

Retail Equity Research

LT Foods Ltd

Packaged Foods

BSE CODE: 532783
Bloomberg CODE: LTFO:IN

NSE CODE: DAAWAT
SENSEX: 60,284

Buy

12Months Investment period Rating as per Small Cap

CMP Rs. 68 TARGET Rs. 85 RETURN 25% ↑
(Closing:12-10-21)

Evolving from a rice trader to consumer food company

LT Foods (LTF) is a global consumer specialty company with a focus on Basmati rice, Organic Foods and Rice based Convenience Products and having presents across 60+ countries with strong footprint in US, Europe and the Middle EAST.

- LTF's Flagship Brands "Daawat" and "Royal" have strong brand recall in India and US with a market share of 27% and 50%, respectively.
- LTF's consistent efforts on strengthening the brands, widening distribution network, along with region & product diversification through organic & inorganic routes has been the strategy for growth.
- Revenue/PAT has grown at a CAGR of 14%/29% in the last decade and EBITDA margin improved from 9.2% to 11.7%.
- LTF has been diversifying from a rice trader to value added portfolio which is aiding improvement in margins.
- Covid-19 has least impacted the company given essential product and strong supply chain. Now, re-opening of HoReCa channels (Hotel, Restaurants and Catering) will provide additional growth going forward.
- We initiate LTF by valuing at 7x FY23E PE (5Yr Avg=8.6x) with a Target of Rs.85. Recommend Buy considering healthy return ratios.

Integrated business model with strong brand & global footprint

LTF's flagship brands 'Daawat' and 'Royal' have strong brand recall in India and US with market share of 27% and 50%, respectively. LTF's integrated farm to fork business model aids to maintain its market leadership and growth in its core Basmati business. The strong association with farmers and commission agents helps to ensure raw material availability at competitive prices. In the last one and half decade the company has strongly expanded its business globally through organic and inorganic routes. LTF generates ~70% of the total revenue from international business

Diversifying to value added portfolio aids margin improvement

Started with one single segment, Basmati rice in 1970, LTF has evolved into a Consumer Food Company. LTF entered the organic business in 1999. Given the strong back-end infrastructure, connect with farming families & organic land base and diversified product portfolio, the company has established a strong entry barrier in the segment and now contributes ~12% of total revenue (Vs 9% in FY20). The company has also forayed into Health & Convenient products segment by launching ready-to-heat products and now contributes ~1.5% of total revenue.

Reducing working capital cycle adds to profitability...

LTF's business is working capital intensive in nature as the paddy needs to be aged on an average for 6-24 months. The company ensures 65-70% raw material procurement in the season itself. LTF has been working on reducing its working capital cycle year on year and has now reduced to 232 days in FY21 from 365 days in FY11. Despite a working capital intensive business model, LTF has been able to consistently generate free cash flows thereby reducing its net Debt/Equity to 0.9x in FY21 (3.7x in FY15).

Valuation & Outlook: Growth in value-added business will aid re-rating

Covid-19 has least impacted the operations of the company due to essential nature of products and strong supply chain (grew at 9% CAGR over FY19-21). Now, re-opening of HoReCa channels will provide additional growth going forward while strong focus on value-added products will improve margins. We value the stock at 7x FY23E (5Yr avg=8.6x) with a Target of Rs.85. Recommend Buy considering healthy return ratios and attractive valuations.

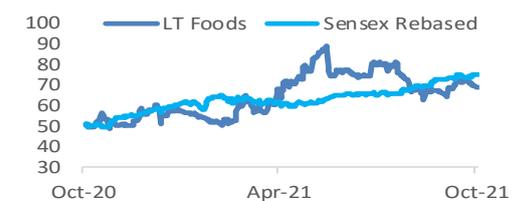
Company Data

| | |
|--------------------------|-------|
| Market Cap (Rs.cr) | 2,175 |
| Enterprise Value (Rs.cr) | 3,659 |
| Outstanding Shares (cr) | 32.0 |
| Free Float | 43% |
| Dividend Yield | 1.36% |
| 52 week high (Rs.) | 90 |
| 52 week low (Rs.) | 47 |
| 6m average volume (Cr) | 0.32 |
| Beta | 0.8 |
| Face value Rs. | 1 |

| Shareholding % | Q3FY21 | Q4FY21 | Q1FY22 |
|-----------------|--------|--------|--------|
| Promoters | 56.8 | 56.8 | 56.8 |
| FII's | 1.6 | 1.1 | 1.6 |
| MFs/Insti | 3.5 | 3.5 | 3.5 |
| Public | 28.5 | 29.2 | 29.2 |
| Others | 9.6 | 8.9 | 8.9 |
| Total | 100 | 100 | 100 |
| Promotor pledge | 0.0% | 0.0% | 0.0% |

| Price Performance | 3 Month | 6 Month | 1 Year |
|-------------------|---------|---------|--------|
| Absolute Return | -14.6% | -3.5% | 35.3% |
| Absolute Sensex | 14.0% | 23.5% | 48.5% |
| Relative Return* | -28.6% | -27.0% | -13.2% |

*over or under performance to benchmark index



| Consolidated (cr) | FY21 | FY22E | FY23E |
|-------------------|-------|-------|-------|
| Sales | 4,651 | 4,999 | 5,604 |
| Growth (%) | 12.3 | 7.5 | 12.1 |
| EBITDA | 563 | 575 | 672 |
| EBITDA Margin (%) | 12.1 | 11.5 | 12.0 |
| Adj. PAT | 272 | 334 | 398 |
| Growth (%) | 48.1 | 22.8 | 19.0 |
| Adj. EPS | 8.6 | 10.5 | 12.4 |
| Growth (%) | 48.1 | 22.8 | 19.0 |
| P/E | 8.0 | 6.5 | 5.5 |
| P/B | 1.2 | 1.1 | 0.9 |
| EV/EBITDA | 6.5 | 5.9 | 5.0 |
| ROE (%) | 16.8 | 17.6 | 17.8 |
| D/E | 0.9 | 0.7 | 0.5 |

Vincent Andrews
Research Analyst

Started in 1970 with a rice mill in Basmati rice segment, today LTF is one of the leading rice companies in India and the globe across 60+ countries with ground presence in key markets of the US, Europe and the Middle EAST.



LTF's Flagship Brands "Daawat" and "Royal" enjoy leadership positions in India and US with market share of 27% and 50% respectively



LTF has 6 manufacturing & processing facilities (5 in India & 1 in Europe), 3 packaging & 1 ready-to-heat facility in US and 1 snacks factory in India

International business contributes ~70% total revenue and 82% of revenue is from Basmati & other specialty rice.

Company Background

LT Foods (LTF) is a Global Consumer Specialty Company primarily engaged in the business of manufacturing, trading, and marketing of rice with a focus on Specialty Rice - Basmati, Organic Foods and Rice based Convenience Products. Started in 1970 with a rice mill in Basmati rice segment serving private label products, today LTF is one of the leading rice companies in India and the globe across 60+ countries with ground presence in key markets of the US, Europe and the Middle East. LTF's Flagship Brands "Daawat" and "Royal" enjoy leadership positions in India and US with market share of 27% and 50% respectively. LTF has forayed into the organic business segment in 1999 under the brand 'EcoLife' and has also launched Health & Convenience products like, rice-based snacks (Kari Kari), ready-to-heat products, Saute Sauces and Cuppa Rice. International business contributes ~70% total revenue and 82% of revenue is from Basmati & other specialty rice. LTF has 6 manufacturing & processing facilities (5 in India & 1 in Europe), 3 packaging & 1 ready-to-heat facility in US and 1 snacks factory in India. It employs ~1,780 employees across the globe.

Major Product Segments

Basmati & other speciality rice (82%)

- Basmati
- Regional rice.
- Specialty rice.
- Arborio
- Jasmine

Organic Food (12%)

- Organic cereal grains, flour, pulses, oil, nuts, spices etc.

Convenience Food (1.5%)

- Rice based snacks.
- Saute' sauce
- Ready-to-heat
- Cuppa Rice

Distribution Network

- 900+ distributors in India and 100+ international distributors
- Presence across 7,200 Modern Stores in India
- Reach to 1,37,000+ retail outlets in India

Basmati brands:

- 'Daawat' among leading brands in India with ~27% market share.
- 'Royal' enjoy number 1 position in the US with market share of 37%.
- Indus Valley, Devaaya, Daawat Rozana, and 817 elephant.

Convenience and organic brands:

- Kari Kari (rice based snacks)
- Daawat Cuppa rice
- Royal ready-to-heat
- Daawat Saute Sauces
- EcoLife (Organic Food)

Procurement

LTF sources its raw materials (RM) from Mandis (procurement markets) through commission agents (network of 270+ agents in 235+ mandis spread across the basmati paddy producing regions of Northern India). As a partner in SRP (Sustainable Rice Platform) program, LTF works closely with farmers and monitor quality control measures and procurement at competitive rates.

LTF's integrated farm to fork business model is a key driver of its sustained market leadership and growth in its core Basmati business.



With the acquisition of 'Royal' in 2007, LTF is the first India-based company to penetrate the US basmati rice market. Currently LTF has ~54% market share of the US brand rice.



Post the acquisition of 'Gold Seal Indus Valley' and 'Rozana', LTF is now among the leading basmati rice player in several Middle East countries.

Investment Rationale

Integrated business model drives sustained market leadership

LTF's integrated 'farm to fork' business model is a key driver of its sustained market leadership and growth in its core Basmati business. The company ensures the availability of raw materials by monitoring sustainable farming through SRP (Sustainable Rice Production) Programs, a UN Environment and International Rice Research Institute initiative. More than 4,400 farmers are associated with LT Foods, through this program, growing residue compliant paddy in more than 18,000 hectares of land. Further, to source raw material for its organic products, the company engages in contract farming with small-holding farmers. LTF has 6 manufacturing & processing facilities (5 in India & 1 in Europe) with a total processing capacity of 2,160MT/day, 3 packaging & 1 ready-to-heat facility in US and 1 snacks factory in India. The company has a strong distribution network consisting of 700+ distributors in India, 100+ international distributors, presence across 7,200+ Modern Trade Stores and 1,18,000+ retail outlets in India.

| Production Capacity | in MT per day |
|--|---------------|
| Central India-Bhopal, MP (Rice, plain chips, rice/wheat flour) | 700 |
| Haryana | 900 |
| Punjab (Rice) | 360 |
| India total capacity | 1,960 |
| Europe | 200 |

| | in pouches/Units per day |
|--------------------------|--------------------------|
| United States | 35600 |
| Snacks plant (Kari Kari) | 3000 |

| Storage capacity | in MTS |
|------------------------------|--------|
| Mule Chak- Amritsar , Punjab | 50000 |
| Ahmedgarh, Punjab | 50000 |
| Malerkotla, Punjab | 50000 |
| Sunam, Punjab | 50000 |
| Mungalia Kot, Bhopal, MP | 50000 |
| Budhi Barlai, MP | 50000 |

Source: Company, Geojit Research

Regional diversification with strong global footprints

LTF, started in 1970 with a rice mill in Basmati rice segment in India, today is one of the leading rice companies in India and across globe through organic & inorganic expansions. With the acquisition of 'Royal' in 2007, LTF is the first India-based company to penetrate the US basmati rice market. Currently LTF has ~54% market share of the US brand rice. Post the acquisition of 'Gold Seal Indus Valley' and 'Rozana', LTF is now among the leading basmati rice player in several Middle East countries. The company's recent strategic equity association with Saudi Agricultural and Livestock Investment Co. (SALIC), Saudi Sovereign Fund is expected to further strengthen the market share. In Europe, the company strengthened the footprint and set up a production facility in 2017 which has helped to increase the region contribution to 14% in FY20. Further, the company has launched own organic brand 'EcoLife' to strengthen position in North America and Middle East. LTF currently has presence across 60+ countries.



Source: Company, Geojit Research

LT Foods, entered into organic business in 1999.

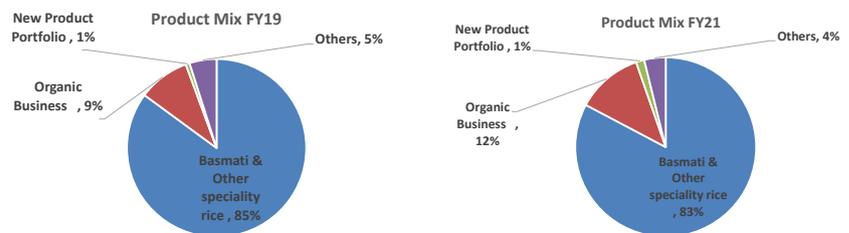
Strong back-end infrastructure & connect with farming families & organic land base have enabled the growth of Organic Business to ~12% of total revenue.



Despite a working capital intensive model, LT Foods has been able to consistently generate free cash flows and reduced net debt from 3.6x in FY15 to 0.9x in FY21. Working capital cycle has reduced from 365 days in FY11 to 232 days in FY21.

Diversifying from traditional rice business to value added portfolio

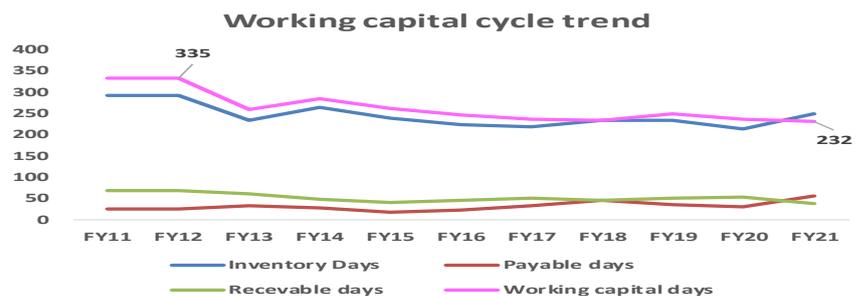
Started with one single segment, Basmati rice, LTF has been focusing on looking into new initiatives in line with changing consumer trends in the market. The company has diversified into the organic and health & convenience segments while continue to strengthen its leadership position in its core Basmati rice segment across geographies through organic and inorganic routes. LTF entered the organic business segment in 1999 through its subsidiary Nature Bio Foods Limited. The company has also established two wholly owned subsidiaries in Netherlands and in the USA to further boost sales in the overseas market. Strong back-end infrastructure, connect with farmers (LT Foods has joined hands with more than 64,000 farming families from villages across India with organic land base of 94,000 hectares) and diversified product portfolio have enabled the growth of Organic Business to ~12% of total revenue (grew by 51% YoY to Rs.557cr in FY21. Further, the company has entered Convenient & Healthy Food segment and has launched rice based 'Kari Kari' snacks, a range of ready-to-heat products, Saute Sauces, 'Cuppa rice', Fortified rice (Daawat Sehat) and the latest Daawat 'boil in bag' were widely accepted by the consumers. The segment grew by 45%YoY to Rs.69cr in FY21 (1.5% of total revenue). The company is in an investment phase of building strong team for its new products (employee expenses has increased by ~66% in last 2 years) and is expected to result into increase in sales in next 2-3 years.



Source: Company, Geojit Research

Reducing working capital cycle improves profitability...

LTF's business is working capital intensive in nature as the paddy & Basmati Rice needs to be aged up to 24 months to enhance & intensify taste, aroma and cooking characteristics. This requires the company to maintain large inventory of paddy & rice. Procurement of Paddy starts in Q3. The Company has a procurement policy in place to ensure 65-70% raw material procurement in the season itself. LTF has an extensive procurement network in place to procure the right quality of paddy at competitive prices from strategic locations via its 270 agents from more than 235 mandis (procurement markets). The Company has been working on reducing its working capital cycle year on year so that it does not impact the profitability of the business. The efforts have resulted into reduction in working capital cycle from 365 days in FY11 to 232 days in FY21. Despite a working capital intensive business model, LTF has been able to consistently generate free cash flows thereby reducing its net Debt/Equity from 3.6x in FY15 to 0.9x in FY21.



Source: Company, Geojit Research

Revenue has grown at a healthy growth of ~14% CAGR in last decade.



The value-added portfolio consisting of organic and Health & Convenient segments have grown strongly 17%/25% during (FY18-21) while the core Basmati rice segment has grown at ~8% CAGR.

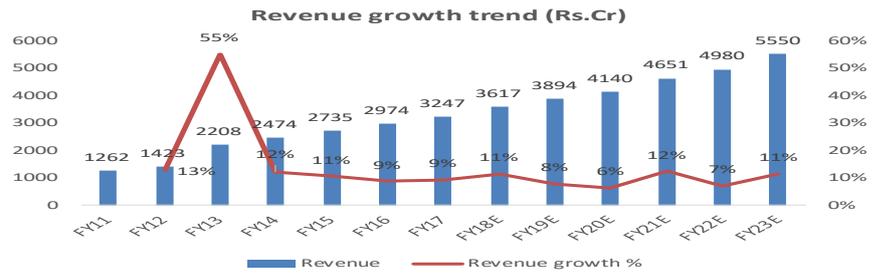


EBITDA margin has improved from 9.6% to 12.0% in last decade while gross margin improvement was flat at ~28%.

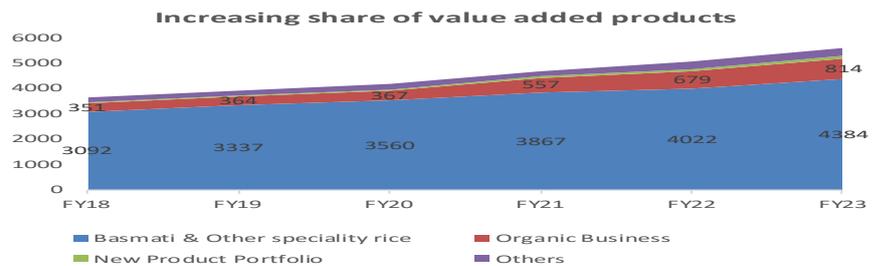


Financial Analysis.

Revenue has grown at a healthy growth of ~14% CAGR in last decade. The growth was mainly driven by LTF's consistent efforts on strengthening the brands, widening distribution network, and region & product diversification through organic & inorganic routes. The value-added portfolio consisting of organic and Health & Convenient segments have grown strongly 17%/25% during (FY18-21) while the core Basmati rice segment has grown at ~8% CAGR. Going forward, with re-opeing of HoReCa channel, the demand is expected to improve. The core Basmati business is expected to grow at 7-8% while higher growth is expected in new products segment. We expect total revenue to grow at 9% CAGR over FY21-23E.

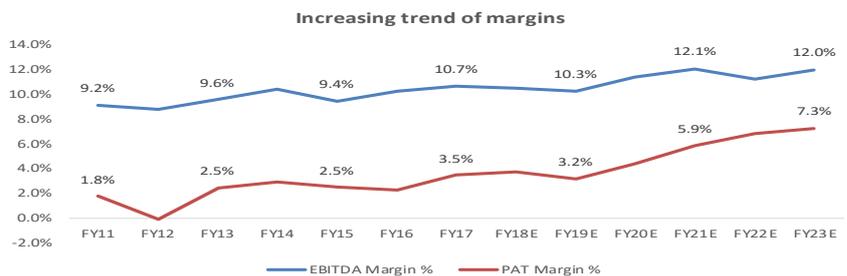


Source: Company, Geojit Research

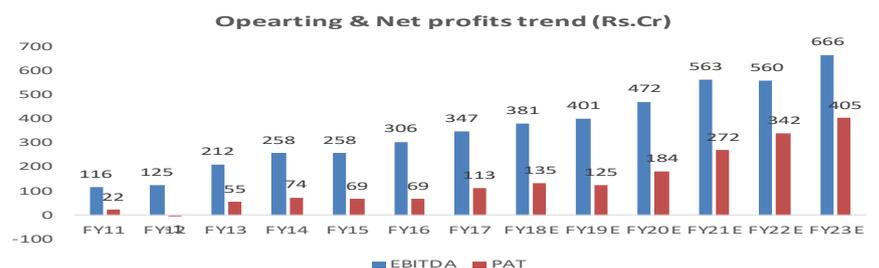


Source: Company, Geojit Research

EBITDA margin has improved from 9.6% to 12.0% in last decade while gross margin improvement was flat at ~28%. The company's integrated business model and efficient raw material procurement policy along with strong brand recall helps to maintain market share. Going forward, volumes from HoReCa segment, higher growth from value added products, reduction in working capital cycle and consistent debt reduction will aid margin improvement.



Source: Company, Geojit Research



Source: Company, Geojit Research

The company has invested ~Rs.520cr in last 5 years and does not expect any major capex in the immediate future.

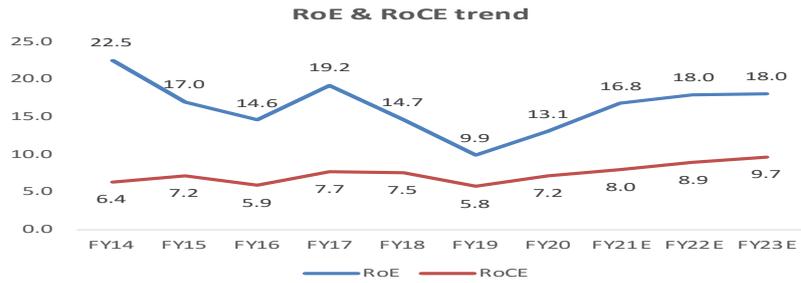


The company is generating robust cash flow supported by improving working capital days, resulting into significant reduction in debt.



With the gradual recovery from the pandemic and re-opening of HoReCa segment will boost demand going forward.

Expect earnings to grow at 22% CAGR during FY21-23E and we value the stock at 8x FY23E (5Yr avg=8.6x).



Source: Company, Geojit Research

Robust cash flow results into significant debt reduction

LTF has invested ~Rs.520cr in last 5 years and does not expect any major capex in the immediate future other than the regular capex (Rs.70-80cr) unless there arises any opportunity on the inorganic side. The company is generating robust cash flow which has improved significantly in recent years supported by improvement in inventory days. This has resulted into significant reduction in the debt during this period. LTF has repaid Rs.205cr/Rs95cr during FY21/Q1FY22 and brought down overall debt to Rs.1,158cr and current D/E stands at 0.6x (3.6x in FY15). So, interest & depreciation expenses will be lower going forward which will add to earnings growth.

Valuation

The stock has seen a sharp re-rating during FY17-FY18 supported by the company's strong initiatives for strengthening expansion to new geographies and value-added portfolio. LTF has evolved from being a rice trader to a Consumer Food Company by diversifying into value added portfolio. The company has forayed into Organic food and Health & Convenience products segments which contribute higher margins than the traditional rice business and has been the reason for re-rating. However, the valuation has witnessed some correction due to Covid-19 pandemic and declined to a low of 2x (1Yr Fwd P/E) during April 2020. However, the company witnessed least impact on its operations on account of essential nature of products & robust supply chain, adequate inventory to fulfill increased demand during the lockdown and increase in home consumption despite disruption in HoReCa channel. The revenue/earnings have grown at 9%/31% CAGR in the last 5 years. The valuations started witnessing improvement since June 2020 itself and is currently trading at 6.0x. Now, the gradual recovery from the pandemic and re-opening of HoReCa segment will further boost demand going forward. We expect earnings to grow at 21% CAGR during FY21-23E and value the stock at 7x FY23E (5Yr avg=8.6x).

1Yr Fwd P/E- at attractive valuations



Source: Company, Geojit Research

The Basmati rice market is at ~9MT out of which India produces 8MT and Pakistan produces the balance 1MT. Domestic consumption stood at ~2.5MT (~30%, growing at ~8%) and exports were at 4.63MT (~58%) in FY21.



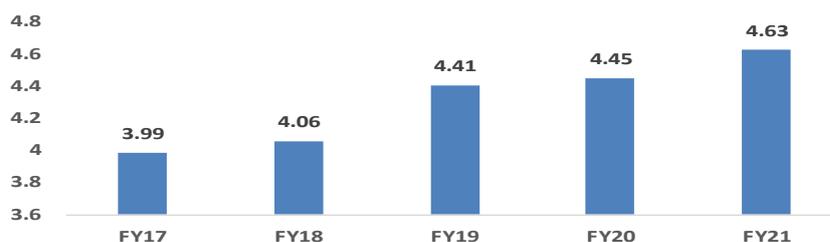
Manufacturing plants



Industry Outlook

Basmati segment: The Basmati rice market is estimated to be at ~9MT out of which India produces ~8MT (~89%) and Pakistan produces the balance 1MT. Domestic consumption stood at ~2.5MT (~30% of production and is growing at ~8% CAGR) and exports were at 4.63MT (~58%) in FY21. Middle East is the biggest Basmati export market and accounts for three-fourths of rice exports followed by the US and UK. Domestic market is witnessing some demand improvement in Basmati rice while Indian Basmati rice recipes are gaining traction in international markets. Domestic Basmati rice consumption per household is estimated to have increased by 3 kilograms during the lockdown.

India Basmati rice exports trend (Qty Mn Ton)



Source: Company, Bloomberg, Geojit Research

Organic food segment: The global organic food market has been growing at a 5 Year CAGR of 9% to reach 106 billion euros in 2019 and the US is the leading market with 44.7 billion euros. India ranks first in terms of the number of organic farmers and accounts for ~2.1% of global export of organic products, mainly to the EU, USA and UK. Due to COVID-19 pandemic, demand has grown remarkably as consumers have become more health conscious.

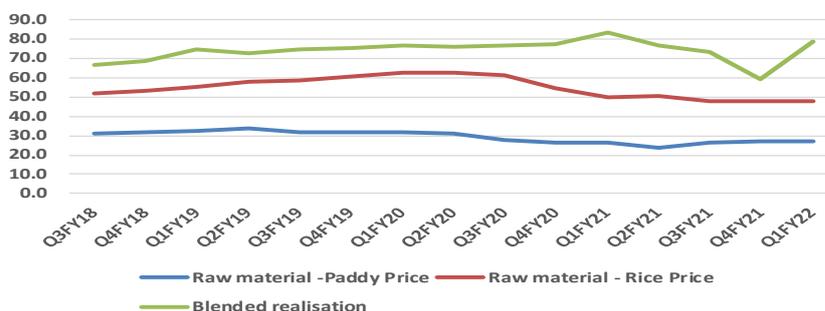
Peer Analysis: Healthy growth & RoE at attractive valuation compared to peer

| Company | Mcap(cr) | Sales (cr) | | | EBITDA Margin % | | | Sales CAGR | EBITDA CAGR | RoE | RoCE | P/E | | |
|--------------|----------|------------|-------|-------|-----------------|------|------|------------|-------------|------|------|------|------|------|
| | | FY19 | FY20 | FY21 | FY19 | FY20 | FY21 | | | | | FY19 | FY20 | FY21 |
| LT FOODS LTD | 2,175 | 3,890 | 4,135 | 4,644 | 10% | 11% | 12% | 9% | 18% | 16.9 | 9.9 | 17.9 | 12.3 | 8.3 |
| KRBL LTD | 7,237 | 4,120 | 4,499 | 3,992 | 21% | 19% | 21% | -2% | -2% | 16.4 | 14.8 | 14.4 | 13.0 | 13.0 |

Source: Company, Bloomberg, Geojit Research

Benign Raw material prices and improving realisation

Raw material price & realisation trend (Rs/Kg)



Source: Company, Bloomberg, Geojit Research

Risks

- Geo-political instability in geographies that the company operates in.
- Volatility in raw material prices
- Low success rate of new products/segments may result into limitation in margin improvement.
- Uncertainties related to the legal outcome of ongoing litigation related to the recoverability of Insurance claim (asset) amounting to Rs. 134cr

PROFIT & LOSS

| Y.E March (Rs. cr) | FY19 | FY20 | FY21 | FY22E | FY23E |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3,894 | 4,140 | 4,651 | 4,999 | 5,604 |
| % change | 7.7 | 6.3 | 12.3 | 7.5 | 12.1 |
| EBITDA | 401 | 472 | 563 | 575 | 672 |
| % change | 5.1 | 17.7 | 19.3 | 2.1 | 16.9 |
| Depreciation | 69 | 91 | 108 | 110 | 115 |
| EBIT | 332 | 380 | 454 | 465 | 557 |
| Interest | 139 | 132 | 87 | 74 | 68 |
| Other Income | 19 | 32 | 33 | 62 | 51 |
| PBT | 212 | 280 | 400 | 454 | 540 |
| % change | -2.2 | 32.3 | 42.8 | 13.4 | 19.0 |
| Tax | 76 | 78 | 109 | 119 | 142 |
| Tax Rate (%) | 36.0% | 27.7% | 27.2% | 26.3% | 26.3% |
| Reported PAT | 127 | 184 | 275 | 334 | 398 |
| Adj* | 2 | 1 | 2 | 0 | 0 |
| Adj PAT | 125 | 184 | 272 | 334 | 398 |
| % change | -7.9 | 47.6 | 48.1 | 22.8 | 19.0 |
| No. of shares (cr) | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 |
| Adj EPS (Rs.) | 4.0 | 5.8 | 8.6 | 10.5 | 12.4 |
| % change | -7.9 | 47.6 | 48.1 | 22.8 | 19.0 |
| DPS (Rs.) | 0 | 1 | 1 | 1 | 1 |
| CEPS (Rs.) | 6.1 | 8.6 | 11.9 | 13.9 | 16.0 |

CASH FLOW

| Y.E March (Rs. cr) | FY19 | FY20 | FY21 | FY22E | FY23E |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Net inc. + Depn. | 196 | 276 | 383 | 444 | 512 |
| Non-cash adj. | -2 | 3 | 3 | 0 | 0 |
| Other adjustments | 118 | 143 | 97 | 74 | 68 |
| Changes in W.C | -216 | 33 | -54 | -104 | -379 |
| C.F. Operation | 98 | 474 | 445 | 414 | 202 |
| Capital exp. | -120 | -89 | -114 | -67 | -80 |
| Change in inv. | -15 | 3 | 14 | 0 | 0 |
| Other invest.CF | 0 | 5 | 0 | 0 | 0 |
| C.F - Investment | -136 | -81 | -100 | -67 | -80 |
| Issue of equity | 39 | 0 | 0 | 0 | 0 |
| Issue/repay debt | 149 | -248 | -225 | -140 | -70 |
| Dividends paid | -6 | -25 | -32 | -39 | -39 |
| Other finance.CF | -138 | -131 | -89 | -74 | -68 |
| C.F - Finance | 44 | -404 | -346 | -252 | -177 |
| Chg. in cash | 6 | -11 | -2 | 94 | -55 |
| Closing cash | 29 | 19 | 17 | 111 | 56 |

BALANCE SHEET

| Y.E March (Rs. cr) | FY19 | FY20 | FY21 | FY22E | FY23E |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash | 38 | 25 | 30 | 124 | 69 |
| Accounts Receivable | 535 | 627 | 494 | 548 | 645 |
| Inventories | 1,891 | 1,750 | 2,223 | 2,175 | 2,377 |
| Other Cur. Assets | 225 | 238 | 211 | 240 | 284 |
| Investments | 36 | 33 | 29 | 29 | 29 |
| Gross Fixed Assets | 929 | 1,289 | 1,331 | 1,411 | 1,491 |
| Net Fixed Assets | 509 | 811 | 794 | 764 | 730 |
| CWIP | 42 | 17 | 33 | 20 | 20 |
| Intangible Assets | 92 | 95 | 86 | 86 | 86 |
| Def. Tax (Net) | 23 | 35 | 28 | 28 | 28 |
| Other Assets | 196 | 198 | 201 | 222 | 266 |
| Total Assets | 3,588 | 3,828 | 4,128 | 4,236 | 4,533 |
| Current Liabilities | 381 | 477 | 683 | 636 | 641 |
| Provisions | 8 | 6 | 11 | 8 | 8 |
| Debt Funds | 1,726 | 1,713 | 1,506 | 1,366 | 1,296 |
| Other Liabilities | 123 | 128 | 145 | 147 | 149 |
| Equity Capital | 32 | 32 | 32 | 32 | 32 |
| Reserves & Surplus | 1,297 | 1,449 | 1,724 | 2,019 | 2,379 |
| Shareholder's Fund | 1,349 | 1,505 | 1,783 | 2,078 | 2,438 |
| Total Liabilities | 3,588 | 3,828 | 4,128 | 4,236 | 4,533 |
| BVPS (Rs.) | 41 | 44 | 53 | 62 | 73 |

RATIOS

| Y.E March | FY19 | FY20 | FY21 | FY22E | FY23E |
|--------------------------------|-------|-------|-------|-------|-------|
| Profitab. & Return | | | | | |
| EBITDA margin (%) | 10.3 | 11.4 | 12.1 | 11.5 | 12.0 |
| EBIT margin (%) | 8.5 | 9.2 | 9.8 | 9.3 | 9.9 |
| Net profit mgn.(%) | 3.2 | 4.4 | 5.9 | 6.7 | 7.1 |
| ROE (%) | 9.9 | 13.1 | 16.8 | 17.6 | 17.8 |
| ROCE (%) | 5.8 | 7.2 | 8.0 | 8.9 | 9.6 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 47.0 | 51.2 | 44.0 | 38.0 | 38.8 |
| Inventory (days) | 169.7 | 160.5 | 155.9 | 160.6 | 148.2 |
| Payables (days) | 40.1 | 34.0 | 44.9 | 49.1 | 40.3 |
| Current ratio (x) | 1.4 | 1.5 | 1.7 | 2.0 | 2.2 |
| Quick ratio (x) | 0.3 | 0.4 | 0.3 | 0.4 | 0.5 |
| Turnover & Leverage | | | | | |
| Gross asset T.O (x) | 4.4 | 3.7 | 3.5 | 3.6 | 3.9 |
| Total asset T.O (x) | 1.1 | 1.1 | 1.2 | 1.2 | 1.3 |
| Int. coverage ratio (x) | 2.4 | 2.9 | 5.2 | 6.3 | 8.1 |
| Adj. debt/equity (x) | 1.3 | 1.2 | 0.9 | 0.7 | 0.5 |
| Valuation | | | | | |
| EV/Sales (x) | 1.0 | 0.9 | 0.8 | 0.7 | 0.6 |
| EV/EBITDA (x) | 9.6 | 8.2 | 6.5 | 5.9 | 5.0 |
| P/E (x) | 17.5 | 11.8 | 8.0 | 6.5 | 5.5 |
| P/BV (x) | 1.6 | 1.5 | 1.2 | 1.1 | 0.9 |

Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research

| Dates | Rating | Target |
|-----------|--------|--------|
| 12-Oct-21 | Buy | 85 |
| | | |
| | | |
| | | |

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 | | | |

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: The analyst has no investment opinion on the stock.

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

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, Vincent K A, author of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER



We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports / research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Vincent K A, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

