

Q4FY24 Adani Wilmar Ltd.



Adani Wilmar Ltd.

Improved brand mix and penetration but margins likely to remain under pressure

CMP INR 338*	Target INR 357	Potential Upside 5.6%	Market Cap (INR Mn) 4,39,486	Recommendation ACCUMULATE	Sector Consumer
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Result highlights

- In Q4FY24, AWLTD's revenue was INR 132,380 Mn, reflecting a 3.2% increase QoQ and a 4.6% decrease YoY. This performance marginally fell short of our projected estimate by 0.6%.
- Strong volumes were experienced in the Edible Oils (+11% QoQ, +9% YoY) as well as the Foods segment (+39% QoQ, +23% YoY), primarily driven by an extended retail footprint. However, the Industry Essentials segment experienced a decline in volume by 22% YoY, attributed to reduced activity in the oil meals business.
- EBITDA was INR 3,570 Mn (-29.2% QoQ) missed our estimates on escalating employee expenses and other operational costs. Net profit of INR 1,567 Mn (+67.5% YoY) missed our estimates due to unforeseen elevated costs.
- We lower our FY26E EPS and multiple to arrive at a reduced target price of INR 357/share (previously: INR 412) as we expect higher costs to impact margins. We also downgrade our rating on Adani Wilmar Ltd to "ACCUMULATE" from "BUY".

MARKET DATA

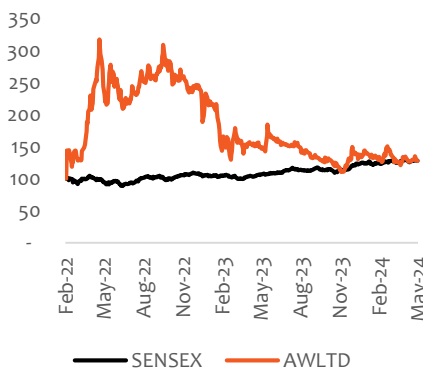
Shares O/S (Mn)	1,300
Mkt Cap (INR Mn)	4,39,486
52 Wk H/L (INR)	509/ 286
Volume Avg (3m K)	240
Face Value (INR)	1
Bloomberg Code	AWLTD IN

KEY FINANCIALS

Particulars (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	370,904	541,548	581,848	512,616	555,447	619,063
EBITDA	13,253	17,363	16,610	11,353	19,530	22,500
PAT	7,285	8,037	5,821	1,480	8,255	10,302
Adj. PAT	7,285	8,037	5,821	2,015	8,255	10,302
EPS	6.4	6.9	4.5	1.1	6.4	7.9
Adj. EPS	6.4	6.9	4.5	1.6	6.4	7.9
EBITDA Margin (%)	3.6%	3.2%	2.9%	2.2%	3.5%	3.6%
Adj. NPM (%)	2.0%	1.5%	1.0%	0.4%	1.5%	1.7%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	73,512
NIFTY	22,303

Volume growth driven by Food & FMCG and Edible Oil Segment

- For Q4FY24, sales volume grew by 3.0% from 1.49 million metric ton (MMT) to 1.53 MMT. Revenue was INR 1,13,238 Mn, down 5.0% YoY. In terms of segmental revenue, Edible Oil revenue grew 5.0%/5.5% on a QoQ/YoY basis.
- Food & FMCG segment's revenue grew to INR 13,408 Mn (+5.3% QoQ/+15.6% YoY).
- Overall revenue stood at INR 5,12,616 Mn in FY24 vs 5,81,848 in FY23, down 11.9% YoY. Volumes grew 10.0% in FY24 due to growth in Edible Oil and Food & FMCG segment.
- Edible oil branded sales grew by 15.0% YoY, higher than the industry growth.
- Volumes in Food and FMCG domestic volumes grew above 40.0% for FY24.

Financials returning to normalcy, but earnings pressure will likely persist

- In Q4FY24, EBITDA was marginally down YoY to INR 3,570 Mn, while the PAT grew 67.4% to INR 1,567 Mn in Q4FY24. In FY24, EBITDA stood at INR 11,350 Mn against INR 16,610 Mn in FY23, down 31.6% YoY. PAT came at INR 1,479 Mn, down 74.5% YoY
- EBITDA margins were higher in Q4FY24 at 2.7%, +180 bps due to lower raw material costs which were partially offset due to higher other expenses.
- In Q4FY24, PAT stood at INR 1,567.5 Mn (-22.0% QoQ/ +67.4% YoY). PAT margins stood at 1.2% in Q4FY24 vs 0.7% in Q4FY23, which was primarily reflective of better EBITDA margins. However, the pressure on margins and earnings is likely to sustain for a bit longer, in our view.

SHARE HOLDING PATTERN (%)

Particulars	Mar-24	Dec-23	Sep-23
Promoters	87.9	87.9	87.9
FIIIs	0.8	0.7	0.6
DIIIs	0.3	0.1	0.1
Others	11	11.3	11.4
Total	100	100	100

*Based on previous close

2.1%

Revenue CAGR between FY23
and FY26E

21.0%

Adj. PAT CAGR between FY23
and FY26E

Adani Wilmar Ltd.

Conference Call Highlights

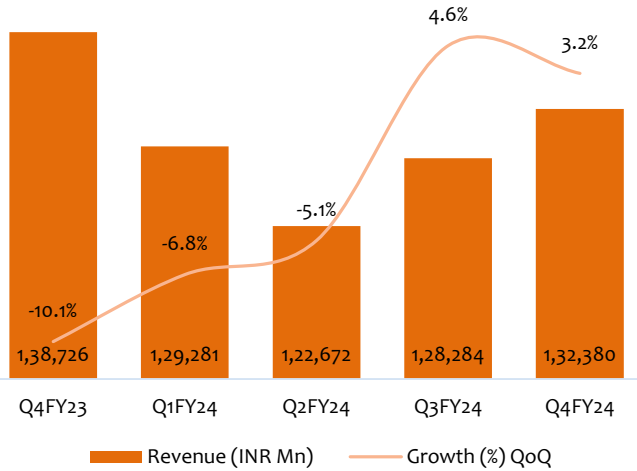
- AWLTD has crossed overall 6 million metric ton volume in FY24. Among which food and FMCG surpasses 1 million metric ton (MMT).
- Kohinoor business which the Company acquired in May 2022 has crossed INR 3,500 Mn worth of business. Sales of Edible oil brands grew by 15.0% YoY.
- AWLTD volumes grew faster than the industry in edible oil brands, wherein the company clocked a double-digit growth as compared to single digit industry growth. Volumes in Food and FMCG grew 40.0%+ for FY24.
- Alternate channels contributed close to INR 27,000 Mn in revenue. HoReCa channel which was started a year back, now contributes close to INR 4,000 Mn in revenue.
- Branded exports of oil and food grew by 72.0% by volume.
- Food & FMCG segment's revenue doubled in two years, now standing at INR 50,000 Mn in FY24.
- With distribution as its key focus, direct outlets grew from 0.59 Mn in FY23 to 0.72 Mn in FY24 up 22.0% YoY.
- AWLTD wants to cover close to 50,000 rural towns by the end of next year, currently standing at 30,600.
- In Q4FY24, sales volume grew by 3.0% from 1.49 million MT to 1.53 million MT. Edible oil and food segment saw a double-digit growth. On a QoQ basis, Sales/EBITDA/PAT grew by -5.0%/-1.0%/67.0% YoY.
- On a YoY basis, Sales/EBITDA/PAT grew by -12.0%/-32.0%/-75.0% due to high price inventory in Q1 & Q2, aided by market crash, twisted or askew hedges and economic issues in Bangladesh.
- Demand has remained resilient in the Q4FY24 and the management expects this to remain intact in the coming financial year as well.
- AWLTD is focusing on improving brand mix, deeper regional penetration, and marketing campaign to win customers.
- AWLTD has won market share in mustard oil segment, now standing at 15.0%. The Company has also grown market share in Atta segment from 5.0% to 5.6% with market share in Basmati rice segment remained flattish.
- The Company is leveraging its edible oil distribution to grow its food business segment.
- AWLTD has a capacity utilization of 60.0% giving them the room for growth.
- As of Q4FY24, the Company has an installed capacity of 8-9 Megawatt of solar capacity against the required capacity of 70 Megawatt.
- The Macro-economic condition in Bangladesh is improving with availability of FX and with free-hand pricing allowed by the government. The Company does not expect any drag in profitability in FY25E due to the Bangladesh operations.
- AWLTD is expecting double-digit growth in branded edible oil in FY25E.

Valuation and view

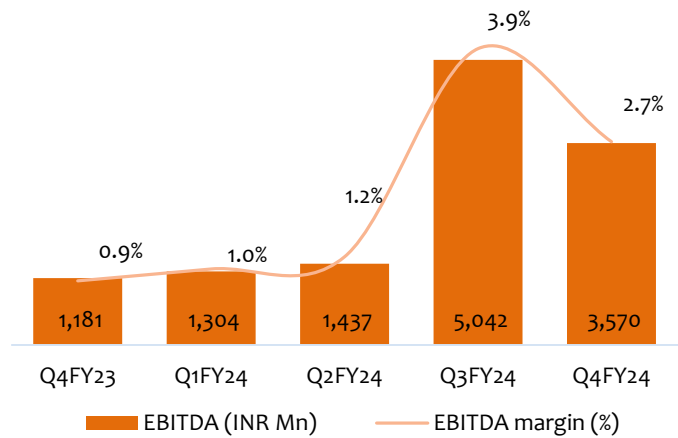
AWLTD has strengthened its distribution reach, which has helped increase the market share in some of the segments. Margins are expected to improve going forward, with improving brand mix, higher penetration, and declining raw material prices, followed by improving capacity utilization. However, we believe that margins are still likely to lag our previous estimates on higher expenses, which leads us to cut our FY26E EPS to INR 7.9. **We expect Revenue/ EBITDA/ Adj. PAT to grow at a CAGR of 2.1%/ 10.6%/ 21.0%, respectively between FY23-FY26E. We apply a P/E multiple of 45.0x (previously: 46.0x) on our lowered FY26E EPS. Accordingly, we arrive at a reduced target price of INR 357/share (previously: INR 412), implying an upside of 5.6% from the CMP. Our lowered multiple and FY26E EPS reflect the expected pressure on margins. Accordingly, we also downgrade our rating on Adani Wilmar Ltd to "ACCUMULATE" from "BUY".**

Adani Wilmar Ltd.

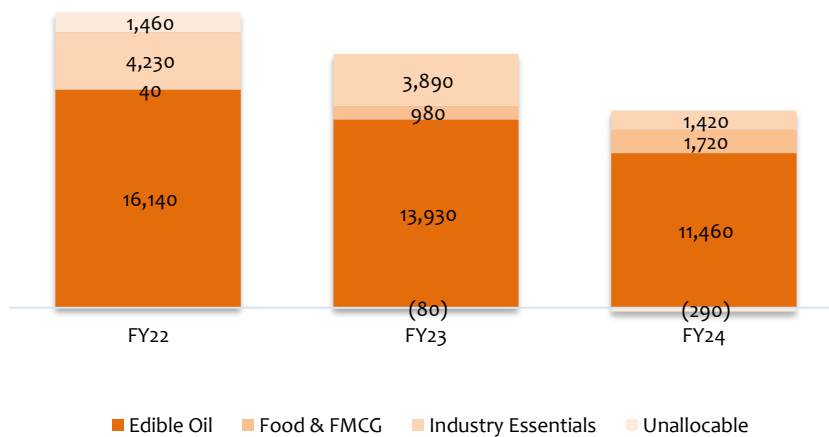
Revenue increased sequentially



EBITDA and EBITDA margin showed sequential decline



Sequential decline observed in Edible oil and Industry essentials led to a downturn in revenue



Adani Wilmar Ltd.

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	541,548	581,848	512,616	555,447	619,063
COGS	487,715	521,832	452,748	486,652	542,113
Gross profit	53,834	60,016	59,868	68,796	76,950
Employee cost	3,922	3,938	4,208	4,564	4,925
Other expenses	32,549	39,469	44,308	44,702	49,525
EBITDA	17,363	16,610	11,353	19,530	22,500
EBITDA Margin	3.2%	2.9%	2.2%	3.5%	3.6%
Depreciation & amortization	3,091	3,585	3,639	4,160	4,659
EBIT	14,272	13,025	7,714	15,370	17,842
Interest expense	5,408	7,749	7,491	7,834	7,109
Exceptional items	0	0	535	0	0
Other income	1,723	2,614	2,936	2,730	3,003
PBT	10,588	7,889	2,624	10,267	13,736
Tax	2,844	2,354	918	2,567	3,434
Share of profit of associates	294	286	-227	555	0
PAT	8,037	5,821	1,480	8,255	10,302
Adj. PAT	8,037	5,821	2,015	8,255	10,302
EPS (INR)	6.9	4.5	1.1	6.4	7.9
Adj. EPS	6.9	4.5	1.6	6.4	7.9

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	11,979	6,633	2,890	12,451	16,261
Net Cash Flow from/(used in) Investing Activities	(38,613)	5,325	1,422	(4,641)	(5,866)
Net Cash Flow from Financing Activities	26,581	(9,191)	(5,634)	(9,834)	(10,009)
Net Inc/Dec in cash equivalents	(54)	2,768	(1,323)	(2,023)	386
Opening Balance	573	1,271	3,949	2,587	563
Adjustments	752	(90)	(39)	0	0
Closing Balance Cash and Cash Equivalents	1,271	3,949	2,587	563	949

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	3.2%	2.9%	2.2%	3.5%	3.6%
Tax rate (%)	26.9%	29.8%	35.0%	25.0%	25.0%
Net Profit Margin (%)	1.5%	1.0%	0.3%	1.5%	1.7%
RoE (%)	10.6%	7.1%	1.8%	9.0%	10.1%
RoCE (%)	14.0%	12.5%	7.2%	13.5%	14.7%
EPS (INR)	6.9	4.5	1.6	6.4	7.9
PE	49.0x	75.4x	217.9x	53.2x	42.6x

Source: Company, KRChoksey Research

Adani Wilmar Ltd.

Balance Sheet (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Non-current assets					
Property, plant and equipment	42,879	43,266	44,258	47,652	51,454
Capital work-in-progress	2,752	3,240	8,695	8,695	8,695
Intangible assets	674	1,851	1,911	1,911	1,911
Right to use assets	2,455	2,816	3,134	3,134	3,134
Investments	3,121	3,421	3,116	3,427	3,770
Loans	0	491	0	0	0
Other financial assets	459	730	768	830	896
Deferred tax assets (Net)	0	12	300	300	300
Non-current tax assets (Net)	30	600	616	616	616
Other non-current assets	6,982	8,000	7,784	7,784	7,784
Total non-current assets	59,351	64,427	70,582	74,349	78,560
Current assets					
Inventories	77,165	76,812	72,038	77,432	86,257
Investments	500	500	0	0	0
Trade receivables	22,186	19,314	17,829	19,319	21,531
Cash and cash equivalents	1,271	3,948	2,586	563	949
Other Balances with Banks	43,669	33,293	25,510	25,510	25,510
Loans	435	27	521	521	521
Other financial assets	2,998	6,557	3,845	3,845	3,845
Assets classified as held for sale	0	52	305	305	305
Other current assets	5,598	4,867	4,849	4,849	4,849
Total current assets	153,821	145,371	127,483	132,344	143,768
TOTAL ASSETS	213,173	209,798	198,065	206,694	222,327
EQUITY AND LIABILITIES					
Equity share capital	1,300	1,300	1,300	1,300	1,300
Other equity	74,764	80,358	81,860	90,116	100,418
Total equity	76,064	81,658	83,160	91,415	101,717
Non-current liabilities					
Borrowings	450	0	0	0	0
Lease liabilities	995	1,185	1,485	1,485	1,485
Other financial liabilities	2	0	0	0	0
Provisions	6,223	6,130	5,929	5,929	5,929
Non current tax liabilities	2,528	3,954	0	0	0
Total non-current liabilities	10,197	11,269	10,798	10,798	10,798
Current liabilities					
Borrowings	25,231	22,257	24,154	22,154	19,254
Trade payables	91,914	85,383	69,995	72,367	80,599
Lease liabilities	335	520	636	636	636
Other financial liabilities	7,314	6,667	7,059	7,059	7,059
Other current liabilities	1,768	1,844	1,911	1,911	1,911
Provisions	95	91	93	93	93
Current tax liabilities (Net)	255	109	261	261	261
Total current liabilities	126,912	116,871	104,108	104,480	109,812
Total liabilities	137,109	128,140	114,905	115,278	120,610
TOTAL EQUITY AND LIABILITIES	213,173	209,798	198,065	206,693	222,327

Source: Company, KRChoksey Research

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Date	CMP (INR)	TP(INR)	Recommendation
08-May-24	338	357	ACCUMULATE
02-Feb-24	350	412	BUY
17-Nov-23	297	321	ACCUMULATE
17- Aug-23	372	471	BUY
3-May-23	397	515	BUY
14-Feb-23	394	569	BUY

Rating Legend (Expected over a 12-month period)

Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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