

PE firm Convergent Finance buys 10% stake in ADF Foods for ₹100 crore



Mumbai: Private equity firm Convergent Finance has bought a 10% stake in ethnic Indian packaged food maker ADF Foods Ltd for ₹100 crore, picking up shares from existing shareholders of the company.

Convergent was founded by Harsha Raghavan, who previously managed Canadian billionaire Prem Watsa's Fairfax's Indian investments.

ADF is focused on prepared ethnic food offering ready-to-eat (RTE) items, ready-to-cook (RTC) items, sauces, pickles, pastes, dips and frozen foods under its seven brands. It manufactures, distributes, and markets Indian food along with organic Mexican and natural Mediterranean foods. The company's products are available in over 50 countries across North America, Europe, Australia, Asia and Middle East.

"It's a family owned company and the fourth generation of the family is also now part of the business. Some of the family members wanted to exit and we have bought shares from them," said Harsha Raghavan, managing partner at Convergent Finance.

While the current investment is a secondary purchase of shares from existing investors, Raghavan said that PE firm is looking at a long-term relationship with the company and will support it in its plans to expand through capital infusion or mergers and acquisitions.

"Their USP is that they are 99% export oriented. The Indian diaspora has spread its wings wide and there is a huge opportunity for them to grow. They can grow multiple times from their current topline," he added.

For the first half of fiscal 2021, the company reported a revenue of ₹171 crore, compared to ₹135 crore in H1FY20, up 27% yoy, driven by growth across segments.

"We are pleased to state that all our businesses including exports of ethnic food, US business and agency distribution are seeing good growth. Our facilities are currently operating at pre-covid levels and we are seeing increased demand in the prepared food segment with significant changes in consumer habits," said ADF Foods managing director and CEO Bimal Thakkar in a statement announcing the company's results for quarter ended September.

"We are optimally investing in increasing our capabilities and our distribution network to tap into these opportunities," he said.

ADF Foods' shares hit the 5% upper circuit at ₹527.75 apiece on the BSE on Friday after the announcement of the deal.