

Sector

Food & Personal Care Products

Chase Research

research@chasesecurities.com
+92-21-35293054-60

Symbol: **NATF**

Current Price: **PKR 111.25**

Market Cap (PKR bn): **25.93**

Total Shares (mn): **233.12**

Free Float (mn): **69.93**

52 Week Low: **PKR 89.90**

52 Week High: **PKR 126.18**

National Foods Limited (NATF)

National Foods Limited saw a notable 21% YoY growth in net profits, reaching PKR 829.38 million (EPS: PKR 2.42 in 1QFY24), a significant rise from the previous year's PKR 685.34 million (EPS: PKR 2.26).

In FY23, NATF reported a substantial 35% growth in revenue, totaling PKR 80 billion, with net profit increasing by 32% to PKR 3.2 billion. The company's robust operating cash flow stood at PKR 2.9 billion. However, net sales dipped by 12% to PKR 30.4 billion, while A1 Cash & Carry, NATF's subsidiary in Canada, experienced an 85% increase to PKR 34 billion. A1 now has six stores in Canada.

Cost of sales rose by 51% YoY to PKR 14.54 billion during 1QFY24. The revenue climbed significantly to PKR 19.95 billion, marking a 52% YoY increase. The recipes category (PKR 15 billion) contributed the most, followed by ketchup (PKR 5 billion).

Exports faced challenges due to macroeconomic factors in 1QFY24. Simultaneously, gross profit increased by 54% YoY to PKR 5.41 billion from PKR 3.51 billion in SPLY, driven by exceptional growth in A1 Cash & Carry and revenue-driven initiatives.

In 1QFY24, the company's finance cost surged by 149% YoY due to higher inflation and interest rates. Moreover, the management informed that the foreign loan has been paid off by the Company.

The ROE, ROA and ROCE was reported at 34%, 12% and 39% respectively.

NATF's portfolio includes Culinary and Condiments divisions, where it leads the market in six products,

including a 61% market share in Ketchup and 62% in pickles. The Company operates its plants at varying capacities based on product demand dynamics.

The Faisalabad plant, covering 30 acres, has completed its first phase and is expected to finish by the first quarter of the following year. The project, funded mainly by bank loans (80% debt, 20% equity), has a total capex of PKR 7 billion. The Company is expected to benefit from tax incentives due to its location in the Specialized Economic Zones (SEZs).

NATF is in the process of implementing the latest ERP system and expanding its presence in more than forty countries, with a distribution hub established in Canada. AI Cash & Carry now constitutes 53% of Group net sales, and the E-commerce channel reported sales of PKR 417 million, growing by 254% during the period.

Additionally, NATF has initiated a 'seed to table' project in collaboration with farmers to produce 1500 tons of tomatoes on 500 acres. It will assist the company in overcoming challenges related to sourcing raw materials.

Going forward, the Company aims to improve volumes by expanding into North regions and leveraging the growth in AI Cash & Carry business in Canada. However, inflation remains a challenge. Also, the focus is on introducing innovations in the mayonnaise category to increase its market share.

Financial Highlights			
PKR million	1QFY24	1QFY23	YoY Change
Net Sales	19,954,264	13,127,968	52%
Cost of Sales	14,542,824	9,619,115	51%
Gross Profit	5,411,440	3,508,853	54%
Dist & Selling Exp	2,812,656	1,905,943	48%
Admin Exp	980,586	676,927	45%
Other Exp	24,086	27,559	-13%
Other Income	40,139	214,451	-81%
Finance Costs	466,205	187,451	149%
PBT	1,145,503	920,008	25%
Taxation	316,122	234,672	35%
PAT	829,381	685,337	21%
EPS	2.42	2.26	-
*Source: National Foods Limited, PSX			

Important Disclosures

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