

CMP: INR13,501

M.cap: INR3,464 cr

Promoter Holding: 74.23%

## Company Background

**Tasty Bite Eatables Ltd (Tasty Bite) is the leading Indian food brand and fastest growing Asian food brand in US. Tasty Bite has a range of consumer packaged products, of pre-prepared ready-to-eat (RTE), all-natural Indian meals, Asian cuisine, sauces, ready-to-cook (RTC) gravies & pastes and RTE organicrices and grains.** The products require no cooking, have no artificial flavors, additives or preservatives and ensures a high retention of the food's original aroma, texture, nutrients and flavor. The group's holding company is Preferred Brands International Inc (PBI), located in Stamford, Connecticut USA, which in turn is 100% owned by Mars Inc., USA.

Company's registered office is situated at Shivajinagar, Pune and manufactures the products in a world-class, versatile manufacturing facility near Pune. The Tasty Bite brand was launched in the US in 1995 with 5 all-natural, RTE Indian entrees. In India it launched the Tasty Bite Food Service business (TFS) in 2006 which comprises of a range of customized specialty formed frozen products, sauces and gravies.

**Company is leading Indian food brand in North America along with presence in 15+ countries including UK, Germany, Australia, New Zealand, Japan, Africa and Canada. The consumer business is export driven with sales and marketing being done by PBI (for North America) and Mars (for all other geographies).** Company is a trusted partner to marquee Quick Service Restaurants (QSR) and Cloud Kitchen brands in the food service industry across India, Middle East and South East Asia.

## Chairman's Message – Summary

The Chairman's message talks about the following points which are narrated below:

- Tasty Bite saw successful launches in new markets of UK and Germany. The product has been well received in both markets.
- Company posted robust growth of 27% and 26% (YoY) respectively in both exports and the domestic business in FY20. In the consumer business both branded and private label saw healthy growth of 17% and 62% (YoY) respectively. TFS business witnessed a robust 26% (YoY) growth during the year with sauces growing almost 44% (YoY).
- Company expects an explosive growth in plant based natural foods as there has been an increase in knowledge of the goodness in plants and the recent growth in plant - based meat alternatives driven by fear of processed meats and heightened sensitivity to animal cruelty.
- **In US, all categories including entrees and rice saw double digit consumption growth in FY20. Velocity and points of distribution both grew in all three segments of club, grocery and natural channels. For yet another year, online sales growth outpaced all channels.**
- Company's frozen food product business faced headwinds and remained flat as some of its customers reduced their plant-based offerings, in a move counterintuitive to megatrends.
- 'TastyBite Xclusive', company's domestic HoReCa initiative was rolled out during the year for test marketing in markets of Bangalore and Mumbai. Though these are early days but company remains hopeful.
- In FY20 company added Rs. 24 cr to fixed assets for new capacity and infrastructure.

## Management Discussion & Analysis – Summary

- Presently Tasty Bite is America’s largest brand for prepared Indian organic and natural food and a trusted Partner of Choice for the food service industry in India, South East Asia, Middle East and Africa.
- **Company leverages its state of art manufacturing unit with modern technologies to produce high quality and innovative products. Its annual production volume of consumer business is 17,000MT and for food service business its 16,000MT.**
- Company with a wide variety of high quality, wholesome and nutritious food, has been catering to customers across the globe, offering a versatile range of food products.
- **It has increased its organic food portfolio as consumers preference is shifting towards safer, healthier and organic food. ~1800 hectares of land is used for sourcing organic raw material. Company has partnered with ~1900 farmers to support the organic crop production. In FY20 ~3500 MT of organic ingredients were sourced.**
- Over the past 25 years, company has evolved from a portfolio of just 5 all - natural, RTE Indian meals to offer a range of 150+ meals. Its portfolio includes Indian meals, Asian meals and a range of RTE organic rices and whole grains.
- **Company has also expanded its B2B food service (frozen products, patties, sauces and gravies) business, through partnerships with leading QSR, Hotels, Restaurants and Caterers (HoReCa) in India, South East Asia, Middle East and Africa.**
- Tasty Bite enjoys a wide distribution network of its brand in the USA, one of the major markets catered by the company. The distribution network is expected to be further strengthened with the company’s acquisition by Mars.
- It has been constantly investing in building a taste and health focused product portfolio to bring superior food experiences to consumers in terms of quality, safety, taste, delight, innovation and nutrition.
- All its products are free from preservatives and are designed by a team of experts and experienced chefs who are dedicated to balance delicious taste with excellent nutritive values.
- **Tasty Bites Research Centre (TBRC), company’s in-house centre for excellence, helps drive product, process and ingredient innovation. Company invested Rs. 2 cr in R&D in FY20.**
- **The Department of Science & Industrial Research (DSIR) of the Union Ministry of Science & Technology renewed its accreditation to TBRC till March 2022. New products developed at TBRC in the last 2 years contributed 48% of the company’s revenues.**
- Company has been continuously investing in new age technologies to increase the efficiency of operations. It has invested in automatic wrap around cartooning machines with a capacity of packing 200 packs per minute, for RTE products. It has also undertaken various measures to maintain the durability and quality of the product by ensuring right processing and packaging techniques.
- Company farm is organic certified for NPOP. It is one of the largest value added organic processors and exporters from India.
- **Tasty Bite is also seeing an increased demand from e-commerce companies like Amazon. It is also partnering with leading food tech companies in standardizing their food supply chain and fast scaling of their cloud kitchens.**

CMP: INR13,501

M.cap: INR3,464 cr

Promoter Holding: 74.23%

## Company's Products and New Launches

- **Tasty Bite has launched 250+ new products in last 5 years and 140+ in FY20 only.**
- Company added few more organic rice SKU's and launched 5 new organic entrees in FY20, increasing its organic portfolio in US.
- **In FY20 company's organic Madras Lentils was introduced in club stores in the US and was received enthusiastically by the consumers.**
- Company launched 'Tasty Bite XCLUSIVE', a new sub – brand under food services category.
- Company's clean label range of mouth wateringly delicious starters and patties are crafted and designed for the HoReCa and PBCL segments.
- The food is filled in unique, multi-layered BPA-free pouches. They are then sealed and sterilized in a retort oven to maintain freshness for over 18 months in consumer business. Average shelf life of each product in food service business is 9 months.

## Industry structure and developments

- Globally, the demand for Ready-to-Eat (RTE) food has grown significantly and is expected to reach USD 172 billion by the end of 2023 (Research Nester report).
- Changing food habits, lack of time and easy accessibility to various food groups has generated a huge demand for these products. Driven by high disposable incomes, ease of use, busy lifestyle and better nutritive content, consumers globally are relying more on RTE food.
- **North America is the biggest market for RTE meals accounting for 42% of the global RTE market share. The RTE segment in the United States is estimated to reach USD 679 million by 2020 and it is expected to grow at a CAGR of 9.7% from 2017-2023 (statista.com).**
- Frozen or chilled segment accounts for the largest share in the RTE market.
- The Rs. 3,800 cr Food Service market in India is mostly dominated by the unorganized sector, contributing to around 62% of the overall market size. Within the organized sector, QSRs (Quick Service Restaurants) and CDRs (Casual Dining Restaurants) constitute about 80% of the market.
- **The organized food service segment is expected to grow at a CAGR of 13% between 2019-2024. The growth is largely influenced by an increasing number of international brands, emergence of food technology disruptors, strengthening of backend infrastructure, acceptance of new cuisines and changing lifestyles.**
- The concept of cloud kitchen, a delivery only outlet with no dine in facility has been gaining traction recently on the back of rising order through delivery apps like Swiggy and Zomato.

CMP: INR13,501

M.cap: INR3,464 cr

Promoter Holding: 74.23%

## Financials FY20

- In FY20 company generated 65% revenue from consumer business and rest from food service business. Country wise its revenue was 45% from USA, 34% from India and 21% from rest of the world.
- Company reported sales of Rs. 426 cr up by 26% YoY. The exports led consumer business reported sales of Rs. 276 cr grew by 27% YoY while the Tasty Bite Food Service business registered a strong growth of 26% YoY with sales of Rs. 150 cr.
- Company reported EBITDA margin of 16.2% and grew by 15% YoY. Company's PAT grew by 36% YoY to Rs. 41 cr.
- Tasty Bite added Rs. 24 cr to its fixed assets for new capacity and infrastructure.
- Material cost increased by 430 bps YoY to 62.3% of revenue mainly on account of relatively high inflation in key input raw materials.
- Net working capital in the business reduced by 21% YoY to Rs. 50 cr.
- The Board has declared a final dividend of Rs. 2 per share (FV Rs. 10 per share) amounting to Rs. 51 lakhs.

## Impact of COVID 19 on the business

- COVID-19 is expected to have a significant impact on food and food consumption industry.
- **With COVID-19 pandemic across the globe, there's a potential short to mid-term impact on the business due to labor availability, destabilized supply chains and demand shrinkage.**
- **COVID-19 has accelerated the adoption of company's products as there is increased move towards vegetarian & vegan and increase in demand for RTE and RTC food.** Moreover, with increasing work from home model; with restaurant closed, consumers are forced to cook at home; more focus towards healthy, natural and organic food without sacrificing taste has added the demand for company's products as it helps in preparing a meal in less amount of time.

## Growth Outlook

- Company enjoys wide distribution network of the brand in the USA through strong relationships with established retailers and distributors. It also continues to focus on increasing points of distribution, adding new channels as well as expand to newer geographies.
- **Continuous addition of new products through product innovation coupled with technological barriers for the peculiar products supplied to leading brands in the domestic market has ensured steady revenue growth for the company.**

CMP: INR13,501

M.cap: INR3,464 cr

Promoter Holding: 74.23%

- The outlook for frozen formed products and sauces, given the exponential growth of QSR industry has witnessed steady increase in demand over the years.
- **Company's exports division has also shown steady revenue growth over the last few years on account of increasing demand for natural and convenience food. It focuses on offering processed food with organic ingredients to its customers.**
- COVID-19, has forced people to cook and eat at home. This has further accelerated the adoption of RTE and RTC products.
- From creating new products that offer valuable consumer experiences, company is determined to grow its brand with innovative and unique choices.
- **Factors such as rapid urbanization, government initiatives such as to keep malls and restaurants open 24\*7 in metro cities, phenomenon of eating outside food, highest millennial population with less time to cook indoors has also contributed to the growth of the sector, providing food service players with an opportunity to expand.**

## Key Risks

- Comparatively moderate scale of operations in the intensely competitive processed foods industry dominated by large players
- High concentration risk with ~65% revenues are generated from exports; though increasing share of domestic revenues provides cushion
- Exposure to foreign exchange fluctuations
- Changing consumer trends and consumption habits
- Inability to compete - innovation, technology, pricing and sustainable products

## **Analyst Certification:**

I, Shreyansh N. Mehta, MBA, Research Analyst of SMIFS Limited (in short “SMIFS / the Company”), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer(s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

## **Terms & Conditions and Other Disclosures:**

SMIFS Limited is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. SMIFS Limited is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

SMIFS and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. SMIFS generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by SMIFS and are subject to change without any notice. The Research Report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of SMIFS Limited. While we would endeavor to update the information herein on a reasonable basis, SMIFS is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent SMIFS from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or policies of SMIFS, in circumstances where SMIFS might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research Report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This Research Report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. SMIFS will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research Report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this Research Report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. SMIFS accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this Research Report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The information given in this report is as of date of this report and there can be no assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of SMIFS. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of SMIFS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the SMIFS.

SMIFS shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of SMIFS to present the data. In no event shall SMIFS be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the SMIFS through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of SMIFS are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this Research Report.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to time may have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the Financial Instruments of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report. Or at the time of Public Appearance. SMIFS does not have proprietary trades but may at a future date, may opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/ short position in the above Scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing. The information provided herein should not be construed as invitation or solicitation to do business with SMIFS.

SMIFS or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the Research Report as of the last day of the month preceding the publication of the Research Report.

SMIFS encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither SMIFS and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

SMIFS or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

SMIFS or its associates might have received any compensation from the companies mentioned in the Research Report during the period preceding twelve months from the date of this Research Report for services in respect of managing or co-managing public offerings, corporate finance, investment banking, brokerage services or other advisory service in a merger or specific transaction from the subject company.

SMIFS or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

SMIFS or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

Neither the Research Analysts nor SMIFS have been engaged in market making activity for the companies mentioned in the Research Report.

SMIFS may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at [www.nseindia.com](http://www.nseindia.com) and/or [www.bseindia.com](http://www.bseindia.com), [www.mcxindia.com](http://www.mcxindia.com) and/or [www.icex.com](http://www.icex.com).

SMIFS submit' s that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SMIFS and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

For queries related to compliance of the report, please contact: -

**Sudipto Datta, Compliance Officer**

**SMIFS Limited.**

**Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.**

**Contact No.: +91 33 4011 5414 /91 33 6634 5414**

**Email Id.: [compliance@smifs.com](mailto:compliance@smifs.com)**

**Website: [www.smifs.com](http://www.smifs.com)**