

LT FOODS LTD | FMCG

Innovative Launches Amidst Challenging Times

LKP

LT Foods Ltd (LTF) witnessed a muted quarter with decline in revenues by 6% mainly due to stocking up in March last year with onset of Pandemic. Operating margins also contracted marginally due to investments made in strengthening its international operations. EBITDA margins was marginally lower by 26bps with increase in gross margins led by improving product mix. For the full year FY21, the company registered a revenue growth of 12% led by growth in the US, Europe and Organic business. Increase in gross profits and savings in interest cost led to expansion in the PAT margins by 139bps for FY21. LTF is focusing on increasing its international footprints for which it is strengthening its Europe operations. LTF has made further investments in additional packaging lines in Europe and expanded its product portfolio. The US business delivered another strong year with Branded business up by 7% driven by flagship brand Royal. Indian operations were impacted by erratic lockdowns across cities and towns due to the ongoing second covid wave. We believe the company is now in a better position to tackle the Pandemic with minimal impact led by strong international presence, organic business and value added products.

Growing International Presence

In FY21, LTF made investments in installing additional packaging plants in the US and Europe since smaller packs had grown and reached maximum utilization of the capacity. LTF also expanded its products to new customers such as Jumbo which has more than 600 stores supermarket chain across Europe. The company is also looking at new listings to widen its product reach across the US and Europe. LTF is also in the process of developing a core team for its international business for which they recently hired a new Managing Director. LTF also recently acquired a 30% stake in Leev, Netherlands through its subsidiary Nature Bio Foods BV to supply its organic ingredients to Leev and capitalize on its strong consumer base of more than 2500 stores in Europe. In the next phase of its market expansion, LTF will also look to fortifying its position in the Middle East region which is one of the larger markets for Rice.

Improving ESG score

LTF has recently collaborated with Humankind Group (HKG), USA to explore an opportunity to develop commercial-scale biomass plants that recycle rice paddy straw into green energy and bio-fertilizers in India under its Environment Sustainability Program. HKG has chosen LTF to become its local partner where LTF would play a key role through its local presence, knowledge of rice farming and vast farmer network across key basmati rice growing areas. Both LTF & HKG plan to advance the partnership and facilitate the local ownership of the First Biomass Plant. This Project aligns well with LTF's on-going farmer engagement and environment programs along with its sustainability initiatives.

YE Mar	2018	2019	2020	2021	2022E	2023E	2024E
Total sales (₹ Crore)	3,614	3,890	4,146	4,644	5,109	5,722	6,490
EBITDA margins (%)	10.5%	10.2%	11.4%	12.0%	13.0%	14.4%	15.0%
PAT margins (%)	4.0%	3.5%	4.8%	6.2%	7.5%	8.8%	9.6%
EPS (₹)	4.8	4.0	5.8	8.6	11.3	15.0	18.6
P/E (x)	11.8	14.3	9.8	6.6	5.0	3.8	3.0
P/BV (x)	1.4	1.4	1.2	1.0	0.9	0.7	0.6
EV/EBITDA (x)	8.2	8.7	7.0	5.5	4.4	3.3	2.5
ROE (%)	12.2%	10.3%	13.5%	16.5%	18.5%	20.3%	20.7%
ROCE (%)	25.1%	20.6%	19.7%	20.4%	22.1%	24.4%	25.3%

Rating	Buy
Current Market Price (₹)	77
3 Year Price Target (₹)	186
Potential upside (%)	142

Stock Data

FV (₹) :	1
Total Market Cap (₹ bn) :	24
Free Float Market Cap (₹ bn) :	11
52-Week High / Low (₹) :	22 / 91
2-Year High / Low (₹) :	13 / 91
1 Year Avg. Dly Traded Volume (in lakh)	28
BSE Code / NSE Symbol :	532783 / DAAWAT
Bloomberg :	LTFQ: IN

Shareholding Pattern (%)

	Mar-21	Dec-20	Sep-20	Jun-20
Promoter	56.81	56.81	56.81	56.80
FPIs	1.14	1.56	1.55	1.44
MFs	3.47	3.47	5.07	5.06
Corporate Bodies	3.44	3.41	2.51	2.55
Others	35.14	34.75	34.06	34.15

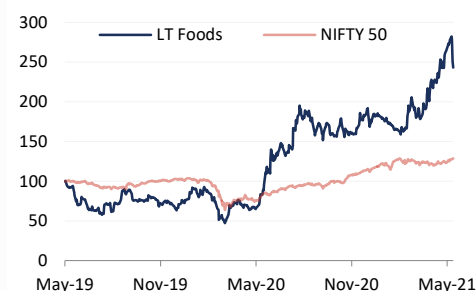
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
LT Foods	5%	45%	46%	242%
Nifty 50	5%	6%	18%	65%

* To date / current date : May 27, 2021

LT Foods vs Nifty 50



Earlier Report

March 27, 2021

Initiating Coverage

Strong Brand Recognition

LTF is among the few listed entities in the rice industry which has grown its revenues at a double digit CAGR, having a well-diversified international presence and among the leading players of basmati rice. LTF has a strong brand heritage which resonates well with the Indian consumer. The company has been delivering high quality products across markets which have developed strong brand equity amongst its customers. LTF is leveraging on this brand equity by launching new products in its Organic business and NPD (New Product Division). The Organic business and the NPD together accounts for 12% and 1.5% of total revenues respectively. The company is set to grow its organic business at a double digit CAGR for next few years with launch of newer products. Also, the management expects the NPD to generate revenues in the range of ₹700-900 crores or 10-12% of total revenues in the next five years i.e. a CAGR of more than 50%. The revenue estimates are supported by the demand for these new products such as Kari Kari, Cuppa Rice and RTH products from the international markets.

Improving Financials

LTF has generated significant cash flows amounting to ₹345 crore, driven by strong performance in FY21 that led to decline in overall debt by 205 crore to ₹1,253 crore. The company has also reduced its funding cost to 5.1% leading to savings in the finance costs. This led to improvement in the company's Debt/Equity ratio from 0.9x in FY20 to 0.7x in FY21. Further the company's Debt/EBIDTA ratio also improved within its targeted range to 2.1x in FY21 from 2.9x in FY20. On the return ratios front, the ROCE improved by 193 basis points to 15.6% and ROE improved by 283 basis points to 15.3% in FY21.

Outlook & Valuation

LTF has grown its revenues at 12% from FY20 in line with its long term CAGR of ~14.5% for the last eleven years. This quarter has been more of a structural story rather than a growth story for the company. LTF is in the process of strengthening its international presence which led to certain additional investments. Domestic business had a muted quarter with lower sales owing to one time stocking up in March last year led by the Pandemic. The international business also reported a decline in the per tonne realization of Rice due to change in product mix with higher share of non-basmati sale to China and decline in sales from Saudi Arabia. The management expects this trend to continue in Q1FY22 post which we can witness an increase in realization to its previous levels. **We maintain our Buy recommendation on LT Foods valuing the company at a P/E of 10x FY24E EPS of ₹18.61 with a 3 year target price of ₹186.**

Quarterly Snapshot

₹ Cr	Q4FY21	Q3FY21	% qoq	Q4FY20	%yoy	FY21	FY20	%yoy
Revenue from Operations	1,129.20	1,083.20	4.30%	1,199.30	-5.80%	4,644.30	4,135.10	12.30%
Cost of Goods Sold	781.9	748.7	4.40%	870.8	-10.20%	3,227.50	2,970.80	8.60%
Employee Cost	66.6	68.1	-2.30%	51.2	30.00%	257.8	198.6	29.80%
Other Expenses	159.7	138.4	15.40%	146	9.40%	602.7	495	21.80%
EBIDTA	121.1	128	-5.40%	131.4	-7.90%	556.4	470.7	18.20%
<i>EBIDTA Margin %</i>	<i>10.70%</i>	<i>11.80%</i>	<i>-109 Bps</i>	<i>11.0%</i>	<i>-24 Bps</i>	<i>12.0%</i>	<i>11.40%</i>	<i>60 Bps</i>
Depreciation	30.8	25.4	21.30%	29.3	5.00%	108.5	91.4	18.70%
Other Income	17.3	9.8	77.20%	18.8	-7.90%	41.8	37.9	10.40%
Share of loss of joint ventures (net of tax)	-2.1	-0.7	216.40%	-2.4	-14.00%	-4.3	-3.8	14.90%
EBIT	105.5	111.7	-5.60%	118.4	-11.00%	485.4	413.4	17.40%
<i>EBIT Margin %</i>	<i>9.30%</i>	<i>10.30%</i>	<i>-97 Bps</i>	<i>9.9%</i>	<i>-54 Bps</i>	<i>10.5%</i>	<i>10.00%</i>	<i>45 Bps</i>
Interest	19.1	17.9	6.70%	35.6	-46.30%	87.4	132.3	-33.90%
Exceptional Items & Extraordinary Items	-	-	0.00%	-0.3	-100.00%	-	-4.2	-100.00%
EBT	86.3	93.7	-7.90%	82.5	4.60%	398	276.9	43.70%
Tax	26.6	24.5	8.50%	24.2	10.10%	108.9	77.6	40.30%
PAT	59.7	69.2	-13.70%	58.3	-5.40%	289.1	199.3	45.00%
<i>PAT Margin %</i>	<i>5.30%</i>	<i>6.40%</i>	<i>-110 Bps</i>	<i>4.9%</i>	<i>43 Bps</i>	<i>6.20%</i>	<i>4.80%</i>	<i>140 Bps</i>
EPS	1.76	2.07		1.69		8.57	5.77	

Source: Company, LKP Research

Income Statement

₹ Cr	2018	2019	2020	2021	2022E	2023E	2024E
Total Revenue From Operations(Net)	3,613.7	3,890.4	4,146.1	4,644.3	5,109.4	5,722.1	6,490.2
<i>% Growth</i>		7.7%	6.6%	12.0%	10.0%	12.0%	13.4%
Expenses							
Cost Of Material Consumed (incl. changes in inventory)	2,615.6	2,766.7	3,012.8	3,174.6	3,492.5	4,034.1	4,543.1
Purchases of stock-in-trade	55.8	171.4	54.7	52.8	58.1	65.1	73.8
Employee Benefit Expenses	135.0	151.9	180.3	257.8	283.6	228.9	259.6
Other Expenses	429.2	403.1	427.6	602.7	613.1	572.2	642.5
Total Expenses	3,235.7	3,493.2	3,675.4	4,088.0	4,447.4	4,900.2	5,519.1
EBITDA	378.0	397.2	470.7	556.4	662.0	821.8	971.1
<i>EBITDA Margin</i>	10.5%	10.2%	11.4%	12.0%	13.0%	14.4%	15.0%
Other Income	36.2	24.1	37.9	41.8	32.7	39.4	50.5
Depreciation and Amortization Expenses	50.1	69.0	91.4	108.5	103.6	109.0	113.1
Share of loss of joint ventures (net of tax)	-1.8	-0.0	-3.8	-4.3	2.0	4.8	6.2
EBIT	362.4	352.3	413.4	485.4	593.1	757.1	914.6
<i>EBIT Margin %</i>	10.0%	9.1%	10.0%	10.5%	11.6%	13.2%	14.1%
Finance Cost	146.6	138.7	132.3	87.4	81.3	82.0	82.1
Profit / (Loss) before exceptional items and tax	215.8	213.6	281.2	398.0	511.8	675.0	832.5
Exceptional Items	-	-	-4.2	-	-	-	-
PBT	215.8	213.6	276.9	398.0	511.8	675.0	832.5
<i>PBT Margin %</i>	6.0%	5.5%	6.7%	8.6%	10.0%	11.8%	12.8%
Tax Expense	71.4	76.2	77.6	108.9	128.8	169.9	209.5
Profit / (Loss) for the year	144.4	137.5	199.3	289.1	383.0	505.1	623.0
<i>PAT Margins %</i>	4.0%	3.5%	4.8%	6.2%	7.5%	8.8%	9.6%

Source: Company, LKP Research

Balance Sheet

₹ Cr	2018	2019	2020	2021	2022E	2023E	2024E
Equities And Liabilities							
Shareholders' funds							
Share capital	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Reserves and surplus	1,147.5	1,297.1	1,449.3	1,723.5	2,033.2	2,456.1	2,982.7
	1,179.4	1,329.1	1,481.3	1,755.5	2,065.1	2,488.1	3,014.7
Non-Controlling Interest	55.4	105.4	117.8	134.8	156.1	180.6	207.6
	1,234.9	1,434.5	1,599.2	1,890.3	2,221.3	2,668.7	3,222.3
Non-current liabilities							
Long term Borrowings	192.9	249.8	230.1	229.7	203.3	177.2	128.3
Other Financial Liabilities	0.1	0.3	0.1	0.1	0.1	0.1	0.1
Lease Liabilities	-	-	249.2	242.8	242.8	242.8	242.8
Long term Provisions	6.1	8.0	6.4	10.6	11.6	13.0	14.8
Deffered Tax Liabilities (Net)	5.6	12.2	1.9	4.1	4.1	4.1	4.1
Other Longterm Liabilities	4.2	3.8	7.0	2.1	2.4	2.6	3.0
	208.9	274.0	494.6	489.3	464.3	439.9	393.0
Current liabilities							
Short-term borrowings	1,323.3	1,420.6	1,227.9	1,023.7	1,023.7	1,023.7	1,023.7
Trade payables	341.7	283.8	260.8	503.6	554.0	639.6	720.3
Other Financial Liabilities	75.1	128.7	96.9	66.4	70.5	75.5	105.0
Lease Liabilities	-	-	28.9	37.4	37.4	37.4	37.4
Short term Provisions	1.7	2.9	3.4	3.9	4.3	4.8	5.4
Current Tax Laibilities (Net)	46.0	19.0	24.2	20.6	20.6	20.6	20.6
Other current liabilities	30.3	21.9	84.5	81.3	89.4	100.2	113.6
	1,818.2	1,876.9	1,726.5	1,736.8	1,799.8	1,901.7	2,026.0
Total	3,262.0	3,585.4	3,820.3	4,116.4	4,485.4	5,010.2	5,641.4
ASSETS							
Non-current assets							
Fixed assets							
Tangible assets	470.1	508.7	541.6	542.4	525.4	473.0	416.4
Capital work-in-progress	27.5	42.2	17.2	32.7	32.7	32.7	32.7
Investment Property	3.0	-	-	-	-	-	-
Right of use assets	-	-	269.4	251.4	251.4	251.4	251.4
Goodwill	70.6	74.7	76.0	21.5	21.5	21.5	21.5
Intangible assets	22.6	17.8	19.0	64.5	57.9	51.4	44.9
Investment accounted for using the equity method	9.9	32.2	28.5	24.2	24.2	24.2	24.2
Financial Assets:				-			
Non-current investments	4.4	3.8	4.9	4.6	4.6	4.6	4.6
Long-term loans and advances	10.1	10.9	10.1	15.0	15.0	15.0	15.0
Other fiancial assets	136.3	141.1	141.7	136.3	150.0	167.9	190.5
Non-current tax assets (net)	36.2	36.6	39.2	41.4	41.4	41.4	41.4
Deffered Tax Assets (Net)	12.2	20.8	33.8	23.6	23.6	23.6	23.6
Other non-current assets	6.2	7.7	6.6	8.5	9.4	10.5	11.9
	809.1	896.6	1,187.9	1,166.0	1,157.0	1,117.1	1,077.9
Current assets							
Inventories	1,728.7	1,891.2	1,750.2	2,222.8	2,383.3	2,695.3	3,035.8
Financial Assets:				-			
Trade receivables	468.0	534.9	619.6	486.7	535.5	599.7	680.2
Cash and Cash Equivalents	19.5	29.2	19.1	16.8	115.1	176.6	292.1
Other Balances with Banks	9.6	8.5	5.8	13.1	63.1	163.1	263.1
Short-term loans and advances	18.3	7.9	8.8	6.2	6.2	6.2	6.2
Other financial assets	16.0	29.2	11.2	29.6	32.6	36.5	41.4
Current Tax Assets(net)	0.6	-	-	-	-	-	-
Other current assets	192.3	188.0	217.6	175.1	192.6	215.7	244.6
	2,452.9	2,688.9	2,632.4	2,950.4	3,328.4	3,893.1	4,563.5
Total	3,262.0	3,585.4	3,820.3	4,116.4	4,485.4	5,010.2	5,641.4

Cash Flow

₹ Cr	2018	2019	2020	2021	2022E	2023E	2024E
CASH FLOW FROM OPERATING ACTIVITIES							
Profit / (Loss) before Tax	215.8	213.6	276.9	398.0	511.8	675.0	832.5
Depreciation and Amortization	50.1	69.0	91.4	108.5	103.6	109.0	113.1
Interest	145.0	135.1	129.8	86.1	73.6	68.5	62.1
Other Operating Activities	8.2	4.8	24.5	19.0			
Working capital changes	(255.5)	(216.4)	33.4	(53.7)	(180.0)	(318.5)	(375.2)
Income tax paid	(103.5)	(103.7)	(78.9)	(113.1)	(128.8)	(169.9)	(209.5)
NET CASH GENERATED BY OPERATING ACTIVITIES (A)	60.2	102.5	477.2	444.7	380.2	364.0	423.0
CASH FLOWS FROM INVESTING ACTIVITIES							
Capital Expenditure	(229.4)	(113.3)	(84.5)	(99.0)	(80.0)	(50.0)	(50.0)
Change in Investments	(4.6)	(25.8)	1.1	(2.3)	(50.0)	(100.0)	(100.0)
Other Investing Activities	1.6	3.6	2.5	1.3	7.7	13.6	20.0
NET CASH GENERATED / (USED) IN INVESTING ACTIVITIES (B)	(232.4)	(135.6)	(80.9)	(99.9)	(122.3)	(136.4)	(130.0)
CASH FLOW FROM FINANCING ACTIVITIES							
Interest paid	(145.8)	(137.8)	(130.9)	(88.9)	(81.3)	(82.0)	(82.1)
Dividend paid including DDT	(4.8)	(6.1)	(25.1)	(32.0)	(52.0)	(57.7)	(69.3)
Other Financial Activities	310.4	187.7	(247.8)	(225.2)	(26.3)	(26.3)	(26.1)
NET CASH GENERATED / (USED) IN FINANCING ACTIVITIES (C)	159.8	43.9	(403.8)	(346.1)	(159.6)	(166.1)	(177.5)
Net Change in Cash (A+B+C)	(12.4)	10.9	(7.5)	(1.4)	98.3	61.5	115.6
Cash & cash equivalents at the end of the year	19.5	29.2	19.1	16.8	115.1	176.6	292.1

Source: Company, LKP Research

Financial Ratios

YE Mar	2018	2019	2020	2021	2022E	2023E	2024E
Per Share data (₹)							
EPS	4.80	3.96	5.77	8.57	11.31	15.03	18.63
Cash EPS	6.93	6.46	9.09	12.43	15.21	19.20	23.01
BV/Share	42.02	41.56	46.31	54.89	64.57	77.79	94.25
DPS	0.15	0.15	0.65	1.00	1.35	1.50	1.80
Payout (%)	3%	4%	11%	12%	12%	10%	10%
Growth Ratios (%)							
Sales Growth	-	7.66%	6.57%	12.02%	10.01%	11.99%	13.42%
EBIDTA Growth	-	5.08%	18.49%	18.21%	18.99%	24.14%	18.16%
EBIT Growth	-	-2.78%	17.35%	17.41%	22.20%	27.64%	20.81%
EBT Growth	-	-1.01%	29.64%	43.71%	28.60%	31.88%	23.33%
PAT Growth	-	-4.82%	44.99%	45.04%	32.49%	31.88%	23.33%
Valuation Ratios (x)							
P/E	11.83	14.34	9.84	6.62	5.02	3.78	3.05
Cash P/E	8.19	8.79	6.24	4.57	3.73	2.96	2.47
EV/Sales	0.86	0.89	0.79	0.66	0.57	0.47	0.38
EV/EBITDA	8.23	8.73	6.96	5.51	4.37	3.29	2.53
P/B	1.35	1.37	1.23	1.03	0.88	0.73	0.60
Mcap/Sales	0.44	0.47	0.44	0.39	0.36	0.32	0.28
Working Capital Ratios (x)							
Fixed Asset Turnover Ratio	6.95	6.84	7.18	7.26	8.29	10.27	13.14
Asset Turnover Ratio	1.11	1.09	1.09	1.13	1.14	1.14	1.15
Inventory Days	236.20	234.94	208.26	251.38	245.00	240.00	240.00
Trade Receivables Days	47.27	50.18	54.55	38.25	38.25	38.25	38.25
Trade Payables Days	46.69	35.26	31.04	56.95	56.95	56.95	56.95
Profitability Ratios (%)							
EBITDA Margin	10.5%	10.2%	11.4%	12.0%	13.0%	14.4%	15.0%
EBIT Margin	10.0%	9.1%	10.0%	10.5%	11.6%	13.2%	14.1%
EBT Margin	6.0%	5.5%	6.7%	8.6%	10.0%	11.8%	12.8%
PAT Margin	4.0%	3.5%	4.8%	6.2%	7.5%	8.8%	9.6%
Return Ratios							
ROE (%)	12.24%	10.34%	13.45%	16.47%	18.55%	20.30%	20.66%
ROCE (%)	25.10%	20.62%	19.75%	20.40%	22.09%	24.35%	25.30%
ROA (%)	4.43%	3.83%	5.22%	7.02%	8.54%	10.08%	11.04%
Liquidity & Leverage Ratios (x)							
Current Ratio	1.35	1.43	1.52	1.70	1.85	2.05	2.25
Interest Coverage Ratio	2.47	2.54	3.13	5.55	7.30	9.23	11.14
Net Debt/Equity Ratio	1.58	1.46	1.16	1.00	0.79	0.61	0.45
Debt/EBIDTA Ratio	4.09	4.26	3.16	2.30	1.89	1.49	1.24
Financial Leverage	2.77	2.70	2.58	2.34	2.17	2.01	1.87
Gearing Ratio (%)	60.6%	58.6%	53.3%	49.5%	42.1%	35.1%	27.7%

Source: Company, LKP Research

DISCLAIMERS AND DISCLOSURES

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