

Orkla India IPO

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- The company is engaged in the manufacturing and marketing of multi-category Indian Food
- It is one of the top four companies in terms of revenue in the said categories.
- The company enjoys Orkla parentage on all fronts to stay tuned with the time.
- OIL has two major brands “MTR” and “Eastern”, and has a lion market share.
- The company marked reduced bottom lines from FY24 onwards. Based on its recent financial data, the issue appears fully priced.
- Well-informed investors may park funds for medium to long term.

About the Company

Orkla India Ltd. (OIL) is a multi-category Indian food company with operations spanning several decades, offering a diverse range of products that cater to every meal occasion, from breakfast and lunch to dinner, snacks and beverages and desserts. According to the Technopak Report, in Fiscal 2024, OIL was one of the top four companies in terms of revenue from operations among select leading spices and convenience food peers. Its products, under own brands MTR and Eastern, are crafted with authenticity and tradition, and are deeply rooted in the South Indian culinary heritage.

The key product categories it offers are Spices (comprising blended and pure spices), and Convenience Foods (comprising ready-to-cook (“RTC”), ready-to-eat (“RTE”) foods and Vermicelli, among others). In Spices, key products include: (a) Sambar Masala, Chicken Masala, Puliogare Masala, Rasam Masala and Meat Masala, among others, in blended spices; and (b) Chilli, Kashmiri Chilli, Turmeric, Coriander and Cumin, among others, in pure spices. Its Convenience Foods products simplify the cooking process and enable quick meal preparation through products such as Gulab Jamun mix, Rava Idli mix, 3-Minute Poha and Dosa mix. OIL’s portfolio comprises approximately 400 products across these categories, as of June 30, 2025, and it sold approximately 2.3 million units on average every day as of June 30, 2025.

According to the Technopak Report, the Company through its brands, MTR and Eastern, have a deep understanding of local flavours and a strong commitment to quality that has resulted in the current scale, particularly in the core markets of Karnataka, Kerala, Andhra Pradesh and Telangana. The MTR brand was originally established in 1924 and has been one of the key brands of the Company since its incorporation in 1996. In 2007, as a precondition to the acquisition of the Company by Orkla, pursuant to an internal reorganization amongst the erstwhile shareholders of the Company, the exclusive rights to the MTR brand (for processed packaged foods and beverages) were formally acquired by it. The brand ethos of MTR revolves around providing local, quality food products,

specializing in vegetarian food. Its product portfolio under the MTR brand includes a wide range of offerings such as Spices, RTC foods, RTE foods, vermicelli, among others.

The Eastern brand was founded in 1983, and over four decades, has expanded its product range to include a portfolio of Spices and Convenience Foods. The brand ethos of Eastern is centred on providing local and quality food products, with a special emphasis on Kerala cuisine. The company acquired Eastern Condiments in March 2021.

Its market position is built on fundamentals such as a wide product range catering to the local taste preferences of consumers and large distribution network in core markets of Karnataka, Kerala, Andhra Pradesh and Telangana. According to the Technopak Report, MTR and Eastern are household names, particularly in Karnataka and Kerala, where these brands enjoy strong consumer loyalty and trust. Further, international markets are a key part of its business, and it caters to the Indian diaspora across the globe, who seek authentic South Indian flavours. In the three months ended June 30, 2025 and in Fiscal 2025, its revenues from customers outside India contributed Rs. 119.69 cr., and Rs. 486.17 cr., representing 20.4% and 20.6%, respectively, of its total revenue from sale of products (as per Ind AS 115 - Revenue from Contracts with Customers), which was Rs. 588.08 cr., and Rs. 2358.32 cr., respectively. It exported products to 45 countries (including through deemed exports), as of June 30, 2025, with a focus on geographies such as the Gulf Cooperation Council ("GCC") countries, the US and Canada which, according to the Technopak Report, has a high density of Indian diaspora. According to the Technopak Report, it held approximately 22.2% market share in the Indian branded spices exports segment in Fiscal 2024. Eastern has maintained its position as India's largest exporter of branded spices for 24 consecutive years. It has cultivated an understanding of the local South Indian taste palate over several decades of operation. To cater to the consumers' diverse taste preferences, the company has built a repository of over 4,000 recipes through collaboration and engagement with local communities, food historians and chefs. This approach to product development has helped it keep pace with evolving culinary traditions and trends across markets. Its household penetration reflects the widespread acceptance and popularity of its brands. The trust in brands is reflected in its ability to offer products at a price premium across spices and convenience foods, according to the Technopak Report.

OIL's understanding of local tastes is complemented by its deep and expansive distribution network, which is instrumental to accessing and catering to the large consumer base in core markets. As of June 30, 2025, its distribution network comprised 834 distributors and 1,888 sub-distributors across 28 states and six union territories. It also has a strong presence across emerging channels, with associations with 42 modern trade retail chains and six e-commerce and quick commerce channels. According to the Technopak Report, its brands, MTR and Eastern, are the most widely distributed brands in Karnataka and Kerala for spices. Out of the universe of approximately 300,000 retail outlets selling blended spices in Karnataka and 74,500 in Kerala, its brands have a presence in 67.5% and 70.4% of the outlets respectively, versus an industry average of 30-40%, according to the Technopak Report.

Its multi-category product portfolio is manufactured across owned manufacturing facilities in India as well as contract manufacturing facilities in India and in the UAE, Thailand and Malaysia. The manufacturing facilities in India are in proximity to key raw material sourcing areas, ensuring reduced lead times and inbound transportation costs. The location of its manufacturing facilities, combined with extensive distribution network, facilitates efficient consumer reach in its core markets, driving overall supply chain efficiency. As of June 30, 2025, it operated nine owned manufacturing facilities in India, with a total installed capacity of 182,270 TPA. Its manufacturing operations utilize automation, which enables it to enhance efficiency, consistency in the quality of products and scalability. Its manufacturing facilities have quality certifications such as BRCGS and ISO 22000, which bear testament to its standards of quality and food safety and are critical to ability to compete in the market. In addition to its owned manufacturing facilities, the company partnered with 18 contract manufacturers in India and three contract manufacturers outside India (in UAE, Thailand and Malaysia) as of June 30, 2025, ensuring sufficient contracted capacity to meet the growing demand for products in a capital efficient manner.

The Company is a subsidiary of Orkla ASA, a Norway-listed industrial, long-term investment company focused on brands and consumer-oriented companies, with a legacy spanning over 370 years. Orkla ASA had a market capitalisation of approximately US\$ 11 billion as of March 31, 2025, and a consolidated group revenue of approximately US\$6.2 billion in 2024. The portfolio of companies owned by Orkla ASA is present in over 100 countries, and these own a multitude of leading brands, such as Jordan, Jotun, Felix, Bubs, Abba, Grandiosa and Toro. It has a portfolio of ten companies and employs more than 19,000 employees globally. Under Orkla ASA's parentage, OIL has been able to enhance corporate governance practices, particularly with regards to ensuring the implementation of operational and governance standards, accountability, food safety and quality, risk management, and information technology, such as through their centres of excellence in domains such as sustainability, marketing and innovation, information technology, sales, procurement. As of June 30, 2025, it had 2586 employees on its payroll and additional 923 contract workers.

Issue Details / Capital History

The company is coming out with its maiden book building route secondary IPO of 22843004 equity shares of Re. 1 each (worth Rs. 1667.54 cr. at the upper cap). The company has announced a price band of Rs. 695 – Rs. 730 per equity shares of Rs. 1 each. The issue opens for subscription on October 29, 2025, and will close on October 31, 2025. The minimum application to be made is for 20 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 16.68% of the post-IPO paid-up equity capital. This being a pure Offer for Sale (OFS), no funds are going to the company. The issue is made for unlocking the listing benefits and providing exit to some of its stakeholders.

The company has reserved 30000 equity shares (worth Rs. 2.19 cr. at the upper cap) for its eligible employees, and offering them a discount of Rs. 69 per share. From the rest, it has allocated not more

than 50% for QIBs, not less than 15% for HNIs and not less than 35% for Retail investors.

The four Book Running Lead Managers (BRLMs) to this issue are ICICI Securities Ltd., Citigroup Global Markets India Pvt. Ltd., J.P. Morgan India Pvt. Ltd., and Kotak Mahindra Capital Co. Ltd., while KFin Technologies Ltd., is the registrar to the issue. Kotak Securities Ltd. is a syndicate member.

After having issued initial equity shares at par, the company has issued further equity shares in the price range of Rs. 4 – Rs. 441.80 per share (based on FV of Re.1), between March 2000 and March 2021. It also issued equity shares at undisclosed price pursuant to the Eastern Condiments Scheme of Amalgamation in September 2023, followed by conversion of ROCPS to Eastern Condiments directors at undisclosed price between March 2024 and March 2025. average cost of acquisition of shares by the promoters/selling stakeholders Rs. 111.00, Rs. 458.70, and Rs. 681.70 per share.

Post-IPO, its current paid-up equity capital of Rs. 13.70 cr. will remain same as this is a pure secondary issue. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 10000.21 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 2201.44 cr. / Rs. 339.13 cr. (FY23), Rs. 2387.99 cr. / Rs. 226.33 cr. (FY24), and Rs. 2455.24 cr. / Rs. 255.69 cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it posted a net profit of Rs. 78.92 cr. on a total income of Rs. 605.38 cr. The company marked inconsistency in its top and bottom lines.

For the last three fiscals, the company has posted an average EPS of Rs. 19.30 and an average RoNW of 12.90%. The issue is priced at a P/BV of 5.18 based on its NAV of Rs. 141.00 as of June 30, 2025, as well as on post-IPO NAV.

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 31.68. Based on FY25 earnings, the P/E stands at 39.14. Thus, the issue appears fully priced.

The company has posted PAT margins of 15.60% (FY23), 9.60% (FY24), 10.70% (FY25), 13.20% (Q1-FY26), and RoCE margins of 32.10%, 20.70%, 32.70%, 8.90% respectively for the reported periods.

Dividend Policy

The company has paid dividend of 4380% for FY25. It has already adopted a dividend policy in June 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Tata Consumer Products Ltd., as its listed peer. It is currently trading at a P/E of 86.9 (As of October 24, 2025). However, they are truly not comparable

on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

The four BRLMs associated with the offer have handled 86 public issues in the past three fiscals, out of which 20 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

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About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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