

**Rating: Subscribe for Long Term**

**Issue Offer**

**Fresh Issue of 43,22,000 equity shares up to INR 30 Cr.**

Issue Summary	
Price Band (INR)	68-70
Face Value (INR)	10
Implied Market Cap at upper price band (INR Cr)	115
Market Lot	2,000
Issue Opens on	Sept 15 <sup>th</sup> , 2022
Issue Close on	Sept 19 <sup>th</sup> , 2022
No. of share pre-issue	1,21,00,000
No. of share post issue	1,64,22,000
Listing	NSE EMERGE
Issue Break-up (%)	
QIB Portion	≤ 50
NIB Portion	≥15
Retail Portion	≥35

**Book Running Lead Managers**

Corporate Capital Ventures Pvt Ltd

**Registrar**

Skyline Financial Services Pvt Ltd

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters & Promoter Group	70.4%	59.1%
Public	29.6%	48.1%

**Objects of the issue**

- Working Capital Requirements.
- General Corporate Purposes ≤ 25% of the gross proceeds.
- Issue Expenses

Incorporated in 2015, **Annapurna Swadisht Ltd (ASL)** is one of the largest FMCG players, and one of the fastest growing impulse packaged snack companies in Eastern India. The company manufactures and sells snacks and food products, namely, Fryums, cakes, candies, namkeen, chips and Gohona Bori, and has a daily sales volume of 12 Lakh packets. It has a large presence across Tier 2 and 3 cities, and rural areas. The MRP ranges from INR 1 for candies to INR 5 for Snacks. As of FY22, 96% of ASLs revenue comes from fryum sales (93% in Q1FY23), and 69% of the revenue as of FY22 comes from the West Bengal region.

**Investment Rationale**

**Market Dominance in Target Markets:** The target market for ASL is the rural market of east India (West Bengal, Odisha, Assam, Jharkhand and Bihar) where it has a dominant market share due to its presence at the INR 5 price point, and the products are well known to the public. Considering the rural FMCG market in India has been growing at a CAGR of 11.3% over the last decade, and accounts for 45% of the Indian FMCG market, the company still has huge untapped potential to grow its share. ASL plans grow the customer base in existing geographies.

**Well Equipped Manufacturing Facilities:** The company has 2 manufacturing units; one in Siliguri with an area of ~35,000 sq. ft. which employs 235+ people, and one at Asansol with an area of ~50,142 sq. ft. The Asansol unit has a capacity of 15 mt of fryums whereas the Siliguri unit has a capacity of 10 mt of fryums- both of which currently operate at 80% utilization. Both units are well equipped with custom made machineries from international suppliers and other handling equipment required facilitate smooth manufacturing and energy efficiency. The units also have an in-house laboratory for quality. The production process of fryums is semi automated. The company is in the process of opening 2 more units to double its capacity by January 2023.

**Testing and Quality Control Facilities:** Strict measures are put into place to control quality and ensure product safety from beginning to the end of the manufacturing process. A team of 25 personnel ensure that each product adheres to internal and external quality control standards and regulations.

**Product Development:** The product development team is continuously engaged in market research and analysis into evolving customer trends and preferences to maintain ASLs competitive position. Product development manifests through changes in product composition, and new flavor launches.

**Elaborate Distribution Network:** As of today, the company has a network of 300 distributors and 80 super distributors. Distributors cater to retailers and wholesalers within a ~10km radius and have a turnover of INR 5 Lakh per month, whereas super distributors cater to retailers and wholesalers within a ~35-40km radius and have sub distributors under them in surrounding villages and towns. They have a turnover > INR 5 Lakh per month. ASLs large product portfolio, effective distribution, strong brand, and extensive marketing efforts have further strengthened relationships with distributors. The company continually interacts with clients to maintain customer satisfaction.

**Valuation and View:** ASL has demonstrated stellar revenue growth at a 111% 3 year CAGR. It is well placed in its target markets with little threat from bigger players. Considering its active product management activities and plans for aggressive distributor network growth, the company is well poised to grow its market share in the years to come. ASL is currently valued at a P/E of 20x based on its FY22 EPS of INR 3.44. We recommend that investors subscribe for long term.

**Anushka Chitnis**  
[anushka.chitnis@arihantcapital.com](mailto:anushka.chitnis@arihantcapital.com)  
+91-22-42254800

**Key Persons:**

Key Person	Description
<b>Mr. Shreeram Bagla</b>	He is the Promoter cum Managing Director and was named Director upon the conversion of the firm into a Company. Mr. Shreeram Bagla was further designated as the Managing Director of the Company in the EGM held on 01/07/2022. He has an experience of 10 years in the Industry and is responsible for the expansion and overall management of the business, and has since been instrumental in leading the business.
<b>Mr. Sumit Sengupta</b>	He is the Director and was named Director upon the conversion of the firm into a Company. Mr. Sumit Sengupta was subsequently designated as the Whole- Time Director of the Company in the EGM held on 01/07/2022. He has experience of 15+ years in different industries, and currently manages the entire company's production.
<b>Mr. Rajesh Shaw</b>	He is the Whole Time Director with 30+ years of experience in the industry. Rajesh is spearheading the Company's efforts in implementing an ERP CRM package. Rajesh's last assignment was with ITC, where he spent 11 years as a SAP FICO Manager. He has also worked with reputed companies, primarily as an IT process system professional.
<b>Mr. Chandan Ghosh</b>	He is an Independent Director with an experience of 30+ years in the field of food processing as a strategic management professional and business growth leader. His last assignment was with Nestle.

Source: RHP, Arianth Capital Research

**Peer Review:**

Company	Sales (INR Cr)	P/E (x)	Basic EPS (FY22)	CMP (13-09-2022)	RoNW (FY22)	NAV Per Share (FY22)
<b>Annapurna Swadisht Ltd.</b>	<b>61</b>	<b>20</b>	<b>3.44</b>	<b>70</b>	<b>31.89%</b>	<b>10.79</b>
Prataap Snacks Ltd.	1383	643	1.24	798	0.47%	266.17
DFM Foods Ltd	554	-74	-4.93	365	-16.02%	30.38
Britannia Industries Ltd	13945	59	63.31	3753	58.63%	107.38

Source: RHP, Arianth Capital Research

**Abridged Financials:**

INR Cr	Q1FY23	FY22	FY21	FY20	3 year CAGR
<b>Revenue</b>	28.99	61.05	20.29	13.74	111%
<b>EBITDA</b>	2.23	5.14	1.48	0.77	158%
<b>PAT</b>	1.31	2.41	0.51	0.34	165%
<b>EPS</b>	1.42	3.44	0.73	0.49	165%
<b>Book Value (including share applications pending allotment)</b>	22.23	15.45	2.31	0.83	332%
<b>Debt</b>	28.06	43.57	9.13	3.53	251%
<b>Total Assets</b>	50.28	59.03	11.44	4.36	268%
<b>Working Capital</b>	9.90	0.56	-0.49	-0.97	-
<b>Cash</b>	2.28	2.38	0.05	0.08	455%

Ratios	Q1FY23	FY22	FY21	FY20
<b>EBITDA Margin</b>	7.68%	8.42%	7.31%	5.61%
<b>PAT Margin</b>	4.52%	3.95%	2.52%	2.49%
<b>Total Asset Turnover Ratio</b>	-	1.73	2.57	-
<b>Working Capital Turnover ratio</b>	2.93	108.60	-	-
<b>ROCE</b>	2.60%	4.08%	4.47%	7.87%
<b>ROE</b>	5.89%	15.59%	22.11%	41.48%

Source: RHP, Arianth Capital Research

**Management Interaction Highlights:**

- The company has recently enlisted with Big Basket in an attempt to grow its online D2C presence for its premium products (organic ghee, honey, etc.). This will allow for better profitability and brand visibility.
- With the pre- IPO proceeds, ASL is expanding the Siliguri facility. This should grow revenues by 40-45% on completion. Additionally, the company has planned an INR 21 Cr Capex to set up 2 backward integrated new facilities at Gurap (Cake, Rusk, Flour Mill) and Dhulagarh (extruded snacks, fryums, wafers) to double the existing capacity, which should come up by January 2023 (post which they will operate at 75% utilization) and will suffice for the next 6-8 quarters.
- Grammages were reduced when palm oil prices were high and increased when they began to lower.
- The marketing budget is ~2% of revenues.
- The affordable consignment value offered by ASL is preferred by distributors in rural areas over consignments of large competitors that are relatively expensive. This protects its market share across its target markets.
- Revenues from outsourced products is 10-12% from 3 products- cake, chips and namkeen. The outsourced facilities are in close proximity to the manufacturing hubs.
- The company is aggressively undertaking to grow its distribution network increase its market share in existing states. It already boasts a well connected distributor network which is expected to grow substantially over the next 2 quarters.

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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

Research Analyst Registration No.	Contact	Website	Email Id
<b>INH000002764</b>	<b>SMS: 'Arihant' to 56677</b>	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880