

## Orkla India Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
29 October 2025	31 October 2025	₹695 to ₹730	Neutral

### Investment Summary

Orkla India Limited is a multi-category Indian food company specializing in high-growth packaged Spices and Convenience Foods, managing a portfolio of approximately 400 products. Leveraging its iconic brands MTR and Eastern, the company holds deep roots in the South Indian culinary heritage, catering to virtually every meal occasion. A core investment strength lies in its dominant market leadership, evidenced by holding a substantial 31.2% market share in Karnataka's packaged spices and approximately 44% in Kerala's blended packaged spices in Fiscal 2024. The firm ranked among the top four companies by revenue from operations amongst select industry peers in Fiscal 2024. Its extensive supply chain includes nine owned facilities and benefits from the strong global parentage of Orkla ASA, enhancing operational standards and governance. Furthermore, the company sustains a significant global footprint, supported by the Eastern brand's recognition as India's largest exporter of branded spices for 24 consecutive years.

### Company Overview

Orkla India Limited (formerly known as MTR Foods Private Limited) is a multi-category Indian food company with operations spanning several decades. The company offers a diverse range of products catering to every meal occasion, including breakfast, lunch, snacks, dinner, beverages, and desserts. Its primary product portfolio is concentrated in Spices (blended and pure) and Convenience Foods. Products are sold under the prominent brands MTR and Eastern, both deeply rooted in the South Indian culinary heritage. MTR contributes to 53% of the company's revenue, followed by Eastern contributing 47% revenue. Orkla India was ranked among the top four companies by revenue from operations among select leading spices and convenience food peers in Fiscal 2024. The company maintains a strong market position, especially in its core markets of Karnataka, Kerala, Andhra Pradesh, and Telangana. Orkla India is a subsidiary of Orkla ASA, a Norway-listed industrial investment company.

### Business Model

Orkla India operates as a multi-category food company focused on delivering products under two major categories: Spices and Convenience Foods, managing a portfolio of approximately 400 products across its brands MTR and Eastern. The core strategy revolves around maintaining brand authenticity while leveraging a deep understanding of local flavors to ensure product relevance, particularly in the core South Indian markets. The company ensures innovation by continuously enhancing recipes and creating new product formats, such as the MTR Minute Fresh batters and the 3-Minute Breakfast range. This product development is efficiently managed by prioritizing the use of existing flexible production lines or contract manufacturing to minimize significant capital expenditure.

The company utilizes a blended manufacturing and distribution approach characterized by scale and efficiency. Manufacturing relies on a combination of nine owned facilities in India (with automation and IoT implementation in key units like Bommasandra, Bengaluru) and 21 third-party contract manufacturers (18 in India and three internationally). This structure allows Orkla India to produce high value-added items in-house while outsourcing lower value-added categories, optimizing the asset base and enhancing time-to-market flexibility. The market reach is facilitated by an extensive distribution network comprising 834 distributors and 1,888 sub-distributors across 28 states and six union territories as of June 30, 2025.

Furthermore, the business model includes a strong focus on emerging channels and international growth. The distribution network is digitally enhanced, using tools like the Distribution Management System (DMS) and the Suggestive Order Module (SOM) app for primary sales optimization and inventory visibility. International sales are a key component, with products exported to 45 countries, contributing 20.6% to sale revenue in Fiscal 2025. The international expansion strategy follows a methodical, phased approach (Seed, Grow, Commit) to efficiently enter and establish a presence in key global

markets. Overall, the model targets capital efficiency, prudent working capital management (evidenced by trade working capital days decreasing from 36.3 days in Fiscal 2023 to 21.4 days in Fiscal 2025), and maintaining high returns.

## Industry Outlook

India's packaged foods landscape is set for healthy expansion, with the market projected to grow from ₹10.2 tn in CY24 to ₹17.1 tn by CY29P (CAGR ~10.9%). Within this, packaged spices stand out as a faster-growth subcategory, rising from ₹345 bn to ₹615 bn (CAGR ~12.3%). This growth is aided by rising incomes, convenience-led adoption, premiumization, and broader access through modern trade and e-commerce. The category is also formalizing: organized penetration is expected to lift from ~40% to ~45% by CY29, creating room for scaled brands to capture share as consumers migrate from loose/unenforced quality formats to trusted, packaged offerings.

## Investment Rationale

### 1. Category market leadership and brand scaling through an in-depth understanding of local consumer tastes

The company operates as a dominant market leader, having successfully built and scaled brands such as MTR and Eastern through an in-depth understanding of regional consumer tastes. This is evident in its market position, holding a significant 31.2% market share in the Karnataka packaged spices market and approximately 44% of the blended packaged spices market in Kerala as of Fiscal 2024. The brand growth framework has successfully expanded Eastern's household reach across Karnataka, Andhra Pradesh, and Telangana since its acquisition. Furthermore, the company leverages the Eastern brand's reputation as India's largest exporter of branded spices for 24 consecutive years.

### 2. Multi-category food company with a focus on product innovation

Orkla India functions as a multi-category food platform with a dedicated focus on product innovation to meet evolving customer needs. The company successfully launched popular products like the MTR Minute Fresh batters and the 3-Minute Breakfast range. This innovation strategy is capital-efficient, utilizing existing flexible production lines and contract manufacturing relationships to introduce new products, thereby minimizing the need for extensive new capital expenditure.

### 3. Extensive distribution infrastructure with deep regional network and wide global reach

The business relies on an extensive distribution infrastructure supported by a deep regional network that reaches approximately nine out of 10 households in Karnataka and Kerala with at least one product. The widespread physical availability is demonstrated by its brands having a presence in 67.5% and 70.4% of retail outlets selling blended spices in Karnataka and Kerala, respectively, significantly higher than the industry average. This infrastructure is enhanced by a wide global reach, exporting products to 45 countries and deriving 20.6% of sale revenue from international markets in Fiscal 2025.

### 4. Efficient, large-scale manufacturing with stringent quality control and a robust supply chain

The company employs an efficient, large-scale manufacturing setup complemented by a robust supply chain. Manufacturing facilities are equipped with automation, including IoT-enabled technology in key units like Bommasandra, Bengaluru, ensuring consistency and scalability. The strategic combination of in-house production (for high-value products) and outsourcing (for low-value categories) optimizes cost and capital usage, while stringent processes, quality checks, and BRCGS/ISO 22000 certifications enforce stringent quality control.

### 5. Experienced and tenured management team supported by strong global parentage

The company is led by an experienced and tenured management team supported by Orkla ASA's strong global parentage. Sanjay Sharma, the Managing Director and Chief Executive Officer (CEO), brings over 34 years of experience in the marketing and fast-moving consumer goods (FMCG) sectors. The Chief Financial Officer (CFO), Suniana Calapa, has over 25 years of experience in finance and accounting. Other senior executives contribute deep sector knowledge, such as the Director of Operations (Ankur Kumar Bhaumik) with over 33 years of experience, and the Director of Human Resources and Administration (Milan Chattaraj) with over 31 years of experience. This leadership stability is underscored by the reported NIL attrition rate for both Key Managerial Personnel (KMPs) and Senior Management for the three months ended June 30, 2025. The ultimate holding company, Orkla ASA, further strengthens the business by providing access to

global corporate governance standards and specialized centers of excellence, including those for food safety and innovation.

## **6. Capital efficient business model with a track record of delivering profitable growth**

Orkla India runs a capital efficient business model resulting in a strong track record of profitable growth. Financial performance highlights include Adjusted EBITDA margin growth to 18.7% in the three months ended June 30, 2025 (up from 18.2% in the prior period) and a high Return on Capital Employed (ROCE) of 32.7% in Fiscal 2025 (up from 20.7% in Fiscal 2024). This sustained profitability is supported by effective working capital management, driving a robust cash conversion ratio (124.8% in Fiscal 2025).

## **Key Risks**

### **1. Exposure to Volatility in Raw Material and Packaging Costs**

The company's cost structure and ability to manufacture products are highly dependent on securing raw materials and packaging materials at competitive prices. This area represents a major expense, as the cost of raw materials and packaging consumed accounted for 53.0% of total expenses in the three months ended June 30, 2025, and 56.8% in Fiscal 2025. The price and availability of these materials are subject to external factors beyond the company's control, such as crop failures, quality issues, climatic conditions, and resulting price inflation. If the company is unable to manage these rising costs or successfully pass these increases onto consumers, its business, financial condition, and profit margins may be severely affected.

### **2. High Geographic Concentration of Sales and Operations in South India**

A substantial majority of the company's revenue is derived from the sale of products in South India, which accounted for 70.0% of revenue from product sales in the three months ended June 30, 2025, and 70.2% in Fiscal 2025. This concentration exposes the business to specific regional risks, including changes in local consumer preferences, competitive dynamics particular to the region, and specific regulatory requirements. Furthermore, the company's production infrastructure is also concentrated, with eight of its nine owned manufacturing facilities and 15 of its 18 contract manufacturing facilities in India located in South India as of June 30, 2025. Any major economic disruption, social unrest, natural calamity, or adverse changes in state policies in this core region could critically interrupt operations and negatively affect the company's financial performance.

### **3. Statutory and Regulatory Actions Related to Food Safety and Quality**

As a food processing company, the business is continually subject to serious risks related to food contamination, misbranding, product tampering, or improper storage of raw materials or finished goods. The company is currently involved in 124 proceedings initiated by various authorities alleging non-conformity with provisions under the Food Safety and Standards Act (FSS Act). These actions specifically cite issues such as the alleged presence of pesticide/insecticide residues beyond permissible limits, detection of non-permissible chemicals, misbranding, and the sale of substandard products. An unfavorable outcome in these proceedings, or any real or perceived contamination incident, could result in legal liabilities, significant damage to the brand reputation, and adverse impacts on sales and operations.

### **4. Dependence on a Limited Number of Key Suppliers**

The company relies on a relatively concentrated base of suppliers for key ingredients and packaging materials. Specifically, the top ten suppliers accounted for 37.9% of total purchases in the three months ended June 30, 2025, and 33.7% in Fiscal 2025. Although the company generally sources raw materials from multiple vendors, certain critical ingredients for specific products, such as tamarind concentrate and asafoetida, are sourced from a single supplier. The company typically does not use long-term arrangements at fixed prices with suppliers, further exposing it to rapid price changes. The interruption of supplies or the loss of a major supplier could disrupt production schedules, raise costs, and adversely impact the business.

## 5. Material Contingent Liabilities and Outstanding Tax Litigation

The company has contingent liabilities, potential future obligations not yet provided for in the financial statements that could become actual liabilities if adverse decisions are reached in pending legal matters. As of June 30, 2025, contingent liabilities related to indirect taxation amounted to ₹1,248.6 million. The aggregate amount involved in outstanding tax, regulatory, and criminal proceedings against the company is significant, reaching ₹1,532.5 million. If a large portion of these contingent liabilities materialize, the company could be required to pay the disputed amounts, potentially including applicable interest and penalties, which would have a material adverse effect on its financial condition, cash flows, and results of operations.

### Financial Snapshot

Metric	FY23	FY24	FY25
Revenue (₹ Cr)	2172	2356	2395
Adjusted EBITDA (₹ Cr)	312	344	396
Net Profit (₹ Cr)	339	226	256
Adjusted EBITDA Margin (%)	14.4	14.6	16.5
PAT Margin (%)	15.6	9.6	10.7
EPS (Basic) (₹)	24.7	16.5	18.7

### Segment – Wise Revenue Mix

Particulars	FY23		FY24		FY25	
	Rs. Cr	% of revenue	Rs. Cr	% of revenue	Rs. Cr	% of revenue
Spices	1439	67.3	1591	68.5	1571	66.6
Convenience Foods	699	32.7	731	31.5	787	33.4
<b>Total</b>	<b>2138</b>	<b>100</b>	<b>2322</b>	<b>100</b>	<b>2358</b>	<b>100</b>

### Geography – Wise Revenue Split

Particulars	FY23		FY24		FY25	
	Rs. Cr	% of revenue	Rs. Cr	% of revenue	Rs. Cr	% of revenue
Domestic Revenue	1768	82.7	1879	80.9	1872	79.4
Exports Revenue	370	17.3	443	19.1	486	20.6
<b>Total</b>	<b>2138</b>	<b>100</b>	<b>2322</b>	<b>100</b>	<b>2358</b>	<b>100</b>

### Channel – Wise Revenue Split (India)

Particulars	FY23		FY24		FY25	
	Rs. Cr	% of revenue	Rs. Cr	% of revenue	Rs. Cr	% of revenue
General Trade	1500	84.8	1559	82.9	1484	79.3
Modern Trade	198	11.2	225	12.0	248	13.2
E-com and quick commerce	70	4.0	96	5.1	140	7.5
<b>Total</b>	<b>1768</b>	<b>100</b>	<b>1879</b>	<b>100</b>	<b>1872</b>	<b>100</b>

## IPO Details and Use of Proceeds

Parameter	Details
<b>Issuer</b>	Orkla India Ltd.
<b>IPO Structure</b>	Offer for Sale
<b>Issue Size</b>	2,28,43,004 shares (aggregating up to ₹1,667.54 Cr)
<b>Price Band</b>	₹695 to ₹730 per share
<b>Face Value</b>	₹1 per share
<b>Post-Issue Market Cap</b>	₹10000.21 Cr (Upper Band)
<b>IPO Opening Date</b>	October 29, 2025
<b>IPO Closing Date</b>	October 31, 2025
<b>Listing</b>	BSE & NSE
<b>Promoter Holding (Pre/Post)</b>	90.01% /75%
<b>Book Running Lead Manager(s)</b>	ICICI Securities Ltd
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>• Fees and commissions payable to the Book Running Lead Managers (including any underwriting commission, brokerage and selling commission)</li> <li>• Advertising and marketing expenses for the Offer</li> <li>• Fees payable to the Registrar to the Offer</li> <li>• Commission/processing fee for SCSBs, Sponsor Bank(s) and Bankers to the Offer. Brokerage and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs</li> <li>• Printing and distribution of Offer stationery</li> <li>• Other expenses including, listing fees, SEBI filing fees, BSE and NSE processing fees, book building software fees and other regulatory expenses</li> <li>• Fees payable to other intermediaries to the Offer, including but not limited to Statutory Auditor, independent chartered accountant, practicing company secretary and industry data provider</li> <li>• Fee payable to legal counsels</li> <li>• Miscellaneous</li> </ul>

## Valuation and Recommendation

At the upper price band of ₹730, Orkla India Ltd. is valued at ~39x FY25 P/E on a post-issue **market cap** of ₹10,000 crore, translating to an **EPS** of ₹13.7. The company reported volume growth of 3.5% in FY25 and 1.5% in FY24, with single-digit revenue growth over the period. The packaged foods market is projected to grow from ₹10.2 trillion in CY24 to ₹17.1 trillion by CY29P (~10.9% CAGR). Packaged spices are expected to rise faster, from ₹345 billion to ₹615 billion (~12.3% CAGR), supported by rising incomes, convenience, premiumization, and wider modern trade and e-commerce. Against this backdrop, Orkla India is currently underperforming the category, making share gains harder, and ~70% of revenue from South India adds regional concentration risk. That said, the company delivers healthy margins and return ratios and generates stable annual cash flows of ₹300–400 crore. Q1 FY26 volume growth of 8.5% is encouraging and could support a re-rating if sustained into double-digit growth. Thus, we give a **neutral** rating and prefer to monitor execution post listing for evidence of sustained volume acceleration, broader regional traction, and stable margins.

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