Twitter Thread by The Man Who Never Shorts ■

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Case Study for Long term investment

#DFMfoods

DFM Foods Ltd is in the business of manufacturing, selling and marketing packaged snack food and has been a leader in the space for over 25 years

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Launched in 1984, this was the first product of its kind to hit Indian retail shelves and it did so with a Bang! In no time, it became quite the favourite especially among children, finding its way into many a tiffin break!

Revenue Stream -

DFM's Revenue is concentrated in North India primary in tier 1 and tier 2 cities from where it drives around 75 to 80% of its revenue the company is now focusing more on to get into the rural parts and on the Western region

Change in management

Advent international has acquired around 74% steak in Indian snack food manufacture DFM foods at a price of around 250 rupees per equity share from promoters and through open offer

Advent International
GLOBAL PRIVATE EQUITY

Advent international in the past has acquired quite similar good working companies & run the company towards a better future advent international also focuses more on delisting their acquired companies which is a very positive sign to create value for minority shareholders

DFM Foods

Country	India
Sector	Retail, Consumer & Leisure
Description	A packaged foods company that primarily sells extruded corn based savory snacks across India
Deal type	Buyout
Invest. date	Jan 2020

New Growth Direction

DFM has installed and commissioned a new to 500 kg/h. Schaff extrusion line art existing greater Noida unit there were also launched new products with different flavours and variance for different geographies in India

Moving in tier 3 Northern regions and tier 2 western regions to scale up growth they have recently installed new machine and reshuffle between the old production lines which will now save them 45 lacs annually on maintenance cost and increase the production by 490 MT per annum

Using ARTIFICIAL INTELLIGENCE

To move forward in its growth path the company is now using artificial intelligence to find ways to increase revenue on all digital Fronts for this they have done collaboration with deepspatial a SAAS solution provider

How Deepspatial helps DFM FOOD

Our Goal with DFM Foods

When you’re a $250+ million company growing at 20%+ year over year, maintaining your current rate of growth rate is hard. Increasing it along with your market share might be even harder. This is where Deepspatial step in

DEEPSPATIAL

Margins are thin, competition is intense, and products are highly differentiated. With DFM, we will be identifying and isolating the demographic factors that are contributing to the success of a product, and precisely locate untapped markets for potential expansion.

Geodemographic customer profiling of their rather large and diverse customer base will serve DFM in three key respects:

1) Identifying untapped markets by isolating the most relevant factors contributing to success, alternate markets with similar profiles ripe for expansion

2) New product launches: with each distinct geography having a differentiated customer profile, the company will be able to leverage these insights to launch products targeted at specific categories of consumers. This will allow the company to test new products

3) Increased operational efficiency: in analyzing the customer profiles, we will interpret and analyze data from DFM's 3,000+ distributors and 1.2 million+ retailers to create predictive models of projecting consumer demand, and the most efficient to manage and scale inventory

Capacity Expansion from 3500 MTPA to 5000 MTPA will aid up revenue of 100-150cr on topline

The company has grown its profit by CAGR of 19% in last 10 years

The company has grown its sales by a CAGR of 22% in last 10 years

ROE - 17.8%

ROCE -18.6%

Pe - 76.9

Book value- 35

GROWTH POTENTIAL

Why I say this can be huge in rural thing its main product cracks is already a market leader in cheap snacks price between 5-10 Rs as the business is shifting from unorganised sector to organised sector

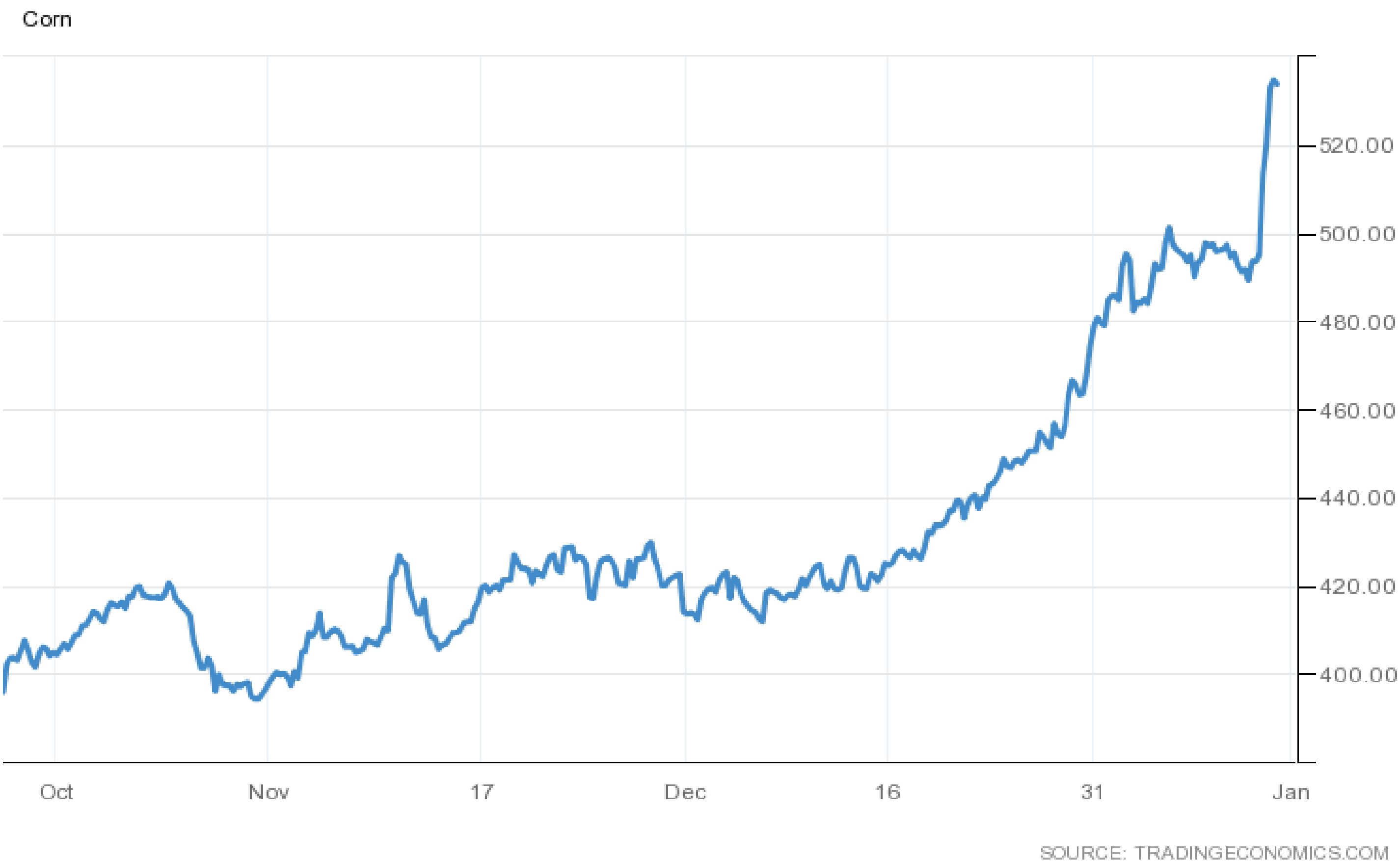
Industry is poised to grow by 7- 8% where in organised players appears to grow by more than 15%

With recent covid situation there has been a dramatic shift from unorganised sector to organised sector crushing the supply chains this has allowed organised companies such as DFM

Business risk

Since the company focuses more on volume , products are priced very cheap so to make them available to a large number of people
The operating margins are stable between 5 to 10% which all depends upon the price of raw materials

With commodity cycle the price of ■ has risen which can be a near term negative for the company in terms of raw material cost which will effect margins in the near future but that can be overcome with the growth potential of the company with new management (MNC)



#DFMFoods

Technically the stock is crossing its life high of 444

On monthly charts a Inverse Head & Shoulder pattern is visible

Which indicates a upside of 2x-3x from Cmp in next 1-2y

Price target of 900/1400

DFM FOODS on daily chart has crossed a short term supply zone of 425-435

It's crossing its life high which gives a open blue sky zone

400 is a strong support

Dips near 400-430 can be used as a buying opportunity