4	4	4	4	5	4	2
EV/EBITDA	18	18	19	21	20	27	22	17
FCF per Share	(29)	(13)	(1)	(62)	86	43	3	(25)
Div Yield	0%	0%	0%	0%	0%	0%	0%	1%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
PBT	61	57	45	35	46	49	51	41
(inc)/Dec in Working Capital	(30)	(22)	(11)	(66)	48	8	(25)	(3)
Non Cash Op Exp	7	11	15	16	17	18	18	20
Int Paid (+)	0	2	1	5	5	0	0	2
Tax Paid	(18)	(13)	(9)	(9)	(16)	(15)	(19)	(12)
others	(3)	(0)	(0)	(0)	(0)	(1)	(1)	(0)
CF from Op. Activities	18	35	41	(18)	101	60	31	43
(inc)/Dec in FA & CWIP	(47)	(48)	(42)	(44)	(14)	(17)	(29)	(69)
Free Cashflow	(29)	(13)	(1)	(63)	86	43	2	(26)
(Pur)/Sale of Inv	-	-	-	-	-	-	-	-
others	4	1	1	1	0	(21)	376	387
CF from Inv. Activities	(43)	(47)	(42)	(43)	(14)	(38)	(37)	(44)
inc/(dec) in NW								
inc/(dec) in Debt	-	15	11	70	(78)	(15)	-	5
Int. Paid	(0)	(2)	(1)	(5)	(5)	(0)	(0)	(2)
Div Paid (inc tax)	(5)	(6)	(6)	(6)	(6)	(6)	(7)	(7)
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	(5)	7	4	59	(89)	(14)	1	1
Inc(Dec) in Cash	(30)	(5)	3	(3)	(2)	8	(5)	(0)
Add: Opening Balance	41	11	6	10	7	1	9	4
Closing Balance	11	6	10	7	4	9	4	5

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerce Limited (Formerly Microsec Commerce Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.-SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions - including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.