

2 December 2017

## LT Foods

*Rice-in opportunity; maintaining a Buy*

LT Foods is set to be transformed into a rice-based foods company with branded rice and valued-added food offerings. Also, its operations in organic cereals offers ample growth opportunities as India's organic foods is expected to hit ₹80bn by 2020. The rising share of its brand-named business, wider distribution and cost-efficiency-led margin gain would sustain the growth momentum. Hence, we maintain a Buy.

**Strong product range to drive double-digit revenue growth in FY19-FY20.** Company is diversifying its product range from commodity business to rice crackers, sauté sauces and organic staples to widen its value added portfolio. Its *Daawat* brand contributes ~70% of the revenue from the domestic market while its *Royal* range of products brings the ~70% revenue to its branded exports market. *Dawaat's Sauté Sauce* is a valued-added supplement to rice while *Dewaaya* and *Ecolife* offers organic staples (rice, beans, grains & pulses) which would drive premiumisation leading to higher revenue growth in the next three years. We have factored in 12% and 13% revenue growth in respectively FY19 and FY20.

**A 26% earnings CAGR (FY17-20) due to export growth, lower interest.** The company expects export realisation to improve helped by lower procurement prices and subsequent price hikes in selected areas. Also, the brands recently acquired have strengthened its operations internationally and expanded its product range, resulting in further revenue growth. Company's intention to reduce its debt would result in a lower interest burden and aid earnings growth.

**Valuations.** We are positive about the company's prospects in becoming a rice-based foods company. Also, better working capital, lower debt and inexpensive valuations strengthen our optimistic view of its long-term growth opportunities. Assigning 10x to FY20e EPS, we revise our TP to ₹90. **Risks.** Newer and keener competition in India and the US, forex fluctuation and unfavourable weather.

Key financials (YE Mar)	FY16	FY17	FY18e	FY19e	FY20e
Sales (₹ m)	29,737	32,869	35,758	40,049	45,417
EBITDA (₹ m)	3,644	3,683	4,198	4,590	5,352
Net profit (₹ m)	1,076	1,191	1,555	1,843	2,355
EPS (₹)	4.0	4.5	5.8	6.9	8.8
PE (x)	17.4	15.7	12.0	10.2	8.0
EV / EBITDA (x)	9.4	9.4	8.1	7.4	6.2
PBV (x)	3.5	2.9	2.3	1.9	1.5
RoE (%)	21.5	20.0	21.3	20.6	21.5
RoCE (%)	9.3	10.5	11.0	11.3	12.4
Dividend yield (%)	0.2	0.2	0.3	0.3	0.3

Source: Company, Anand Rathi Research

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Rating: **Buy**

Target Price: ₹90

Share Price: ₹70

Key data	LTFO IN / LTOL.BO
52-week high / low	₹85/ ₹26
Sensex / Nifty	32833 / 10122
3-m average volume	\$1m
Market cap	₹19 / \$291.9m
Shares outstanding	267m

Shareholding pattern (%)	Sep '17	Jun '17	Mar '17
Promoters	67.2	67.2	67.2
- of which, Pledged	8.9	8.9	14.5
Free Float	32.8	32.8	32.8
- Foreign Institutions	2.5	2.0	1.2
- Domestic Institutions	1.3	1.3	1.1
- Public	29.1	29.5	30.5

### Relative price performance



Source: Bloomberg

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## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (₹ m)**

Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
Net revenues	29,737	32,869	35,758	40,049	45,417
Growth (%)	8.7	10.5	8.8	12.0	13.4
Direct costs	21,048	24,052	25,160	28,370	32,208
SG&A	5,045	5,134	6,401	7,089	7,857
<b>EBITDA</b>	<b>3,644</b>	<b>3,683</b>	<b>4,198</b>	<b>4,590</b>	<b>5,352</b>
EBITDA margins (%)	12.3	11.2	11.7	11.5	11.8
Depreciation	515	542	606	648	684
Other income	51	352	300	320	350
Interest expenses	1,478	1,546	1,538	1,471	1,452
PBT	1,702	1,948	2,355	2,792	3,566
Effective tax rate (%)	36.6	33.1	33.3	33.3	33.3
+ Associates / (minorities)	-4	-113	-16	-19	-24
Net Income	721	1,174	1,555	1,843	2,355
Adjusted income	1,076	1,191	1,555	1,843	2,355
WANS	267	267	267	267	267
FDEPS (₹/ sh)	4.0	4.5	5.8	6.9	8.8
Gross Margin (%)	29.2	26.8	29.6	29.2	29.1

**Fig 2 – Balance sheet (₹ m)**

Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
Share capital	267	267	267	267	267
Net worth	5,368	6,562	8,055	9,830	12,116
Total debt (incl. pref.)	15,972	16,116	15,916	15,716	15,516
Minority interest	343	452	467	486	510
DTL / (asset)	-73	-84	-84	-84	-84
<b>Capital employed</b>	<b>21,610</b>	<b>23,045</b>	<b>24,353</b>	<b>25,947</b>	<b>28,057</b>
Net tangible assets	2,830	2,690	2,705	2,657	2,573
Net Intangible assets	11	266	266	266	266
Goodwill	771	749	749	749	749
CWIP (tang. & intang.)	244	395	350	300	250
Investments (strategic)	64	53	53	53	53
Investments (financial)	-	-	-	-	-
Current assets (ex cash)	20,327	22,577	23,255	25,307	27,979
Cash	323	412	450	626	832
Current liabilities	2,961	4,097	3,474	4,011	4,645
Working capital	17,366	18,480	19,781	21,296	23,334
<b>Capital deployed</b>	<b>21,610</b>	<b>23,045</b>	<b>24,353</b>	<b>25,947</b>	<b>28,057</b>

**Fig 3 – Cash-flow statement (₹ m)**

Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
PBT	1,702	1,948	2,355	2,792	3,566
+ Non-cash items	454	530	606	648	684
Oper. prof. before WC	2,156	2,478	2,961	3,440	4,250
- Incr. / (decr.) in WC	(379)	1,113	1,302	1,515	2,038
Others incl. taxes	623	644	784	930	1,188
Operating cash-flow	1,913	720	875	995	1,024
- Capex (tang.+ intang.)	521	786	575	550	550
Free cash-flow	1,392	(65)	300	445	474
Acquisitions					
- Div.(incl. buyback, & taxes)	48	48	62	69	69
+ Equity raised	2	-	-	-	-
+ Debt raised	(945)	143	(200)	(200)	(200)
- Fin investments	(5)	(11)	-	-	-
- Misc. (CFI + CFF)	294	(48)	(0)	(0)	0
Net cash-flow	111	89	37	177	205

Source: Company, Anand Rathi Research

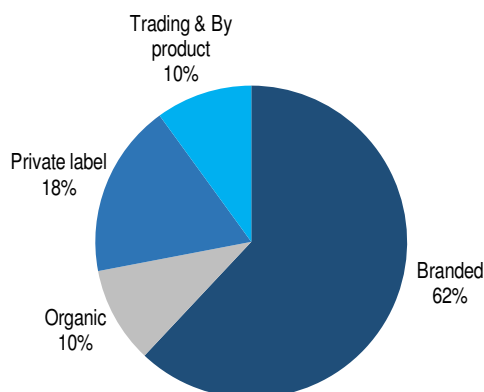
**Fig 4 – Ratio analysis @ ₹70**

Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
P/E (x)	17.4	15.7	12.0	10.2	8.0
EV / EBITDA (x)	9.4	9.4	8.1	7.4	6.2
EV / sales (x)	1.2	1.0	1.0	0.8	0.7
P/B (x)	3.5	2.9	2.3	1.9	1.5
RoE (%)	21.5	20.0	21.3	20.6	21.5
RoCE (%) - after tax	9.3	10.5	11.0	11.3	12.4
Fixed asset T/O (x)	7.7	8.0	8.8	10.1	11.8
DPS (₹ / sh)	0.2	0.2	0.2	0.2	0.2
Dividend yield (%)	0.2	0.2	0.3	0.3	0.3
Div. payout (%) - incl. DDT	4.5	4.0	4.0	3.7	2.9
Net debt / equity (x)	2.7	2.2	1.8	1.5	1.2
Receivables (days)	46	51	49	47	45
Inventory (days)	160	161	149	146	142
Payables (days)	18	24	19	20	20
CFO: PAT%	177.8	60.5	56.2	54.0	43.5

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**


Source: Bloomberg

**Fig 6 – Revenue break-up (Q2 FY18)**


Source: Company, Anand Rathi Research

## Company update

### World rice market

World rice production has registered a 1.5% CAGR from 436m tonnes in 2007 to 500m tonnes in 2017. Supply is growing in line with demand, with the least demand-supply gap leading to lower pricing power in rice as commodity.

**Fig 7 – World rice market**

Year	Production (m tonnes)*	Supply (m tonnes)	Utilisation (m tonnes)	Trade (m tonnes)**
2007 / 08	435.8	530.8	433.3	30.2
2008 / 09	457.3	555.3	443.4	29.9
2009 / 10	453.7	569.1	447.4	32.3
2010 / 11	466.8	587.4	459.1	36.7
2011 / 12	483.3	610.0	467.4	40.5
2012 / 13	488.0	630.4	473.7	40.1
2013 / 14	494.4	651.1	484.4	45.5
2014 / 15	493.7	659.6	490.3	45.0
2015 / 16	490.9	659.0	492.6	41.5
2016 / 17	501.0	667.4	497.8	45.0
2017 / 18	500.8	669.3	503.2	45.4

\* Production data refer to the first of the calendar years shown.

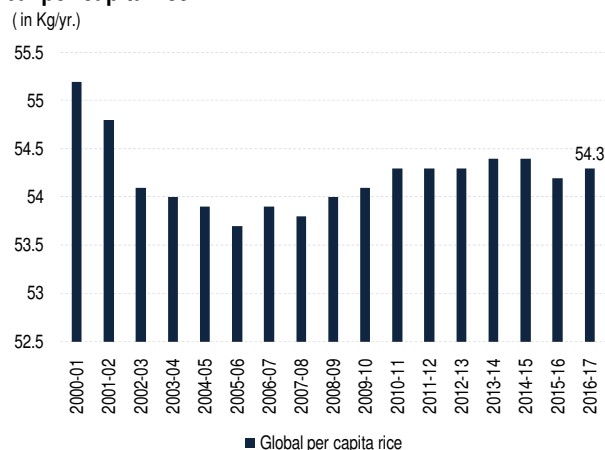
\*\* Trade data refer to exports based on a July-to-June marketing season for wheat and coarse grains, and a January-to-December marketing season for rice (the second year shown).

Source: FAOSTAT, Anand Rathi Research

### Global per capita consumption

Currently, Global per capita consumption of rice is 54.3kg/year which have grown marginally by 0.2% from previous year.

**Fig 8 – Global per capita rice**



Source: FAOSTAT, Anand Rathi Research

### India accounts for 23% of total rice produce

The world's largest growers of rice are China and India, respectively 145m tonnes and 110m tonnes in 2017, accounting for 52.5% of global production. The top-five rice-growing nations (incl. Indonesia, Bangladesh and Vietnam) account for 73% of global production.

**Fig 9 – India is the second largest grower of rice**

	2017 production	
	(m tonnes)	% of total
China	144.9	29.8
<b>India</b>	<b>110.2</b>	<b>22.6</b>
Indonesia	37.2	7.6
Bangladesh	34.6	7.1
Vietnam	27.6	5.7
Thailand	19.2	3.9
Mynmar	12.5	2.6
Philippines	11.7	2.4
Brazil	8.4	1.7
Japan	7.8	1.6
USA	7.1	1.5
Pakistan	6.9	1.4
Kampuchea	4.9	1.0
Egypt	4.8	1.0
Sri Lanka	2	0.4
Argentina	0.9	0.2
Others	45.9	9.4
<b>World Total</b>	<b>486.6</b>	<b>100.0</b>

Source: FAOSTAT, Anand Rathi Research

### India accounts for 20% of total rice consumption

But China and India are also the two greatest consumers of rice, respectively 144m tonnes and 97m tonnes in 2017, accounting for 50.7% of global consumption. The top-five consuming countries (incl. Indonesia, Bangladesh and Vietnam) account for 70.8% of global rice consumption.

**Fig 10 – India is the second largest consumer of rice**

	2017 consumption	
	(m tonnes)	% of total
China	144.0	30.3
<b>India</b>	<b>97.0</b>	<b>20.4</b>
Indonesia	37.6	7.9
Bangladesh	35.0	7.4
Vietnam	22.7	4.8
Phillipines	12.9	2.7
Mynmar	10.9	2.3
Thailand	10.3	2.2
Japan	8.6	1.8
Brazil	7.9	1.7
Nigeria	5.0	1.1
South Korea	4.7	1.0
USA	4.2	0.9
Egypt	4.1	0.9
Kampuchea	3.7	0.8
EU	3.7	0.8
Rest of the world	63	13.2
<b>World Total</b>	<b>475</b>	<b>100.0</b>

Source: FAOSTAT, Anand Rathi Research

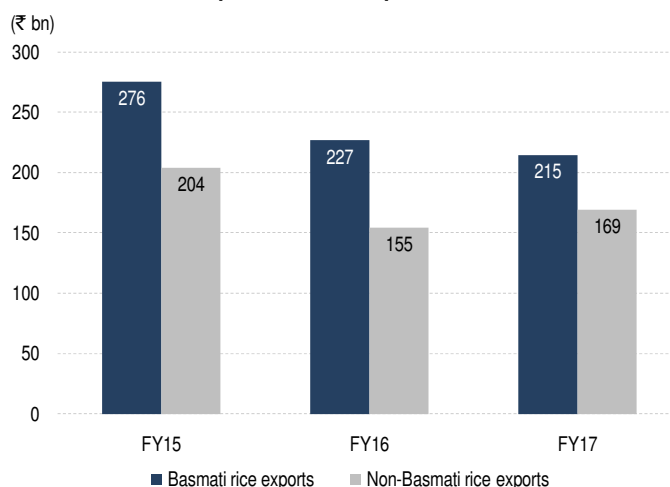
### India, Thailand and Vietnam accounts for 70% of global rice exports

The major rice exporters are India, Pakistan, Thailand, USA and Vietnam. India, Thailand and Vietnam account for nearly ~70% of global exports. The major rice-importing countries are China, Nigeria, the UK, Saudi Arabia and the Philippines, accounting for ~62% of global imports.

### Basmati rice market in India

The domestic *basmati* rice market is estimated at ~₹120bn-150bn. Though second to China in production, India accounts for ~25% of global rice trade. It exported 11m tonnes of rice in 2017, of which *basmati* constituted ~40% (4m tonnes). By value, though, *basmati* rice comprised 56% of exports.

**Fig 11 – Basmati rice make up 56% of rice exports in value terms**

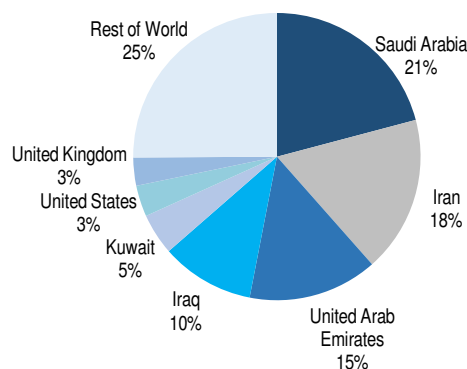


Source: APEDA, Anand Rathi Research

India’s major *basmati* exports are to Saudi Arabia, Iran, the United Arab Emirates, Iraq and Kuwait; together they make up ~68% of India’s *basmati* exports by value. Europe and the US account for respectively ~3% and 3.5%.

*Basmati* consumption as percent of rice consumption in India is a low 2%, widely contrasting with West Asia (the Middle East)’s 38%. This throws up immense opportunities for companies such as LT Foods to grow in its home market as well.

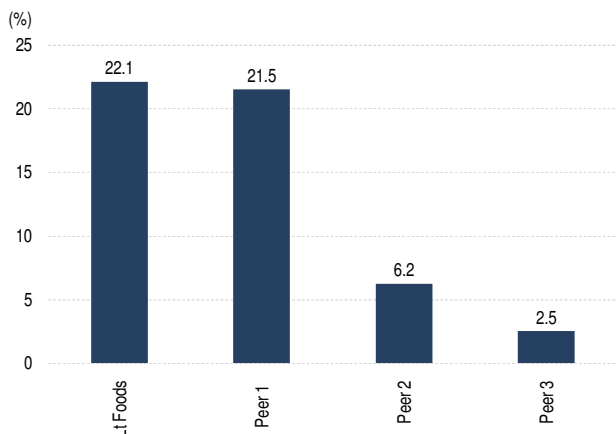
**Fig 12 – India’s *basmati* exports (by value, FY17)**



Source: APEDA, Anand Rathi Research

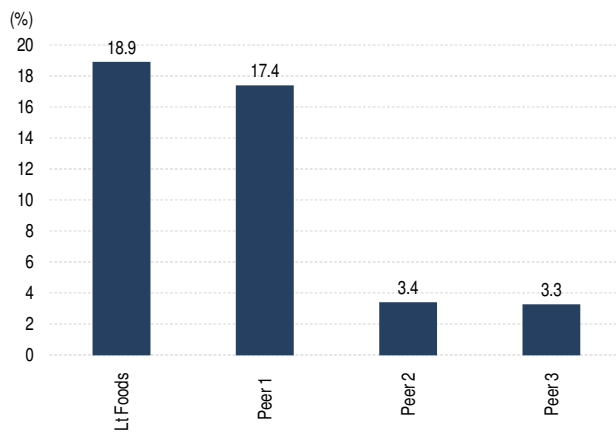
Of the *basmati* rice sold in India, brand-named *basmati* accounts for only 26%, opening up vast opportunities for large regulated operators to gain market share. With its continuing focus on strengthening its consumer business, LT Foods gained a 20% market share in the brand-named *basmati* rice market in India. Its brand-named business makes up ~70% of overall volumes and accounts for ~60% of revenue.

**Fig 13 – All India Rural & Urban Market Share (%)**



Source: Company, Anand Rathi Research

**Fig 14 – All India Modern Trade Market Share (%)**

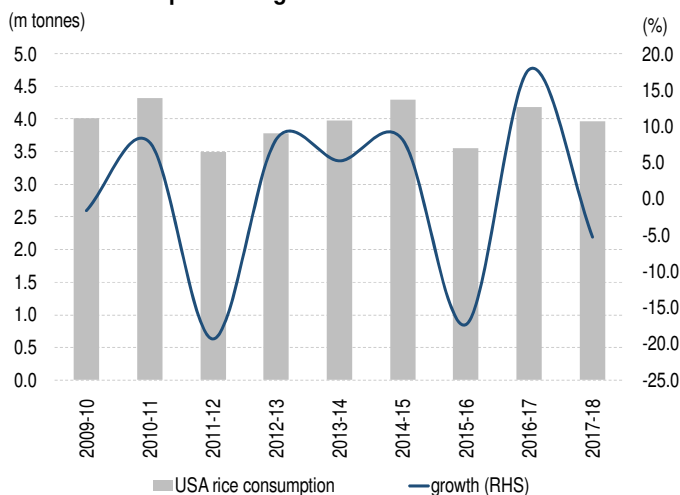


Source: Company, Anand Rathi Research

**Strengthening its international operations**

To tap one of the fastest growing segments in US, the company has set up a plant for organic ready-to-heat products (clocking a 14-15% CAGR). Its strong brand equity and well-diversified distribution network for its Royal range would enable it to gain market share as well, and see double-digit growth in this region in the next three years. Through its flagship Royal brand’s ~40% market share it is a leader in the US market.

**Fig 15 – US rice consumption and growth trend**



Source: FAOSTAT, Anand Rathi Research

The company recently commenced operations at its Rotterdam plant (the Netherlands) with initial capacity of 60,000 tonnes to strengthen its position in Europe which is registering a 10% CAGR. This would result in saving import duty of €170 a tonne of white rice.

Recently, China lifted its ban on *basmati* rice imports from India. The opening up of the Chinese market to exports is positive for Indian *basmati*.

The acquisition of ‘*Gold Seal Indus Valley*’ and ‘*Rozana*’ from Hindustan Unilever for the West Asian market and of ‘817 Elephant’ for America and Europe has resulted in increasing its operations in international markets along with further revenue growth.

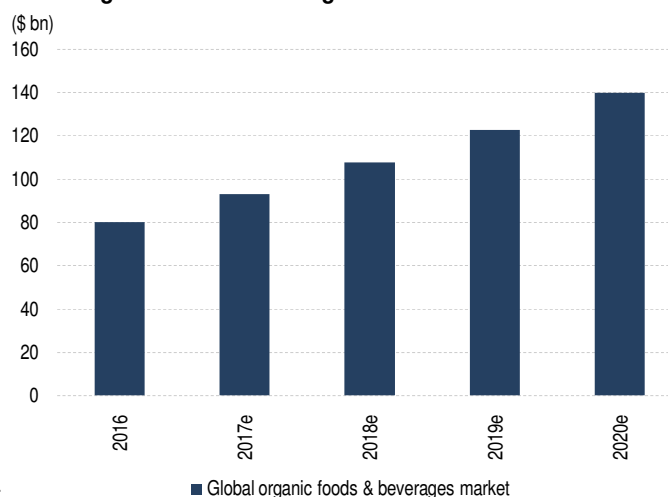
### Staples

Apart from dealing in brand-named specialty *basmati*, the company has diversified into value-added staples such as *atta*, *suji*, *besan*, *dalia*, *poha*, *maida*, pulses, cereals and organic food products. While it has discontinued manufacturing and selling *besan* in all areas except Singapore and overseas, it is sharpening focus on staples, particularly in *atta*, an ₹800m business. It aims to expand this business in the USA and northern India (accounting for 40% of the brand-named *atta* market) in the next five years.

### World going organic

The global organic foods and beverages market is currently \$80bn, expected to register a 15% CAGR to \$140bn by 2020. Consumers’ awareness and move toward healthy lifestyles have led to great demand for organic foods and beverages.

**Fig 16 – Global organic foods & beverages market**



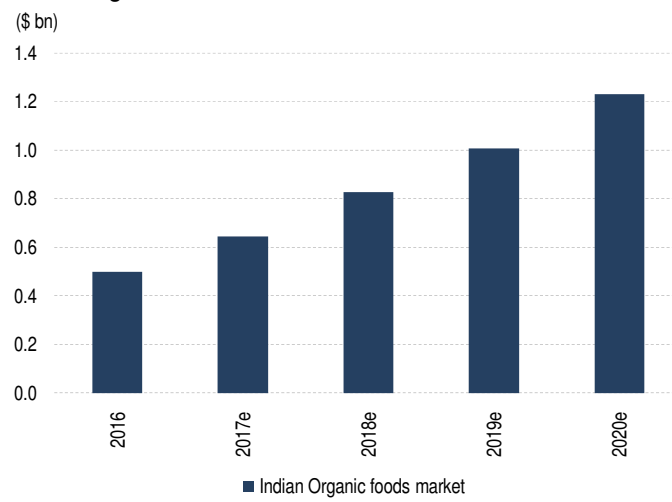
Source: Assocham, TechSci, Anand Rathi Research

### Indian organic foods market to touch \$1.2bn by 2020

While the world market is expected to grow in the mid-teens, India’s organic food market is expected to register a 25% CAGR over FY16-20 to \$1.2bn (from \$0.5bn now). LT Foods with its organic offerings can capitalise on this immense opportunity in organic food space. Its ‘*Ecolife*’ brand which compasses pulses, spices, oils, nuts, rice and flour can enjoy higher realisations and accelerated growth. Although the revenue share from the organic sub-segment is ~8%, the potential in this segment is vast.

**Indian government also encourages the organic way.** The Indian government, meanwhile, has set a target of bringing 500,000 acres under organic farming in by 2020, with allocation of ₹4.1bn.

**Fig 17 – India’s organic foods market**



Source: ASSOCHAM, TechSci, Anand Rathi Research



## Q2 result highlights; earnings call takeaways

### Better operating performance drives profit in Q2

LT Foods Q2 revenue grew 3% y/y to ₹8.5bn aided by higher realisation and increased contribution from its brand-named, organic and private label business. The EBITDA margin expanded 220bps y/y to 11.6% largely driven by the 420bp gross margin expansion which was offset by higher other overheads (up 190bps y/y). EBITDA rose 26.8% y/y to ₹988m. Thus, adj. PAT increased 36% y/y to ₹340m, helped by the better operating performance, lower taxes and lower depreciation charges.

Fig 18 – Quarterly result summary

YE Mar (₹ m)	Q2 FY17	Q2 FY18	% y/y	H1 FY17	H1 FY18	% y/y
Sales	8,290	8,531	2.9	15,320	16,150	5.4
Gross margin (%)	24.5	28.7	419bps	26.6	30.2	359bps
EBITDA	779	988	26.8	1,688	1,941	15.0
EBITDA margin (%)	9.4	11.6	219bps	11.0	12.0	100bps
Interest	363	340	-6.3	752	715	-4.9
Depreciation	134	91	-32.3	274	211	-23.0
Other income	159	16	-90.1	224	110	-50.7
PBT	441	573	29.9	887	1,126	26.9
Tax	176	193	10.2	310	402	29.7
Tax rate (%)	39.8	33.8	-605bps	34.9	35.7	76bps
Adj. PAT	250	340	36.0	566	665	17.6

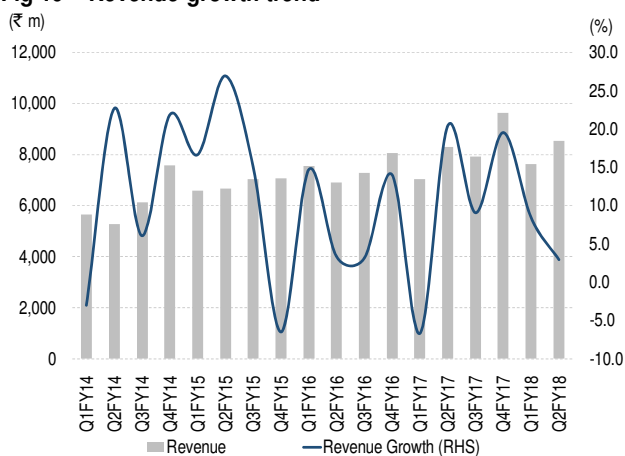
Source: Company, Anand Rathi Research

- The contribution from brand-named *basmati* rice increased to 62% in H1 FY18, from 55% a year ago, resulting in the gross margin expanding 3%.
- In its endeavour to reduce the percentage of its trading business, the share of its organic business increased from 8% to 10% while the share of its private-label business rose from 8% a year ago to 18%.
- **Net realization** increased 12% to ₹68 a kg in H1 FY18, from ₹61 a year ago.
- The **Indian *basmati* rice market** is expected to grow 10-15% in the next 3-4 years. *Basmati* rice production during the year was hurt by lower prices paid to farmers.
- **Paddy.** Low carried-forward stocks and growing demand resulted in a 25-30% surge in paddy prices. The average paddy price for the company would be ₹30-31 a kg. Management talked about passing on the increase in paddy prices to consumers.
- The company's **India business** reported 18% growth (by value) to ₹4.3bn while volume growth was subdued during the quarter. Indian brand-named volumes were 86,226 tonnes in H1 FY18, against 85,771 tonnes a year ago. Average realisation grew 18% y/y to ₹50 a kg.
- The **international business** increased 42% y/y to ₹8.7bn, aided by volume growth. International volumes were 106,000 tonnes in H1 FY18, against 74,890 tonnes a year ago.
- The increase in other overheads by 190bps was primarily attributable to greater ad-spends amounting to ₹90m and one-time inclusion of

pre-operative expenses of the Rotterdam plant in The Netherlands of ₹80m.

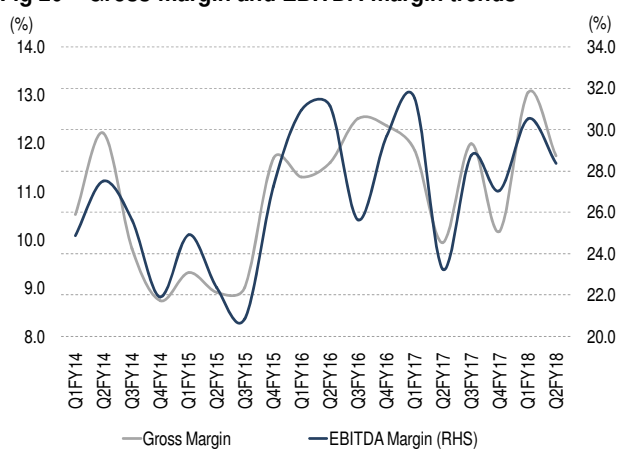
- **New launch.** During the quarter the company launched premium rice-based snack Kari-Kari in Delhi and Bengaluru in modern trade and premium stores, which received an overwhelming response from consumers. Also, it launched *Davaat* in new packaging in Europe, and added fast-cooking rice (registering a 40% CAGR in India) in its portfolio, which is seeing a good response from consumers.
- The company has paddy inventory of 470,000 tonnes procured at an average ₹27/kg. It has rice inventory of 136,000 tonnes valued at an average of ₹50/ kg.
- **GST.** The implementation of GST impacted its packaging above 10kg (10% contribution to revenue) which is largely dominated by loose rice. While its packaging of 1kg, 5kg and 10kg were unaffected and reported 9% growth during the quarter.
- **Insurance claim update.** Despite the company’s conservative provisioning of ₹400m last year, management was confident of receiving the whole of the ₹1.9bn claim, along with interest. Management expects a favourable verdict in the case by FY19.
- Management indicated producing 450,000 tonnes of *basmati* rice during the year with paddy procurement of 400,000 tonnes.
- **Outlook.** Management talked of 10-15% revenue growth, in line with category growth.

**Fig 19 – Revenue-growth trend**



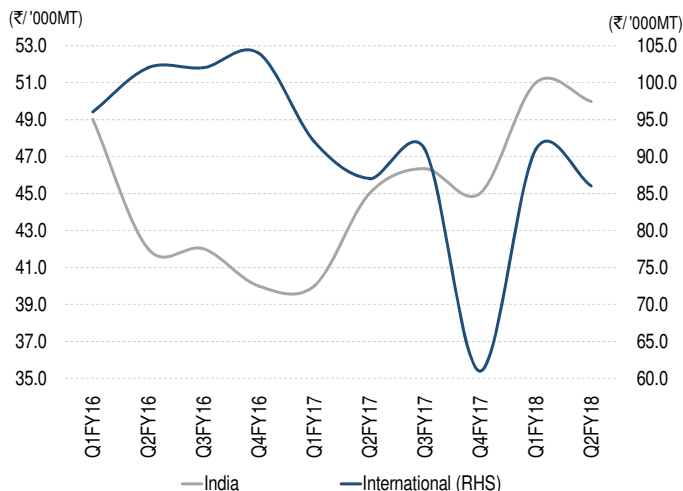
Source: Company, Anand Rathi Research

**Fig 20 – Gross-margin and EBITDA-margin trends**



Source: Company, Anand Rathi Research

**Fig 21 – Realisation trend**



Source: Company, Anand Rathi Research

**Fig 22 – Product portfolio**



Source: Company

**Fig 23 – Dawaat Product Portfolio**

	Weight(K.G)	Price (₹)
Daawat Rozana Gold Basmati Rice	1	89
Dawaat Rozana Super Basmati Rice	1	68
Daawat Brown Basmati Rice (Jar)	1	160
Daawat Biryani Basmati Rice	1	220
Daawat Devaaya Basmati Rice	1	94
Daawat Basmati Rice Pulav	1	110
Daawat Rozana Mini Basmati Mogra	5	260
Daawat Rozana Mogra Basmati Rice	5	310

Source: Online Retailer, Anand Rathi Research

**Fig 24 – Heritage Product Portfolio**

	Weight (K.G)	Price (₹)
Heritage Basmati Rice XXL	1	163

Source: Online Retailer, Anand Rathi Research

**Fig 25 – Devaaya Product Portfolio**

	Weight	Price (₹)
Devaaya Basmati Rice	1 kg	92
Devaaya Atta	5kg	225
Devaaya Besan	500g	70
Devaaya Suji	500g	35
Devaaya Maida	500g	35
Devaaya Poha	500g	65

Source: Online Retailer, Anand Rathi Research

**Fig 26 – Royal Product Portfolio**

	Weight (lbs)	Price (\$)
Royal Brown Basmati Rice	10	10.40
Royal Organic Sona Masoori Rice	20	4.72
Royal Basmati Rice	10	10.1
Royal Chef's Secret Basmati Rice	10	18.3
Royal Jasmine Thai Hom Mali Rice	25	32.98
Royal Original Couscous	10	37.99

Source: Online Retailer, Anand Rathi Research

**Fig 27 – Ecolife Product Portfolio**

	Weight	Price (₹)
Ecolife Organic Aromatic Khichdi Basmati Rice	5kg	346
Ecolife Organic Besan (Chick Pea Flour)	500g	89
Ecolife Organic Brown Flax Seed	100g	58
Ecolife Organic Brown Lentil (Saboot Masoor)	1kg	89
Ecolife Organic Brown Sugar	500g	90
Ecolife Organic Cashew Kernels	200g	350
Ecolife Organic Chana Dal	500g	84
Ecolife Organic Chilli Powder	100g	54
Ecolife Organic Chilli Whole	50g	34
Ecolife Organic Coriander Powder	100g	67
Ecolife Organic Coriander Whole	50g	39
Ecolife Organic Cumin Powder	100g	63
Ecolife Organic Cumin Whole	100g	59
Ecolife Organic fast Cooking Brown Basmati Rice	500g	124
Ecolife Organic fennel	100g	69
Ecolife Organic Kabuli Chana	1kg	128
Ecolife Organic kala Chana	1kg	78
Ecolife Organic Mung Dhuli	1kg	128
Ecolife Organic Mung Split(Mung Chilka)	1kg	129
Ecolife Organic Mustard Oil	1ltr	158
Ecolife Organic Premium Basmati Rice	500g	133
Ecolife Organic Rajma	1kg	115
Ecolife Organic Red Lentil	1kg	96
Ecolife Organic Red Lentil Split (Masoor Dal)	1kg	98
Ecolife Organic Sesame Hulled	100g	69
Ecolife Organic Sesame Natural	100g	48
Ecolife Organic Sesame Oil	200ml	193
Ecolife Organic Tur dal	500g	148
Ecolife Organic Turmeric Powder	100g	56

<b>Ecolife</b>	<b>Weight</b>	<b>Price (₹)</b>
Ecolife Organic Urad Split(Urad Chilka)	1kg	148
Ecolife Organic Urad Whole	1kg	148
Ecolife Organic White Sugar(Sulphurless)	500g	76
Ecolife Organic Whole Wheat (MP Special)	5kg	298
Ecolife Organic Whole Wheat(MP Special Atta)	5kg	168
Ecolife Organic Mung Bean (Saboot Mung)	1kg	118
Ecolife Organic Aromatic Mini Basmati Rice	5kg	368
Ecolife Organic Flaxseed Oil		149
Ecolife Organic Jaggery	750g	99
Ecolife Organic Jaggery Powder	750g	109
Ecolife Organic Premium Daily Basmati Rice	5kg	598
Ecolife Organic Sunflower Oil	1ltr	386
Ecolife Organic Superior Daily Basmati Rice	5kg	468
Ecolife Organic Walnuts Kernels	200g	559

*Source: Online Retailer, Anand Rathi Research*

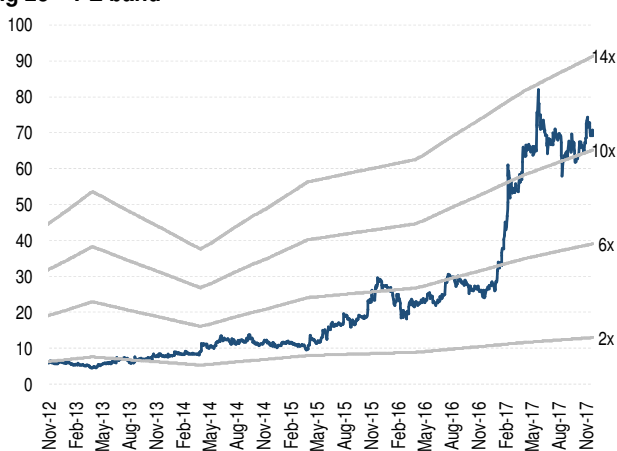
# Valuations

## Valuations still inexpensive; maintaining a Buy

Management plans to transform the company from a brand-named rice operator to a foods company, with one-third revenue from valued-added food products. Thus, the rising share of the brand-named business, cost efficiency-led margin gains and better inventory management are expected to drive greater FCFs and return ratios.

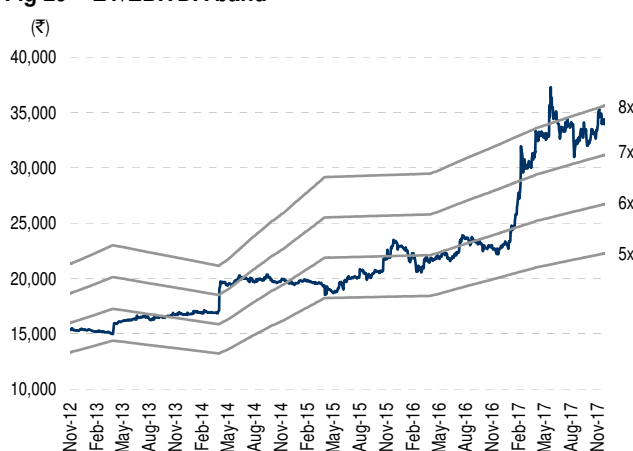
Further, improving working capital, lower debt and inexpensive valuations strengthen our optimistic view of the company’s long-term growth opportunities. We ascribe 10x to FY20e EPS and arrive at a revised TP of ₹90 (₹79 earlier), and maintain our Buy recommendation.

Fig 28 – PE band



Source: Bloomberg, Anand Rathi Research

Fig 29 – EV/EBITDA band



Source: Bloomberg, Anand Rathi Research

### Risks

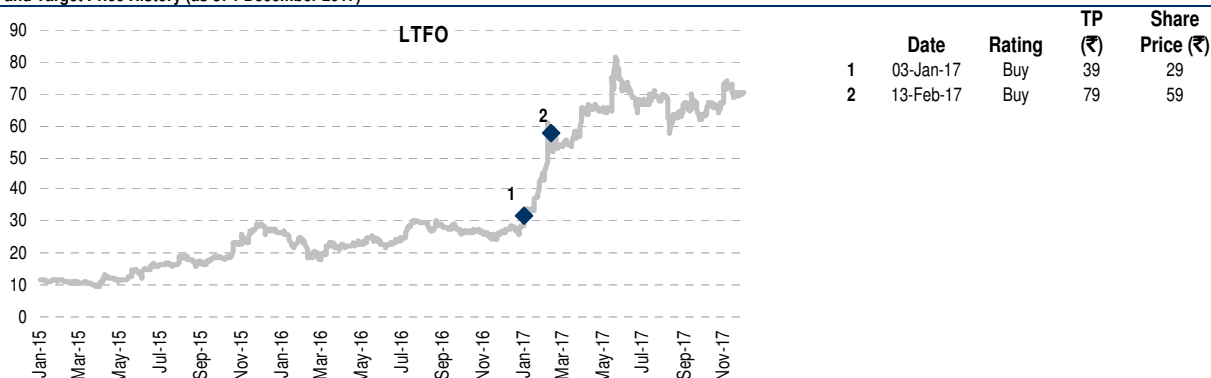
- Newer and keener competition in India and the US.
- Forex fluctuations.
- Unfavourable weather.

## Appendix

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Large Caps (>US\$1bn)	>15%	5-15%	<5%
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