

Adani Wilmar Ltd.



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High cost inventory in edible oil segment impacted the performance.

CMP INR 397	Target INR 515	Potential Upside 29.7%	Market Cap (INR Mn) INR 5,16,560	Recommendation BUY	Sector Consumer
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Result highlights for Q4FY23

- Adani Wilmar Ltd. (AWL) has reported a revenue de-growth of 7% on a YoY basis at INR 1,38,726 mn in Q4 FY23 from 1,49,173 mn in Q4 FY22 owing to the softened of edible oil prices and a high revenue share in edible oil segment.
- The edible oil segment's sales volume stays muted at 0.88 mn MT. The Food – FMCG business and Industry Essentials business sales grew by 38% and 55% respectively on a YoY basis, led by an increase of the total volume sales of 1.49 mn MT, a surge of 15% on a YoY basis.
- The EBITDA had deteriorated by 16% on a YoY basis from INR 4,257 mn in Q4 FY22 to INR 3,588 mn in Q4 FY23. The EBITDA per ton has also reduced to INR 2,407 per ton in Q4 FY23 from INR 3,425 per ton in Q4 FY22 due to high cost inventory.
- The PAT had also fallen to INR 936 mn in Q4 FY 23 from INR 2,343 mn in Q4 FY22, a decline of 56% on a YoY basis.
- The EPS for Q4 FY23 is INR 0.7 per share against INR 2.0 per share in Q4 FY22.

MARKET DATA

Shares O/S (Mn)	1,300
Mkt Cap (INR Mn)	5,16,560
52 Wk H/L (INR)	842/327
Volume Avg (3m K)	4,455.0
Face Value (INR)	1
Bloomberg Code	AWLTD IN

KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,96,570	3,70,904	5,42,136	5,81,848	6,45,191	7,20,063
EBITDA	13,095	13,253	17,363	16,610	20,776	25,708
PAT	4,609	7,276	8,037	5,845	10,140	13,265
Adj PAT	4,609	7,276	8,037	5,845	10,140	13,265
EPS (INR)	4.0	6.4	6.2	4.5	7.8	10.3
Adj. EPS (INR)	4.0	6.4	6.2	4.5	7.8	10.3
EBITDA Margin (%)	4.4%	3.6%	3.2%	2.9%	3.2%	3.6%
NPM (%)	1.6%	2.0%	1.5%	1.0%	1.6%	1.8%

Source: Company, KRChoksey Research

Mute performance on account of high cost inventory in the Edible Oil segment:

AWL recorded a revenue of INR 1,38,726 mn in Q4FY23, a dip of 7% from INR 1,49,173 mn in Q4FY22. The sales of edible oil were at INR 1,23,720 mn in Q4FY22 and it went down to INR 1,07,900 mn in Q4FY23, a reduction of 13%. Due to softening of edible oil prices, the revenue has impacted. Moreover, higher cost inventory resulted in drop in the margin. The management believes this decline to be temporary and they expect normalisation in the coming quarters especially, in the rural area. The Food and FMCG segment grew massively from INR 7,570 mn in Q4FY22 to INR 11,590 mn in Q4FY23, an upside of 53% and the Industry Essentials has given a steady growth of 8% from INR 17,880 mn in Q4 FY22 to 19,240 mn in Q4 FY23.

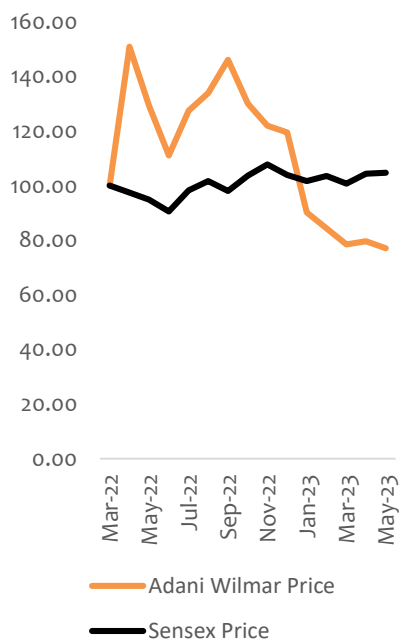
Witnessed volume growth, partially offset by decline in Edible Oil volume:

Despite the decline in revenue, the volume has improved with a surge of 15% on a YoY basis from 1.29 mn MT in Q4 FY22 to 1.49 mn MT in Q4 FY23, this growth was led by a massive increase in volumes from Food – FMCG segment and Industry Essentials segment which soared by 38% and 55% respectively on a YoY basis. The edible oil segment has remained muted in terms of volume due to lower demand from the institutional side and the bakery & frying industry. We expect that demand will revive in the future with improvements in rural demand.

Improvement across various segments

Under the edible oil segment, mustard oil has shown consistent results and has been growing at a faster pace. The branded section which accounts for around 75%, grew by around 8% on a YoY basis. The company has been leveraging upon the existing setup of the edible oil business to scale up the foods and FMCG segment. Under the food and FMCG segment, the company has launched 9 different varieties of natural dal (legumes), under the brand Fortune. The Soaps and handwash section has grown by around 75% on a YoY growth on a lower base. Under the Industry Essentials segment, the B2B business for various industrial applications has been gaining market share and making progress in the journey of adding new value-added products. The forward integration of the Oleochemical business into speciality chemicals has progressed well during the year and the company has received approvals for certain products from a couple of customers.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	61,749
NIFTY	18,241

SHARE HOLDING PATTERN (%)

Particulars	Dec-22	Sept-22	June-22
Promoters	87.94	87.94	87.94
FIIIs	1.57	1.63	1.50
DIIIs	0.14	0.09	0.00
Others	10.35	10.34	10.56
Total	100.00	100.00	100.00

12%

Revenue CAGR between
FY23 and FY25E

25%

EBITDA CAGR between
FY23 and FY25E

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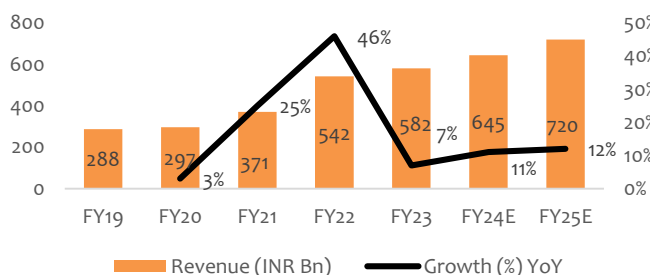
Key Concall Highlights:

- The food inflation has been declining and reached the level of 4.8% on a YoY basis, this cool-off may lead to a better consumption uptick.
- The company had crossed the 5 mn MT mark of the volumes during FY23.
- The food segment doubled its revenue in 2 years at around INR 40,000 mn. Both the rice and wheat businesses crossed INR 10,000 mn in revenue in FY23.
- In the edible oil segment, the branded category grew by 8% on a YoY basis and the management expects a good opportunity for the edible oil segment in the rural areas
- In this quarter, the company has strengthened its market position in many segments such as wheat, rice, edible oil and castor oil.
- The company has been aggressively expanding their non-basmati rice category.
- The management has been heavily investing in 3 new dal projects that would be launched in FY24. These projects have a capacity of 40 tons per day.
- The capacity for oleochemical business is not fully utilized. The management expects it to be utilized by FY24 and can also witness a good movement in the upcoming quarters in this segment.
- All the CAPEX envisaged during the IPO is running on time. Close to 50% of the total amount (i.e., INR 19,000 mn) is utilized and the remaining would be utilized in FY24 excluding the Gohana unit which will be set up in FY25.
- Due to the commodity volatility, the Q2 and Q4 were impacted which led to a decline in the revenue and eventually to the margins for the whole FY23. The management expects a turnaround in the coming quarters as the volume is growing sequentially.
- The management has informed the following reasons why the profitability was impacted –
 - Due to the change in Government policy by DGFT, there will not be any TRQ (Tariff Rate Quota) for FY2023-24, this led to pressure on soyabean oil margins.
 - Higher Inflation led to higher packaging cost at the gross level. Besides this, higher logistics, chemicals, and power & fuel costs effected the EBITDA.
 - Interest expenses went up with the increase in the benchmark rates.
 - A wholly owned subsidiary in Bangladesh made a loss of INR 120 mn. in Q4 and INR 630 mn. in FY23, due to price caps by the Government on edible oils, local currency-related issues, and unavailability of the counterparty for forex hedging
 - The decline in edible oil prices continued in the quarter as well leading to high-cost inventory, along with the MTM impact in P&L. The impact was restricted to a large extent by the company's robust risk management processes.
- The company is focusing on bringing more rural towns under direct coverage and set priority to increase penetration in the existing market.
- The management is optimistic about alternative channels like E-commerce, Modern trade, and e-B2B serving GT which has grown significantly in this quarter.
- The company sees an opportunity in the HoReCa, institutional segment and exports and planning to exploit those opportunities.
- The company still holds a leadership position in Soyabean oil, Mustard oil, and Ricebran oil.

Valuation and view

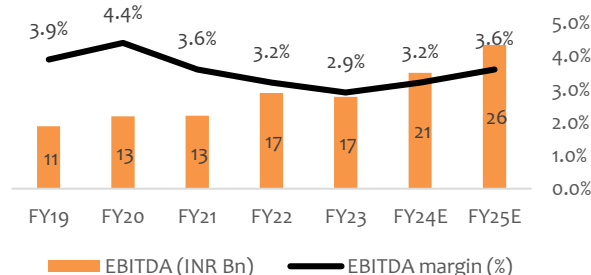
Adani Wilmar has shown a strong growth volume growth in Food and FMCG and Industry Essentials with market share gains in Edible oil, Atta and Rice. AWL's focus on penetration-led growth to yield better results. **We like the company's strategy of penetration-led growth, focus on the international market, increasing distribution reach, timely capacity addition to supporting the growth, new product launches and acquisition of the Kohinoor brand.** Currently, the stock is trading at a PE multiple of 50.9x and 38.5x based on our FY24E / FY25E EPS estimates, respectively. Though management expects a revival of demand from the rural and institutional side, we believe that this revival might be slower than expected, also the exemption removal of TRQ has an impact on the overall margins. Hence we arrived at target price of INR 515/share (earlier it was INR 569/share) with an assigned P/E multiple of 50.0x to FY25E EPS of INR 10.3 and kept our recommendation as "BUY" with an upside of 29.7% over the CMP.

Revenue (INR Bn) and Growth



Source: Company, KRChoksey Research

EBITDA and EBITDA margin



Source: Company, KRChoksey Research

Adani Wilmar Ltd.

KEY FINANCIALS

Income Statement (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenues	2,96,570	3,70,904	5,42,136	5,81,848	6,45,191	7,25,431
COGS	2,53,702	3,24,898	4,87,914	5,21,832	5,74,884	6,43,841
Gross profit	42,868	46,007	54,222	60,016	70,307	81,589
Employee cost	2,239	3,217	3,922	3,938	4,367	4,910
Other expenses	27,534	29,536	32,938	39,469	45,163	50,780
EBITDA	13,095	13,253	17,363	16,610	20,776	25,899
EBITDA Margin	4.40%	3.60%	3.20%	2.90%	3.20%	3.60%
Depreciation & amortization	2,413	2,673	3,091	3,585	3,570	3,930
EBIT	10,683	10,580	14,272	13,025	17,206	21,969
Interest expense	5,692	4,066	5,408	7,749	4,315	4,769
PBT	6,090	7,566	10,588	7,889	13,298	17,683
Tax	2,060	1,039	2,844	2,087	3,517	4,677
Minority interest	0	0	0	0	0	0
PAT	4,609	7,276	8,037	5,845	10,140	13,406
Adj. PAT	4,609	7,276	8,037	5,845	10,140	13,406
EPS (INR)	4	6.4	6.2	4.5	7.8	10.3
Adj. EPS	4	6.4	6.2	4.5	7.8	10.3

Source: Company, KRChoksey Research

Cash Flow Statement (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Cash Generated From Operations	7,813	9,260	11,600	10,781	32,537	20,528
Net Cash Flow from/(used in) Investing Activities	-5,064	-4,838	-38,612	1,177	-14,364	-13,833
Net Cash Flow from Financing Activities	-78	-7,310	26,915	-9,191	-13,926	-3,382
Net Inc/Dec in cash equivalents	2,671	-2,887	-98	2,768	4,248	3,312
Opening Balance	789	3,460	572	1,270	3,948	8,196
Closing Balance Cash and Cash Equivalents	3,460	572	474	4,038	8,196	11,508

Source: Company, KRChoksey Research

Key Ratios	FY20	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margin (%)	4.40%	3.60%	3.20%	2.90%	3.20%	3.60%
Tax rate (%)	33.80%	13.70%	26.90%	26.50%	26.50%	26.50%
Net Profit Margin (%)	1.60%	2.00%	1.50%	1.00%	1.60%	1.80%
RoE (%)	17.90%	22.10%	10.60%	7.20%	11.00%	12.70%
RoCE (%)	21.90%	16.90%	14.00%	12.50%	16.50%	18.40%
EPS (INR)	4	6.4	6.2	4.5	7.8	10.3

Source: Company, KRChoksey Research

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Balance Sheet (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Non-current assets						
Property, plant and equipment	35,080	34,658	42,879	43,266	49,051	53,101
Capital work-in-progress	3,249	5,305	3,760	3,240	2,763	2,405
Right to use assets	2,317	2,219	2,455	2,816	3,042	3,285
Investments	2,060	2,821	3,121	3,421	4,242	5,260
Other financial assets	455	325	459	730	788	851
Other non-current assets	1,186	719	534	8,000	8,640	9,331
Total non-current assets	44,545	46,203	53,912	64,427	71,589	77,413
Current assets						
Inventories	38,264	47,777	77,165	76,812	74,026	81,142
Investments	0	500	500	500	560	628
Trade receivables	9,212	15,151	22,186	19,314	26,515	29,812
Cash and cash equivalents	3,460	573	1,271	3,948	8,196	11,508
Other Balances with Banks	10,861	11,312	43,669	33,293	37,288	41,762
Other financial assets	3,747	1,304	2,998	6,557	7,081	7,648
Other current assets	7,339	10,027	11,038	4,867	5,354	5,890
Total current assets	73,315	87,075	1,59,261	1,45,371	1,59,101	1,78,472
TOTAL ASSETS	1,17,859	1,33,278	2,13,173	2,09,798	2,30,690	2,55,885
EQUITY AND LIABILITIES						
Equity share capital	1,143	1,143	1,300	1,300	1,300	1,300
Other equity	24,564	31,847	74,764	80,358	90,498	1,03,904
Equity attributable to the equity shareholders	25,707	32,990	76,064	81,658	91,798	1,05,203
Total equity	25,707	32,990	76,064	81,658	91,798	1,05,203
Non-current liabilities						
Financial liabilities						
Borrowings	11,464	10,241	450	0	0	0
Provisions	248	275	540	6,130	6,620	7,150
Non current tax liabilities	3,893	2,092	2,528	3,954	3,954	3,954
Total non-current liabilities	18,920	17,063	8,979	11,269	11,819	12,411
Current liabilities						
Borrowings	11,539	19,258	25,231	22,257	12,587	13,912
Trade payables	56,971	51,927	92,424	85,383	1,04,526	1,13,610
Other financial liabilities	1,721	5,073	2,592	6,667	7,201	7,777
Other current liabilities	2,541	6,595	7,229	1,844	1,992	2,151
Total current liabilities	73,232	83,225	1,28,130	1,16,871	1,27,074	1,38,271
Total liabilities	92,152	1,00,288	1,37,109	1,28,140	1,38,893	1,50,681
TOTAL EQUITY AND LIABILITIES	1,17,859	1,33,278	2,13,173	2,09,798	2,30,691	2,55,885

Source: Company, KRChoksey Research

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Adani Wilmar Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
05-May-23	397	515	BUY	Buy	More than 15%
14-Feb-23	394	569	BUY	Accumulate	5% – 15%
07-Nov-22	684	751	ACCUMULATE	Hold	0 – 5%
05-Aug-22	674	751	ACCUMULATE	Reduce	-5% – 0
				Sell	Less than – 5%

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