

Monday, 27 October 2025

CM RATING 44 / 100

Orkla India

Owns MTR and Eastern brands

South India contributed 70% of the total revenue in Q1 FY26

Incorporated in 1996, Orkla India is an Indian food company offering a diverse range of food products, from breakfast to lunch and dinner, snacks, beverages, and desserts. Orkla India 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.

The company's key product categories include Spices, which consist of blended and pure spices, and Convenience Foods, which include ready-to-cook (RTC) and ready-to-eat (RTE) products, as well as Vermicelli and other items. In Q1 FY2026, spices contributed 66.3% to total product sales, and convenience foods 33.7%.

Its spices portfolio includes a wide range of products, such as blended spices like Sambar Masala, Chicken Masala, Puliogare Masala, Rasam Masala, and Meat Masala, as well as pure spices such as Chilli, Kashmiri Chilli, Turmeric, Coriander, and Cumin. Its Convenience Foods range simplifies cooking and enables quick meal preparation through products like Gulab Jamun Mix, Rava Idli Mix, 3-Minute Poha, and Dosa Mix.

The company offered approximately 400 products across these categories and sold about 2.3 million units on average each day as of 30 June 2025. It added 15 products in the Spices category and 27 products in the convenience foods category from Fiscal 2023 to June 30, 2025.

The products are sold under the brands MTR and Eastern. These are crafted with authenticity and tradition, deeply rooted in South Indian culinary heritage. MTR, established in 1924, has been part of the company since its formal acquisition of brand rights in 2007, offering a wide range of vegetarian foods. Eastern, founded in 1983 and acquired in 2021, specializes in Kerala cuisine including non-vegetarian food, with both brands emphasizing local flavors and quality.

The company has built a repository of over 4,000 recipes through collaboration and engagement with local communities, food historians and chefs.

Most of the revenue came from the core markets of Karnataka, Kerala, Andhra Pradesh and Telangana. In Q1 FY2026. South India contributed 70% to revenue.

Packaged spices have a market share of 31.2% in Karnataka, 41.8% in Kerala, and 15.2% in Andhra Pradesh and Telangana. In blended packaged spices, it holds a market share of 41% in Karnataka and 44% in Kerala. Convenience foods hold a market share is 18.6% across pan-India.

International markets are a key part of the business, serving the Indian diaspora seeking authentic South Indian flavors. Overseas sales contributed 20.4% and 20.6% of total product revenues, respectively, in Q1 FY2026 and FY2025. Products were exported to 45 countries, with a focus on the Gulf Cooperation Council (GCC), US, and Canada. Eastern has been India's largest exporter of branded spices for 24 consecutive years, holding a 22.2% share in the Indian branded spices export segment in FY2024.

The distribution network comprised 834 distributors and 1,888 sub-distributors across 28 states and six union territories as of 30 June 2025. Retail touch points (absolute) were 6,73,379 in Q1 FY2026. Moreover, the company has a strong presence across emerging channels, with associations with 42 modern trade retail chains and six e-commerce and quick commerce platforms. Sales through e-commerce and quick commerce channels have increased by 100.4% between FY2023 and FY2025.

General trade contributed 77.1% to total domestic sales, modern trade 14.3%, and e-commerce and quick commerce 8.6% as of 30 June 2025.

Products are manufactured across owned manufacturing facilities in India as well as contract manufacturing facilities in India and in the UAE, Thailand and Malaysia. The company operated nine owned manufacturing facilities in India, with a total installed capacity of 182,270 tpa as of 30 June 2025. In addition, the company partnered with 18 contract manufacturers in India and three contract manufacturers outside India (in UAE, Thailand and Malaysia) as of 30 June 2025, ensuring sufficient contracted capacity to meet the growing demand.

Plans to accelerate growth in core markets of Karnataka, Kerala, Andhra Pradesh, and Telangana, while strategically expanding presence in international markets.

The company is focused on increasing the penetration of convenience food products, to capitalize on the rising demand for convenient meals driven by changing consumer lifestyles and preferences.

The company is open to exploring opportunities for inorganic growth.

Offer and its objects

The IPO comprises an offer for sale of 2,28,43,004 equity shares, aggregating up to Rs 1667.54 crore, by existing shareholders Orkla Asia Pacific, Navas Meeran, and Feroz Meeran.

The price band for the IPO is Rs 695 to Rs 730 per equity share of face value Re 1 each.

The company will not receive any proceeds from the offer. All the offer proceeds will be received by the selling shareholders, in proportion to the shares sold by them.

The promoters are Orkla ASA, Orkla Asia Holding AS, and Orkla Asia Pacific. The promoters and promoter group hold an aggregate of 12,33,02,690 equity shares, aggregating to 90% of the pre-offer issued and paid-up equity share capital. Their post IPO shareholding is expected to be around 75%.

The issue, through the book-building process, will open on 29 October 2025 and will close on 31 October 2025.

Strengths

Offers a wide range of products with a focus on product innovation. The company offered approximately 400 products across categories and sold about 2.3 million units on average each day as of 30 June 2025.

A strong distribution network and brand strength. MTR and Eastern are trusted and widely distributed brands in Karnataka and Kerala for spices.

The company stands to benefit significantly from the recent GST rate cuts, particularly in its ready-to-cook (RTC) and ready-to-eat (RTE) product segments. In response, it has proactively adjusted the MRPs of its products to reflect these reductions. The lower prices are expected to drive incremental demand from price-sensitive consumers and accelerate the shift from the unorganized sector, as the reduced-price gap makes branded, packaged foods more accessible.

A deep understanding of local flavors and a strong commitment to quality have helped achieve significant scale, particularly in core markets of Karnataka, Kerala, Andhra Pradesh and Telangana.

The manufacturing facilities in India are in proximity to key raw material sourcing areas, ensuring reduced lead times and inbound transportation costs.

The company had zero net debt as of 30 June 2025, providing financial flexibility for future investments and acquisitions, lowering interest expenses, and supporting faster strategic decision-making.

Well placed to benefit from the shift towards packaged and branded products driven by rising demand for authenticity, and convenience, with a strong focus on capturing share from the unorganized market.

Driving continuous value chain optimization to strengthen operational efficiency and margins through targeted cost initiatives, including recipe improvement, and process loss reduction.

Backed by Orkla ASA of Norway, which provides global expertise in FMCG and strong corporate governance.

Weaknesses

Operations are subject to volatility in the prices of raw materials, including chilli, coriander, wheat products, turmeric, and cumin, as well as primary packaging materials such as laminates, corrugated boxes, metal containers, and woven sacks.

Product sales are highly concentrated in South India, contributing 70% of revenue in Q1 FY2026 and 70.2% in FY2025, making performance vulnerable to regional market risks.

Low-capacity utilization, at around 46% in both Q1 FY2026 and FY2025, indicates underutilization of manufacturing facilities.

Exposed to statutory and regulatory actions under the Food Safety and Standards Act, 2006, with 124 ongoing proceedings alleging non-compliance before various judicial and regulatory authorities.

A third-party owned and operated restaurant chain has the right to use the trade name 'MTR' for its business operations and any negative publicity or quality issues associated with the restaurant chain may adversely affect its business.

Exports represented 20.4% of revenue in Q1 FY2026 and 20.6% in FY2025, making performance vulnerable to currency exchange rate fluctuations.

There are outstanding legal proceedings, including criminal cases, involving its directors and key managerial personnel. An adverse outcome in any of these proceedings could negatively affect the business.

Valuation

Net sales increased 6% to Rs 597 crore in Q1 FY2026 as compared with Q1 FY2025. The OPM improved 66 bps to 18.72%, leading to 10% increase in OP to Rs 111.77 crore. OI fell 28% to Rs 8.38 crore. Interest cost fell 4% to Rs 1.7 crore. Depreciation cost fell 18% to Rs 12.37 crore. PBT increased 9% to Rs 106.06 crore. Tax expenses were Rs 27.14 crore as compared with Rs 25.5 crore. PAT increased 10% to Rs 78.92 crore.

Net sales increased 2% to Rs 2,394.71 crore in FY2025 as compared with FY2024. The OPM improved by 208 bps to 16.57%, leading to 16% increase in OP to Rs 396.84 crore. OI increased 89% to Rs 60.53 crore. Interest cost fell 1% to Rs 6.55 crore. Depreciation cost also fell 1% to Rs 61.73 crore. PBT and exceptional items increased 27% to Rs 38.69 crore. Exceptional items accounted for an expense of Rs 33.64 crore, compared to nil in the previous period. Tax expenses were Rs 99.36 crore as compared with Rs 80.5 crore. PAT increased 13% to Rs 255.69 crore.

The TTM EPS (excluding extraordinary items and relevant tax) on post-issue equity works out to Rs 20.94. At the upper price band of Rs 730, P/E is 35.

Listed peers such as Tata Consumer Products traded at TTM P/E of 88, and ITC at TTM P/E of 26 as on 27 October 2025. OPM and ROE stood at 16.57% and 9.71%, respectively, in FY2025. These were 14.07% and 7.09% for Tata Consumer Products, and 34.39% and 48.25% for ITC, respectively.

Orkla India: Issue highlights	
For Offer for Sale Offer size (in Rs crore)	
- On lower price band	1587.59
- On upper price band	1667.54
Offer size (in no of shares)	2,28,43,004
Price band (Rs)	695-730
Minimum Bid Lot (in no. of shares)	20

Post issue capital (Rs crore)	
- On lower price band	13.7
- On upper price band	13.7
Post-issue promoter & Group shareholding (%)	75
Issue open date	29-10-2025
Issue closed date	31-10-2025
Listing	BSE, NSE
Rating	44/100

Orkla India: Consolidated Financials

	2303 (12)	2403 (12)	2503 (12)	2406 (3)	2506 (3)
Sales	2,172.48	2,356.01	2,394.71	563.50	597.00
OPM (%)	14.33%	14.49%	16.57%	18.06%	18.72%
OP	311.25	341.40	396.84	101.74	111.77
Other inc.	28.96	31.98	60.53	11.70	8.38
PBIDT	340.21	373.38	457.37	113.44	120.15
Interest	27.08	6.64	6.55	1.77	1.70
PBDT	313.13	366.74	450.82	111.67	118.45
Dep.	55.41	62.12	61.73	15.14	12.37
PBT	257.72	304.62	389.09	96.53	106.08
Share of Profit/(Loss) from Associates/JV	1.19	2.21	(0.40)	0.61	(0.02)
PBT before EO	258.91	306.83	388.69	97.14	106.06
Exceptional items	(2.00)	-	(33.64)	-	-
PBT after EO	256.91	306.83	355.05	97.14	106.06
Taxation	(82.22)	80.50	99.36	25.25	27.14
PAT	339.13	226.33	255.69	71.89	78.92
EPS (Rs)*	24.9	16.5	20.4	#	#
* EPS is annualized on post issue equity capital of Rs 13.70 crore of face value of Re 1 each					
# EPS is not annualised due to seasonality of business					
EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax					
Figures in Rs crore					
Source: Capitaline Corporate Database					