

Retail Equity Research

LT Foods Ltd.

Packaged Foods

BSE CODE: 532783

NSE CODE: LTFODS

Bloomberg CODE: LTF0:IN

SENSEX: 79,033

SELL

12 Months Investment Period Rating as per Small Cap

CMP Rs. 256 TARGET Rs. 230 RETURN -10% ↓
 (Closing: 28-06-24)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↓

Expect margin pressure in the near-term...

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 revise our target price to Rs. 230 considering the healthy performance in the quarter, but downgrade to SELL rating due to expected pressure on margins in the near-term.
- Revenue grew by 14%YoY in Q4FY24 aided by 15%/27%/55% YoY respectively for Basmati rice segment (87% mix)/organic segment (10% mix)/ RTE/RTC segment (3% mix).
- EBITDA margin improved by 100bps YoY to 11.8% in Q4FY24, mainly aided by lower freight costs, efficiencies at manufacturing level and benefit of scale. However, the disruption in the Red Sea will impact freight costs in the coming quarters.
- LTF has strong focus on distribution and has 1.4 lakh outlets now (86.9k in FY23). Market share in India has risen to 30.1 vs 29.8 in Q1FY24.
- The recently acquired 'Golden Star' has increased the market share to 15% (from ~10%) and has grown by 31% YoY in FY24.
- Expect earnings to grow at a 13% CAGR over FY24E-26E. LTF currently trades at 1Yr Fwd P/E of 12x, we value at 13x FY25E EPS.

Healthy topline growth aided by export volumes.

Q4FY24 consolidated revenue grew by 14%YoY, basmati rice segment (contributes ~87% of total revenue) grew by 15%YoY while, organic foods segment (~10% of total revenue) grew by 27%YoY. RTE/RTC segment (3% of total revenue) rose by 55% YoY. FY24 consolidated revenue grew by ~13% 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. The company is doubling the capacity of RTE/RTC in America. We expect a consolidated revenue CAGR of ~9% over FY24E-FY26E.

Higher freight cost and pressure on realisation to impact margins

EBITDA margin improved by 100bps YoY to 11.8% in Q4FY24, mainly aided by lower freight costs, efficiencies at manufacturing level and benefit of scale. The company is investing significantly in digital capabilities (45-50cr in FY25). This along with the likely surge in freight costs due to Red sea disruption and pressure on realisation will impact margins in the short run. However, LTF has a strong focus on value added portfolio 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. 370cr by FY26-27E considering current growth rate of more than 30%. The company 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. An appeal has been filed by the insurance company in the High Court.

Valuation & Outlook:

LTF has a strong focus on strengthening brands, distribution, and region & product diversification for growth. We expect earnings to grow at a CAGR of 13% over FY24E-26E. LTF currently trades at 12x 1Yr Fwd P/E. We value LTF at 13x FY25E EPS and arrive at a target price of Rs. 230, and downgrade to SELL rating due to expected pressure on margins in the near-term.

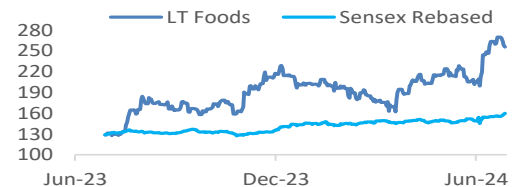
Company Data

Market Cap (Rs.cr)	8,890
Enterprise Value (Rs.cr)	9,909
Outstanding Shares (cr)	34.7
Free Float	40%
Dividend Yield	0.40%
52 week high (Rs.)	275
52 week low (Rs.)	124
6m average volume (cr)	0.14
Beta	1.0
Face value Rs.	1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	51.0	51.0	51.0
FII's	6.0	5.7	5.1
MFs/Insti	5.1	5.1	4.1
Public	23.7	24.4	27.2
Others	14.2	13.8	12.5
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	35.8%	25.9%	98.5%
Absolute Sensex	7.6%	9.7%	24.0%
Relative Return*	28.2%	16.2%	74.5%

*over or under performance to benchmark index



Consolidated (Rs. cr)	FY24A	FY25E	FY26E
Sales	7,772	8,347	9,203
Growth (%)	12.7	7.4	10.3
EBITDA	938	915	1,086
EBITDA Margin (%)	12.1	11.0	11.8
Adj. PAT	593	598	723
Growth (%)	49.3	0.7	21.0
Adj. EPS	17.1	17.2	20.8
Growth (%)	37.5	0.7	21.0
P/E	15.0	14.9	12.3
P/B	2.6	2.3	1.9
EV/EBITDA	10.4	10.6	8.7
ROE (%)	19.4	16.3	16.8
D/E	0.3	0.3	0.2

Vincent K A
 Research Analyst



Quarterly Financials (Consolidated)

Profit & Loss

(Rs cr)	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth	FY24	FY23	YoY Growth (%)
Sales	2,075	1,821	13.9%	1,942	6.9%	7,772	6,936	12.1%
EBITDA	245	196	24.8%	239	2.7%	938	700	34.0%
EBITDA margins	11.8%	10.8%	100bps	12.3%	-50bps	12.1%	10.1%	200bps
Depreciation	45	35	28.9%	36	25.4%	153	127	20.5%
EBIT	200	161	23.9%	202	-1.3%	785	573	37.0%
Interest	23	26	-9.1%	19	26.8%	83	82	1.1%
Other Income	17	14	24.6%	8	112.8%	50	44	13.7%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	204	169	21.0%	204	0.4%	800	563	42.3%
Tax	54	37	45.8%	51	6.1%	203	140	45.2%
Share of profit from associates	0	0	NA	0	NA	0	0	NA
Minority interest	1	4	-59.2%	1	0.7%	4	20	-78.9%
Reported PAT	149	128	16.1%	151	-1.5%	593	403	47.3%
Adjustments	0	0	0.0%	0	0.0%	0	0	0.0%
Adj PAT	149	128	16.1%	151	-1.5%	593	403	47.3%
No. of Shares	35	35	0.0%	35	0.0%	35	35	0.0%
Adj EPS (Rs)	4.7	4.0	16.1%	4.7	-1.5%	18.5	12.6	47.3%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	8,388	9,115	8,347	9,203	-0.5%	1.0%
EBITDA	998	1,112	915	1,086	-8.3%	-2.3%
Margins (%)	11.9%	12.2%	11.0%	11.8%	-70bps	10bps
Adj. PAT	635	726	598	723	-5.9%	-0.4%
EPS	18	21	17	21	-4.4%	-0.4%

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	4,734	5,391	6,898	7,772	8,347	9,203
% change	14.4	13.9	27.9	12.7	7.4	10.3
EBITDA	559	561	663	938	915	1,086
% change	18.6	0.3	18.3	41.4	-2.4	18.6
Depreciation	108	123	127	153	163	174
EBIT	451	438	536	785	753	912
Interest	87	69	82	83	70	62
Other Income	37	59	75	50	58	56
PBT	400	428	529	752	741	906
% change	42.8	7.0	23.7	42.0	-1.4	22.3
Tax	109	114	140	203	195	238
Tax Rate	27.2%	26.7%	26.4%	27.0%	26.3%	26.3%
Reported PAT	275	292	403	593	598	723
Adj*	2	0	5	0	0	0
Adj PAT	272	292	397	593	598	723
% change	48.1	7.2	36.2	49.3	0.7	21.0
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	17.2	20.8
% change	48.1	7.2	36.2	37.5	0.7	21.0
DPS (Rs.)	1	1	0	1	1	1
CEPS (Rs.)	11.9	13.0	15.1	21.5	21.9	25.8

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Net inc. + Depn.	383	415	584	701	760	897
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	-615	-500
C.F. Operation	445	517	322	757	220	464
Capital exp.	-114	-158	-154	-203	-129	-120
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	-129	-120
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	2	13
Closing cash	17	32	32	50	52	64

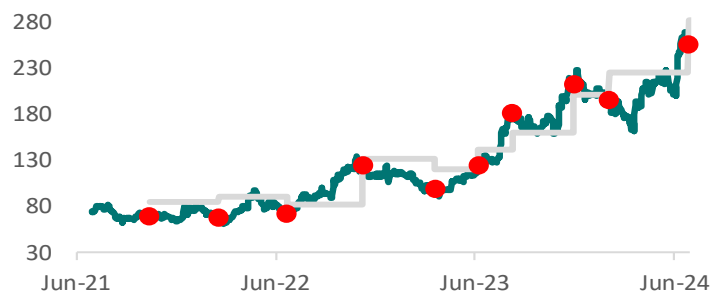
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	30	39	39	50	52	65
Accounts Receivable	494	618	682	675	755	857
Inventories	2,223	2,352	3,072	3,499	3,749	4,120
Other Cur. Assets	211	165	162	168	178	189
Investments	29	25	127	185	185	185
Gross Fixed Assets	1,331	1,429	1,593	1,908	2,058	2,178
Net Fixed Assets	794	822	910	1,072	1,059	1,006
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	241	265
Total Assets	4,128	4,372	5,333	6,043	6,354	6,821
Current Liabilities	683	911	1,295	1,546	1,275	1,281
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	3,915	4,619
Shareholder's Fund	1,783	2,029	2,793	3,372	3,950	4,654
Total Liabilities	4,128	4,372	5,333	6,043	6,354	6,821
BVPS (Rs.)	53	61	78	95	112	132

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.8	10.4	9.6	12.1	11.0	11.8
EBIT margin (%)	9.5	8.1	7.8	10.1	9.0	9.9
Net profit mgn.(%)	5.7	5.4	5.8	7.6	7.2	7.9
ROE (%)	16.8	15.5	16.7	19.4	16.3	16.8
ROCE (%)	8.0	8.0	9.7	11.7	10.4	11.1
W.C & Liquidity						
Receivables (days)	43.2	37.7	34.4	31.9	31.3	32.0
Inventory (days)	153.2	154.9	143.5	154.3	158.5	156.1
Payables (days)	46.0	63.6	74.4	80.3	74.2	61.4
Current ratio (x)	1.7	1.8	2.0	2.1	2.6	3.0
Quick ratio (x)	0.3	0.4	0.4	0.3	0.4	0.5
Turnover & Leverage						
Gross asset T.O (x)	3.6	3.9	4.6	4.4	4.2	4.3
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	10.7	14.7
Adj. debt/equity (x)	0.9	0.6	0.4	0.3	0.3	0.2
Valuation						
EV/Sales (x)	2.0	1.7	1.4	1.2	1.2	1.0
EV/EBITDA (x)	17.3	16.8	14.9	10.4	10.6	8.7
P/E (x)	30.1	28.1	20.6	15.0	14.9	12.3
P/BV (x)	4.7	4.1	3.2	2.6	2.3	1.9

Recommendation Summary-(Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
21-June-22	Accumulate	82
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

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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