

## Company Overview

Adani Wilmar Limited (AWL) is a joint venture incorporated in 1999 between the Adani Group and Wilmar Group (one of the largest agribusiness MNC based in Singapore). Company's portfolio of products spans across 3 categories which are edible oil, packaged food and FMCG, and industry essentials. "Fortune" their flagship brand, is the largest selling edible oil brand in India with a market share of 18.3%. They also offer variety of packaged goods such as packaged wheat flour, rice, pulses, besan, sugar etc. and industry essentials such as oleo chemicals, castor oil etc. Currently, AWL has 22 plants which are strategically located across 10 states in India, comprising 10 crushing units and 19 refineries. And they also have 5590 distributors across India catering to 1.6 Million retail outlets.

## Objects of the issue

The IPO aims to utilize the net proceed for the following objectives;

- ⇒ Funding capital expenditure for expansion of existing manufacturing facilities and developing new manufacturing facilities
- ⇒ Repayment/prepayment of borrowings
- ⇒ Funding strategic acquisitions and investments and
- ⇒ General corporate purposes

## Investment Rationale

### Diversified product portfolio and dominant market share in products which constitute large share of kitchen spends across India

AWL is one of the few FMCG food companies that focuses on offering a portfolio made up of packaged consumer staples to consumers which accounts for approximately 66% of consumers spend on essential kitchen commodities in India. They are number 1 in edible oils (18%), soybeans(28%), mustard(10%) (Source:RHP). They also have significant presence in industry essentials and are largest oleo chemical manufacturers and largest exporters of castor oils in India as of March 31, 2020.

### Integrated business model with well-established operational infrastructure and manufacturing capabilities as well as extensive pan-India Distribution

AWL have an integrated manufacturing infrastructure which help them gain cost efficiency across their different business lines. With the help of backward and forward integrations as well as integration of different product lines at the same location, AWL is able to generate significant value added synergies. This capability is supported by their robust distribution to ensure the availability of their products anywhere in India. They are also investing in their digital presence through their own website and app called Fortune Online as well as partnering with third party e-commerce platforms such as Grofers. These investments has paid off well as online sales through e-commerce platforms increased by 53% from the FY20 to FY21.

## Valuation and Outlook

AWL is a joint venture that benefits from the synergies of Adani's in-depth understanding of the local markets & strong logistics across India and Wilmar's global sourcing capabilities & technical know-how. They have a presence in a wide array of products and are among the top 5 fastest growing packaged food companies in India, based on revenue growth in the last five years. (Source: Technopak Report). The company has strong financial performance and plans to become the leading packaged food and FMCG company in India by expanding through an Omni channel approach, creating brand awareness and launching new products. At the upper price band, the stock is valued at a P/E of 36.9 x based on FY22 annualized earnings, which is moderately priced compared to its listed peers such as HUL, Britannia, and Dabur, trading at a much higher P/E. Therefore, we give this issue a "SUBSCRIBE" rating for listing gain.

## Issue Details

Offer Period	27 <sup>th</sup> Jan - 31 <sup>th</sup> Jan 2022
Price Band	INR.218 to INR.230
Bid Lot	65
Listing	BSE&NSE
Issue Size (no. of shares in mn)	157.04.
Issue Size (INR. in bn)	36
Face Value	INR. 1

## Issue Structure

QIB	50 %
NIB	15 %
Retail	35 %

BRLM	Kotak Mahindra Capital, J.P. Morgan, BofA Securities, Credit Suisse, ICICI Securities, HDFC Bank, BNP Paribas
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Registrar	Link Intime India Pvt Ltd.
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## Particulars Pre Issue % Post Issue %

Promoter	100%	87.92%
Public	-	12.08%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Assuming issue subscribed at higher band)



## Income Statement (In mn)

Particulars	FY19	FY20	FY21	H1FY22
<b>Revenue</b>				
Revenue from operations	287,975	296,570	370,904	248,745
<b>Total Revenue</b>	<b>287,975</b>	<b>296,570</b>	<b>370,904</b>	<b>248,745</b>
<b>Expenses</b>				
Cost of materials consumed	218,448	223,266	322,761	219,650
Purchased of traded goods	31,850	25,739	11,588	10,631
Changes in inventories of finished goods and by products	353	4,697	(9,451)	(6,743)
Employee benefit expenses	2,069	2,239	3,217	1,706
Other expenses	23,942	27,534	29,536	15,431
<b>Total Operating Expenses</b>	<b>276,662</b>	<b>283,475</b>	<b>357,651</b>	<b>240,676</b>
<b>EBITDA</b>	<b>11,312</b>	<b>13,095</b>	<b>13,253</b>	<b>8,069</b>
Depreciation and amortization expense	1,993	2,413	2,673	1,441
Other income	1,222	1,100	1,052	828
<b>EBIT</b>	<b>10,541</b>	<b>11,782</b>	<b>11,632</b>	<b>7,455</b>
Finance Costs	4,869	5,692	4,066	2,910
<b>Profit before tax</b>	<b>5,673</b>	<b>6,090</b>	<b>7,566</b>	<b>4,545</b>
Current tax	1,273	1,569	2,819	866
Adjustment for tax relating to earlier periods	25	(31)	1	(0)
Deferred Tax Charge/ (charge)	825	522	(1,782)	330
<b>Total Tax</b>	<b>2,123</b>	<b>2,060</b>	<b>1,039</b>	<b>1,196</b>
<b>Profit for the period before the share of profit from Joint Ventures</b>	<b>3,550</b>	<b>4,030</b>	<b>6,528</b>	<b>3,348</b>
Share of profit in Joint Ventures	206	578	749	223
<b>PAT</b>	<b>3,755</b>	<b>4,609</b>	<b>7,276</b>	<b>3,571</b>
<b>Diluted EPS</b>	<b>3.3</b>	<b>4.0</b>	<b>6.4</b>	<b>3.1</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	H1FY22
Cash flow from operating activities	16,930	7,813	9,260	10,227
Cash flow from investing activities	(9,337)	(5,064)	(4,838)	(7,860)
Cash flow from financing activities	(7,623)	(78)	(7,310)	(2,004)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(29)</b>	<b>2,671</b>	<b>(2,888)</b>	<b>362</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>818</b>	<b>789</b>	<b>3,460</b>	<b>573</b>
<b>Cash and cash equivalents on acquisition of subsidiary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>796</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>789</b>	<b>3,460</b>	<b>573</b>	<b>1,731</b>

Source: RHP, BP Equities Research



## Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	H1FY22
<b>Liabilities</b>				
Share capital	1,143	1,143	1,143	1,143
Other equity	19,967	24,564	31,838	35,371
<b>Net worth</b>	<b>21,110</b>	<b>25,707</b>	<b>32,981</b>	<b>36,514</b>
Borrowings	9,647	11,464	10,241	9,408
Lease liabilities	534.3	796.84	734.93	908.66
Other financial liabilities	2,425	2,519	3,720	4,265
Provisions	192	248	275	534
Deferred tax liabilities (net)	2,885	3,893	2,089	2,473
<b>Total Non current liabilities</b>	<b>15,684</b>	<b>18,920</b>	<b>17,060</b>	<b>17,589</b>
Borrowings	8,648	11,539	8,799	10,035
Lease liabilities	238	254	274	295
Trade payables	66,504	56,971	62,644	104,659
Other financial liabilities	2,763	1,721	5,073	2,575
Other current liabilities	706	2,541	6,337	7,297
Provisions	48	62	69	103
Liabilities for current tax (net)	328	144	29	169
<b>Total Current liabilities</b>	<b>79,235</b>	<b>73,232</b>	<b>83,225</b>	<b>125,134</b>
<b>Total Liabilities</b>	<b>116,029</b>	<b>117,859</b>	<b>133,266</b>	<b>179,237</b>
<b>Assets</b>				
Property, plant & equipment	28,045	35,080	34,658	38,231
Right-of-use asset	2,039	2,317	2,207	2,368
Capital work in progress	5,704	3,249	5,305	6,879
Goodwill	-	-	-	547
Other intangible assets	189	182	149	141
Financial assets				
(i) Investments	1,470	2,060	2,821	3,045
(ii) Other financial assets	357	455	325	450
Deferred tax assets (net)	1	1	-	-
Income tax assets (net)	36	15	8	12
Other non-current assets	1,873	1,186	982	1,028
<b>Total Non Current Assets</b>	<b>39,714</b>	<b>44,545</b>	<b>46,455</b>	<b>52,700</b>
Inventories	40,416	38,264	47,777	75,652
Investments	-	-	500	500
Trade receivables	12,580	9,212	15,151	18,577
Cash and cash equivalents	789	3,460	573	1,731
Bank balances other than above	11,366	10,861	11,312	15,264
Loans	424	432	431	431
Other financial assets	2,475	3,747	1,304	3,162
Others current assets	8,265	7,339	9,764	11,221
<b>Total Current Assets</b>	<b>76,314</b>	<b>73,315</b>	<b>86,811</b>	<b>126,537</b>
Net Current Assets	(2,920)	83	3,587	1,403
<b>Total Assets</b>	<b>116,029</b>	<b>117,859</b>	<b>133,266</b>	<b>179,237</b>

Source: RHP, BP Equities Research

**Key Risks**

- ⇒ Unfavorable local and global weather patterns may have an adverse effect on the availability of raw materials. AWL does not have long term agreement with their suppliers for raw materials and are thus exposed to price fluctuations
- ⇒ The products of AWL are in the nature of commodities and thus subject to their fluctuations which may affect its profitability
- ⇒ AWL is in the food business and thus subject to wide range of safety, health and environmental laws and other applicable regulations and thus non-compliance with or changes in, these may adversely affect it's business, results of operations and financial condition



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Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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