

Retail Equity Research

LT Foods Ltd.

Packaged Foods

BSE CODE: 532783

NSE CODE: LTFOODS

Bloomberg CODE: LTF0:IN

SENSEX: 72,086

Accumulate

12 Months Investment Period Rating as per Small Cap

CMP Rs. 196 TARGET Rs. 226 RETURN 15% ↑
(Closing: 02-02-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Strong performance continues...

LT Foods Ltd. (LTF) is a global consumer specialty company with an explicit focus on basmati rice, organic foods and rice-based convenience products. LTF is having a presence in more than 80 countries with significant regional exposure in the US, Europe, and the Middle East.

- We upgrade our rating to Accumulate with a revised target price of Rs.226 considering strong earnings growth and recent correction in valuation.
- Revenue grew by 9%YoY in Q3FY24. Basmati rice segment (83% mix) grew by 11%YoY, organic segment (10% mix) declined by 6%YoY due to anti-dumping duty in the US, but the value-added segment grew by 28%YoY (2.6% mix).
- EBITDA margin improved by 300bps YoY to 12.3%, mainly aided by lower input costs, higher realisation, normalization of freight costs. The current disruption in the Red Sea is impacting cost of transport. However, the company expects the actual impact to be in Q1FY25.
- LTF is actively expanding its distribution to 1.4 lakhs outlets (86.9k in FY23) and market share in India has risen to 30% vs. 29.8% in Q1FY24).
- Expect earnings to grow at a 12% CAGR over FY24E-26E. LTF currently trades at 1Yr Fwd P/E of 11x, we value at 11x FY26E EPS.

Healthy topline growth aided by export volumes.

Q3FY24 consolidated revenue grew by 9%YoY, basmati rice segment (contributes ~83% of total revenue) grew by 11%YoY while, organic foods segment (~10% of total revenue) declined by 6%YoY on account of anti-dumping duty on organic Soya imports in the US. However, convenience & health segment (~2.6% of total revenue) rose by ~28% YoY. Last year, LTF acquired 51% stake in Golden Star Trading Inc. to strengthen market share in US (Jasmine rice segment, the brand has ~10% share in US market) and plans to acquire the remaining shares in June 2025. The 9MFY24 revenue and operating profit for Golden Star were ~Rs. 480cr and ~Rs. 75cr, respectively. LTF's India market share has improved to 30% vs. 29.8% in Q1FY24. and outlets is expected to increase to 1.4 lakhs (86.9k in FY23). The ban on export of non-basmati white rice aided export demand for basmati rice from India. India basmati rice export volume grew by 16%YoY in FY23 vs de-growth of 15% in FY22. However, the growth has moderated to 10% YoY in 8MFY24 vs. 14% in 8MFY23, while the price growth has moderated to 8% vs 22% YoY. We expect a revenue CAGR of ~8% over FY24E-FY26E.

Normalisation of freight cost aids margin improvement.

EBITDA margin improved by 300bps YoY to 12.3%, mainly aided by normalization of freight costs and scale. The current disruption in the Red Sea is impacting cost of transport. However, the company expects the actual impact to be in Q1FY25 to the tune of ~Rs.4cr/month. The basmati rice production in India rose by 9% YoY in 8MFY24 (8% de-growth in 8MFY23). However, paddy prices increased by ~14%YoY in Q3FY24. LTF has strong focus on value added portfolio and cost efficiency measures to improve margin in the long-term, doing a capex in power generation, warehouse, and capacity expansion (~1 lakh tons) and targets 5Yr EBITDA margin expansion of 150bps. Recently, the company 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.

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 12% over FY24E-26E. LTF currently trades at 11x 1Yr Fwd P/E. We value LTF at 11x FY26E EPS considering improving RoE and reducing debt going forward. We arrive at a target of Rs. 226, and recommend Accumulate rating.

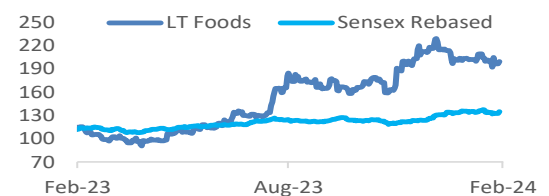
Company Data

Market Cap (Rs.cr)	6,841
Enterprise Value (Rs.cr)	7,860
Outstanding Shares (cr)	34.7
Free Float	41%
Dividend Yield	0.47%
52 week high (Rs.)	234
52 week low (Rs.)	90
6m average volume (cr)	0.17
Beta	0.9
Face value Rs.	1

Shareholding (%)	Q1FY24	Q2FY24	Q3FY24
Promoters	51.0	51.0	51.0
FII's	6.5	6.0	5.7
MFs/Insti	3.3	5.1	5.1
Public	23.9	23.7	24.4
Others	15.3	14.2	13.8
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	20.9%	10.5%	79.2%
Absolute Sensex	12.6%	9.4%	21.3%
Relative Return*	8.3%	1.1%	58.0%

*over or under performance to benchmark index



Consolidated (cr)	FY24E	FY25E	FY26E
Sales	7,827	8,388	9,115
Growth (%)	13.5	7.2	8.7
EBITDA	950	998	1,112
EBITDA Margin (%)	12.1	11.9	12.2
Adj. PAT	590	635	726
Growth (%)	61.4	7.5	14.4
Adj. EPS	17.0	18.3	20.9
Growth (%)	48.6	7.5	14.4
P/E	11.6	10.8	9.4
P/B	2.1	1.7	1.5
EV/EBITDA	8.4	7.7	6.7
ROE (%)	19.4	17.5	16.9
D/E	0.4	0.3	0.2

Vincent Andrews
Research Analyst



Quarterly Financials (Consolidated)

Profit & Loss

(Rs cr)	Q3FY24	Q3FY23	YoY Growth	Q2FY24	QoQ Growth	9MFY24	9MFY23	YoY Growth (%)
Sales	1942	1778	9.2%	1978	-1.8%	5697	5114	11.4%
EBITDA	239	166	43.9%	241	-0.8%	693	503	37.6%
EBITDA margins	12.3%	9.3%	300bps	12.2%	10bps	12.2%	9.8%	240bps
Depreciation	36	32	12.4%	36	0.3%	108	92	17.3%
EBIT	202	134	51.5%	205	-1.0%	585	412	42.1%
Interest	19	22	-15.2%	19	-2.9%	60	56	5.7%
Other Income	14	13	4.7%	14	0.0%	33	30	8.7%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	204	133	52.7%	211	-3.6%	596	394	51.4%
Tax	51	33	54.8%	54	-5.1%	149	103	44.9%
Share of profit from associates	0	0	NA	0	NA	0	0	NA
Minority interest	1	5	-71.2%	1	13.5%	3	16	-83.2%
Reported PAT	151	95	58.6%	156	-3.2%	444	274	61.9%
Adjustments	0	0	0.0%	0	0.0%	0	0	0.0%
Adj PAT	151	95	58.6%	156	-3.2%	444	274	61.9%
No. of Shares	35	35	0.0%	35	0.0%	35	35	0.0%
Adj EPS (Rs)	4.7	3.0	58.6%	4.9	-3.2%	13.9	8.6	61.9%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	7,661	8,297	7,827	8,388	2.2%	1.1%
EBITDA	931	996	950	998	2.1%	0.2%
Margins (%)	12.2%	12.0%	12.1%	11.9%	(10bps)	(10bps)
Adj. PAT	575	639	590	635	2.6%	-0.7%
EPS	17	18	17	18	2.4%	-0.7%

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	4,734	5,391	6,898	7,827	8,388	9,115
% change	14.4	13.9	27.9	13.5	7.2	8.7
EBITDA	559	561	663	950	998	1,112
% change	18.6	0.3	18.3	43.3	5.0	11.4
Depreciation	108	123	127	138	147	157
EBIT	451	438	536	812	851	955
Interest	87	69	82	85	78	63
Other Income	37	59	75	45	51	55
PBT	400	428	529	772	824	947
% change	42.8	7.0	23.7	45.9	6.7	15.0
Tax	109	114	140	209	217	249
Tax Rate	27.2%	26.7%	26.4%	27.1%	26.3%	26.3%
Reported PAT	275	293	371	590	635	726
Adj*	2	0	5	0	0	0
Adj PAT	272	293	366	590	635	726
% change	48.1	7.6	24.9	61.4	7.5	14.4
No. of shares (cr)	32.0	32.0	34.7	34.7	34.7	34.7
Adj EPS (Rs.)	8.6	9.2	11.6	17.0	18.3	20.9
% change	48.1	7.6	24.9	48.6	7.5	14.4
DPS (Rs.)	1	1	0	1	1	1
CEPS (Rs.)	11.9	13.0	14.2	21.0	22.5	25.4

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Depn.	383	416	520	701	782	883
Non-cash adj.	2	5	-43	0	24	27
Other adjustments	97	92	122	85	102	89
Changes in W.C	-54	-1	-339	-667	-417	-542
C.F. Operation	445	518	258	119	467	431
Capital exp.	-114	-158	-154	-132	-120	-120
Change in inv.	14	4	-243	0	0	0
Other invest.CF	0	8	2	0	0	0
C.F - Investment	-100	-145	-395	-132	-120	-120
Issue of equity	0	0	382	0	0	0
Issue/repay debt	-225	-278	-157	100	-250	-200
Dividends paid	-32	-32	-16	-19	-19	-19
Other finance.CF	-89	-47	-73	-85	-78	-63
C.F - Finance	-346	-358	136	-4	-347	-282
Chg. in cash	-2	15	0	-17	0	29
Closing cash	17	32	32	22	23	52

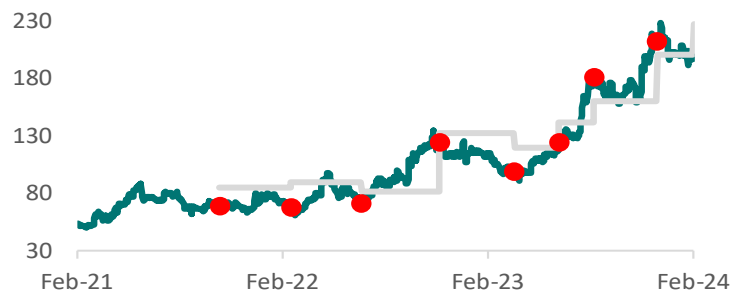
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	30	39	39	29	30	59
Accounts Receivable	494	618	682	772	965	1,149
Inventories	2,223	2,352	3,072	3,495	3,815	4,157
Other Cur. Assets	211	165	162	182	195	212
Investments	29	25	127	127	127	127
Gross Fixed Assets	1,331	1,429	1,593	1,738	1,858	1,978
Net Fixed Assets	794	822	910	917	889	852
CWIP	33	35	27	20	20	20
Intangible Assets	86	84	85	85	85	85
Def. Tax (Net)	28	24	25	25	25	25
Other Assets	201	209	203	225	230	250
Total Assets	4,128	4,372	5,333	5,878	6,382	6,935
Current Liabilities	683	911	1,295	1,180	1,294	1,312
Provisions	11	12	13	15	16	17
Debt Funds	1,506	1,262	1,184	1,284	1,034	834
Other Liabilities	145	159	48	71	95	122
Equity Capital	32	32	35	35	35	35
Reserves & Surplus	1,724	1,966	2,722	3,293	3,908	4,615
Shareholder's Fund	1,783	2,029	2,793	3,328	3,943	4,650
Total Liabilities	4,128	4,372	5,333	5,878	6,382	6,935
BVPS (Rs.)	53	61	78	94	112	132

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.8	10.4	9.6	12.1	11.9	12.2
EBIT margin (%)	9.5	8.1	7.8	10.4	10.1	10.5
Net profit mgn.(%)	5.7	5.4	5.3	7.5	7.6	8.0
ROE (%)	16.8	15.6	15.4	19.4	17.5	16.9
ROCE (%)	8.0	8.0	9.0	11.5	10.9	11.1
W.C & Liquidity						
Receivables (days)	43.2	37.7	34.4	33.9	37.8	42.3
Inventory (days)	153.2	154.9	143.5	153.1	159.0	159.6
Payables (days)	46.0	63.6	74.4	70.1	64.1	61.8
Current ratio (x)	1.7	1.8	2.0	2.2	2.5	3.0
Quick ratio (x)	0.3	0.4	0.4	0.4	0.5	0.7
Turnover & Leverage						
Gross asset T.O (x)	3.6	3.9	4.6	4.7	4.7	4.8
Total asset T.O (x)	1.2	1.3	1.4	1.4	1.4	1.4
Int. coverage ratio (x)	5.2	6.4	6.5	9.5	10.9	15.2
Adj. debt/equity (x)	0.9	0.6	0.4	0.4	0.3	0.2
Valuation						
EV/Sales (x)	1.6	1.4	1.1	1.0	0.9	0.8
EV/EBITDA (x)	13.9	13.4	11.9	8.4	7.7	6.7
P/E (x)	23.1	21.5	17.2	11.6	10.8	9.4
P/BV (x)	3.6	3.2	2.5	2.1	1.7	1.5

Recommendation Summary-(Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
17-Feb-22	Buy	90
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

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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