

Company Update

LT Foods Ltd

Bloomberg Code: LTFO IN

India Research - Stock Broking

BUY

Robust Plan to Expand Business Internationally

Stronger Quarter with Improved Margin: LT Foods Ltd has delivered strong set of consolidated numbers having recorded revenue in Q2FY18 at Rs.8531 Mn as against Rs.8290 Mn in Q2FY17 registering growth of 2.9% on YoY basis. The shares of basmati, organic and private label businesses as % of total revenue are on rise which stand at 62.0%, 10.0% and 18.0% respectively. EBITDA of the company in Q2FY18 grew 26.8% on YoY basis to Rs.988 Mn against Rs.779 Mn during the same quarter period last year thereby marking an improvement in EBITDA margin by 219 bps on YoY basis. Increased share of branded business has helped EBITDA to improve. PAT of the company in Q2FY18 came in at Rs.364 Mn as against Rs. 267 Mn in Q2FY17 exhibiting growth of 36.4% on YoY basis and profit margin expansion by 105 bps on YoY basis. Improvement in PAT growth and PAT margin could be attributed to improvement in EBITDA and reduction in interest cost. From H1FY18 performance perspective, the company has come out with great showing having registered revenue/EBITDA/PAT growth of 5.4%, 15.0% and 22.4% respectively on YoY basis. In the process, it recorded improvement in EBITDA margin by 100 bps and PAT margin by 61 bps on YoY basis.

Revenue proportion of export and India business stood at 55: 45 which points to an improvement in India business. The company has been expanding its geographical reach in Europe and Middle East through commencing operations and acquiring popular brands in the region. The company has consistently been working on adding new products to its portfolios. It has entered into JV with Japanese Snack Food major Kameda to manufacture and market rice based snacks by the name of Kari Kari and has ambitious plan of generating revenue of Rs.1000 Mn in next five years leveraging on brand equity and distribution.

Valuation and Outlook

LT Foods Ltd, with strong brand and broad distribution platforms, has been able to gain share in branded business in India, Europe, USA and Middle East. Its organic business has been growing fast in USA and Europe. Further, JV with Kameda for rice-based snacks Kari Kari and likely basmati rice export to Iran that is to begin from Dec.2017 provides for huge opportunities to scale up business. Considering all these unfolding opportunities, we have upwardly revised our target price on stock for next 9-12 months at Rs.87, which gives 24% potential upside.

Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY15	*FY16	*FY17	FY18E	FY19E
Net Sales	27346	29734	32865	36974	42150
EBITDA	2638	3566	3678	4116	5082
EBITDA Margin (%)	9.6	12.0	11.2	11.1	12.1
Adj. Net Profit	764	725	1287	1461	2049
EPS (Rs.)**	2.9	2.7	4.8	5.5	7.7
RoE (%)	17.9	14.5	21.6	20.1	22.8
PE (x)	3.4	8.3	13.7	12.8	9.1

Source: Company, Karvy Research, *As per IndAS, ** Split Adjusted from face value of Rs.10 to Re.1

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Recommendation (Rs.)

CMP (as on Nov 29, 2017)	70
Target Price	87
Previous Target Price	83
Upside (%)	24

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	18672 / 290
52-wk High/Low (Rs.)	85 / 26
3M Avg. daily volume (mn)	0.8
Beta (x)	1.3
Sensex/Nifty	33603 / 10361
O/S Shares(mn)	266.7
Face Value (Rs.)	1.0

Shareholding Pattern (%)

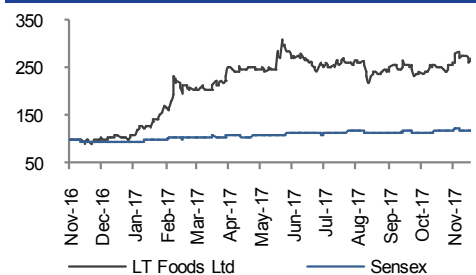
Promoters	67.16
FIIs	2.49
DIIIs	1.27
Others	29.08

Stock Performance (%)

	1M	3M	6M	12M
Absolute	4	8	(7)	167
Relative to Sensex	2	2	(14)	109

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Earnings Revision (%)

YE Mar	FY18E	FY19E
Sales (%)	↑ 0.4	↑ 1.3
EBITDA (%)	↑ 0.6	↑ 1.7
PAT (%)	↑ 2.3	↑ 5.6

Source: Karvy Research

Analyst Contact

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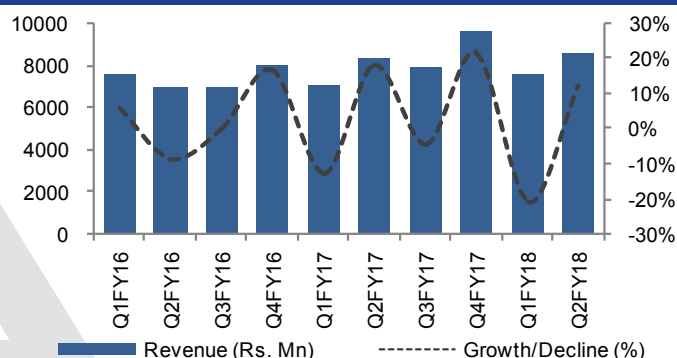
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Exhibit 2: Q2FY18

YE Mar (Rs. Mn)	Q2FY18	Q1FY18	QoQ %	Q2FY17	YoY %	H1FY18	H1FY17	YoY%
Turnover	8531	7619	12.0	8290	2.9	16150	15320	5.4
Expenditure	7543	6667	13.1	7511	0.4	14210	13632	4.2
EBITDA	988	953	3.7	779	26.8	1941	1688	15.0
Depreciation	91	120	(24.1)	134	(32.3)	211	274	(23.0)
Interest	340	375	(9.2)	363	(6.3)	715	752	(4.9)
Other Income	16	95	(83.3)	159	(90.1)	110	224	(50.7)
PBT	557	557	0.0	442	26.0	1115	892	24.9
Tax	193	208	(7.2)	176	10.2	402	310	29.7
PAT	364	349	4.3	267	36.4	713	583	22.4
EBITDA Margin (%)	11.6	12.5	(92) bps	9.4	219 bps	12.0	11.0	100 bps
EBIT Margin (%)	10.7	12.2	(147) bps	9.7	100 bps	11.4	10.7	70 bps
Net profit Margin (%)	4.3	4.6	(31) bps	3.2	105 bps	4.4	3.8	61 bps

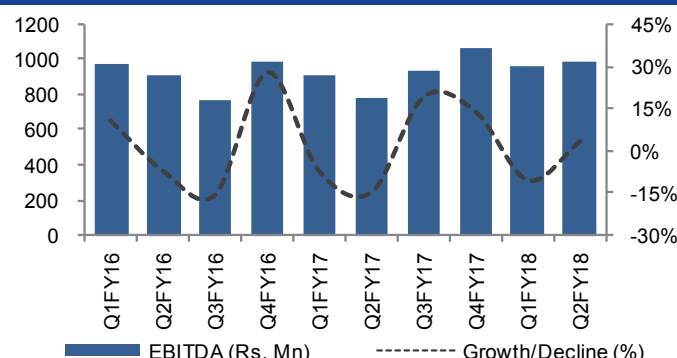
Source: Company, Karvy Research

Exhibit 3: Revenue and Trend



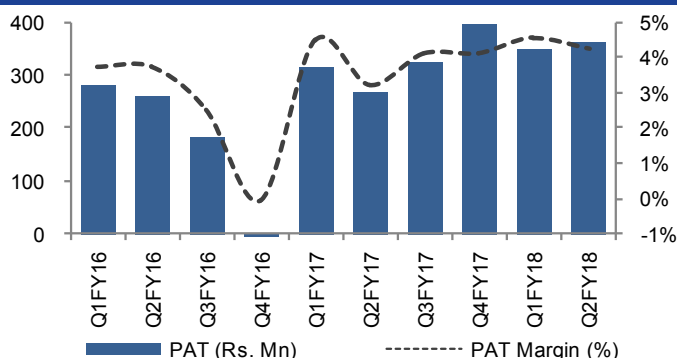
Source: Company, Karvy Research

Exhibit 4: EBITDA & EBITDA Trend



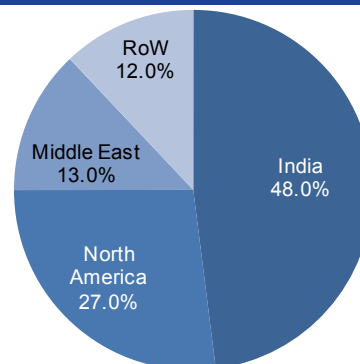
Source: Company, Karvy Research

Exhibit 5: PAT and PAT Margin Trend



Source: Company, Karvy Research

Exhibit 6: Revenue by Geography - FY17



Source: Company, Karvy Research, RoW: Rest of the World

Key Takeaways from Management Interaction

- Basmati production this year has been impacted due to farmers failing in getting right price for their produce in the last two years. Lower production, low carry-forward stocks and growing demand have led to increase in the paddy prices to the extent of 25% to 30%.
- The growth in business has come from increased shares of branded, organic and private-label businesses.
- Q2FY18 has witnessed a good recovery in India business which recorded growth of 18% in value terms though there was muted growth in volume.
- Rotterdam plant with initial capacity of 60,000 tonne is now operational which is expected to strengthen the company's position in European market which is growing at CAGR of 10%.
- Organic is another growth driver of the company which has been growing at CAGR of 40%.
- The fast cooking brown rice is doing very well growing at CAGR of more than 40% in India.

Exhibit 7: Comparison of Financial Estimates

YE Mar (Rs. Mn)	FY18E			FY19E		
	Old	New	% Change	Old	New	% Change
Net Sales	36809	36974	0.4	41595	42150	1.3
EBITDA	4092	4116	0.6	4997	5082	1.7
EBITDA Margin(%)	11.1	11.1	3 bps	12.0	12.1	6 bps
APAT	1428	1461	2.3	1940	2049	5.6
EPS (Rs.)	5.4	5.5	1.5	7.3	7.7	5.3

Source: Company, Karvy Research

Key Risks

- Competiton risk.
- Fx-fluctuation risk.
- Economic slowdown risk.

Financials

Exhibit 8: Income Statement

YE Mar (Rs. Mn)	FY15	#FY16	#FY17	FY18E	FY19E
Revenues	27346	29734	32865	36974	42150
Growth (%)	10.5	8.7	10.5	12.5	14.0
Operating Expenses	24708	26168	29187	32857	37068
EBITDA	2638	3566	3678	4116	5082
Growth (%)	0.2	35.2	3.1	11.9	23.5
Depreciation & Amortization	466	515	542	561	608
Other Income	452	62	356	320	393
EBIT	2624	3113	3492	3876	4866
Interest Expenses	1511	1478	1546	1684	1809
PBT	1112	1635	1947	2192	3058
Tax	348	471	644	731	1009
Adjusted PAT	764	725	1287	1461	2049
Growth (%)	(9.8)	(5.2)	77.6	13.5	40.3

Source: Company, Karvy Research, *Interest Expenses including other borrowing cost, # As per IndAS

Exhibit 9: Balance Sheet

YE Mar (Rs. Mn)	FY15	#FY16	#FY17	FY18E	FY19E
Cash & Cash Equivalents	212	323	412	907	975
Trade receivables	3179	3757	4629	4893	5962
Inventory	13622	12996	14483	16256	18607
Loans & Advances	3475	3565	3303	3633	3997
Investments	69	64	53	62	62
Net Block	3850	3856	4101	4368	4695
Other assets	45	81	246	257	279
Total Assets	24453	24643	27227	30375	34576
Current Liabilities	3080	3340	4412	5079	6031
Debt	16387	15578	15774	16840	18086
Other Liabilities	359	358	478	481	484
Total Liabilities	19826	19276	20665	22400	24601
Shareholders Equity	265	267	267	267	267
Reserves & Surplus	4363	5101	6296	7708	9709
Total Networkth	4627	5368	6562	7975	9976
Total Networkth & Liabilities	24453	24643	27227	30375	34576

Source: Company, Karvy Research, # As per IndAS

Exhibit 10: Cash Flow Statement

YE Mar (Rs. Mn)	FY15	#FY16	#FY17	FY18E	FY19E
PBT	1112	1635	1947	2192	3058
Depreciation	466	515	542	561	608
Net Interest Expense	1453	1404	1441	1684	1809
Tax Paid	(348)	(338)	(439)	(731)	(1009)
Inc/dec in Net WC	(2474)	(689)	(1226)	(1708)	(2852)
Others	4	445	(72)	(320)	(393)
Cash flow from operating activities	214	2972	2191	1678	1221
Inc/dec in capital expenditure	(553)	(537)	(867)	(828)	(935)
Others	(4)	1	(15)	311	393
Cash flow from investing activities	(557)	(536)	(882)	(517)	(542)
Inc/dec in borrowings	2375	(268)	689	1066	1246
Dividend paid	(69)	(63)	(48)	(48)	(48)
Interest paid	(1453)	(1406)	(1443)	(1684)	(1809)
Others	(526)	(616)	(458)	0	0
Cash flow from financing activities	326	(2353)	(1260)	(666)	(611)
Net change in cash	(18)	82	48	494	68

Source: Company, Karvy Research, # As per IndAS

Exhibit 11: Key Ratios

YE Mar	FY15	#FY16	#FY17	FY18E	FY19E
EBITDA Margin (%)	9.6	12.0	11.2	11.1	12.1
EBIT Margin (%)	9.6	10.5	10.6	10.5	11.5
Net Profit Margin (%)	2.8	2.4	3.9	4.0	4.9
Dividend Payout Ratio (%)	6.9	6.6	3.1	2.7	2.0
Net Debt/Equity (x)	3.5	2.8	2.3	2.0	1.7
RoE (%)	17.9	14.5	21.6	20.1	22.8
RoCE (%)	13.3	14.8	16.1	16.4	18.4

Source: Company, Karvy Research, # As per IndAS

Exhibit 12: Valuation Parameters

YE Mar	FY15	#FY16	#FY17	FY18E	FY19E
EPS (Rs.)**	2.9	2.7	4.8	5.5	7.7
DPS (Rs.)**	0.2	0.2	0.2	0.2	0.2
BVPS (Rs.)**	17.5	20.1	24.6	29.9	37.4
PE (x)	3.4	8.3	13.7	12.8	9.1
P/BV (x)	0.6	1.1	2.7	2.3	1.9
EV/EBITDA (x)	7.3	6.1	9.1	8.5	7.1
EV/Sales (x)	0.7	0.7	1.0	0.9	0.9

Source: Company, Karvy Research, # As per IndAS, ** Split Adjusted from face value of Rs.10 to Re.1

Stock Ratings	Absolute Returns
Buy	: > 15%
Hold	: 5-15%
Sell	: < 5%

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