

Q2FY25 Adani Wilmar Ltd.



Adani Wilmar Ltd.

Robust growth driven by Food & FMCG and Edible oil segments

CMP* INR 325	Target INR 373	Potential Upside 14.8%	Market Cap (INR Mn) 4,23,175	Recommendation ACCUMULATE	Sector Consumer
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Result highlights

- For Q2FY25, the revenue increased 17.9% YoY (+2.1% QoQ) to INR 144,605 Mn, which is in line with our estimate of 0.8%.
- The Food & FMCG segment recorded a strong revenue growth of 34.0% YoY (+12.1% QoQ), fueled by increased outlet penetration, and repeat purchases of food products.
- EBITDA increased 294.1% YoY (-8.5% QoQ) to INR 5,662 Mn, which missed our estimate mainly due to higher-than-expected operating expenses. EBITDA margin improved by 274 bps YoY (-45 bps QoQ) to 3.9%.
- Adj. net profit increased 302.8% YoY (-0.7% QoQ) to INR 3,110 Mn, missed our estimate.
- We lower our FY25E/FY26E Adj. EPS estimate by 3.6%/9.0%, on the back of lower-than-expected Q2FY25 performance, inflationary pressures and difficulties in implementing price increases. We maintain a P/E multiple of 45.0x, leading to a target price of INR 373 per share (previously: INR 410). We maintain our 'ACCUMULATE' rating on Adani Wilmar Ltd.**

MARKET DATA

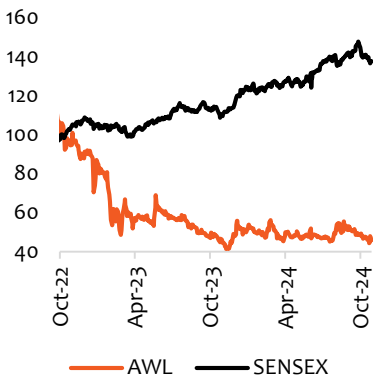
Shares O/S (Mn)	1,300
Mkt Cap (INR Mn)	4,23,175
52 Wk H/L (INR)	411/ 286
Volume Avg (3m K)	4,343
Face Value (INR)	1
Bloomberg Code	AWLTD IN

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	581,848	512,616	587,880	652,545	717,306
EBITDA	16,610	11,353	19,169	21,732	23,220
PAT	5,821	1,480	9,147	10,758	12,369
Adj. PAT	5,821	2,015	9,147	10,758	12,369
EPS	4.5	1.1	7.0	8.3	9.5
Adj. EPS	4.5	1.6	7.0	8.3	9.5
EBITDA Margin (%)	2.9%	2.2%	3.3%	3.3%	3.2%
Adj. NPM (%)	1.0%	0.4%	1.6%	1.6%	1.7%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	80,005
NIFTY	24,339

Increased volumes in Food & FMCG and Edible Oil drove revenue growth

- AWL's revenue reached INR 1,44,605 Mn, showing strong growth of 17.9% YoY (+2.1% QoQ), fueled by robust volume growth of 11.6% YoY.
- Overall volume growth was supported by Edible Oil at +17.0% YoY, driven by increased sales of soybean, sunflower, and mustard oil and the Foods & FMCG segment demonstrated significant volume growth of 33.0% YoY, boosted by government-to-government rice sales and strong domestic demand for wheat flour, pulses, and other staples.
- Edible Oil, representing 75.9% of total revenue, grew by 21.5% YoY (+3.1% QoQ), driven by strong volume growth.
- Food & FMCG sales, accounting for 11.9% of total revenue, surged by 39.7% YoY (+14.3% QoQ), led by robust volume growth.
- In Q2FY25, the Industry Essentials segment's revenue declined by 9.3% YoY (-11.1% QoQ), primarily due to lower sale in Oleo, Castor meals and oil meal business. Despite this decline, the company-maintained stability in other product categories within the segment.

Stable prices drive the margin

- In Q2FY25, the company reported EBITDA of INR 5,662 Mn, grew by 294.1% YoY (-8.5% QoQ). EBITDA margins expanded by 274 bps YoY, led by operational efficiencies, but contracted by 45 bps QoQ, due to higher cost of material compared to last quarter.
- PAT stood at INR 3,110 Mn (+302.8% YoY, -0.7% QoQ). PAT margins were 2.2% in Q2FY25 versus -0.6% in Q2FY24, primarily reflecting better operating performance for the quarter.

SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	87.9	87.9	87.9
FIIIs	0.9	0.7	0.8
DIIIs	0.1	0.3	0.3
Others	11.1	11.1	11.0
Total	100	100	100

*Based on the previous closing

*Note: All the market data is as of previous closing.

*Considering CAGR from FY23 to FY26 due low base in FY24

3.9%

*Revenue CAGR between
FY23 and FY26E

22.7%

*Adj. PAT CAGR between FY23
and FY26E

Adani Wilmar Ltd.

Conference Call Highlights

Edible Oil:

- **Key Contributors to Growth:** Extensive distribution network and high consumer demand for branded oils.
- **Local Engagement:** The company focused on regional nuances to enhance customer connections.
- **Product Differentiation:** Launched special packaging for Kachi Ghani Mustard Oil during the Hilsa festival in West Bengal.
- **Brand Activations:** Implemented on-ground, digital, and TV activations, including cooking contests, to reinforce brand association with local culture.
- **Market Share:** AWL's market share in edible oil increased from 16.12% to 16.2% as per IMRB (Indian Market Research Bureau) data.

Food and FMCG:

- **Distribution Synergy:** Successfully leveraged edible oil distribution channels, achieving over 90.0% overlap in retail outlets for food products.
- **Growth Target:** Management aims for a food and FMCG turnover of INR 1,00,000 Mn by FY27E.
- **Wheat Business:** Continued strong growth, supported by the introduction of small pack sizes in markets with lower per capita consumption.
- **Branded Product Performance:** Q2FY25 saw strong double-digit YoY growth in branded sales of pulses, besan, soya nuggets, sugar, poha, and soap.

Key Growth Drivers:

- **Stable Commodity Prices:** Q2FY25 stability, except for the last 15 days due to import duty hikes, benefited AWL and its flagship brand, Fortune.
- **Distribution Strategy:** Merged food and oil distributors and unified sales teams in January 2024, enhancing the network to reach 780,000 retail outlets.
- **Rural Expansion:** Expanded to nearly 37,600 towns, targeting 50,000 by March 2025E, with regionalized products such as Kachi Ghani mustard oil for local festivals, boosting brand loyalty.
- **Strong B2B Sales:** Robust institutional sales to major clients such as ITC and Parle, supported by a pan-India production setup.
- **Growth in Alternate Channels:** Significant revenue contribution of INR 30,000 Mn from E-commerce and quick commerce, with a strong market share and utilization of AI for further growth.

Challenges:

- **Bangladesh Operations:** Facing challenges from economic instability and currency fluctuations, resulting in losses in H1FY25. Management remains optimistic for improvement due to recent policy changes by the new government.
- **Food Segment Margins:** Margins in the food and FMCG segment were affected by inflationary pressures, limiting the ability to fully pass on price increases to consumers. The company expects food inflation to normalize but will monitor this closely.

Outlook:

- **Growth Confidence:** Management is optimistic about continued growth, focusing on strengthening the distribution network, expanding reach in rural markets, and leveraging alternate channels.
- **Brand Building:** Emphasis on brand development and consumer engagement is essential for maintaining market share and driving future growth.
- **Employee Stock Ownership Plan (ESOP):** AWL plans to implement ESOP to retain talent and promote long-term growth, allocating 1.0% of issued shares to employees over a 2-4 year vesting period, pending regulatory and shareholder approvals.

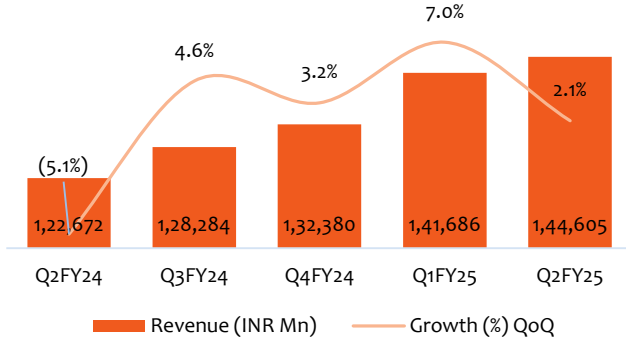
Valuation and view

In Q2FY25, Adani Wilmar reported robust growth, driven by strong volumes in Edible Oil and the Food & FMCG segments. Key growth factors include an extensive distribution network and local engagement initiatives. However, challenges remain, particularly in Bangladesh due to economic instability and inflationary pressures impacting food segment margins.

We lower our FY25E/FY26E Adj. EPS estimate by 3.6%/ 9.0%, respectively, driven by lower-than-expected performance in Q2FY25, along with ongoing economic instability in Bangladesh, inflationary pressures affecting food margins, and difficulties in implementing price increases. We expect Revenue/EBITDA/Adj. PAT to grow by 3.9%/ 9.8%/ 22.7% CAGR over FY23-26E. Adani Wilmar's share price is currently trading at 46.1x/39.2x its FY25E/FY26E EPS. We maintain a P/E multiple of 45.0x on FY26E EPS of INR 8.3 (previously: INR 9.1) to arrive at a target price of INR 373 per share (INR 410 per share earlier), implying an upside of 14.8% from the CMP. We maintain our 'ACCUMULATE' rating on the shares of Adani Wilmar Ltd.

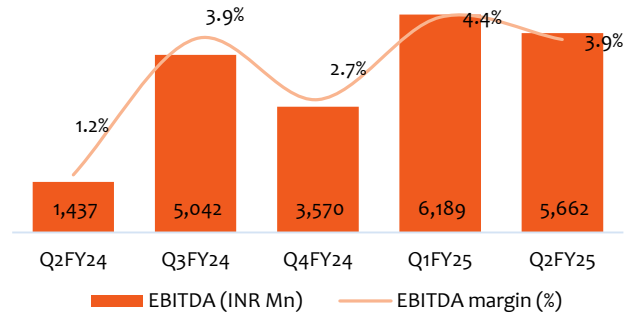
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Positive sequential revenue growth despite inflationary pressure



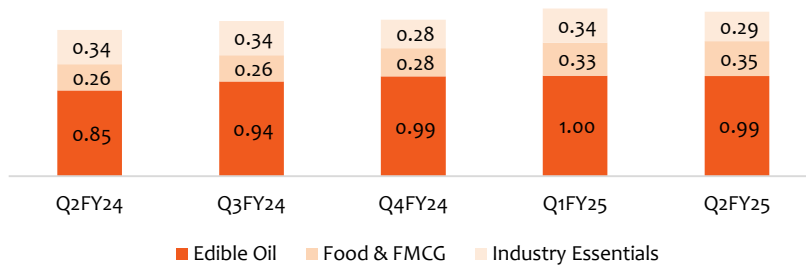
Source: Company, KRChoksey Research

EBITDA margin declined QoQ due to higher cost of material



Source: Company, KRChoksey Research

Continues volume growth in Food & FMCG segment (MMT)



Source: Company, KRChoksey Research

RESULT SNAPSHOT

Particulars (INR Mn)	Q2FY25A	Q1FY25A	Q2FY24A	QoQ	YoY
Total Operating Revenue	144,605	141,686	122,672	2.1%	17.9%
Total Expenditure	138,943	135,497	121,235	2.5%	14.6%
Cost of Raw Materials	123,644	115,636	107,111	6.9%	15.4%
Purchase of Stock	5,893	10,355	5,904	(43.1%)	(0.2%)
Changes in Inventories	(2,648)	(2,436)	(4,711)	(8.7%)	(43.8%)
Employee Cost	1,136	1,190	1,012	(4.6%)	12.3%
Other Expenses	10,918	10,753	11,918	1.5%	(8.4%)
EBITDA	5,662	6,189	1,437	(8.5%)	294.1%
EBITDA Margins (%)	3.9%	4.4%	1.2%	-45 bps	274 bps
Depreciation	924	964	957	(4.1%)	(3.5%)
EBIT	4,738	5,224	479	(9.3%)	888.4%
Interest Expense	1,767	1,656	2,202	6.7%	(19.7%)
Other Income	1,049	613	641	71.1%	63.7%
PBT	4,019	4,182	(1,083)	3.9%	271.2%
Exceptional Items	0	0	535	NA	(100.0%)
Tax	1,200	1,065	(315)	12.6%	280.4%
Share of Profit & MI	291	16	(5)	NA	NA
PAT	3,110	3,132	(1,307)	(0.7%)	137.9%
PAT Margin	2.2%	2.2%	(1.1%)	-6 bps	322 bps
Adjusted PAT	3,110	3,132	(772)	(0.7%)	302.8%
Adj. PAT Margin	2.2%	2.2%	(0.6%)	-6 bps	278 bps
EPS	2.4	2.4	(1.0)	(0.7%)	137.9%
Adj. EPS	2.4	2.4	(0.6)	(0.7%)	302.8%

Source: Company, KRChoksey Research

Adani Wilmar Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	581,848	512,616	587,880	652,545	717,306
COGS	521,832	452,748	517,201	573,471	630,975
Gross profit	60,016	59,868	70,679	79,074	86,331
Employee cost	3,938	4,208	4,783	5,139	5,727
Other expenses	39,469	44,308	46,727	52,204	57,384
EBITDA	16,610	11,353	19,169	21,732	23,220
EBITDA Margin	2.9%	2.2%	3.3%	3.3%	3.2%
D&A	3,585	3,639	3,601	4,073	4,440
EBIT	13,025	7,714	15,568	17,659	18,780
Interest expense	7,749	7,491	7,207	6,568	5,898
Other income	2,614	2,936	2,945	3,203	3,523
PBT	7,889	2,624	11,305	14,294	16,405
Tax	2,354	918	3,072	3,536	4,036
Share of profit of associates	286	(227)	914	0	0
PAT	5,821	1,480	9,147	10,758	12,369
Adj. PAT	5,821	2,015	9,147	10,758	12,369
EPS (INR)	4.5	1.1	7.0	8.3	9.5
Adj. EPS	4.5	1.6	7.0	8.3	9.5

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	6,633	2,890	9,853	14,465	16,163
CFFI	5,325	1,422	(2,410)	(3,321)	(3,590)
CFFF	(9,191)	(5,634)	(9,207)	(9,468)	(8,798)
Net Inc/Dec in cash	2,768	(1,323)	(1,764)	1,676	3,774
Opening Cash	1,271	3,949	2,587	823	2,499
Closing Cash	3,949	2,587	823	2,499	6,273

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	2.9%	2.2%	3.3%	3.3%	3.2%
Tax rate (%)	29.8%	35.0%	27.2%	24.7%	24.6%
Net Profit Margin (%)	1.0%	0.3%	1.6%	1.6%	1.7%
RoE (%)	7.1%	1.8%	9.9%	10.4%	10.7%
RoCE (%)	12.5%	7.2%	13.6%	14.4%	14.3%
Adj. EPS (INR)	4.5	1.6	7.0	8.3	9.5
P/E	72.5x	209.4x	46.1x	39.2x	34.1x

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	1,300	1,300	1,300	1,300	1,300
Other Equity	80,358	81,860	91,007	101,765	114,134
Total Equity	81,658	83,160	92,307	103,065	115,434
Non-Current Liabilities					
Provisions	6,130	5,929	5,929	5,929	5,929
Lease liabilities	1,185	1,485	1,485	1,485	1,485
Other Current Liabilities	3,954	3,383	3,383	3,383	3,383
Total Non-Current Liabilities	11,269	10,798	10,798	10,798	10,798
Current Liabilities					
Borrowings	22,257	24,154	22,154	19,254	16,354
Lease Liabilities	520	636	636	636	636
Trade Paybles	85,383	69,995	76,624	84,095	92,476
Other current liabilities	8,711	9,323	9,323	9,323	9,323
Total Current Liabilities	116,871	104,108	108,737	113,308	118,789
Total Liabilities	128,140	114,905	119,535	124,106	129,587
Non-Current Assets					
PPE	43,266	44,258	46,552	48,593	50,819
Investments	3,421	3,116	3,427	3,770	4,147
Other current assets	17,740	23,208	23,269	23,336	23,407
Total Non-Current Assets	64,427	70,582	73,249	75,699	78,373
Current Assets					
Inventories	76,812	72,038	82,293	91,246	100,396
Trade Receivables	19,314	17,829	20,447	22,696	24,948
Investments	500	0	0	0	0
Cash and Bank	3,948	2,586	823	2,499	6,273
Oher current assets	44,796	35,030	35,030	35,030	35,030
Total Current Assets	145,371	127,483	138,593	151,471	166,648
Total Assets	209,798	198,065	211,842	227,171	245,021

Adani Wilmar Ltd.

Adani Wilmar Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
29-Oct-24	325	373	ACCUMULATE
07-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

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%

ANALYST CERTIFICATION:

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