

Price: 1,973

Recommendation: Buy

Industry: Edible Oil

Sector: Fast Moving Consumer Goods

Report Date: 21-Apr-2025

Patanjali Foods Limited is advancing its market position through strategic initiatives and integration of the HPC business, enhancing its product portfolio. The company aims to expand its Foods and FMCG business, targeting nearly half of its turnover in four years. With a focus on premiumization, urban strategy revamp, and rural presence, Patanjali is poised for growth despite challenges like urban demand and input costs. Future plans include expanding oil palm plantations and leveraging government support.

Sales		Profit & Loss		Profitability Matrix	
Current Year	32652 Cr	Operating Profit(Year)	1766 Cr	Operating Profit Margin	5.41 %
Previous Year	31525 Cr	Operating Profit(Quarter)	541 Cr	EBITDA Margin	4.67 %
Current Quarter	9103 Cr	PAT (Year)	764 Cr	Net Profit Margin	2.41 %
Previous Quarter	8154 Cr	PAT (Quarter)	371 Cr	EPS	31.7
Revenue (QYoY)	7911 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	62.2	Sales Growth	4.08 %	Sales Growth	11.64 %
PEG Ratio	1.07	PAT Growth	-14.35 %	Sales Growth QYoY	15.07 %
EV/EBITDA	35.9	EPS Growth	50.24 %	PAT Growth	20.06 %
P/B	6.64	Dividend Yield	0.41	PAT Growth QYoY	70.97 %
Capital Allocation		Holdings		Leverage	
RoE	7.63 %	Promoter	69.5 %	Debt/Equity	0.10
RoA	5.77 %	FII	13.3 %	Debt	1117 Cr
RoCE	11.1 %	DII	6.28 %	Market Cap	71472 Cr
RoIC	9.31 %	Public	10.9 %	Enterprise value	72045 Cr
		No of Shares	36.2 Cr	Cash Equivalents	544 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

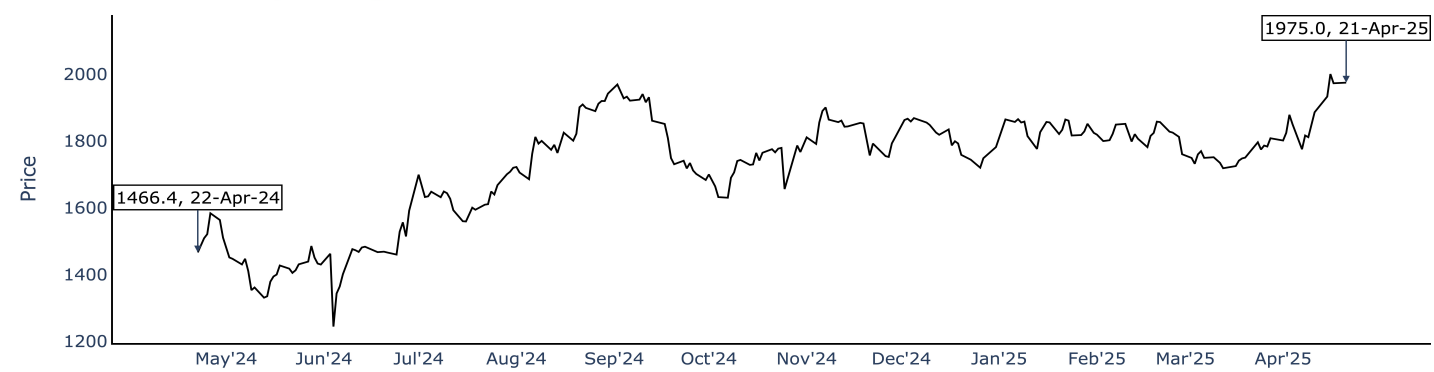
Patanjali Foods Limited has embarked on several new initiatives and strategic shifts to bolster its market position and drive growth. The company has fully integrated the HPC business into its operations, which is expected to significantly enhance its product portfolio and serve as a growth lever. This integration aligns with Patanjali's vision to expand its Foods and FMCG business, aiming for it to contribute nearly half of the total turnover in the next four years. The company is leveraging its distribution reach to enhance its FMCG product range, thereby increasing market and wallet share. In Q3 FY '25, Patanjali reported its highest-ever quarterly revenue from operations at INR 9,103.13 crores, with a total EBITDA of INR 581.24 crores and PAT of INR 370.93 crores. The company strategically increased its marketing and advertising spend to build brand recall and loyalty, allocating 2.5% of its Q3 revenues to these efforts, the highest in the last ten quarters.

Patanjali is focusing on premiumization, revamping its urban strategy, and strengthening its presence in rural areas. The company is also enhancing productivity and distribution while driving digital transformation. The strategic focus for the upcoming quarters includes expanding in high-margin segments and reinforcing its vision of becoming a prominent Food and FMCG player in the country. The company anticipates that Q4 will show improvement with CPI expected to be around 4.5%, thus improving consumer purchasing power and spending. The recent budget introduced significant income tax cuts, which are expected to moderate inflation and increase disposable incomes, stimulating demand and economic momentum.

Despite the positive outlook, there are areas for improvement. The company faces challenges with urban demand, which remains sluggish due to high food inflation affecting low- and middle-class families. The biscuits segment, for instance, experienced muted growth due to the absence of price hikes and increased input costs, such as wheat and palm oil prices. Patanjali aims to reduce its dependence on certain product categories and focus on premium segments to drive growth. The company is also working on expanding its distribution network, particularly in South and East India, and the North-eastern part, to tap into new markets and increase its retail outreach.

Patanjali's future growth and scaling perspectives are promising, with plans to expand its oil palm plantation to 0.5 million hectares over the next five years, covering about 60% of its requirement. The company is optimistic about sustaining rural demand, supported by government initiatives and social programs. However, the urban demand recovery remains uncertain, with hopes pinned on favorable budgetary measures. Patanjali's commitment to innovation and adaptation in the dynamic FMCG landscape, coupled with strategic investments in marketing and distribution, positions it well for future growth. The company remains cautiously optimistic about navigating commodity headwinds and improving cost management for the remainder of FY 2025.

PATANJALI Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Marico	90069.58	56.11	38.51%	4.88%	15.36%	-5.67%	4.18%
Patanjali Foods	71472.13	62.17	7.63%	11.64%	15.07%	20.05%	71.30%
KN Agri Resource	534.85	16.05	10.42%	-29.05%	18.39%	-24.39%	19.09%
Kriti Nutrients	531.08	13.01	29.31%	-0.36%	3.67%	-13.70%	-41.86%
Gokul Agro	3772.66	15.64	18.89%	3.70%	49.36%	1.47%	115.35%

Aspect	Commentary
Revenue	The company shows a steady revenue increase, with a 4.08% YoY growth and a significant 11.64% QoQ rise. This indicates strong sales performance, particularly in the latest quarter, reflecting effective market strategies and possibly increased demand for its products.
Profit & Loss	Operating profit and PAT figures suggest a mixed performance. While quarterly profits show improvement, the annual PAT decline of 14.35% indicates challenges in cost management or market conditions affecting yearly profitability.
Profitability Matrix	Profitability metrics reveal moderate efficiency, with an operating margin of 5.41% and a net margin of 2.41%. These figures suggest room for improvement in cost control and operational efficiency to enhance overall profitability.
Valuation Matrix	The valuation metrics, including a high P/E of 62.2 and a PEG ratio of 1.07, suggest the market expects significant future growth. However, the high EV/EBITDA of 35.9 indicates the stock may be overvalued relative to its earnings.
Growth (YoY)	Year-over-year growth shows a mixed picture, with sales up by 4.08% but PAT down by 14.35%. The EPS growth of 50.24% is notable, indicating improved earnings per share despite overall profit challenges.
Growth (QoQ)	Quarter-over-quarter growth is robust, with sales up by 11.64% and PAT by 20.06%. This suggests effective short-term strategies and possibly seasonal factors contributing to improved financial performance.
Capital Allocation	The company demonstrates prudent capital allocation with a RoE of 7.63% and RoCE of 11.1%. These figures indicate a reasonable return on equity and capital employed, suggesting effective use of resources.
Holdings	The ownership structure is stable, with promoters holding 69.5% and FIIs at 13.3%. This indicates strong promoter confidence and significant foreign institutional interest, which can be positive for long-term stability.
Leverage	The company maintains a low debt-to-equity ratio of 0.10, indicating conservative leverage. This suggests a strong balance sheet with minimal reliance on debt, providing financial flexibility and reduced risk.

Analyst viewpoint: Patanjali Foods Limited shows a promising outlook with robust growth metrics, making it a compelling investment opportunity. The company reported an impressive quarter-over-quarter sales growth of 11.64% and a significant PAT growth of 20.06%, demonstrating effective market strategies and enhanced demand for its products. The integration of the HPC business and focus on premiumization are expected to drive substantial mid-term growth. Patanjali's strategic initiatives such as the expansion of its Foods and FMCG business and increased marketing spend, which is the highest in the last ten quarters, position the company well for capturing increased market share and consumer loyalty. With a capital expenditure aimed at enhancing rural outreach and product portfolio, Patanjali is well-placed to leverage its market position despite some urban demand challenges.

On the valuation front, while the high P/E ratio of 62.2 suggests the market's expectation for significant future growth, it also raises concerns about potential overvaluation. Nevertheless, Patanjali's disciplined capital allocation, evidenced by a low debt-to-equity ratio and solid returns on equity, positions it advantageously in the competitive landscape. The company is making strides in distribution expansion and achieving operational efficiencies, aligning well with its growth strategies. Despite potential headwinds in urban markets due to high food inflation, Patanjali remains optimistic about rural demand backed by government initiatives. Overall, while carefully noting the sluggish urban demand, Patanjali's strategic investments and adaptive strategies underscore its bullish outlook in the short to mid-term.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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