

**ADANI WILMAR LIMITED**
**January 25, 2022**


For a healthy growing nation

**Issue Highlights**

Industry	<b>FMCG</b>
Fresh Issue (Shares)	156,521,739
Employee Reservation Portion	4,652,174
Shareholder Reservation Portion	15,652,174
<b>Net Offer to the Public</b>	<b>156,521,739</b>
Issue Size (Rs. Cr.)	3412-3600
Price Band (Rs.)	218-230
EMPLOYEE Discount	21
Offer Date	27-Jan-22
Close Date	31-Jan-22
Face Value	1
Lot Size	65

Issue Composition	<b>In shares</b>
Total Issue for Sale	156,521,739
QIB	78,260,870
NIB	23,478,261
Retail	54,782,609.0

<b>Shareholding Pattern (%)</b>		
<b>Particulars</b>	<b>Pre-issue</b>	<b>Post-issue</b>
Promoters & promoters group	100.00%	87.95%
QIB	0.00%	6.02%
NIB	0.00%	1.81%
Retail	0.00%	4.22%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Objects of the Issue**

Funding capital expenditure for expansion of existing manufacturing facilities and developing new manufacturing facilities ("Capital Expenditure");
Repayment/prepayment of borrowings;
Funding strategic acquisitions and investments; and
General corporate purposes.

**Book Running Lead Manager**

- Kotak Mahindra Capital Company Limited
- J.P. Morgan India Private Limited
- BofA Securities India Limited
- Credit Suisse Securities (India) Private Ltd
- ICICI Securities Limited
- HDFC Bank Limited
- BNP Paribas

**Name of the registrar**

- Link Intime India Private Limited

**About the company**

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. 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. 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. The company's distributors are in 28 states and 8 union territories throughout India, catering to over 1.6 million retail outlets. As of September 30, 2021, the company had 88 depots in India, with an aggregate storage space of approx. 1.8 million square feet across the country.

**Strength**

**Differentiated and diversified product portfolio with market leading brands to capture large share of kitchen spends across India:** The company focuses on offering a wide portfolio of packaged consumer staples, including edible oil, wheat flour, rice, pulses, besan, soya chunks and sugar, to consumers. It is one of the few large FMCG food companies in India to offer most of the primary kitchen commodities for Indian consumers, including edible oil, wheat flour, rice, pulses and sugar. Commodities, such as edible oils, wheat flour, rice, pulses and sugar, account for approximately 66% of the spend on primary kitchen commodities in India. In addition to a wide variety of edible oil products and packaged foods, it has recently launched FMCG, including soaps, handwash and sanitizers. Its diversified product portfolio has enabled it to reduce reliance on a single category of products. As of March 31, 2021, the company was present in one out of three households in India with a household reach of 90.51 million through its Fortune brand. The company believes that its strong brand recall has enabled it to market its products at a premium price. It is present in most of the packaged food categories through its "Fortune" brand. The brand structure using a single brand identity for multi-categories optimizes its marketing costs and enhances its brand equity.

**Leading consumer Product Company in India with leadership in branded edible oil and packaged food business :** As of March 31, 2021, the ROCP market share of its branded edible oil was 18.30%, putting it as the dominant No. 1 edible oil brand in India. The company is among the top 5 fastest growing packaged food companies in India, based on the growth in revenues during the last five years. Its FMCG portfolio covers soaps, handwash and sanitizers. The revenue it generated from sales of soap increased by 175.60% from Rs 15.97 Crore for the fiscal year 2020 to Rs 44 Crore for the fiscal year 2021. Its personal hygiene products, such as soaps, have presence in rural areas as it offers them at affordable prices in order to cater to the rural markets

**Strong raw material sourcing capabilities:** Its raw material sourcing capabilities are supported by its market standing and extensive business networks. It imports a significant

**SMC Ranking**


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portion of raw materials, and its market leadership has facilitated the company to source raw materials from top global suppliers from the international markets. In the financial year 2021, approximately 30% of its imported raw materials by value were sourced from Wilmar Group. The company also benefits from the market intelligence on price movements in the international market from Wilmar Group to manage its price risk associated with imports of raw materials.

**Integrated business model with well-established operational infrastructure and strong manufacturing capabilities:** The company operates an integrated manufacturing infrastructure to derive cost efficiency across its different business lines. Such integrated manufacturing infrastructure has enabled it to share supply chain, storage facilities, distribution network and experienced manpower among different products and reduce the overall costs for processing and logistics. The company has 22 plants in India which are strategically located across 10 states, comprising 10 crushing units and 19 refineries with an aggregate designed capacity of 8,525 MT per day and 16,285 MT per day, respectively, as of September 30, 2021. Out of the 19 refineries, ten are port-based to facilitate use of imported crude edible oil and reduce transportation costs, while the remaining are typically located in the hinterland in proximity to raw material production bases to reduce storage costs. Its refinery in Mundra is the largest single location refinery in India with a designed capacity of 5,000 MT per day. In addition, as of September 30, 2021, it had 36 tolling units across India to cater to the excess demand and ensure its presence across different parts of the country, which produce mustard oil, rice bran oil, wheat flour, rice, pulses, sugar, soya chunks and khichdi with raw materials it provides. Its integrated business model and strong manufacturing capabilities have led to a competitive advantage, which helps solidify its market position.

**Extensive pan-India distribution network:** From the financial year 2019 to the financial year 2021, the number of its distributors in India experienced a 33% growth. As of September 30, 2021, it had 5,590 distributors in India located in 28 states and eight union territories, catering to over 1.6 million retail outlets, representing approximately 35% of the retail outlets in India. Its pan-India presence is supported by a robust distribution infrastructure to ensure the availability of its products. As of September 30, 2021, it had 88 depots in India, with an aggregate storage space of approximately 1.8 million square feet across the country to ensure availability of its products. Apart from its presence in general trade outlets and modern trade outlets, it has been utilizing Fortune Foods, its exclusive website to showcasing the entire basket of products available under the Fortune brand, and Fortune Online, which is a one-stop-online shop for all the products under the Fortune brand. Currently, customers in 25 cities can place orders through Fortune Online. Furthermore, it has recently launched Fortune Mart, which are franchised physical stores to showcase its Fortune-branded products and which also serve as fulfillment centers for home delivery of products ordered through Fortune Online. In addition, it partners with certain e-commerce platforms, such as Grofers, and its products are available across major e-commerce platforms. Its online sales in India through e-commerce platforms increased by 53.30% from the financial year 2020 to 2021.

## Strategy

**Become the leading packaged food and FMCG company in India:** The packaged food market is growing at a CAGR of approximately 11% from the fiscal year 2020 to the fiscal year 2025, which is at almost double the pace of the overall food category. It is expected that the packaged food market will gain a market share of 20% by the fiscal year 2025 from a market share of 14% in the fiscal year 2015. Its leverage its established brands and expertise and these industry trends to further strengthen the portfolio of its core “in the kitchen” products. It also intends to enhance its packaged food portfolio by introducing new value-added products, including functional foods and healthy foods, to target the young demographic. It will also continue to strengthen its leading position in the edible oil market by introducing additional premium products. To target health conscious consumers, its aim to focus on health benefits in its development of new edible oil products.

**Further expand its distribution network with an omni-channel approach:** The company will

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continue to adopt its omni-channel strategy and endeavors to extend its customer reach through e-commerce platforms, including its Fortune Online portal, and Fortune Mart stores which serve as fulfilment centres for home delivery of products ordered through Fortune Online. The company aims to expand its online reach from current 25 cities to 100 cities in the next few years. It also aims to have more than 40 Fortune Mart stores opened across India in the next few years.

**Focus on increasing brand awareness:** It will continue to invest in strengthening its brands in India. In the financial years 2019, 2020, 2021 and the six months ended September 30, 2021, its advertising expenses is Rs.135.64 crore, Rs.166.28 crore, Rs.156.37 crore and Rs. 100.47 crore, or 0.47%, 0.56%, 0.42% and 0.41% of its revenue from operations, respectively. It will employ celebrity endorsement, digital advertising and other brand building initiatives in its marketing campaigns to increase its brand awareness.

**Continue to launch new products and enhance the customer base:** Its plan to launch new products to capture consumer trends. It has been evaluating new products in adjacent categories, based on a set of criteria, including its ability to create a differentiated offering, competitive intensity, go-to-market capability, back-end product fitment, category, scale and profitability of the new products. It expects new products to increase its market share and further expand its customer base. In addition, it is exploring to leverage the Adani Group's access to a wide retail customer base from its gas, electricity and airport businesses for cross-selling of its products.

**Focus on multiple drivers for margin expansion:** The company intends to focus on to drive its margin expansion by Market share consolidation; Integrated manufacturing facilities; Optimize overheads; Leverage scale to improve sitscing and ramp-up sales.

### Risk factors

- Unfavorable local and global weather patterns may have affected its business.
- The company has a significant portion of its revenue from edible oil business and any reduction in demand can affect business.
- The company depends significantly on imports of raw materials in addition to domestic supplies. Any inadequate supply or increase in costs can affect business.
- The company does not have long term agreements with suppliers for its raw materials.

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Britannia Inds.	13049.85	1593.84	66.17	53.25	47.07	74.86	1	3523.70	84874.76
Nestle India	14345.04	2241.51	232.48	80.48	80.62	232.07	10	18710.15	180395.25
Hind. Unilever	50298.00	8761.00	37.56	60.87	11.20	204.11	1	2286.10	537140.06
Tata Consumer	12148.36	725.26	8.55	80.95	4.38	158.11	1	692.15	63785.20
Dabur India	10494.75	1811.52	10.25	53.32	11.87	46.04	1	546.50	96613.36
Marico	9078.00	1191.00	9.32	50.61	15.46	30.51	1	471.65	60954.46
Adani Wilmar Limited*	49749.04	714.27	6.25	41.84	3.93	58.55	1	230.00	29887.82

\* Financials are annualised FY22

\*\*Peer companies financials are based on TTM

### Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.230, the stock is priced at pre issue P/E of 36.80x on estimated annualised FY22 EPS of Rs.6.25. Post issue, the stock is priced at a P/E of 41.84x on its EPS of Rs.5.50. Looking at the P/B ratio at Rs.230, pre issue, book value of Rs. 31.95 of P/Bvx 7.20x. Post issue, book value of Rs.58.55 of P/Bvx 3.93x.

Considering the P/E valuation, on the upper end of the price band of Rs.218, the stock is priced at pre issue P/E of 34.88x on estimated annualised FY22 EPS of Rs.6.25. Post issue, the stock is priced at a P/E of 39.66x on its EPS of Rs.5.50. Looking at the P/B ratio at Rs.218, pre issue, book value of Rs. 31.95 of P/Bvx 6.82x. Post issue, book value of Rs.58.55 of P/Bvx 3.72x.



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### Industry overview

The Indian packaged food retail market, estimated at ~INR 6,00,000 Cr in FY 2020 contributes only 15% to the total food and grocery retail market estimated at INR 39,45,000 Cr in FY 2020. However, the penetration of packaged food is limited in the Indian households. Annual per capita spend on all categories of packaged food in India is estimated to be ~INR 4,650, much lesser as compared to China at ~INR 16,000 and the USA at more than INR 1,12,500. Demand for packaged foods surged in the first quarter of FY 2021 as people stocked up in panic during the lockdown period. The shutting down of foodservice options also led to a rise in the eating occasions at home. While other sectors in retail are expected to contract by 30-35% during Financial Year 2021. The shift towards packaged food from unpackaged unbranded products, premiumisation trend, and competition amongst bigger brands leading to innovative product offering is fuelling growth within packaged food. Categories such as staples, dairy and processed food and beverages are expected to drive growth in the packaged food segment. The edible oil retail market is estimated to be ~INR 1,79,500Cr in FY 2020 and is expected to grow at a CAGR of 6% in the coming 5 years. It has been growing steadily at a CAGR of 6% in the last five years. The share of unbranded play is consistently dropping and is estimated to shrink to ~ 10% by FY 2025.

### Outlook

Adani Wilmar has the largest distribution network among all branded edible oil players in India with approximately 5,600 distributors across 28 states and 8 union territories throughout India, catering to over 1.6 million retail outlets. Apart from presence in general and modern brick and mortar trade and omnichannel presence across all e-commerce platforms it also sells through Fortune Online, which is a one-stop-online shop for all the products under the Fortune brand and Fortune Mart, which are franchised physical stores to showcase Fortune-branded products and which also serve as fulfillment centers for home delivery of products ordered through Fortune Online. It is estimated that there are around 4.5 Mn retail outlets present in India and Adani Wilmar covers almost 35% of those. A long term investor may opt the issue.

### An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	Jan 27, 2022
Bid/Offer Closing Date	Jan 31, 2022
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about Feb 03, 2022
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about Feb 04, 2022
Credit of Equity Shares to depository accounts of Allotees	On or about Feb 07, 2022
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Feb 08, 2022



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### Consolidated Financials

#### Profit & Loss

Particulars	Period ended	Period ended	Period ended
	30-Sep-21 (6 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	24874.52	37090.42	29657.04
Total expenditure	24067.63	35765.10	28347.51
<b>Operating Profit</b>	<b>806.89</b>	<b>1325.32</b>	<b>1309.53</b>
OPM%	3.24	3.57	4.42
Other Income	82.77	105.24	109.95
<b>PBDIT</b>	<b>889.66</b>	<b>1430.56</b>	<b>1419.48</b>
Depreciation	144.15	267.31	241.27
<b>PBIT</b>	<b>745.51</b>	<b>1163.25</b>	<b>1178.21</b>
Interest	291.03	406.61	569.19
<b>PBT</b>	<b>454.48</b>	<b>756.64</b>	<b>609.01</b>
Tax	119.65	103.87	205.98
<b>Restated Profit for the period / year before Share in Joint Ventures</b>	<b>334.83</b>	<b>652.77</b>	<b>403.04</b>
Share of profit in Joint ventures	22.30	74.88	57.84
<b>PAT</b>	<b>357.13</b>	<b>727.65</b>	<b>460.87</b>

Balance sheet is on next page

**Balance Sheet**

Rs. in Cr.

<b>Particulars</b>	<b>As on 30-Sep-21</b>	<b>As on 31-Mar-21</b>	<b>As on 31-Mar-20</b>
<b>Non-current assets</b>			
Property, plant and equipment	3823.10	3465.76	3508.00
Right-of-Use Assets	236.83	220.73	231.67
Capital work-in-progress	687.86	530.53	324.89
Goodwill	54.67	0.00	0.00
Other intangible assets	14.14	14.90	18.19
<b>Financial Assets</b>			
Investments	304.46	282.06	206.02
Other financial assets	44.96	32.53	45.49
Deferred Tax Assets (Net)	0.00	0.00	0.08
Income Tax Asset (net)	1.20	0.82	1.50
Other non-current assets	102.76	98.18	118.62
<b>Total non-current assets</b>	<b>5269.98</b>	<b>4645.51</b>	<b>4454.46</b>
<b>Current assets</b>			
Inventories	7565.21	4777.70	3826.43
<b>Financial Assets</b>			
Investments	50.00	50.00	0.00
Trade receivables and contract assets	1857.66	1515.14	921.18
Cash and cash equivalents	173.11	57.25	346.00
Bank balance other than (c) above	1526.38	1131.21	1086.10
Loans	43.06	43.06	43.16
Other Financial Assets	316.19	130.39	374.67
Other current assets	1122.14	976.37	733.92
<b>Total current assets</b>	<b>12653.73</b>	<b>8681.13</b>	<b>7331.46</b>
<b>Total Assets</b>	<b>17923.71</b>	<b>13326.64</b>	<b>11785.92</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	940.84	1024.09	1146.39
Lease Liabilities	90.87	73.49	79.68
Other financial liabilities	426.53	372.03	251.87
Deferred tax liabilities (net)	53.38	27.52	24.82
Provisions	247.28	208.91	389.27
<b>Total financial liabilities</b>	<b>1758.90</b>	<b>1706.04</b>	<b>1892.02</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	1003.52	879.91	1153.89
Lease liabilities	29.50	27.42	25.40
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	63.66	76.03	6.08
Total outstanding dues of creditors other than micro enterprises and small enterprises	10402.27	6188.34	5691.01
Other financial liabilities	257.50	507.34	172.07
Other current liabilities	729.74	633.68	254.14
Provisions	10.32	6.88	6.24
Liabilities for Current Tax (Net)	16.89	2.86	14.37
<b>Total current liabilities</b>	<b>12513.39</b>	<b>8322.46</b>	<b>7323.20</b>
<b>Total</b>	<b>14272.29</b>	<b>10028.50</b>	<b>9215.22</b>
<b>NET Worth</b>	<b>3651.42</b>	<b>3298.14</b>	<b>2570.70</b>
Net worth represented by:			
Share capital	114.30	114.30	114.30
Other Equity	3537.12	3183.85	2456.40
<b>Net Worth</b>	<b>3651.42</b>	<b>3298.14</b>	<b>2570.70</b>



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## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★ ★
<b>FAIR</b>	★ ★ ★
<b>GOOD</b>	★ ★ ★ ★
<b>EXCELLENT</b>	★ ★ ★ ★ ★

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