

January 24, 2022

Adani Wilmar Ltd

Incorporated in 1999 as a joint venture between Adani Group and the Wilmar Group, Adani Wilmar Ltd (AWL) is an FMCG food company offering most of the essential kitchen commodities for Indian consumers, including edible oil, wheat flour, rice, pulses, and sugar. Company's portfolio of products spans across 3 categories: (i) edible oil, (ii) packaged food and FMCG, and (iii) industry essentials. They have presence across a wide array of sub-categories within each of these 3 categories. A significant majority of their sales pertain to branded products accounting for approximately 73% of their edible oil and food and FMCG sales volume for the financial year 2021.

Positives: (a) Diversified product portfolio with leading brands catering to most daily essentials of an Indian kitchen (b) Strong brand recall and broad customer reach (c) AWL has strong manufacturing capacity with 22 manufacturing units in India (d) AWL has the largest distribution network among all branded edible oil companies in India with 5,590 distributors.

Investment concerns: Volatility in raw material prices and increase in competition could impact the profitability of the company.

Outlook & Valuation: In terms of valuations, the post-issue TTM P/E works out to 37.6x (at the upper end of the issue price band), which is reasonable considering AWL's historical top-line & bottom-line CAGR of ~13% and ~39% respectively over FY19-21. Further, Adani Wilmar has strong brand recall, wide distribution, better financial track record and healthy ROE. Considering all the positive factors, we believe this valuation is at reasonable levels. **Thus, we recommend a subscribe rating on the issue.**

Key Financials

| Y/E March (₹ cr) | FY2019 | FY2020 | FY2021 | 1HFY21 | 1HFY22 |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 28,797 | 29,657 | 37,090 | 16,189 | 24,875 |
| % chg | | 3.0 | 25.1 | - | 53.7 |
| Net Profit | 376 | 461 | 728 | 289 | 357 |
| % chg | | 22.7 | 57.9 | - | 23.7 |
| OPM (%) | 3.9 | 4.4 | 3.6 | 4.1 | 3.2 |
| EPS (₹) | 3.3 | 4.0 | 6.4 | - | - |
| P/E (x) | 70.0 | 57.0 | 36.1 | - | - |
| P/BV (x) | 12.5 | 10.2 | 8.0 | - | - |
| RoE (%) | 16.8 | 15.7 | 19.8 | - | - |
| RoCE (%) | 23.6 | 21.9 | 20.3 | - | - |
| EV/Sales (x) | 0.9 | 0.9 | 0.7 | - | - |
| EV/EBITDA (x) | 23.7 | 20.6 | 20.1 | - | - |

Angel Research; Note: Valuation ratios based on post-issue shares and at ₹230 per share.

Subscribe

Issue Open: Jan 27, 2022

Issue Close: Jan 31, 2022

Issue Details

Face Value: ₹1

Present Eq. Paid up Capital: ₹114.3cr

Fresh Issue: ₹3,600cr

Post Eq. Paid up Capital: ₹130.0cr

Issue size (amount): ₹3,600cr

Price Band: ₹218-230

Lot Size: 65 shares

Post-issue mkt.cap: ₹28,528*– 29,900cr**

Promoter holding Pre-Issue: 100.0%

Promoter holding Post-Issue: 87.9%

*Calculated on lower price band

** Calculated on upper price band

Book Building

| | |
|-------------------|-----|
| QIBs | 50% |
| Non-Institutional | 15% |
| Retail | 35% |

Post Issue Shareholding Pattern

| | |
|-----------|-------|
| Promoters | 87.9% |
| Public | 12.1% |

Jyoti Roy

jyoti.roy@angelbroking.com

+022 4000 3600, Extn: 6810

Company background

Incorporated in 1999 as a joint venture between Adani Group and the Wilmar Group, Adani Wilmar is an FMCG food company offering most of the essential kitchen commodities for Indian consumers, including edible oil, wheat flour, rice, pulses, and sugar. The company also offers a diverse range of industry essentials, including oleochemicals, castor oil and its derivatives, and de-oiled cakes. The company's products are offered under a diverse range of brands across a broad price spectrum and cater to different customer groups.

The company's product portfolio is categorized into (i) edible oil, (ii) packaged food and FMCG, and (iii) industry essentials. "Fortune", the company's flagship brand, is the largest selling edible oil brand in India. Recently the company has focused on value-added products and has launched products such as edible oil products, rice bran health oil, fortified foods, ready-to-cook soya chunks, khichdi, etc in line with this.

The company operates 22 plants located across 10 states in India, comprising 10 crushing units and 19 refineries. The company's refinery in Mundra is one of the largest single-location refineries in India with a capacity of 5,000 MT per day. In addition to the 22 plants Adani Wilmar, also used 36 leased tolling units as of Sep 31, 2021, for additional manufacturing capacities.

As of September 30, 2021, the company had 5,590 distributors in India located in 28 states, and eight union territories, catering to over 1.6 million retail outlets (Source: Technopak Report). Further, the company had 88 depots in India, with an aggregate storage space of approx. 1.8 million square feet across the country.

Issue details

AWL is raising ₹3,600cr through fresh issue in the price band of ₹218-230.

Exhibit 1: Pre and post IPO shareholding pattern

| No of shares | (Pre-issue) | % | (Post-issue) | % |
|--------------|----------------------|----------------|----------------------|----------------|
| Promoter | 1,142,948,860 | 100.00% | 1,142,948,860 | 87.92% |
| Public | NA | - | 157,038,646 | 12.08% |
| Total | 1,142,948,860 | 100.00% | 1,299,987,506 | 100.00% |

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- Funding capital expenditure for expansion of existing manufacturing facilities and developing new manufacturing facilities - ₹1,900cr
- Repayment/prepayment of borrowings – ₹1058.9cr
- Funding strategic acquisitions and investments -₹450cr; and
- General corporate purposes.

Exhibit 2: Consolidated Profit & Loss Statement

| Y/E March (` cr) | FY2019 | FY2020 | FY2021 |
|--------------------------------|---------------|---------------|---------------|
| Net Sales | 28,797 | 29,657 | 37,090 |
| % chg | | 3.0 | 25.1 |
| Total Expenditure | 27,666 | 28,348 | 35,765 |
| Raw Material | 24,119 | 24,451 | 31,518 |
| Personnel | 207 | 224 | 322 |
| Others Expenses | 3,340 | 3,672 | 3,925 |
| EBITDA | 1,131 | 1,310 | 1,325 |
| % chg | | 15.8 | 1.2 |
| (% of Net Sales) | 3.9 | 4.4 | 3.6 |
| Depreciation & Amortisation | 199 | 241 | 267 |
| EBIT | 932 | 1,068 | 1,058 |
| % chg | | 14.6 | (1.0) |
| (% of Net Sales) | 3.2 | 3.6 | 2.9 |
| Interest & other Charges | 487 | 569 | 407 |
| Other Income | 122 | 110 | 105 |
| (% of PBT) | 21.5 | 18.1 | 13.9 |
| Recurring PBT | 567 | 609 | 757 |
| % chg | | 7.4 | 24.2 |
| Tax | 212 | 206 | 104 |
| (% of PBT) | 37.4 | 33.8 | 13.7 |
| PAT before P/L Asso.Co. | 355 | 403 | 653 |
| Share in profit of Associates | 21 | 58 | 75 |
| PAT after P/L Asso.Co. | 376 | 461 | 728 |
| Basic EPS (Rs) | 3.3 | 4.0 | 6.4 |
| % chg | | 22.7 | 57.9 |

Source: Company, Angel Research

Consolidated Balance Sheet

| Y/E March (` cr) | FY2019 | FY2020 | FY2021 |
|-----------------------------|--------------|--------------|--------------|
| SOURCES OF FUNDS | | | |
| Equity Share Capital | 114 | 114 | 114 |
| Reserves & Surplus | 1,997 | 2,456 | 3,184 |
| Shareholders Funds | 2,111 | 2,571 | 3,298 |
| Total Loans | 1,829 | 2,300 | 1,904 |
| Deferred Tax Liability | 383 | 440 | 290 |
| Total Liabilities | 4,324 | 5,311 | 5,492 |
| APPLICATION OF FUNDS | | | |
| Net Block | 3,027 | 3,758 | 3,701 |
| Capital Work-in-Progress | 570 | 325 | 531 |
| Investments | 147 | 206 | 332 |
| Current Assets | 7,858 | 7,497 | 8,763 |
| Inventories | 4,042 | 3,826 | 4,778 |
| Sundry Debtors | 1,258 | 921 | 1,515 |
| Cash | 1,215 | 1,432 | 1,188 |
| Loans & Advances | 1,116 | 1,152 | 1,150 |
| Other Assets | 227 | 166 | 132 |
| Current liabilities | 7,374 | 6,526 | 7,916 |
| Net Current Assets | 484 | 971 | 847 |
| Deferred Tax Asset | 95 | 51 | 81 |
| Total Assets | 4,324 | 5,311 | 5,492 |

Source: Company, Angel Research

Exhibit 3: Consolidated Cash Flow Statement

| Y/E March (₹ cr) | FY2019 | FY2020 | FY2021 |
|----------------------------------|--------------|--------------|--------------|
| Profit before tax | 567 | 609 | 757 |
| Depreciation | 199 | 241 | 267 |
| Change in Working Capital | 837 | (495) | 108 |
| Interest / Dividend (Net) | 262 | 338 | 260 |
| Direct taxes paid | (134) | (121) | (294) |
| Others | (39) | 209 | (172) |
| Cash Flow from Operations | 1693 | 781 | 926 |
| (Inc.)/ Dec. in Fixed Assets | (908) | (631) | (462) |
| (Inc.)/ Dec. in Investments | (26) | 124 | (22) |
| Cash Flow from Investing | (934) | (506) | (484) |
| Issue of Equity | 0 | 0 | 0 |
| Inc./(Dec.) in loans | (424) | 396 | (395) |
| Dividend Paid (Incl. Tax) | 0 | 0 | 0 |
| Interest / Dividend (Net) | (338) | (404) | (336) |
| Cash Flow from Financing | (762) | (8) | (731) |
| Inc./(Dec.) in Cash | (3) | 267 | (289) |
| Opening Cash balances | 82 | 79 | 346 |
| Closing Cash balances | 79 | 346 | 57 |

Source: Company, Angel Research

Key Ratios

| Y/E March | FY2019 | FY2020 | FY2021 |
|--|--------|--------|--------|
| Valuation Ratio (x) | | | |
| P/E (on FDEPS) | 70.0 | 57.0 | 36.1 |
| P/CEPS | 47.4 | 40.8 | 28.6 |
| P/BV | 12.5 | 10.2 | 8.0 |
| EV/Sales | 0.9 | 0.9 | 0.7 |
| EV/EBITDA | 23.7 | 20.6 | 20.1 |
| EV / Total Assets | 6.2 | 5.1 | 4.9 |
| Per Share Data (₹) | | | |
| EPS (Basic) | 3.3 | 4.0 | 6.4 |
| EPS (fully diluted) | 3.3 | 4.0 | 6.4 |
| Cash EPS | 4.8 | 5.6 | 8.0 |
| Book Value | 18.5 | 22.5 | 28.9 |
| Returns (%) | | | |
| ROCE | 23.6 | 21.9 | 20.3 |
| Angel ROIC (Pre-tax) | 36.1 | 33.0 | 28.7 |
| ROE | 16.8 | 15.7 | 19.8 |
| Turnover ratios (x) | | | |
| Asset Turnover (Net Block) | 9.5 | 7.9 | 10.0 |
| Inventory / Sales (days) | 51 | 47 | 47 |
| Receivables (days) | 16 | 11 | 15 |
| Payables (days) | 31 | 18 | 10 |
| Working capital cycle (ex-cash) (days) | 36 | 40 | 52 |

Source: Company, Angel Research

Research Team Tel: 022 - 40003600

E-mail: research@angelbroking.comWebsite: www.angelone.in

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