

Retail Equity Research LT Foods Ltd.

Packaged Foods

BSE CODE: 532783

NSE CODE: LTFOODS

Bloomberg CODE: LTFQ:IN

SENSEX: 79,106

BUY

12 Months Investment Period Rating as per Small Cap

CMP Rs. 313 TARGET Rs. 378 RETURN 21% ↑
(Closing: 14-08-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Expansion and diversification strategy supports re-rating.

LT Foods Ltd. (LTF) is a global consumer specialty company with an explicit focus on basmati rice, organic foods and ready to eat/ready to cook (RTE/RTC) products. LTF is having a presence in more than 80 countries with significant regional exposure in the US, Europe, Middle East etc.

- We upgrade to BUY rating with a revised target price of Rs.378 (Rs. 230) considering the continued performance and recent expansion and regional diversification initiatives.
- Revenue grew by 17%YoY in Q1FY25, aided by 14%/34%/37% YoY, respectively, for Basmati rice segment (87% mix)/organic segment (10% mix)/ RTE/RTC segment (3% mix).
- Gross and EBITDA margins declined by 40bps YoY respectively due to higher input costs and freight charges. LTF expects higher freight costs due to disruption in the red sea to be limited to the next two quarters, and the expected decline in input costs with healthy growth in new crops will support margins.
- As part of regional diversification strategy, LTF has set up a new manufacturing facility in the UK (USD1bn market) and has appointed a distributor for Saudi Arabia market (largest basmati rice market in the world) which is long-term positive for the company.
- Expect earnings to grow at a 13% CAGR over FY24E-26E. LTF currently trades at 1Yr Fwd P/E of 17x, we value at 16x Sept 2026 EPS.

Healthy topline growth continues.

Q1FY25 consolidated revenue grew by 17%YoY, basmati rice segment (contributes ~87% of total revenue) grew by 14%YoY while, organic foods segment (~10% of total revenue) grew by 34%YoY. RTE/RTC segment (3% of total revenue) rose by 37% YoY. The company is optimistic about maintaining double digit volume growth for Basmati international market. LTF has 1.4 lakh outlets (86.9k in FY23). Market share in India has risen to 30% vs. 29.8% in Q1FY24 while maintaining ~50%+ market share in the US. RTE/RTC business has grown 6x since FY20 and is expected to grow at a CAGR of 33-35% while the organic segment growth is recovering which was lost due to anti-dumping duties on soya. As part of regional diversification strategy, LTF has set up a new manufacturing facility in the UK (USD1bn market) and has appointed a distributor for Saudi Arabia market (largest basmati rice market in the world) which is long-term positive for the company. The company is also doubling the capacity of RTE/RTC in America. We expect a consolidated revenue CAGR of ~11% over FY24E-FY26E.

Expect higher freight cost due to red sea disruption temporary.

Gross and EBITDA margins declined by 40bps YoY respectively, due to higher input costs and freight charges. LTF expects higher freight costs due to disruption in the Red Sea to be limited to the next two quarters, but the expected decline in input costs with healthy growth in new crops will support margins. LTF is investing significantly in digital capabilities (45-50cr in FY25). LTF has a strong focus on value added portfolios and cost efficiency measures which will improve margins in the long term. The RTE/RTC business which is currently contributing ~3% of revenue (Rs. 200 cr) is expected to break even at a revenue of Rs. 400cr by FY26-27E considering current growth rate of more than 30%. LTF expects consolidated EBITDA margin of ~14%-14.5% in the next 5 years. LTF has got a favorable court order for Rs.161.2cr related to insurance claim, along with interest @ 6% p.a for which the LTF has already provided for Rs. 134.1cr and the differential excess amount comes ~ Rs.150cr.

Valuation & Outlook:

LTF's recent initiatives towards expansion & diversification strategy support a strong positive outlook and re-rating. LTF currently trades at 17x 1Yr Fwd P/E. We value LTF at 16x FY25E EPS and arrive at a target price of Rs. 378, and upgrade to BUY.

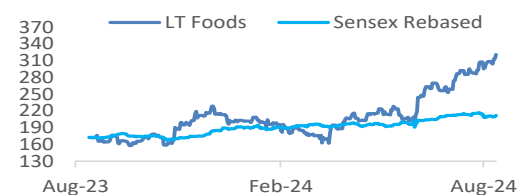
Company Data

Market Cap (Rs.cr)	10,869
Enterprise Value (Rs.cr)	11,888
Outstanding Shares (cr)	34.7
Free Float	40%
Dividend Yield	0.30%
52 week high (Rs.)	324
52 week low (Rs.)	149
6m average volume (cr)	0.16
Beta	1.0
Face value Rs.	1

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	51.0	51.0	51.0
FII's	5.7	5.1	5.9
MFs/Insti	5.1	4.1	5.7
Public	24.4	27.2	24.9
Others	13.8	12.5	12.6
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	43.5%	69.5%	85.9%
Absolute Sensex	8.0%	10.4%	22.7%
Relative Return*	35.5%	59.2%	63.2%

*over or under performance to benchmark index



Consolidated (Rs. cr)	FY24A	FY25E	FY26E
Sales	7,772	8,485	9,559
Growth (%)	12.7	9.2	12.7
EBITDA	938	958	1,128
EBITDA Margin (%)	12.1	11.3	11.8
Adj. PAT	593	630	753
Growth (%)	49.3	6.2	19.6
Adj. EPS	17.1	22.5	21.7
Growth (%)	37.5	6.2	19.6
P/E	18.3	17.3	14.4
P/B	3.2	2.6	2.2
EV/EBITDA	12.5	12.1	10.1
ROE (%)	19.4	16.8	16.7
D/E	0.3	0.3	0.2

Vincent K A
Research Analyst



Quarterly Financials (Consolidated)

Profit & Loss

(Rs cr)	Q1FY25	Q1FY24	YoY Growth	Q4FY24	QoQ Growth	FY24	FY23	YoY Growth (%)
Sales	2,071	1,778	16.5%	2,075	-0.2%	7,772	6,936	12.1%
EBITDA	241	214	12.8%	245	-1.7%	938	700	34.0%
EBITDA margins	11.6%	12.0%	100bps	11.8%	-50bps	12.1%	10.1%	200bps
Depreciation	42	36	18.0%	45	-7.3%	153	127	20.5%
EBIT	199	178	11.7%	200	-0.4%	785	573	37.0%
Interest	19	22	-14.7%	23	-20.2%	83	82	1.1%
Other Income	18	11	62.9%	17	3.4%	50	44	13.7%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	208	181	15.0%	204	1.9%	800	563	42.3%
Tax	53	44	21.0%	54	-2.3%	203	140	45.2%
Share of profit from associates	0	0	NA	0	NA	0	0	NA
Minority interest	2	0	#DIV/0!	1	42.6%	4	20	-78.9%
Reported PAT	153	137	11.5%	149	3.0%	593	403	47.3%
Adjustments	0	0	0.0%	0	0.0%	0	0	0.0%
Adj PAT	153	137	11.5%	149	3.0%	593	403	47.3%
No. of Shares	35	35	0.0%	35	0.0%	35	35	0.0%
Adj EPS (Rs)	4.8	4.3	11.5%	4.7	3.0%	18.5	12.6	47.3%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	8,347	9,203	8,485	9,559	1.7%	3.9%
EBITDA	915	1,086	958	1,128	4.7%	3.9%
Margins (%)	11.0%	11.8%	11.3%	11.8%	30bps	0bps
Adj. PAT	598	723	630	753	5.4%	4.2%
EPS	17	21	18	22	5.5%	4.3%

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	4,734	5,391	6,898	7,772	8,485	9,559
% change	14.4	13.9	27.9	12.7	9.2	12.7
EBITDA	559	561	663	938	958	1,128
% change	18.6	0.3	18.3	41.4	2.1	17.8
Depreciation	108	123	127	153	165	177
EBIT	451	438	536	785	793	951
Interest	87	69	82	83	70	62
Other Income	37	59	75	50	62	58
PBT	400	428	529	752	785	947
% change	42.8	7.0	23.7	42.0	4.4	20.6
Tax	109	114	140	203	206	249
Tax Rate	27.2%	26.7%	26.4%	27.0%	26.3%	26.3%
Reported PAT	275	292	403	593	780	753
Adj*	2	0	5	0	150	0
Adj PAT	272	292	397	593	630	753
% change	48.1	7.2	36.2	49.3	6.2	19.6
No. of shares (cr)	32.0	32.0	34.7	34.7	34.7	34.7
Adj EPS (Rs.)	8.6	9.1	12.6	17.1	22.5	21.7
% change	48.1	7.2	36.2	37.5	6.2	19.6
DPS (Rs.)	1	1	0	1	1	1
CEPS (Rs.)	11.9	13.0	15.1	21.5	22.9	26.8

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Net inc. + Depn.	383	415	584	701	945	930
Non-cash adj.	2	5	-43	7	5	5
Other adjustments	97	92	122	133	75	67
Changes in W.C	-54	-1	-339	-80	-636	-663
C.F. Operation	445	517	322	757	383	335
Capital exp.	-114	-158	-154	-203	-179	-100
Change in inv.	14	4	-243	0	0	0
Other invest.CF	0	8	2	2	0	0
C.F - Investment	-100	-145	-395	-201	-179	-100
Issue of equity	0	0	382	0	0	0
Issue/repay debt	-225	-278	-157	-431	0	-250
Dividends paid	-32	-32	-16	-35	-19	-19
Other finance.CF	-89	-47	-73	-72	-70	-62
C.F - Finance	-346	-358	136	-538	-90	-331
Chg. in cash	-2	14	63	17	115	-97
Closing cash	17	32	32	50	164	68

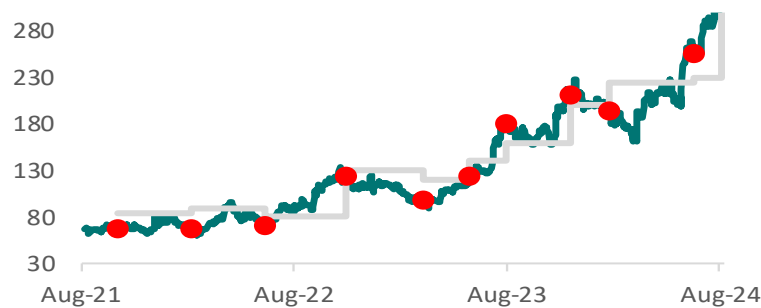
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	30	39	39	50	165	68
Accounts Receivable	494	618	682	675	744	890
Inventories	2,223	2,352	3,072	3,499	3,778	4,280
Other Cur. Assets	211	165	162	168	181	196
Investments	29	25	127	185	185	185
Gross Fixed Assets	1,331	1,429	1,593	1,908	2,108	2,208
Net Fixed Assets	794	822	910	1,072	1,107	1,030
CWIP	33	35	27	41	20	20
Intangible Assets	86	84	85	88	88	88
Def. Tax (Net)	28	24	25	28	28	28
Other Assets	201	209	203	237	245	275
Total Assets	4,128	4,372	5,333	6,043	6,540	7,059
Current Liabilities	683	911	1,295	1,546	1,278	1,306
Provisions	11	12	13	16	16	18
Debt Funds	1,506	1,262	1,184	1,052	1,052	802
Other Liabilities	145	159	48	57	62	67
Equity Capital	32	32	35	35	35	35
Reserves & Surplus	1,724	1,966	2,722	3,337	4,098	4,832
Shareholder's Fund	1,783	2,029	2,793	3,372	4,132	4,866
Total Liabilities	4,128	4,372	5,333	6,043	6,540	7,059
BVPS (Rs.)	53	61	78	95	117	138

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.8	10.4	9.6	12.1	11.3	11.8
EBIT margin (%)	9.5	8.1	7.8	10.1	9.3	9.9
Net profit mgn.(%)	5.7	5.4	5.8	7.6	7.4	7.9
ROE (%)	16.8	15.5	16.7	19.4	16.8	16.7
ROCE (%)	8.0	8.0	9.7	11.7	10.7	11.1
W.C & Liquidity						
Receivables (days)	43.2	37.7	34.4	31.9	30.5	31.2
Inventory (days)	153.2	154.9	143.5	154.3	156.5	153.8
Payables (days)	46.0	63.6	74.4	80.3	73.1	59.6
Current ratio (x)	1.7	1.8	2.0	2.1	2.6	3.1
Quick ratio (x)	0.3	0.4	0.4	0.3	0.5	0.5
Turnover & Leverage						
Gross asset T.O (x)	3.6	3.9	4.6	4.4	4.2	4.4
Total asset T.O (x)	1.2	1.3	1.4	1.4	1.3	1.4
Int. coverage ratio (x)	5.2	6.4	6.5	9.5	11.3	15.3
Adj. debt/equity (x)	0.9	0.6	0.4	0.3	0.3	0.2
Valuation						
EV/Sales (x)	2.4	2.1	1.7	1.5	1.4	1.2
EV/EBITDA (x)	20.6	20.0	17.9	12.5	12.1	10.1
P/E (x)	36.8	34.3	25.2	18.3	17.3	14.4
P/BV (x)	5.7	5.0	3.9	3.2	2.6	2.2

Recommendation Summary-(Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
07-November-22	Hold	132
21-March-23	Buy	120
13-June-23	Buy	151
10-August-23	SELL	160
07-December-23	SELL	201
05-February-24	Accumulate	226
28-June-24	SELL	230
16-Aug-24	BUY	378

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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