

# NHC FOODS LTD.



## Micro-Cap Multibagger



- ❖ ***Investment Philosophy***
- ❖ ***Company Snapshot***
- ❖ ***Industry Overview***
- ❖ ***Company Overview***
- ❖ ***NHC Food's Brand Portfolio***
- ❖ ***NHC Food's Product Portfolio***
- ❖ ***Financial Analysis (3/3)***
- ❖ ***Performance in Charts – NHC Food***
- ❖ ***Management Guidance & Recent Updates***
- ❖ ***Peer Comparison***
- ❖ ***Short Overview~ ADF Foods Ltd.***
- ❖ ***SWOT Analysis***
- ❖ ***Eminent Management Team***
- ❖ ***NHC Foods ~Vision 2026***
- ❖ ***Investment Rationale***
- ❖ ***Conclusion***
- ❖ ***Statutory Disclosure***



***According to Warren Buffett, the two golden rules of investing are: Rule #1 - Never lose money; Rule #2 - Never forget rule #1***

- ❖ *Investing can seem intimidating at first. Most people are wary of putting their hard-earned money on the line, but with some research and due diligence, you can build a robust investment portfolio. If you want to learn how to invest money, but don't know where to begin, here are some points that can help you formulate an investment strategy.*

- |  |  |
|--|--|
| 1. Buy and hold                            | 5. Know the difference between price and value   |
| 2. Stay with cash if necessary             | 6. Choose the right news to focus on             |
| 3. Invest in companies you understand      | 7. Sell at the right time                        |
| 4. Look for quality companies to invest in | 8. Invest like you are buying the entire company |

- ❖ *Investing is often made out to be harder than it needs to be. By following Warren Buffett's simple approach rooted in common sense, you can learn to manage your portfolio better and reduce the number of costly errors while earning a higher return on your investment. Investing is often made out to be harder than it needs to be. By following Warren Buffett's simple approach rooted in common sense, you can learn to manage your portfolio better and reduce the number of costly errors while earning a higher return on your investment.*
- ❖ ***Our Latest Recommendation NHC Foods Ltd. is expected to perform wonders in coming 3-4 years of time frame into the FMCG industry. It's strong business model, competitive approach, strategic planning and decision making, rich promoter experience and strong financials will enable the company's future growth.***

# Company Snapshot

- ❖ **Single Phase Buying Strategy = Buy between INR 38-42 (CMP = 39 as on 12th May'23).**
- ❖ **Price Target = INR 80 in next 12 months & INR 400+ in next 5 years.**
- ❖ **It can deliver ~50-60% CAGR over the period of next 5 years.**

## INTRODUCTION

- ❖ NHC Foods was incorporated on 4<sup>th</sup> August 1992. The roots of NHC Foods Limited go back to 1960 with the aim of promoting export of Indian spices and foodstuff to the world. Today it is 3rd generation in working. It is a B2B Business.
- ❖ NHC Foods Limited is a Government Recognized Two Star Export House engaged in the Business of Exports of Whole & Ground Spices, Lentils, Pulses, Grains, Oil Seeds and various other Agri-products and Assorted Food Products.
- ❖ NHC Foods Limited (the Company) is a growing Indian food processing company i.e. manufacturer and exporter of whole and blended spices.
- ❖ NHC Foods Limited is Exporting the above-mentioned Commodities to more than 85 Countries World-wide.

Market Cap: INR ₹ 46 Cr.

Current Price: INR 39 (12<sup>th</sup> May 2023)

52 weeks H/L: ₹43.4 / 14.6

ROE: 6.41%

Stock P/E: 24.5

Market cap to sales: 0.26

ROCE: 9.51%

Debt to Equity: 1.44

Dividend Yield: 0.00 %

EPS: Rs 1.36/share

Promoter Holding: 42.2%

Dividend Payout: 0.00%

ROA: 2.2%

Profit Growth (3Y): 4%

Cash Conversion Cycle: 66

Source: Screener.in, As on 12<sup>th</sup> May, 2023

# Industry Overview

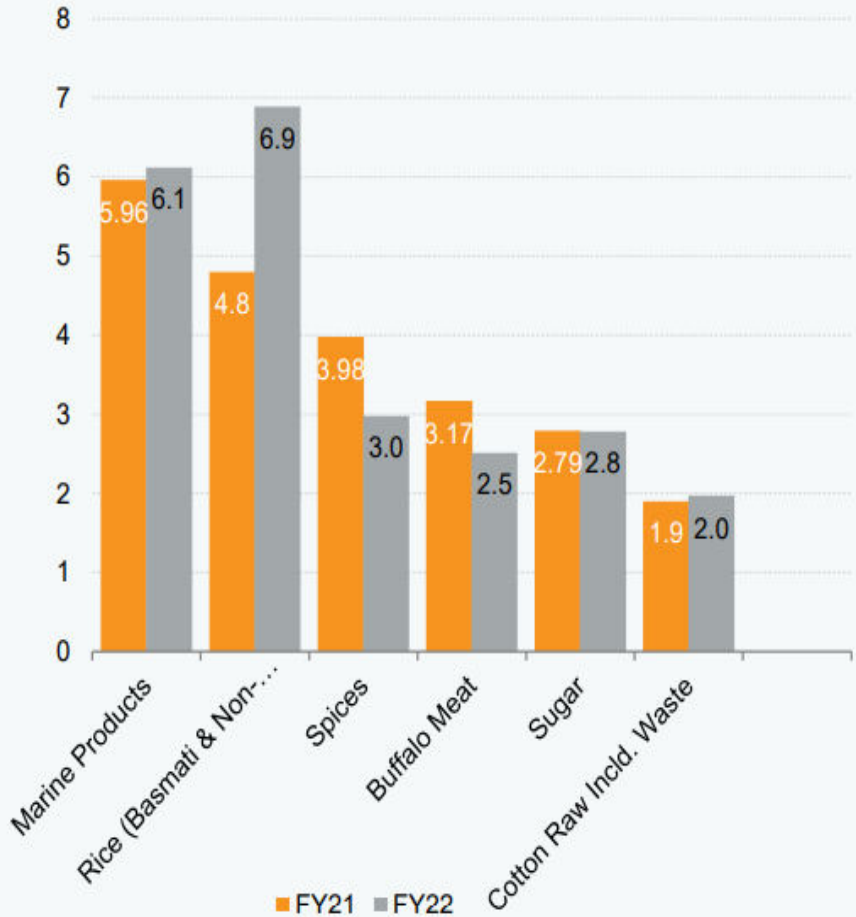
- ❖ In the 2020-21 crop year, food grain production reached a record of 305.4 million tonnes. As per the second advance estimates, **foodgrain production in India is estimated to be 316.06 MT in FY 2021-22.**
- ❖ **Gross Value Added by the agriculture and allied sector is 18.8% in FY 2021-22** (upto 31 January, 2022).
- ❖ **As per the Budget 2022-23, Rs. 1.24 lakh crore (US\$ 15.9 billion) has been allocated to Department of Agriculture, Cooperation and Farmers' Welfare.**
- ❖ India's agricultural and processed food products exports stood at US\$ 9,598 million in FY 2022-23 (April-July 2022), up by 30% YoY.

## Opportunities Ahead

- ❖ Increase in demand for agricultural inputs such as hybrid seeds and fertilizers.
- ❖ India can be among the top five exporters of agro-commodities by shifting its focus on cultivation and effectively handholding farmers World Trade Centre.
- ❖ Investment opportunities to arise in agriculture, food infrastructure and contract farming.

Crop	US \$ Billion
Rice (Basmati and Non-Basmati)	6.89
Marine products	6.12
Spices	2.98
Buffalo Meat	2.51
Sugar	2.78
Cotton raw including Waste	1.97
Oil Meal	0.75

Key Agricultural and Allied Sector Exports from India (US\$ billion)



Source: www.ibef.org



# Company Overview

- ❖ **History:** The roots of NHC Foods Limited go back to 1960 with the aim of promoting export of Indian spices and foodstuff to the world. Today it is 3rd generation in working. It is a B2B Business.
- ❖ **Business model:** NHC Foods Limited is a Government Recognized Two Star Export House engaged in the Business of Exports of Whole & Ground Spices, Lentils, Pulses, Grains, Oil Seeds and various other Agri-products and Assorted Food Products.
- ❖ NHC Foods Limited (the Company) is a growing Indian food processing company i.e. manufacturer and exporter of whole and blended spices.
- ❖ **Product reach:** NHC Foods Limited is Exporting the above-mentioned Commodities to more than 85 Countries World-wide.
- ❖ **Product Portfolio:** At present NHC Foods Limited is exporting more than 50 types of Whole Spices, Ground Spices, Oil Seeds, Grains, Pulses, Animal Feeds, Dehydrated Foods Products, Assorted Food Products, and Ready to Eat Food Products to all its Clients world-wide.
- ❖ **Existing Clientele:** Singapore, USA, Canada, Israel, Russia, Spain, New Zealand, Hong Kong, Malaysia, China, Indonesia, Vietnam, Thailand, Taiwan, UAE, Saudi Arabia, Kuwait, Bahrain, Turkey, Egypt, Mauritius, Sri Lanka, Brazil, Ukraine, Iran, Bangladesh, South Africa, Morocco.
- ❖ **Platforms used for marketing and increasing brand network:** Gulf Food Exhibition in Dubai, ANUGA in Germany, SIAL in Paris, etc, various online B2B Portals like Alibaba.com, etc.

## Manufacturing Unit

- ❖ The Plant at Gujrat is a fully integrated facility spread over 4 acres of land in moisture and dust free atmosphere , facilitated with modern amenities readily available and set in a region declared as special business park that set up at an approximate cost of Rs 150 crores.
- ❖ NHCL has developed a packaging unit, which enables it to offer flexible packaging as per the requirements of the clients.
- ❖ NHC Foods Ltd has set up a 10000 sq ft modern facility at Navi Mumbai (West India). The facility being in close proximity to major shipping ports & The Agricultural produce market committee (APMC), ensures timely receipt & dispatch of its consignments.

## Capacity

State of the art technology taking care of mass production of 1ton/hr for spices & 2ton/hr for seeds. On a 3 shift basis/ 280 days annum-6720 tons of spices & 13440 tons of seeds.

## USFDA Certified

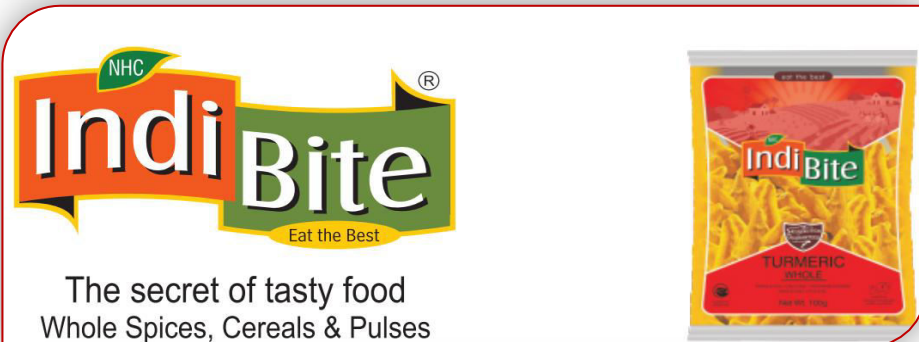
The company's products are USFDA Certified (United States Food and Drug Administration). The company is also planning to open a distribution centre in USA by FY24 as per a rating agencies report.

# NHC Food's Brand Portfolio

3C Capitals



Under 'NHC SAAZ' the company offers exotic range of ground & blended spices.



Under 'Indi Bite' the company offers whole spices, cereals & Pulses.



'Eat'mor' launched in FY22 is a range of diverse products including 'Ready to eat' food products, fruit pulp, pickles and snacks.



# NHC Food's Product Portfolio

3C Capitals

Blended Spices



Ground Spices





# Financial Analysis~ Profit & Loss Statement Analysis (1/3)

3C Capitals

Amount in Crores	2016A	2017A	2018A	2019A	2020A	2021A	2022A	9M2023A	2023E	2024E	2025E	2026E
Sales	152.71	138.09	86.75	124.74	131.61	151.78	152.93	106.32	157.52	189.02	226.83	272.19
Expenses	149.53	134.71	84.15	121.70	128.09	147.65	148.15	101.97	151.11	179.82	213.99	254.65
Operating Profit	3.18	3.38	2.60	3.04	3.52	4.13	4.78	4.35	6.40	9.20	12.83	17.54
Operating Profit Margin %	2.08%	2.45%	3.00%	2.44%	2.67%	2.72%	3.13%	4.09%	4.07%	4.87%	5.66%	6.44%
Other Income	0.69	0.60	0.50	0.57	1.39	0.82	1.13	0.35	0.85	0.85	0.85	0.85
Net Profit	0.31	0.70	0.23	1.31	1.41	1.38	1.47	1.06	2.71	4.81	7.53	11.06
Net Profit Margin %	0.20%	0.51%	0.27%	1.05%	1.07%	0.91%	0.96%	0.99%	1.72%	2.54%	3.32%	4.06%
EPS (in Rs.)	0.26	0.59	0.19	1.10	1.18	1.16	1.24	0.89	2.28	4.04	6.33	9.30

- ❖ During the year FY22 revenue of the company increased by 0.6% on YoY basis from FY21 to FY22. However, in FY23 the revenue is expected to decline slightly on account of global macro economic issues impacting exports and supply chain of the company. Since, In FY22, company generated revenue from Exports ~74% and Domestic Sales ~26%.
- ❖ EBITDA for the year increased by 0.25% in FY22 and is expected to increase by 3.4% on YoY basis, on account of operational efficiencies achieved by the company.
- ❖ EBITDA margins of the company remained same during FY21 & FY22. However, in FY23 the company is expected to deliver growth in EBITDA margins by approx. 100 bps.
- ❖ PAT was constant during FY21-22, on account of rising depreciation and interest cost with small growth in revenues.
- ❖ We believe that from FY2023 onwards Profitability of the company is expected to increase significantly on account of higher operating leverage, high economies of scale and through addition of 'ready to eat' products in companies' product portfolio.
- ❖ **In FY24 as per a rating agencies report NHC Foods will witness a significant growth in revenues of the company with an estimated value of Rs 225 crores on account of increased product portfolio and expectation of opening a distribution centre in USA.**

# Financial Analysis~ Balance Sheet Analysis (2/3)

Parameters	March 2020	March 2021	March 2022	September 2022	<ul style="list-style-type: none"> <li>❖ The company has an existing base of reserves with a reserves balance of Rs 12 crores.</li> <li>❖ The borrowings of the company stood at Rs 35 crores as on September 2022.</li> <li>❖ <b>The borrowings are 17% long-term in nature and 80% short term in nature.</b></li> <li>❖ Other liabilities of the company remain constant during H1 FY23 with an decline in Trade Payables from Rs 11.79 crores to Rs 11.62.</li> <li>❖ Other Assets of the company has decreased to Rs 12 crores from Rs 13 crores.</li> <li>❖ Under CWIP the account is nil.</li> <li>❖ Company has invested Rs 8 lakhs of Capex during the year ended FY22.</li> <li>❖ <b>Other Assets of the company witnessed a steep rise from Rs 55 crores to Rs 63 crores in H1 FY23.</b></li> <li>❖ This change is on account of higher Inventories and Trade Receivables introduced into the business.</li> </ul>
Share capital	12	12	12	12	
Reserves	9	10	12	12	
Borrowings	21	28	25	35	
Other Liabilities	20	19	16	16	
Total Liabilities	62	69	64	75	
Fixed Assets	15	14	13	12	
Investments	0	0	0	0	
Other Assets	47	55	52	63	
Total Assets	62	69	64	75	

# Financial Analysis~ Cash Flow Statement Analysis (3/3)

Parameters	March 2020	March 2021	March 2022
Cash from Operating activity	-6	-6	3
Cash from Investing activity	0	0	0
Cash from Financing activity	6	6	-6
Net Cash	-0	0	-3

- ❖ For two years ended FY20 & FY21 the company had negative cashflows from operating activity on account of higher inventory costs. However, company has taken stringent steps and has achieved a positive cashflow of Rs 6 crores in FY22.
- ❖ The five year average cash flow from operating activity as part of overall operating revenue is 32%, which is less than expected. However, this percentage is expected to rise in near future as the profitability increases.

- ❖ **NHC Foods is a very small company with a market cap of Rs 39.5 crores. The company is in its budding stage with great potential for coming years on account of addition of new products in its product portfolio.**
- ❖ **Currently, the operating and profitability ratios are lower, however we anticipate these numbers to rise in coming two financial years (FY24 & FY25).**
- ❖ NHC's ROCE & ROE are good at 9.51% & 6.41% respectively. With growth in revenue of the company profits are expected to rise sharply, which will further enhance our profitability ratio's.
- ❖ Debt of the company is a bit higher. Though, company is using this Debt majorly for development of its exports segment and working capital requirements.

Ratios	FY2022
Market Cap to sales	0.26x
EV/EBITDA	10.4x
Inventory Turnover	5.92x
Asset Turnover	2.29x
Return on Assets	2.2%
Return on Capital employed	9.51%
Return on Equity	6.41%
Price to equity	24.5x
Debt to Equity	1.44x
Debtor days	35
Inventory days	65
Days Payable	34
Cash conversion days	66
Working capital days	63

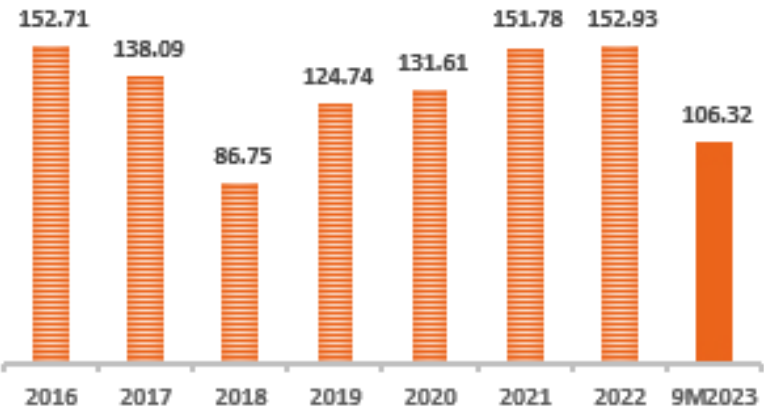


# Performance in Charts – NHC Foods

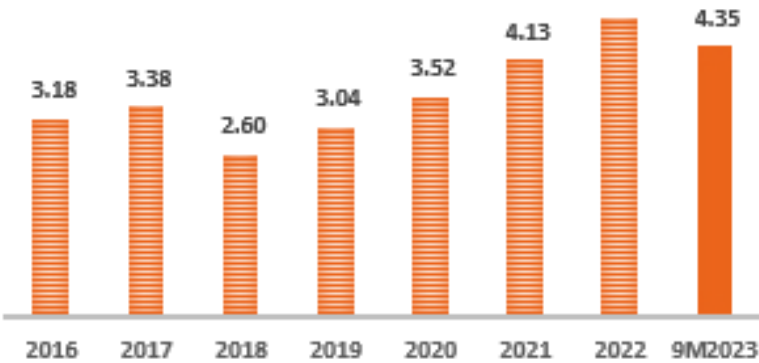
3C Capitals

Amount in Crores

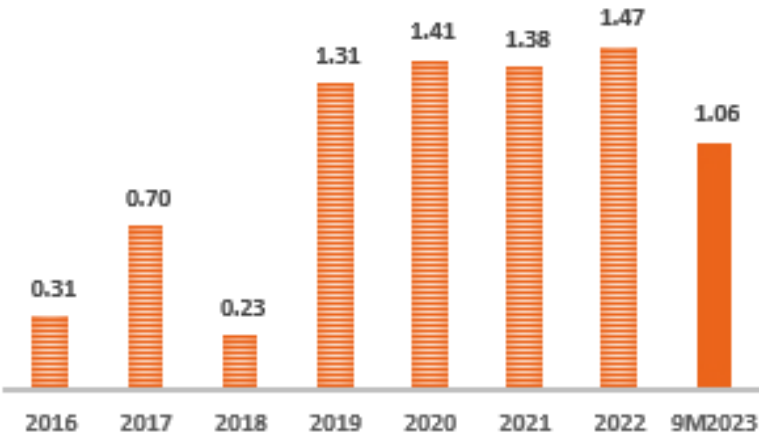
SALES



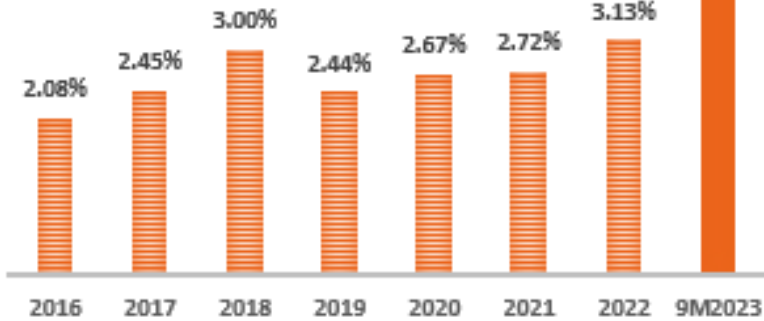
OPERATING PROFIT



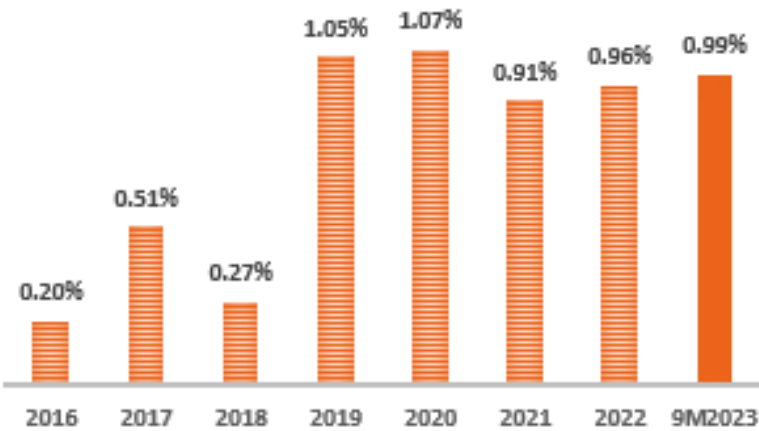
NET PROFIT



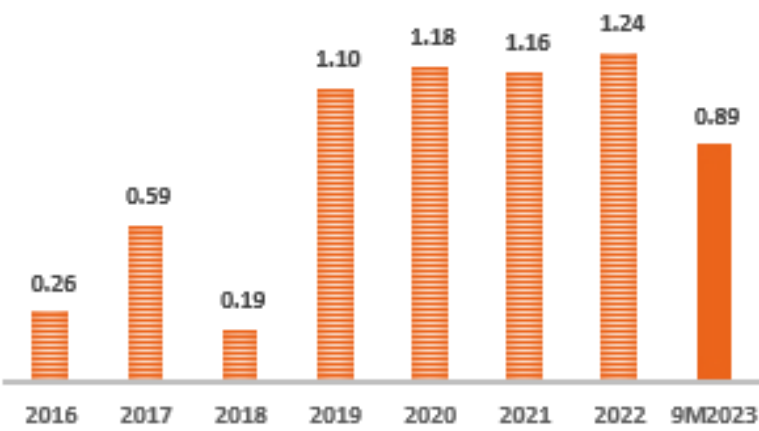
OPERATING PROFIT  
MARGIN %



NET PROFIT MARGIN %



EPS (IN RS.)



*During the year 2021-22 the Exports market grew with around 21% and as the forecasting growth for coming year will be around 15- 20%. NHC's business is benefitted by the absence of geographical concentration, catering less than 5% to any country.*

*The management expects the margins to remain around 3.5% in FY23, due to its business strategies for better margins.*

## **As per recent Credit Report -**

*NHC has no plans of an enhancement of its working capital facilities or any capex plans for the distribution center.*

## **International Expansion: Distribution centre in the US**

- ❖ *NHC plans to open a distribution centre in the US.*
- ❖ *The company has approval from the United States Food and Drug Administration and well-established relations with its US partners, enabling it to operate smoothly in the US market.*
- ❖ *It has observed substantial demand in the US for its spices and grains under the brand SAAZ.*
- ❖ *As per Ind-Ra the scale of operations to remain medium; however, its revenue will substantially increase in FY24, owing to the commencement of the distribution center, leading to sales of quality-certified products, further enabling it to expand its presence to other countries.*
- ❖ *Management expects to achieve 10% margins from the US business.*

## **As per FY2022 Annual Report, Resolution passed for Disposal of Properties**

- ✓ *Approval for Sale of Undertaking(S)/Individual Property or asset of the company situated at NHC House, 2/13, Anand Nagar, Santacruz (E), Mumbai – 400055 - at a price which is not less than Rs. 3.5 Crores and at Survey No. 777, Umarsadi Desaiwad Road, At Village Umarsadi, Taluka Pardi, District Valsad, Gujarat – 396175. - at a price which is not less than Rs. 9 Crores.*

## **Purchase Strategy**

- ❖ *According to the management, the company makes immediate payments to its suppliers and purchases with a 2% discount in the rate.*
- ❖ *It also follows stock and sale mechanism for certain spices/grains, by procuring bulk quantities at low prices during the peak season and sells during off season, gaining better margins.*

# Peer Comparison

Name of Company	Sales	EBITDA	EBITDA %	Profit	NPM %	ROE	ROCE	ROA	Market cap to sales	PE	EPS
NHC Foods Ltd.	153	5	3%	1	0.6%	6.41%	9.51%	2.2%	0.26	24.5	1.36
ADF Foods Ltd.	421	67	16%	49	12%	16.2%	20.2%	12.2%	3.67	31.4	23.4

## NHC Foods Ltd.

- ❖ NHC Foods Ltd. has a legacy business of selling spices and has continued this business from three generations.
- ❖ Recently, in FY22 the company has added Rice and 'Ready to eat' products to its product portfolio.
- ❖ NHC is trading at a PE valuation of 24.5x its FY22 earnings with an EPS of Rs 1.36/ share.
- ❖ NHC Foods is planning to open a distribution centre in USA which will help the company to scale up the sales growth in near future.
- ❖ Today, NHC is under budding stage and we believe, it has the potential to reach a sales mark of Rs. 300-400 crores in next 3-4 years.

## ADF Foods Ltd.

- ❖ ADF Foods Ltd. is the only player in FMCG space which has a similar product portfolio as that of NHC Foods Ltd.
- ❖ **Recently, ADF Foods has included spices to there product portfolio.**
- ❖ ADF foods is trading at a PE valuation of 31.4x of its FY22 earnings with an EPS of Rs 23.4/ share.
- ❖ During FY22, the Co. commenced operations from the leased warehouse in the New Jersey, USA which serves as a distribution Center for the Co., to ensure uninterrupted product supply.



# Short Overview~ ADF Foods

## Company Overview

- ❖ ADF Foods Ltd. was incorporated on August 1990. ADF Foods is engaged in the Business of manufacture and selling of food products like pickles, chutneys, ready to eat items, paste and sauces, frozen foods, spices etc.
- ❖ The Company's portfolio comprises 400+ products ranging from frozen snacks, breads and vegetables to ready-to-eat foods, meal accompaniments, condiment pastes, cooking sauces, spices and milk drinks.

## Product Portfolio

- ❖ The Company's products are marketed through eight brands namely, Ashoka, Camel, Truly Indian, Aeroplane, Nate's, PJS Organics, ADF Soul, and Khansaama. These brands cater to distinct audiences and, over time, have built strong consumer loyalty within their categories.
- ❖ **New Launches:** During FY22, the Co. launched new product variants which include frozen kulchas, frozen snacks, ready to eat curries and chutneys under the Ashoka brand.

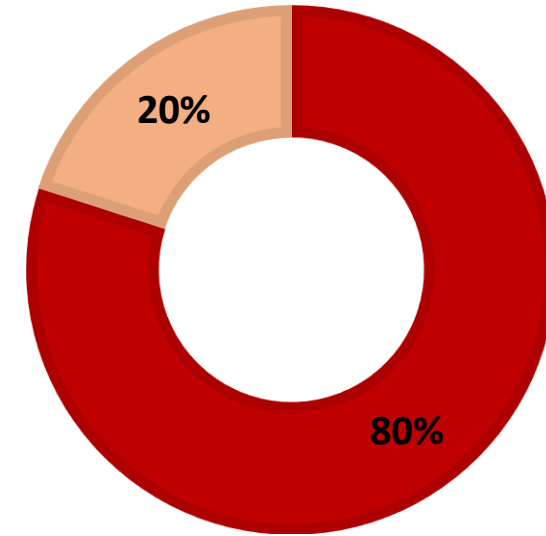
## Manufacturing Facilities

ADF has an annual food processing capacity of ~28,000 MT across plants in Nadiad (Gujarat), Nashik (Maharashtra) and Surat (Gujarat).

ADF provides authentic Indian tastes to the Indian diaspora and mainstream resident consumers in more than 55 countries.

## REVENUE FY22

■ Process and Preserved foods ■ Agency Distribution business



## International Operations

During FY22, the Co. commenced operations from the leased warehouse in the New Jersey, USA which serves as a distribution Center for the Co., to ensure uninterrupted product supply. Additionally, it took on lease a second warehouse in Georgia, USA with an area of 33,000 Sq. Ft. Both the warehouses together provide a combined leasehold area of 1 Lac square feet

Source: Screener

# SWOT Analysis

## Strength

- ❖ Company has Diverse Product portfolio catering to various everyday needs of consumers.
- ❖ It has earned stable revenues in the range of Rs 132 crores to Rs 150 crores for a period of 10 years.
- ❖ Company's product range belongs to a sustainable demand segment. These consumer products belong to essential needs category.
- ❖ 74% of revenue of company is from exports markets. USA is a top market for companies products.
- ❖ In FY22 NHC has added Rice and 'Ready to eat' products category along with snacks, pickles and fruit pulp in its aggregate product portfolio.

## Weakness

- ❖ Company's business is still in developing stage.
- ❖ Debt to equity ratio of company is a bit higher. Borrowings of company has increased on account of development needs and higher working capital requirements.
- ❖ It operates in a highly competitive space where there is a lot of competition from organic and inorganic- players along with branded and non-branded players.

## Opportunity

- ❖ 'Ready to eat' products market is a very big market with high demand in current times.
- ❖ Many FMCG players have entered this area, and have witnessed strong growth in revenues.
- ❖ Our company NHC Foods has also entered into this product segment with diverse range of products including pickles, snacks, fruit pulps.
- ❖ In coming years FY24-26, company will be able to cater strong revenues from this product portfolio.
- ❖ It has also introduced Rice exports in FY22. Rice in exports market is in high demand.
- ❖ Company's target market is USA which is fit for all such products.

## Threat

- ❖ Company operates in Highly competitive market.
- ❖ Raw material price fluctuation may impact company's margins.
- ❖ Company earns major portion of revenue (74% in FY22) from exports of its products. Global macro economic cues has impact on exports and supply chain which will impact company's business.
- ❖ Currency fluctuation risk is unprecedented in nature and may impact revenues of company.



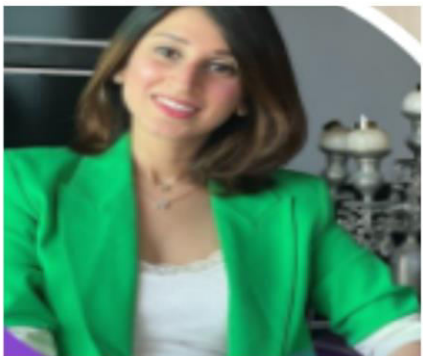
## **Apoorva Shah~ Founder & Managing Director**

- ❑ Apoorva Shah has continued the family legacy business of selling spices from his grandfather's generation. Over the years he focused the business on selling spices in exports markets.
- ❑ He incorporated NHC Foods on 4<sup>th</sup> August 1992.
- ❑ He has two children Apar Shah and Aneri Shah. They have joined the business from 2016 onwards and actively manage the daily operations of the company.
- ❑ He has graduated from Narsee Monjee college of Commerce and Economics in 1981-1986.



## **Apar Shah~ Wholetime Director**

- ❑ Apar Shah Joined NHC Foods from 2016. Currently, he is working in the company as the wholetime Director. He is the son of Mr. Apoorva Shah (Founder and Managing Director) of NHC Foods Ltd. Apar Shah majorly handles business relations and operations of the company. He has previously worked at prestigious companies like Ican financial solutions and Aditya Birla Life Insurance.
- ❑ Recently, Apar Shah has represented NHC Foods Ltd. in 'Gulf Food Exhibition, Dubai'. He has a major share in current decision making of the company.
- ❑ He has graduated from Mumbai University and has completed his MBA in Exports and Imports Management from Welingkar Institute of Management in 2015.



## **Aneri Shah~ Head of Finance and Accounting at NHC Foods Ltd.**

- ❑ Aneri Shah Joined NHC Foods from 2015. Currently, she is working in the company as the head of Finance and Accounting.
- ❑ She actively manages finance, recruitment, employee training and supports operations of the business. She has 10 years of experience in the field of finance starting from 2012.
- ❑ Aneri is a CS, CFA by profession and also an Economics and Business management teacher by passion.
- ❑ She manages the Navi Mumbai office of NHC Foods Ltd.



***"what gets co-created gets co-owned."***

***In coexistence of a healthy work culture NHC Foods Ltd. organised an event in which employees of the organization participated to reach company's vision for 2026 in combine efforts. During the course of exercise following things happened:***

- ❖ *The visioning exercise was a collaborative process that involved groups of employees, each led by a designated leader. Over the course of two weeks, these teams were tasked with identifying where they saw the company in the next three years.*
- ❖ *started by getting the teams into the right mindset through a guided meditation. This was followed by the identification of the vision team-wise, where each team presented their points. All the points were then consolidated based on similarity to arrive at the overall vision for the company in 2026.*
- ❖ *Next, the teams were reshuffled based on different areas of the vision, and a new exercise was conducted to identify the challenges that the company faced today that would hinder their progress towards achieving their goals. Once the key challenges were identified, the team then went through the same process again to arrive at solutions.*
- ❖ *Finally, cross-departmental action teams were created, with each team being responsible and accountable for making sure the solutions were implemented. The entire exercise was an eye-opening experience that showcased the potential of each and every team member.*

***The company is expecting growth at all levels with focus to work upon factors catering to all areas of business. Promoters of Company Mr. Apar Shah and Mrs. Aneri Shah has focus of expanding the business in all categories including commodities and ready to eat product segment. Such team exercise's bring in a lot of positive developments into the business over the course time and makes companies sustainable.***

- ❖ **Increased product portfolio:** In FY22 the company has added export of Rice to its product line along with spices in focus. This will help the company to capture maximum possible opportunities. Ready to eat segment is also among the one which is contributing to the revenues and management expects it to perform well. However, we do not have any information on segmental revenue contribution of all.
- ❖ **Increased export:** The exports of the company has increased to 75% from previous 60%, on account of increased orders and clients.
- ❖ **Improved operational performance:** The company has consistently delivered strong, increased and stable growth in revenues and has been profitable since March 2013. It has market cap to sales of 0.25x with ROCE & ROE at 9.51% & 6.41% respectively. Debt to equity of the company is 1.44 times on account of increased borrowings majorly utilised for working capital requirements.
- ❖ **Strong projects:** As per the credit rating report of Ind-ra dated August 2022, management of the company expects sales to reach Rs 225 crores on account of plans of opening a distribution centre in USA. However, this piece of information is very vague because there is no confirmation provided by the company that it has executed the plan.
- ❖ **Clean promoters:** Promoters are clean and pure hustlers. Apoorva shah, the father of Apar & Aneri shah has run the business previously alone and now both the children are working in the business full-time and they are taking strong initiatives with strategic approach for growing the business. Post their involvement into the business a lot of innovation has been made into the business.
- ❖ **No strong peer:** The company have only one exact peer ADF Foods Ltd.
- ❖ **Strong Industry tailwinds:** Due to Global macro economic cues overall consumption declined in FY21 & 22. However, from FY24 the global conditions are expected to soften and NHC is ready to export its range of products Rice and Ready to eat products along with snacks, pickles and fruit pulp in USA. This export market has high demand for such preservative foods which may benefit the company highly. ■

# Conclusion

- ❖ NHC Foods Ltd. is traded at descent PE multiple and low price to book value with low ROE, ROCE and EPS. We picked up NHC Foods by analysing it's young management and looking forward for re-rating in the valuation of NHC Foods.
- ❖ NHC Foods Ltd. is a growing company in FMCG space. The company owns a legacy business of spices selling and exports its 74% of products over 80 countries with the presence of strong and young promoters into the business.
- ❖ Recently, in FY22 the company has implemented major developments into the business and has diversified the product portfolio by adding diverse range of products such as Rice, 'Ready to eat' products, pickles, snacks and fruit pulp.
- ❖ The company's focus market is USA and it has plans of opening a distribution centre in USA by FY24 which will help the company achieve high scale of revenues in near future. 'Ready to eat' product segment is a very big market and company is trying to tap this market segment.

## Final Conclusion:

**NHC Foods Ltd. is well-positioned to capitalize on the growing demand** for high-quality, sustainable, and innovative food products. The company's commitment to customer-centricity and its focus on innovation and process improvement will enable it to stay ahead of the competition and continue to grow in the years to come.

**Overall, we believe that NHC Foods Ltd is an attractive investment opportunity, with significant growth potential driven by its cultural change in management. The company's strong reputation, diverse product portfolio, and focus on innovation make it an excellent opportunity. Given the ongoing growth in demand for ready to eat segment in the world, NHC Foods is well-positioned to benefit from this trend. The company's long-term prospects are strong, and it is well-positioned to capitalize on global demand for foods segment in the coming years.**

Re-rating in Valuation Likely

Superior Financials

Margin of Safety

Expect +35% CAGR in next 3 Years



# Annexure~ Export of Spices FY18 - FY22

ITEM-WISE EXPORT OF SPICES FROM INDIA					(QTY. IN TONNES & VALUE IN Rs. LAKHS)					
	2017-18		2018-19		2019-20		2020-21		2021-22 (*)	
ITEM	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
PEPPER	16,840	82,078.48	13,540	56,868.00	17,000	57,370.94	19,980	57,068.74	21,882	75,393.13
CARDAMOM(S)	5,680	60,908.15	2,850	35,625.00	1,850	42,537.15	6,486	110,346.58	10,572	137,570.44
CARDAMOM(L)	760	5,646.60	860	6,106.00	1,310	7,090.17	1,220	9,635.74	1,984	15,454.42
CHILLI	443,900	425,632.74	468,500	541,117.50	496,000	671,039.53	649,815	924,126.56	557,168	858,188.59
GINGER	22,605	21,607.49	18,150	19,602.00	60,410	52,905.00	145,974	84,982.34	147,614	83,734.24
TURMERIC	107,300	103,567.63	133,600	141,616.00	137,650	128,690.53	183,868	172,264.56	153,154	178,433.66
CORIANDER	35,185	27,274.96	48,900	35,208.00	47,135	39,831.38	57,359	49,627.93	48,658	48,251.38
CUMIN	143,670	241,798.78	180,300	288,480.00	214,190	332,806.00	298,423	425,154.66	216,996	334,433.87
CELERY	6,480	5,950.30	6,100	6,649.00	6,230	6,903.85	7,438	9,815.24	7,579	9,854.19
FENNEL	34,550	25,906.35	26,250	24,412.50	24,220	23,162.14	33,742	29,396.40	40,136	41,186.17
FENUGREEK	29,280	12,688.57	27,150	13,846.50	26,570	15,690.38	40,340	26,703.34	32,403	26,285.82
OTHER SEEDS (1)	22,175	16,045.55	29,740	18,736.20	37,580	22,080.72	68,266	42,629.21	46,842	40,164.60
GARLIC	46,980	30,936.38	29,500	17,110.00	22,280	17,182.52	17,643	14,971.04	22,181	18,619.81
NUTMEG & MACE	5,500	22,094.31	3,300	15,015.00	2,900	13,280.00	3,812	19,115.33	3,596	21,798.70
OTHER SPICES (2)	38,305	65,253.17	43,300	61,486.00	37,235	66,545.96	54,908	88,958.81	67,694	101,747.26
CURRY POWDER/PASTE	30,150	61,619.55	33,850	74,470.00	38,370	81,278.66	51,347	117,064.38	52,444	115,834.51
MINT PRODUCTS (3)	21,500	322,834.86	21,610	374,933.50	24,470	383,202.24	27,519	366,713.38	36,254	444,144.18
SPICE OILS & OLEORESINS	17,200	266,172.39	12,750	219,300.00	13,000	244,682.74	16,997	340,568.76	21,921	447,837.64
<b>TOTAL(incl others)</b>	<b>1,028,060</b>	<b>1,798,016.24</b>	<b>1,100,250</b>	<b>1,950,581.20</b>	<b>1,208,400</b>	<b>2,206,279.91</b>	<b>1,758,985</b>	<b>3,097,331.96</b>	<b>1,531,154.39</b>	<b>3,057,644.32</b>
<b>VALUE IN MILLION US \$</b>		<b>2,789.35</b>		<b>2,805.50</b>		<b>3,110.63</b>		<b>4,178.80</b>		<b>4,102.29</b>

(\*): Provisional

(1) INCLUDE BISHOPS WEED(AJWANSEED), DILL SEED, POPPY SEED, ANISEED, MUSTARD ETC.

(2) INCLUDE ASAFOETIDA, CINNAMON, CASSIA, CAMBODGE, SAFFRON, SPICES (NES) ETC.

(3) INCLUDE MENTHOL, MENTHOL CRYSTALS AND OTHER MINT OILS.

SOURCE : DGCIS&S., CALCUTTA/DLE FROM CUSTOMS/EXPORTERS' RETURNS UPTO 2019-20.

Note:2020-21/2021-22 figures are taken from DGCIS/MoC only

## SEBI Research Analyst Registration No. : INH200006451

1. At the time of writing this article, the analyst have no position in the stock covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.