

Industry
Bloomberg
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Cons. Staples
ATFL IN
500215

Sundrop edible oil volumes will remain impacted due to lower out of home consumption amidst Pandemic.

RATING	NEUTRAL
CMP	624
Price Target	582
Potential Upside	-7%

Rating Change	↔
Estimate Change	↑
Target Change	↑

STOCK INFO	
52wk Range H/L	738/350
Mkt Capital (Rs Cr)	1520
Free float (%)	48%
Avg. Vol 1M (,000)	2
No. of Shares (Cr)	2
Promoters Pledged %	NA

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1QFY21 Result update

- ATFL reported numbers better than expectation wherein sales stood at Rs. 203 cr. (vs. expectation of Rs. 200 cr.) with 2.8% YoY driven by 16% YoY volume and value growth in foods business contributing to the extent of 32% to the total revenue to Rs. 65 cr. In 1QFY21.
- The Company's food business growth was driven increased in-home consumption in Ready to cook snacks and Spreads business while cereals & confectionary (new Portfolio) also contributed to the extent of 210 bps/60 bps to the food business in 1QFY21.
- The Company's edible oil business which comprises of Sundrop oil de-grew by 10% YoY in volumes while value declined by 3% YoY. The value decline remained restricted on account of higher share of premium edible oil.
- Gross Margin contracted by 11 bps to 32.7% YoY led by gross margin deterioration from edible oil business. However, the company managed to minimize the decline to some extent from higher foods business margins.
- EBITDA margin expanded by 292 bps to 10.31% YoY led by reduction in Ad & P expense and other expense 47 bps/306 bps led by lower maintenance and other negotiations made in other expense line. PAT grew by 80.1% YoY to Rs. 13 cr. with PAT margin of 6.2% led by lower depreciation to the extent of Rs. 58 lakhs.

View and Valuation

ATFL posted numbers better than expected in 1QFY20. The Company posted strong EBITDA and PAT growth led by decline in other expenses, A & P spends and depreciation. Going forward Ready to Cook, Spreads, chocolate spreads, Cereals and Confectionary are expected to post good numbers led by increased in home consumption due to fear of spread of disease while Ready to Eat is expected to remain impacted due to manufacturing choices made by the company and lower out of home consumption is expected to impact lower end of Sundrop oil portfolio due to lock down. Crystal being a commodity business continues to remain volatile as it depends highly on commodity prices. Margin is expected to remain impacted on account lower margins from the edible oil business while higher margin from food business will provide some cushion. We expect the company will continue A & P spends but at a reduced level while savings in other expense lines from travel and other negotiations will ensure EBITDA expansion. We remain positive on the stock in long-run but considering current prevailing situations of increased COVID-19 cases and vertical lock down we maintain our NEUTRAL rating with a target price of Rs. 582.

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	FY17	FY18	FY19	FY20	FY21E
Net Sales	808	812	824	835	875
EBITDA	61	66	65	58	88
EBIT	45	48	47	39	71
PAT	28	32	34	34	56
EPS (Rs)	11	13	14	14	23
EPS growth (%)	19%	14%	8%	-1%	65%
ROE (%)	9%	9%	9%	8%	12%
ROCE (%)	14%	14%	13%	9%	16%
BV	126	139	154	168	186
P/B (X)	4	5	4	2	3
P/E (x)	45	56	41	29	27

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1QFY21 Results

Better than expectation

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	198	204	229	205	203	2.8%	-0.7%	824	835	1.4%
Other Income	1	1	1	0	0	-65%	-15.6%	4	3	-10.0%
COGS	133	135	160	144	137	3.0%	-4.7%	562	571	1.6%
Gross Margin	33%	34%	30%	30%	33%	-0.1%	2.9%	32%	32%	-0.1%
Employ. Cost	10	11	11	12	12	12.7%	-1.6%	56	55	-1.5%
A&P expenses	5	6	6	2	4	-17.3%	100.5%	-	-	-
Other Exp.	35	35	38	37	30	-14.9%	-18.4%	141	151	7.1%
EBITDA	15	18	14	11	21	43.5%	97.8%	65	58	-9.8%
EBITDA Mar.	7%	9%	6%	5%	10%	2.9%	5.1%	8%	7%	-0.9%
Depreciation	5	5	5	5	4	-8.4%	-14.0%	17	19	12.0%
EBIT	10	14	10	6	17	67.0%	192.3%	47	39	-17.8%
Interest	0	0	0	0	0	-7%	-2%	0	2	1866.7%
PBT	11	14	10	6	17	56.7%	190.6%	51	41	-21%
Exceptional Item	-	-	-	-	-	-	-	-	-	-
Tax	4	(1)	3	2	4	12.0%	134.3%	17	7	-60%
PAT	7	15	7	4	13	80.1%	215.2%	34	34	-1%
PAT Margin	4%	8%	3%	2%	6%	2.7%	4.3%	4%	4%	-0.1%

Concall Highlights

- The Company's food business grew by 16% YoY in both value and volume terms driven by better performance from Ready to Cook Snacks and spreads category.
- Gross Margin on the foods business was higher by Rs. 6 cr. due to higher volume growth offsetting a Rs. 2 cr. decline in gross margin of oils. Gross margin expansion in foods business was partly on account of product mix and operating leverage.
- The Company has modified the depreciation rate resulting into a decline in depreciation to the extent of Rs. 58 lakhs in 1QFY21.
- Sundrop edible oil value and volumes de-grew by 3%/10% YoY. The Difference in value and volume was due to higher share of premium edible oils.
- Other expenses decline was on account of savings in travel expense to the extent of Rs. 1.5 cr. while savings electricity expense, lower maintenance and other negotiations in other expenses resulted in saving of other Rs. 1.5 cr. amidst lock down.
- Media expense was up by 41% driven by lower per unit purchasing price of media and lower sales promotion expenses. Thus, the company continued its media presence in May and June.
- Increase in employee expense was on account of increased employee cost on manufacturing plants.
- Other income was lower on account of lower income from mutual funds in 1QFY21.
- In Confectionary business the company is in the process of maximising its learning with regard to the category performance, supply chain and other factors and will take some time to understand the category.
- The Company has moved towards to the model of supplying Rs. 5-10 SKUs from manufacturing site to distributors point to reduce warehouse and transportation costs.
- The Management expects higher competitive activities from unilever and kellogs in peanut butter in next 2 months.
- The Management expects better performance from breakfast cereals, sweet corn and chocolate to continue in coming months.
- The Management targets incremental growth of 500-1000 bps from sweet corn, cereals and chocolate spreads and are confident of attaining 20% growth from foods business in coming quarters.
- The Management intends to expand breakfast portfolio in next 6 months.

Exhibit: Sundrop oil volume growth

Volumes de-grew by 10% YoY led by lower consumption of lower end portfolio on account of out of home consumption.

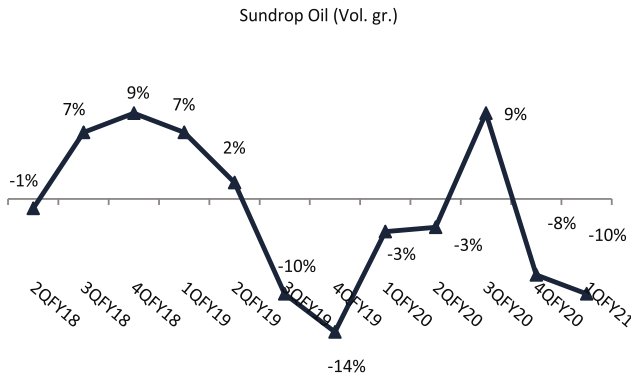


Exhibit: Sales and sales growth

Sales grew by better performance of foods business led by increased in home consumption of RTC and spreads.

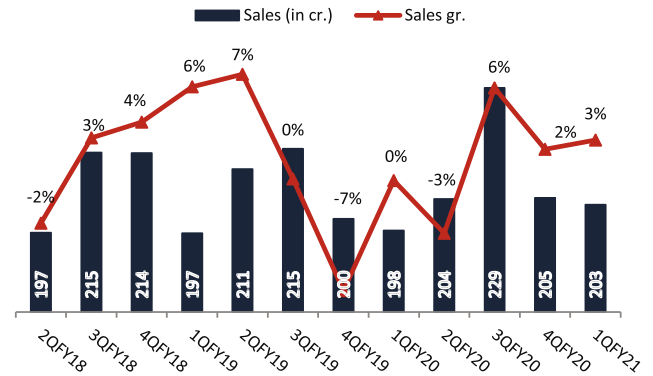


Exhibit: Gross margin and EBITDA margin

Gross margin deterioration led by the decline in gross margins from foods business.

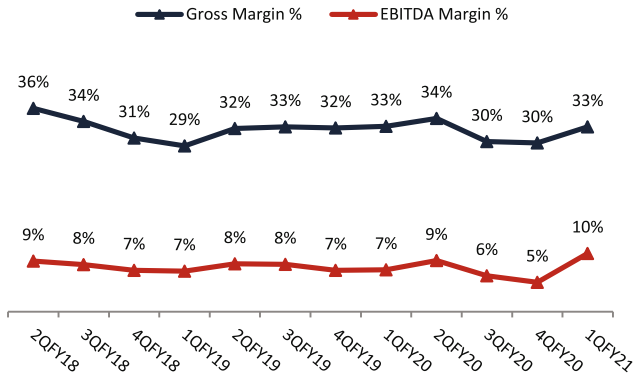


Exhibit: Ad & P expenses

Ad & Promotion expense declined by 47 bps to 1.9% of sales in 1QFY21.

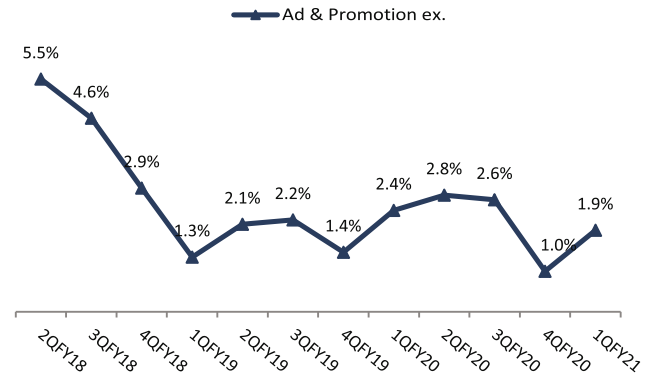
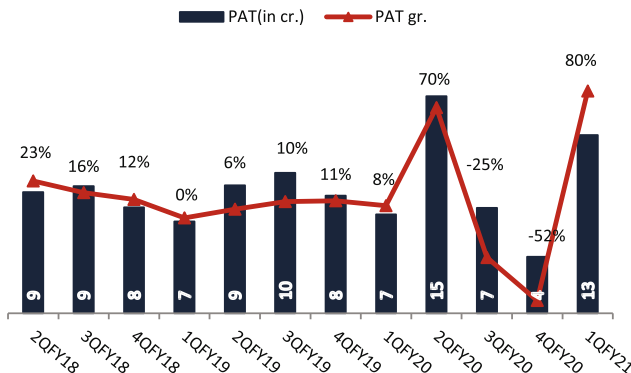


Exhibit: PAT and PAT growth

The Company posted a PAT growth of 80.1% YoY led by lower depreciation.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	24	24	24	24	24	24	24	24
Reserves	258	289	313	282	315	352	384	429
Networth	282	314	337	306	340	376	409	453
Debt	15	26	96	18	-	-	4	-
Other Non Current Liab	16	19	22	12	15	15	26	11
Total Capital Employed	297	340	433	324	340	376	413	453
Net Fixed Assets (incl CWIP)	164	199	222	213	208	193	246	177
Non Current Investments	-	-	-	-	-	-	-	-
Other Non Current Assets	242	277	302	242	245	234	300	203
Non Current Assets	242	277	302	242	245	234	300	203
Inventory	99	106	146	116	95	84	78	89
Debtors	21	25	43	39	50	81	75	86
Cash & Bank	6	10	7	4	9	4	5	61
Other Current Assets	8	7	10	8	38	66	50	112
Current Assets	134	148	206	167	192	235	208	348
Creditors	40	40	41	53	65	64	48	67
Provisions	7	7	1	7	7	5	4	6
Other Current Liabilities	15	19	11	13	10	9	17	14
Curr Liabilities	62	66	53	73	82	78	69	87
Net Current Assets	72	82	152	94	110	157	139	261
Total Assets	376	425	508	409	437	470	507	551

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	764	760	782	808	812	824	835	875
Change (%)	-3%	-1%	3%	3%	0%	1%	1%	5%
EBITDA	70	61	57	61	66	65	58	88
Change (%)	8%	-13%	-7%	8%	8%	-2%	-10%	50%
Margin (%)	9%	8%	7%	8%	8%	8%	7%	10%
Depr & Amor.	11	15	16	17	18	17	19	17
EBIT	59	46	41	45	48	47	39	71
Int. & other fin. Cost	2	1	5	4	0	0	2	2
Other income	0	0	0	0	1	4	3	5
EBT	57	45	35	40	49	51	41	74
Exp Item	-	-	-	4	-	-	-	-
Tax	14	8	12	17	17	17	7	18
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	43	37	23	28	32	34	34	56
Adjusted PAT	43	37	23	25	32	34	34	56
Change (%)	2%	-13%	-37%	19%	14%	8%	-1%	65%
Margin(%)	6%	5%	3%	3%	4%	4%	4%	6%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	15%	12%	7%	9%	9%	9%	8%	12%
ROCE	20%	14%	9%	14%	14%	13%	9%	16%
Asset Turnover	2	2	2	2	2	2	2	2
Debtor Days	10	12	20	18	22	36	33	36
Inv Days	47	51	68	52	43	37	34	37
Payable Days	19	19	19	24	29	28	21	28
Int Coverage	29	37	8	10	NA	NA	NA	NA
P/E	29	32	51	45	56	41	29	27
Price / Book Value	4	4	4	4	5	4	2	3
EV/EBITDA	18	19	21	20	27	22	17	17
FCF per Share	(13)	(1)	(62)	86	43	3	(25)	145
Div Yield	0%	0%	0%	0%	0%	0%	1%	1%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	57	45	35	46	49	51	41	74
(inc)/Dec in Working Capital	(22)	(11)	(66)	48	8	(25)	(3)	18
Non Cash Op Exp	11	15	16	17	18	18	20	17
Int Paid (+)	2	1	5	5	0	0	2	2
Tax Paid	(13)	(9)	(9)	(16)	(15)	(19)	(12)	(18)
others	(0)	(0)	(0)	(0)	(1)	(1)	(0)	-
CF from Op. Activities	35	41	(18)	101	60	31	43	93
(inc)/Dec in FA & CWIP	(48)	(42)	(44)	(14)	(17)	(29)	(69)	52
Free Cashflow	(13)	(1)	(63)	86	43	2	(26)	145
(Pur)/Sale of Inv	-	-	-	-	-	-	-	-
others	1	1	1	0	(21)	376	387	-
CF from Inv. Activities	(47)	(42)	(43)	(14)	(38)	(37)	(44)	(29)
inc/(dec) in NW							-	-
inc/(dec) in Debt	15	11	70	(78)	(15)	-	5	-
Int. Paid	(2)	(1)	(5)	(5)	(0)	(0)	(2)	(2)
Div Paid (inc tax)	(6)	(6)	(6)	(6)	(6)	(7)	(7)	(11)
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	7	4	59	(89)	(14)	1	1	(13)
Inc(Dec) in Cash	(5)	3	(3)	(2)	8	(5)	(0)	51
Add: Opening Balance	11	6	10	7	1	9	4	5
Closing Balance	6	10	7	4	9	4	5	56

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