

STOCK DETAILS				
Bloomberg code	LTFO:IN			
Market Cap (Rs. bn)	8.9			
Market Cap (USD bn)	0.1			
Sector	Packaged Foods			
Index	S&P BSE 500			
52 w.High/Low	32/13			
Avg Mthly Turnover (Rs.bn)	0.5			
Shares in Issue (mn)	319.8			
BSE Sensex	33,981			
NSE Nifty	10,029			
SHAREHOLDING PATTERN				
%	June-19	Sep-19	Dec-19	Mar-20
Promoter	56.2	56.2	56.2	56.8
Pledge	6.0	4.7	4.7	2.4
FII	1.4	1.4	1.6	1.4
DII	8.3	7.0	5.2	5.1
Others	28.1	30.8	32.4	34.3
Consolidated FINANCIALS				
Rs Mn.	FY19	FY20	FY21E	FY22E
Revenue	38.9	41.5	44.3	47.9
EBITDA	4.0	4.7	5.2	5.7
EBITDA(%)	10.2%	11.4%	11.7%	11.8%
Adj.PAT	1.3	2.1	2.1	2.4
Adj.PAT(%)	3.3%	5.0%	4.8%	5.1%
EPS	4.0	5.8	6.6	7.6
P/E(x)	7.1	4.9	4.2	3.7

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**In spite of the many challenges being faced by the economy due to the on-going COVID-19 crisis, the company finished the fiscal year on a strong note with healthy demand, robust volumes, healthy margins and growth across India and International markets.**

**Strong performance during weak macro environment:** LT Food reported robust revenue growth of 18.8% YoY to Rs 12bn driven by strong growth across all segments. Branded rice business grew by 20% YoY, Private label and Organic business grew by 18.2% / 14.6% respectively.

**Improvement in Gross margin expands OPM:** EBITDA grew by 48% YoY to Rs1.3bn and margin expanded by 217bps YoY to 11.0% due to an improvement in gross margin (+141bps YoY) and 52bps/23bps decline in employee and other expenses.

**Higher other Income and lower tax rate drive PAT growth:** Adj PAT grew by 1.7x YoY to Rs. 0.5bn on account of a 1.2x increase in other income and a 471 bps YoY decline in the effective tax rate. Adj PAT margin increased 255bps YoY to 4.5%.

#### Valuation and View:

**At CMP of Rs 28, the stock is trading at 4.2x/3.7x our earnings estimates of Rs.6.6/Rs.7.6 for FY21E/FY22E respectively. We continue to like the company for (1) its strong brand image in domestic and international market, (2) the focus toward branded segment (high margin business) and (3) new product launches. This will bolster revenue growth and margin expansion in the long term. We have maintained our target multiple of 7x and assign it to our FY21E earnings of Rs.6.6 post which we arrive at a target price of Rs.46, which implies an upside of 65% from current levels. Thus, we assign a BUY rating to the stock.**

#### Quarterly performance (Consolidated)

Result (Rs Bn)	Q4FY20	Q4FY19	Q3FY20	Y/Y(%)	Q/Q(%)
Revenue	12.0	10.1	10.0	+18.8%	+20.2%
EBITDA	1.3	0.9	1.2	+48.0%	+13.5%
OPM(%)	11.0%	8.8%	11.6%	+217bps	-65bps
Adj PAT	0.5	0.2	0.5	+174.0%	+18.9%
Adj PAT(%)	4.5%	2.0%	4.6%	+255bps	-5bps
Adj EPS	1.7	0.6	1.4	+174.0%	+18.9%

Source: Company, Indsec Research

## Key takeaways from the earnings call:

### Business/Segment update:

**Branded business:** The branded business revenue registered a growth of 14% YoY for FY20. This is higher than the total business growth of 9% due to which the share of the branded business in total improved to 74%. India branded business saw good growth in FY20, with the premium and mid-price segments registering double-digit growth. LT Foods had launched various marketing initiatives for these segments on the Daawat brand and specific premium variants like Daawat Biryani and Daawat Traditional.

**U.S. branded business:** U.S. branded business saw a double-digit growth in revenue terms. The business has performed well across all channels, and there was a significant increase in the sales for the month of March due to the ongoing pandemic.

**Europe business:** Europe business has become PAT-positive in FY20. The business has also seen a surge in demand for packaged rice as people are giving preference to packaged brands, taking into account the safety aspect.

**Organic business:** During the quarter organic business grew by 15% YoY. During the year, the company had experienced a fall in its soybean business in the first half of the year. To counter this fall, the company decided to move from the commodity-based soybean business to the value-added soy meal processing-based products.

**SALIC Investment:** SALIC, Saudi Agricultural & Livestock Investment Company, has acquired stake in Daawat Foods Limited, which is a subsidiary of LT Foods Limited through its subsidiary, United Farmers Investment Company. The transaction in Daawat Foods Limited entails acquisition of 29.81% stake of India Agri Business Fund, which is sponsored by Rabobank, and 0.1% stake of the REAL Trust by the United Farmers Investment Company, which is a subsidiary of SALIC, for an amount of \$17.23mn. There shall be no impact on the shareholding of LT Foods Limited and Daawat Foods Limited, which remain intact at 70.09%.

**Gross and EBITDA margin:** The management has guided for Gross and EBITDA margin to grow from current level on account of better product mix.

### Other Key highlights:

- The company has tied-up with Zomato and Swiggy to use their platforms for direct delivery to customers. Post-enforcement of complete lockdown, a telecaller facility was set up to directly reach top retail outlets in the country and take orders from them.
- The company will maintain the debt-to-EBITDA ratio at less than 3x.
- The company is targeting 6-7% EBITDA margin from European business in future.

## Valuation and Outlook:

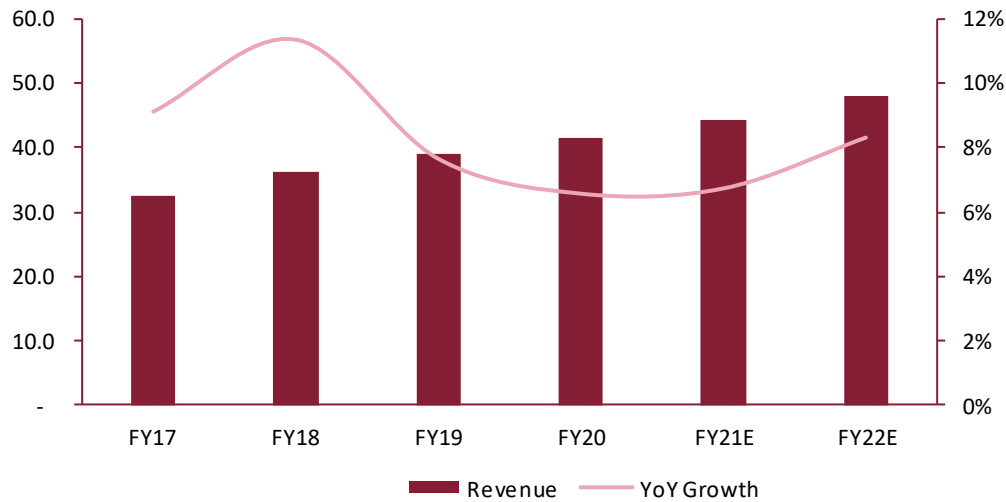
We have upgraded our revenue est, by +4.7%/+5.0% for FY21E/FY22E on account of growth in international business, company's focus to increase the branded business and gradually reduce the private label contribution in revenue. We have increased the EBITDA margin for FY21E by 60bp and 80bps for FY22E This has led to an upward revision of EPS estimates for FY21E by 19.5% and 23.2% for FY22E respectively..

We now expect the company to post Revenue/EBITDA/Adj.PAT CAGR of 7.5%/9.6%/14.6% over FY20-FY22E with OPM in the region of 11.8% by the end of FY22E.

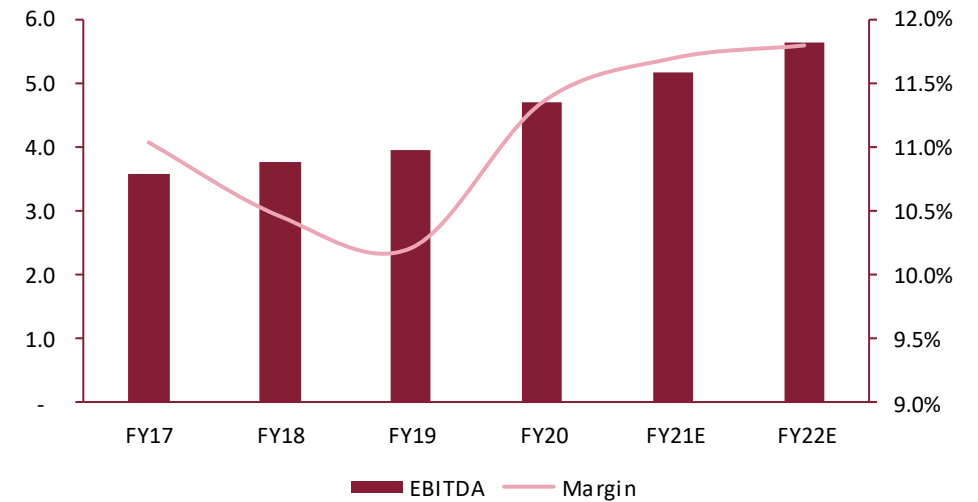
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# Annual Performance

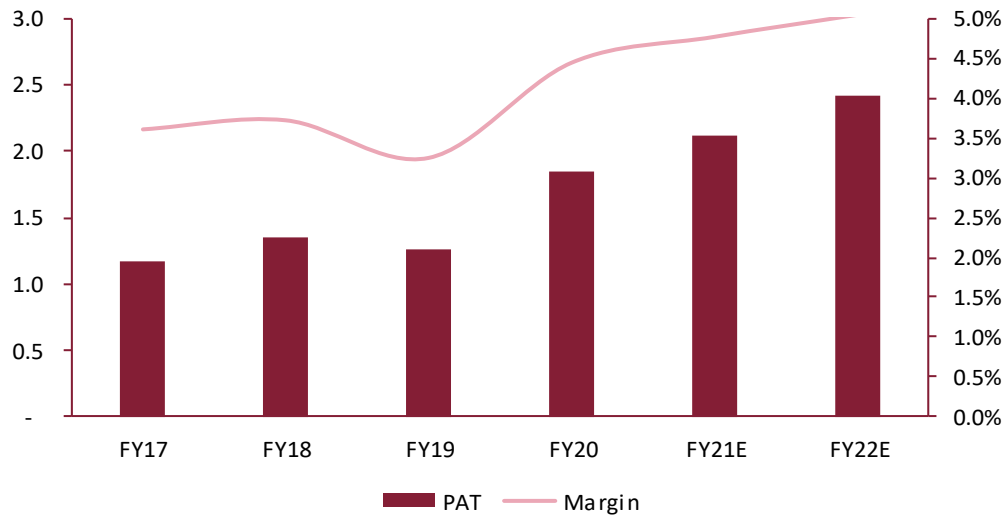
### Revenue (Rs.Bn)



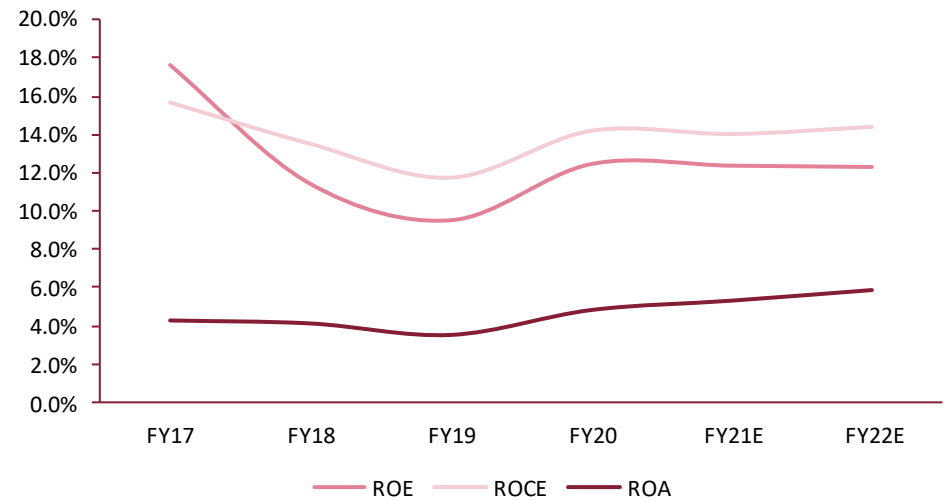
### EBITDA (Rs.Bn) & OPM (%) trend

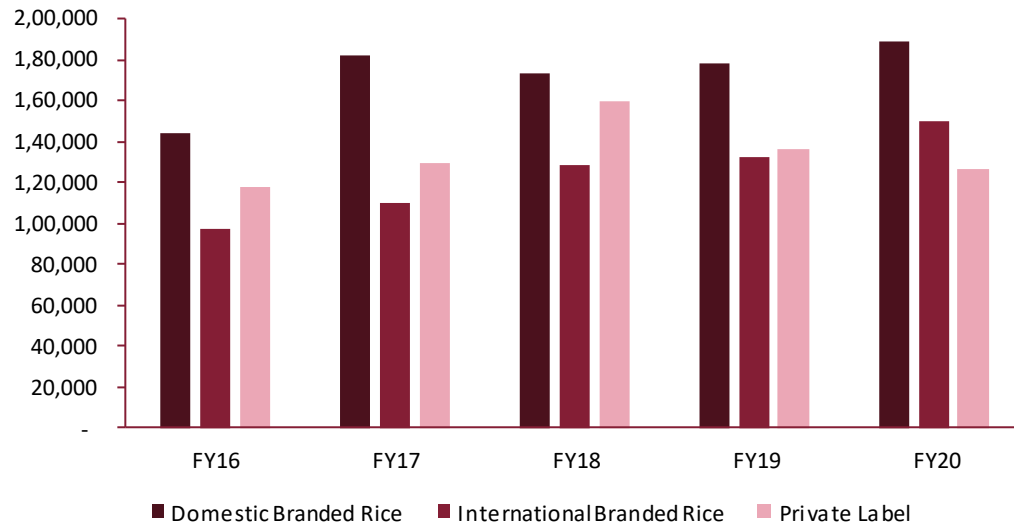
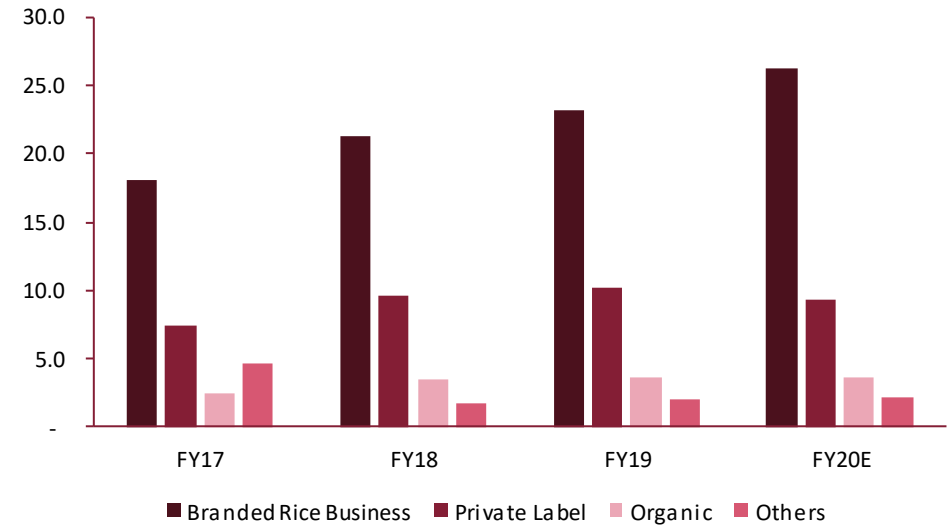


### PAT (Rs.Bn) & margin (%)



### ROE (%), ROA(%) & ROCE (%) trend



**Business Wise Volume (MT)**

**Business Wise Revenue (Rs.Bn)**


## Financials

SUMMARY INCOME STATEMENT					
(in mn)	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income</b>		38,904	41,461	44,253	47,935
<b>% YoY Growth</b>	11.4%	7.7%	6.6%	6.7%	8.3%
Cost Of Revenues (incl Stock Adj)	26,714	29,382	30,675	32,747	35,472
<b>Gross Profit</b>	<b>9,423</b>	<b>9,523</b>	<b>10,786</b>	<b>11,506</b>	<b>12,463</b>
<b>Gross Margins</b>	<b>26.1%</b>	<b>24.5%</b>	<b>26.0%</b>	<b>26.0%</b>	<b>26.0%</b>
Employee Cost	1,350	1,519	1,803	1,903	1,917
Other Operating Expenses	4,292	4,031	4,276	4,425	4,889
<b>EBITDA</b>	<b>3,780</b>	<b>3,972</b>	<b>4,707</b>	<b>5,178</b>	<b>5,656</b>
<b>EBITDA Margins</b>	<b>10.5%</b>	<b>10.2%</b>	<b>11.4%</b>	<b>11.7%</b>	<b>11.8%</b>
Other Income	362	241	379	199	192
Net Interest Exp.	1,466	1,387	1,323	1,314	1,250
Depreciation	501	690	914	949	1,029
Exceptional Items	0	0	(42)	0	0
<b>PBT</b>	<b>2,176</b>	<b>2,136</b>	<b>2,891</b>	<b>3,114</b>	<b>3,569</b>
Tax	714	762	670	841	963
<b>Net Profit</b>	<b>1,462</b>	<b>1,375</b>	<b>2,221</b>	<b>2,273</b>	<b>2,605</b>
<b>Adj.PAT</b>	<b>1,347</b>	<b>1,265</b>	<b>2,073</b>	<b>2,114</b>	<b>2,423</b>
<b>Adj PATM</b>	<b>3.7%</b>	<b>3.3%</b>	<b>5.0%</b>	<b>4.8%</b>	<b>5.1%</b>
Adj EPS	4.8	4.0	5.8	6.6	7.6

SUMMARY BALANCE SHEET					
(in mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Assets</b>					
Net Block	4,927	5,265	5,606	5,156	5,127
Capital WIP	275	422	172	172	172
Other Non current Assets	99	322	285	285	285
<b>Current Assets</b>					
Current Investment	0	0	0	0	0
Inventories	17,287	18,912	17,502	18,841	20,214
Trade receivables	4,680	5,349	6,196	6,911	6,566
Cash and Bank Balances	195	292	191	249	761
Bank Balances other than Cash & Cash Eq	183	79	88	79	79
Short-term loans and advances	2,184	2,260	2,346	2,233	2,233
Other Current Assets	2,184	2,260	2,260	2,260	2,260
<b>Total Current Assets</b>	<b>24,529</b>	<b>26,892</b>	<b>26,324</b>	<b>28,312</b>	<b>29,854</b>
<b>Current Liabilities &amp; Provisions</b>					
Trade payables	3,417	2,838	2,608	1,974	2,235
Other current liabilities	1,515	1,695	2,345	2,345	1,695
Short-term provisions	17	29	34	34	29
<b>Total Current Liabilities</b>	<b>4,949</b>	<b>4,562</b>	<b>4,987</b>	<b>4,352</b>	<b>3,959</b>
<b>Net Current Assets</b>	<b>19,581</b>	<b>22,330</b>	<b>21,338</b>	<b>23,960</b>	<b>25,894</b>
<b>Total Assets</b>	<b>27,671</b>	<b>31,292</b>	<b>33,217</b>	<b>35,390</b>	<b>37,295</b>
<b>Liabilities</b>					
Share Capital	320	320	320	320	320
Reserves and Surplus	11,475	12,971	14,493	16,767	19,372
<b>Total Shareholders Funds</b>	<b>11,794</b>	<b>13,291</b>	<b>14,813</b>	<b>17,086</b>	<b>19,691</b>
<b>Minority Interest</b>	<b>554</b>	<b>1,054</b>	<b>1,178</b>	<b>1,178</b>	<b>1,178</b>
<b>Total Debt</b>	<b>15,162</b>	<b>16,704</b>	<b>14,580</b>	<b>14,480</b>	<b>13,780</b>
Long Term Provisions	61	80	64	64	64
Other Long Term Liabilities	43	41	2,562	2,562	2,562
Net Deferred Tax Liability	56	122	19	19	19
<b>Total Liabilities</b>	<b>27,671</b>	<b>31,292</b>	<b>33,217</b>	<b>35,390</b>	<b>37,295</b>

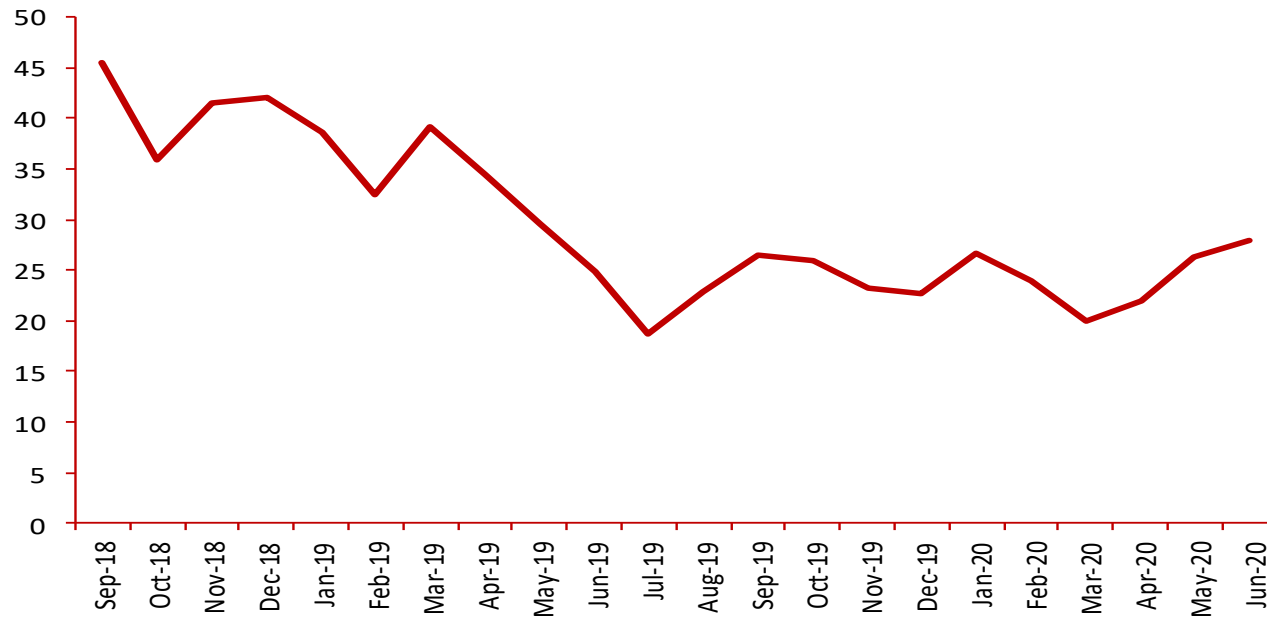
## Financials

### SUMMARY CASH FLOW STATEMENT

(in mn)	FY18	FY19	FY20	FY21E	FY22E
PBT	2158	2136	2769	3114	3569
Depreciation & Amortization	501	690	914	949	1029
Other Adjustments	1393	1399	1543	1314	1250
(Inc) / Dec in Working Capital	-2567	-2164	334	-2565	-1422
Taxes	-1035	-1037	-789	-841	-963
<b>Cash from Ops.</b>	<b>451</b>	<b>1026</b>	<b>4772</b>	<b>1971</b>	<b>3463</b>
Capital Expenditure & investments	-2324	-1356	-809	-500	-1000
<b>Cash from Investing</b>	<b>-2324</b>	<b>-1356</b>	<b>-809</b>	<b>-500</b>	<b>-1000</b>
Issue of Share capital	3812	391	-200	0	0
Net Borrowings	-708	1486	-2278	-100	-700
Others	-1307	-1378	-1309	-1314	-1250
Issuance of Dividend	-48	-61	-251	0	0
<b>Cash from Financing</b>	<b>1749</b>	<b>439</b>	<b>-4038</b>	<b>-1414</b>	<b>-1950</b>
Extraordinary receipts/payment	0	0	0	0	0
<b>Net Change in Cash</b>	<b>-124</b>	<b>109</b>	<b>-75</b>	<b>57</b>	<b>513</b>
BF Cash	327	195	292	191	249
Adjustment	-9	-12	-25	0	0
<b>END Cash</b>	<b>195</b>	<b>292</b>	<b>191</b>	<b>249</b>	<b>761</b>

### SUMMARY RATIOS

	FY18	FY19	FY20	FY21E	FY22E
<b><u>Profitability</u></b>					
Return on Assets	4.1%	3.5%	4.8%	5.3%	5.9%
Return on Capital	13.5%	11.7%	14.2%	14.0%	14.4%
Return on Equity	11.4%	9.5%	12.5%	12.4%	12.3%
<b><u>Margin Analysis</u></b>					
Gross Margin	26.1%	24.5%	26.0%	26.0%	26.0%
EBITDA Margin	10.5%	10.2%	11.4%	11.7%	11.8%
Net Income Margin	3.7%	3.3%	5.0%	4.8%	5.1%
<b><u>Short-Term Liquidity</u></b>					
Current Ratio	1.3x	1.4x	1.5x	1.7x	1.9x
Quick Ratio	0.4x	0.4x	0.5x	0.6x	0.6x
Avg. Days Sales Outstanding	47	50	55	57	50
Avg. Days Inventory Outstanding	236	235	208	210	208
Avg. Days Payables	35	27	23	22	23
<b><u>Long-Term Solvency</u></b>					
Total Debt / Equity	1.3x	1.3x	1.0x	0.8x	0.7x
EBITDA / Interest Expense	2.5x	2.5x	3.2x	3.4x	3.9x
<b><u>Valuation Ratios</u></b>					
EV/EBITDA	6.3x	6.4x	5.0x	4.5x	3.9x
PER	5.8x	7.1x	4.9x	4.2x	3.7x
P/B	0.8x	0.7x	0.6x	0.5x	0.5x

**Stock Price movement from Initiation (18th Sept, 2018) to 04th June, 2020**


Recommendation History					
Date	Closing Price	TP	Periods (in mts)	Rating	Analyst
05-Jun-20	28	46	12mn	Buy	Rakesh Roy
13-Feb-20	28	39	12m	Buy	Rakesh Roy
16-Aug-19	22	37	12m	BUY	Jimeet M. Shah, Kimberly Paes
15-Feb-19	33	54	12m	BUY	Jimeet M. Shah, Kimberly Paes
20-Nov-18	42	70	12m	BUY	Jimeet M. Shah, Kimberly Paes
19-Sep-18	48	70	12m	BUY	Jimeet M. Shah, Kimberly Paes



## INDSEC Rating Distribution

**BUY** : Expected total return of over 20% within the next 12-18 months.

**HOLD** : Expected total return between 0% to 20% within the next 12-18 months.

**SELL** : Expected total return is negative within the next 12-18 months.

**NEUTRAL**: No investment opinion, stock under review.

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