



# LT Foods Ltd

All primed to 'Rice'



**Kyon ki bhaiya, sabse bada rupaiya.**

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### Our recent coverage reports

 <p><b>UFO</b> UFO Moviez India Ltd Immersive Entertainment, Beyond Boundaries</p> <p>India's largest in-cinema, high-impact advertising platform</p> <p>3,400+ 2 billion+</p> <p>2,000+ 1,200+</p> <p><b>VENTURA</b> Kyon ki bhaiya, sabse bada rupaiya.</p>	 <p><b>SP*EX MINDA</b> Minda Corporation Ltd Reving up dominance in the automobile industry.</p> <p><b>VENTURA</b> Kyon ki bhaiya, sabse bada rupaiya.</p>	 <p><b>PNB Housing Finance Ltd</b> All set for retail focused growth</p> <p><b>VENTURA</b> Kyon ki bhaiya, sabse bada rupaiya.</p>	 <p><b>LLOYDS METALS &amp; ENERGY</b> Lloyds Metals &amp; Energy Ltd Forged in strength built with metal</p> <p><b>VENTURA</b> Kyon ki bhaiya, sabse bada rupaiya.</p>	 <p><b>UNO MINDA</b> Uno Minda Empowering e-mobility.</p> <p><b>VENTURA</b> Kyon ki bhaiya, sabse bada rupaiya.</p>
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**UFO Moviez**
**Minda Corp**
**PNB Housing Finance**
**Lloyds Metal**
**UNO Minda**

**BUY @ CMP INR 172**
**Target: INR 244 in 24 months**
**Upside Potential: 42%**

## All primed to 'Rice'

LT Foods Ltd (LTFL) over the last decade has experienced steady compounding growth, both in terms of revenue(12.1% CAGR) and profitability(21.6% CAGR). This growth is expected to continue in the long term given multiple growth drivers enunciated below:

- The strong potential of the export market considering the challenging supply situation which is the fallout of the Ukraine war.
- Indian basmati rice exports market share gains due to the financial crisis prevailing in Pakistan.
- Huge domestic market opportunity given the gross under-penetration (15% organized share) which is expected to grow to 30% by FY30. LTFL's brands Daawat and Royal have strong brand recall and market acceptance.
- Foray into packaged snacks industry which is growing at a healthy 14-16% CAGR. New product introduction Kari-Kari, Cuppa rice and biryani kits have received an encouraging market response.
- Diversification into pulses and non-basmati rice varieties.

On the back of the above growth triggers, we expect: LTFL's revenues to grow at a CAGR of 10.9% to INR 9,464 cr over the period FY23-26, This revenue growth is expected to be driven by

- 10.9% CAGR growth in rice segment to INR 7,645cr; 5-6% growth by value and 5-6% volume growth
- 11.6% CAGR growth in organic segment to INR 1,089cr.
- 30.7% CAGR growth in the health and convenience segment to INR 366cr. New product launches and geographical expansions to drive this growth.

EBITDA and PAT are expected to grow at a CAGR of 14.7% and 16.1% to INR 1,057 cr/ INR 628cr, respectively, while EBITDA and PAT margins are estimated to improve by 110bps to 11.2% and 50bps to 6.6%. Subsequently, return ratios – RoE and RoIC – are expected to improve by 30bps (to 14.9%) and 320bps(to 18.5%) respectively by FY26.

We initiate coverage on LTFL with a BUY for a price target of 244 (7x FY26 P/E) representing an upside of 42% from the CMP of 172 over the next 24 months.

### Key Consolidated Financial Data (INR Cr, unless specified)

	Net Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY22	5427.4	596.6	314.1	11.0	5.8	8.6	61.9	14.6	15.1	15.2	2.1	9.5
FY23	6935.8	700.7	394.9	10.1	5.7	10.8	80.6	14.6	15.3	12.0	1.6	7.8
FY24E	7729.0	827.0	465.8	10.7	6.0	13.4	92.6	14.7	18.3	9.7	1.4	6.2
FY25E	8545.8	944.1	558.4	11.0	6.5	16.1	106.9	15.2	19.1	8.1	1.2	5.3
FY26E	9463.5	1069.8	648.6	11.3	6.9	18.7	123.5	15.3	19.9	7.0	1.1	4.5

Industry	Consumer Food
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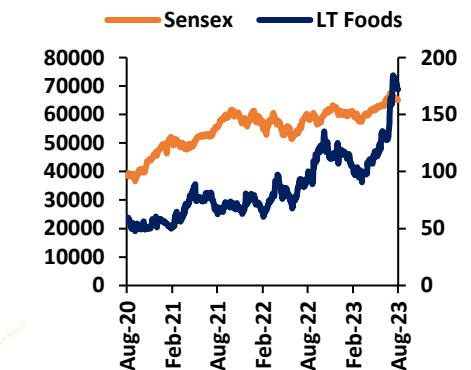
#### Script Details

Face Value (INR)	1.0
Market Cap (INR Cr)	5,969
Price (INR)	172.0
No of Sh O/S (Cr)	34.7
3M Avg Vol (000)	2,268
52W H/L (INR)	194/88.5
Dividend Yield (%)	0.6

#### Shareholding (%) June 2023

Promoter	51.00
Institution	9.77
Public	39.22
<b>TOTAL</b>	<b>100.0</b>

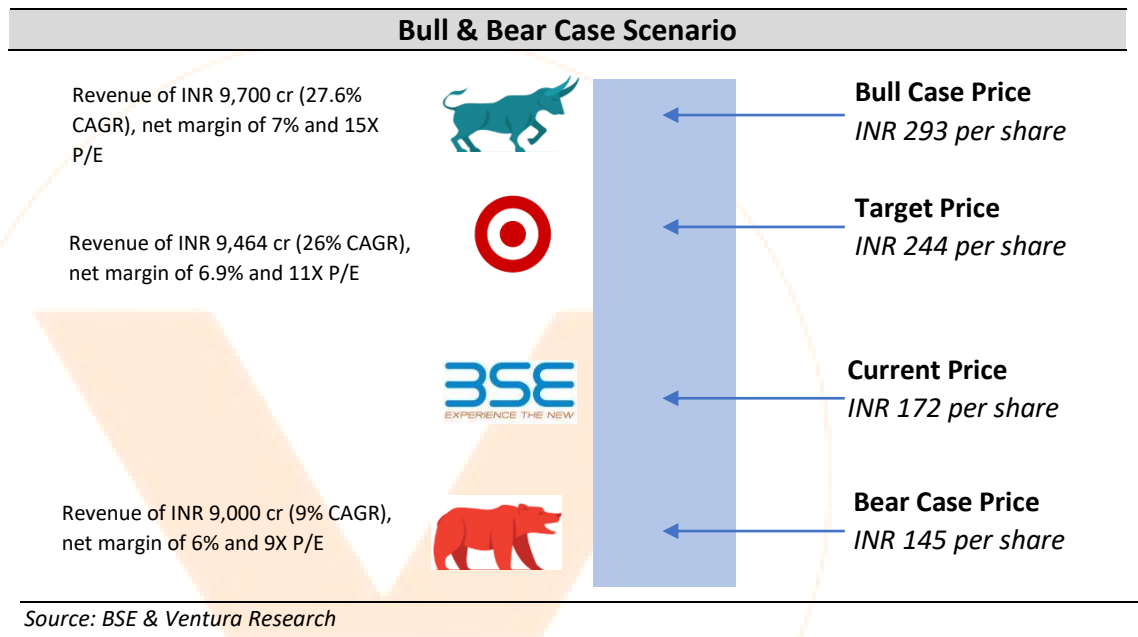
#### Price Chart



## Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for the FY26 price, based on revenue growth, net margins and P/E multiples.

- **Bull Case:** We have assumed revenue of INR 9700 cr (FY23-26 CAGR growth of 11.8%) and a EBITDA margins of 11.5% at P/E of 15X, which will result in a Bull Case consolidated price target of INR 293(an upside of 70.4% from CMP).
- **Bear Case:** We have assumed revenue of INR 9000 cr (FY22-26 CAGR growth of 9%) and a EBITDA margins of 10.2% at P/E of 9X, which will result in a Bear Case consolidated price target of INR 145 (a downside of 15.7% from CMP).



### Risk to our price target

#### Risks to upside

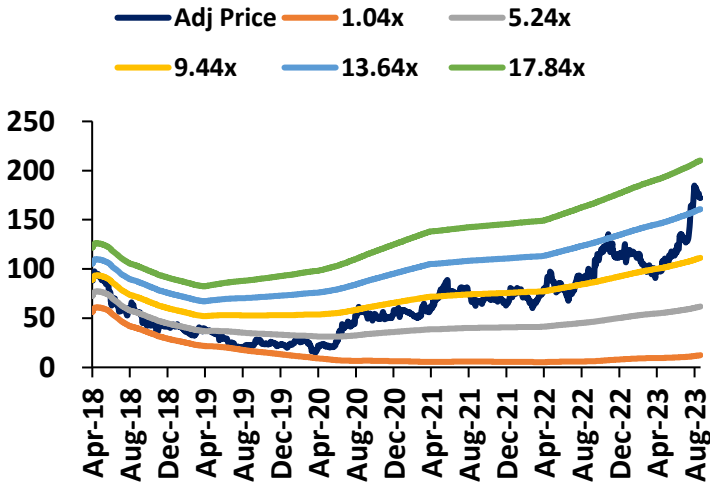
- We have modelled conservative growth from the Organic and Health & convenience segment and therefore there is significant probability of overshooting of revenues

#### Risks to downside

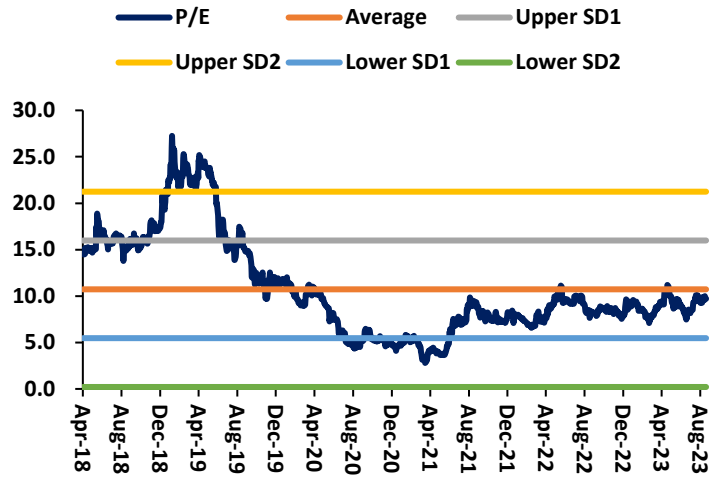
- Price volatility could impact the company's cost structure and profitability.
- We are expecting higher competitive intensity from established players in the packaged food segment.

**Benign valuations do not factor in the exponential growth of Organic and Convenience health segments**

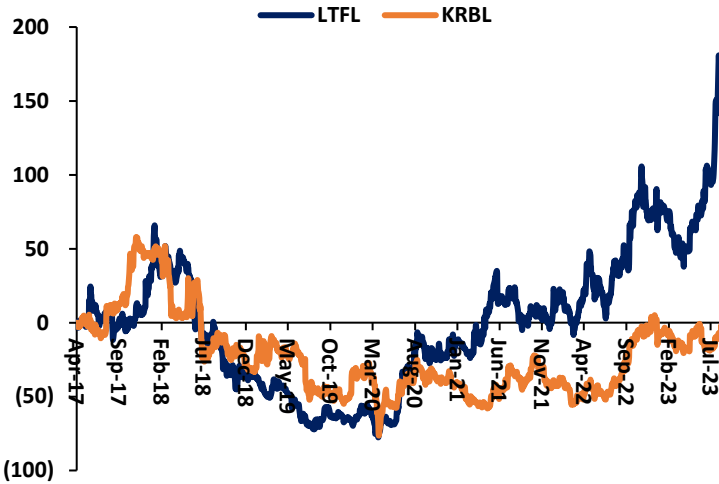
**P/E band chart**



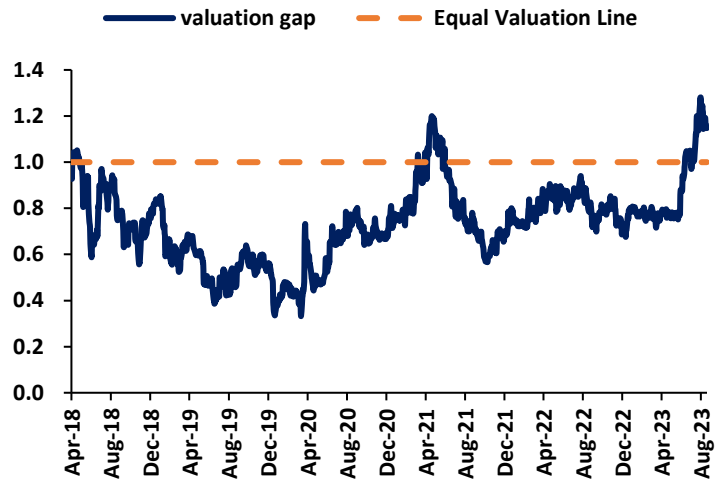
**P/E and standard deviation**



**Price Performance: LTFL V/S KRBL**

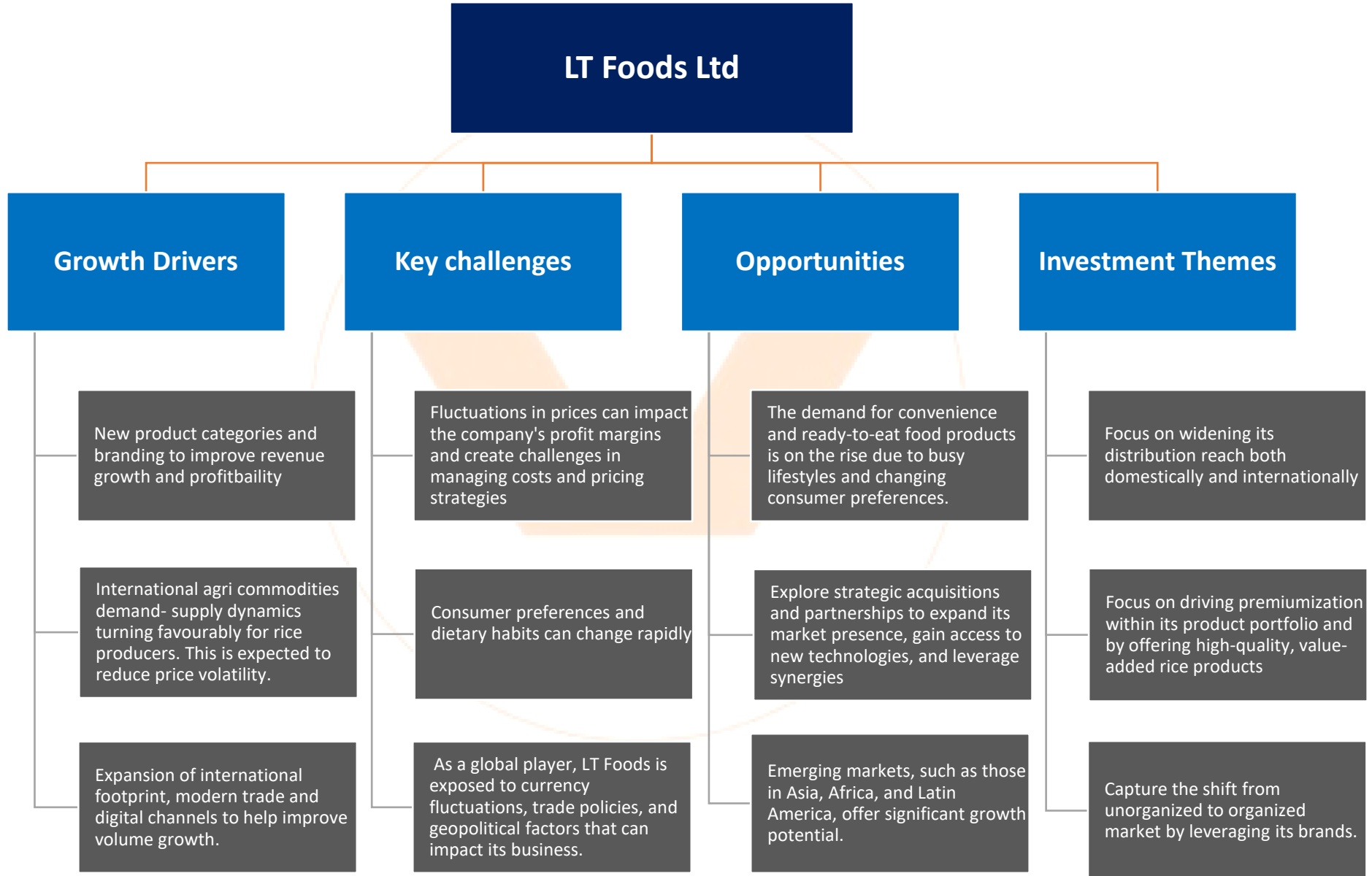


**Market leader to command premium**



Source: Ventura Research

**LTFL SWOT Analysis in a nutshell**

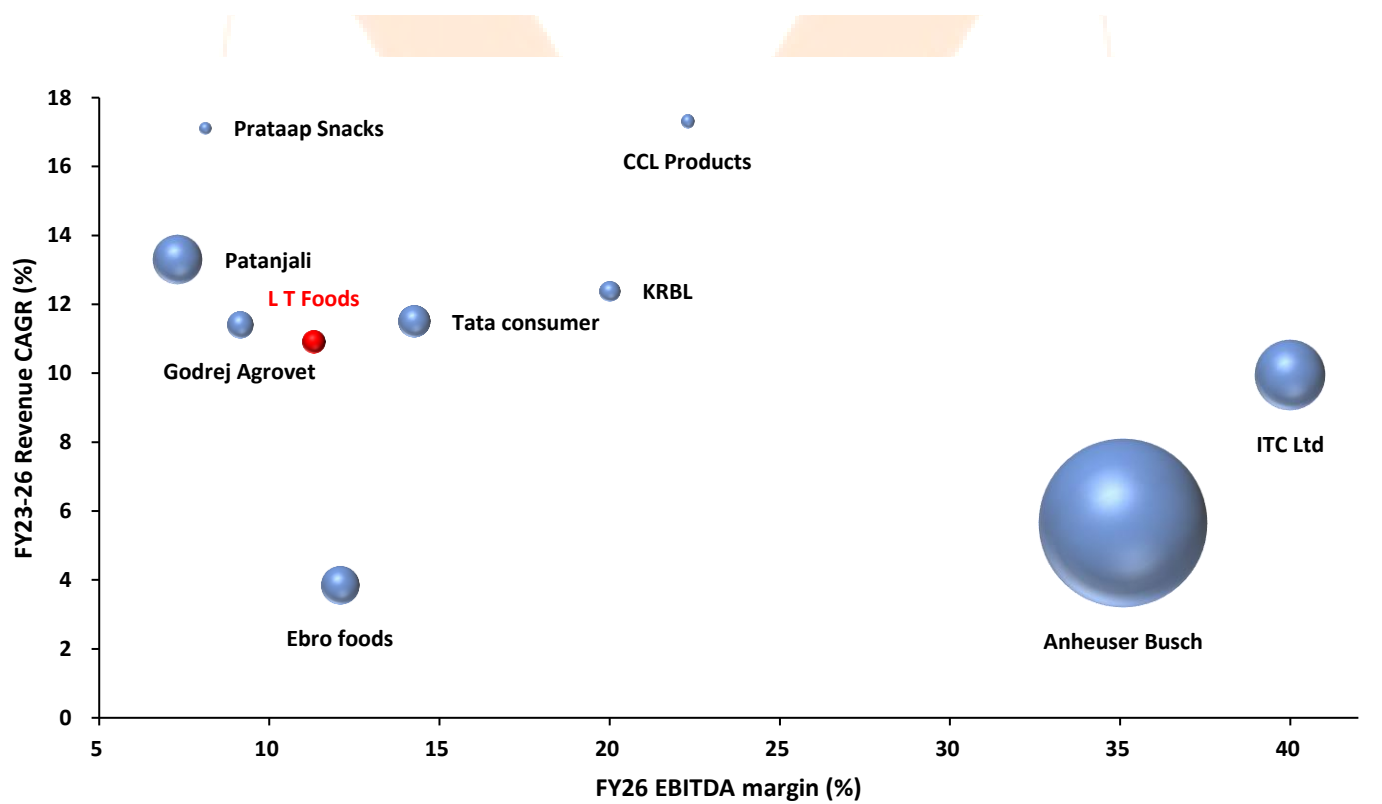
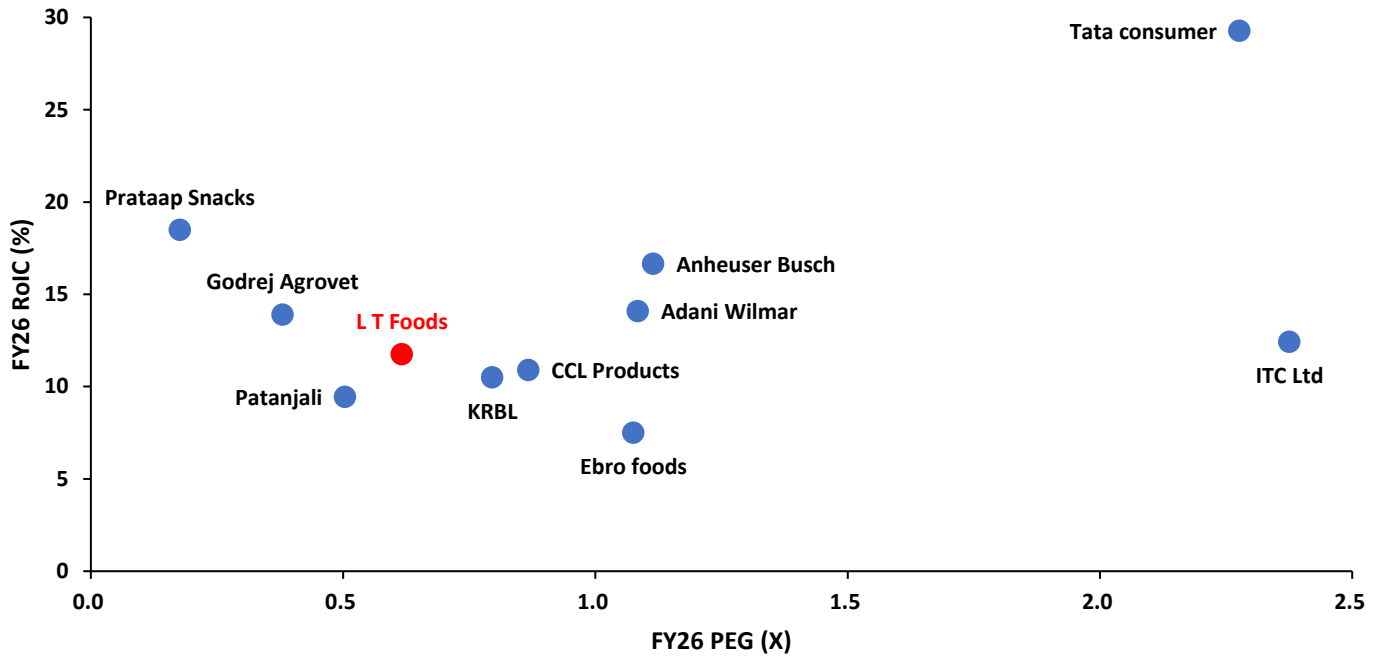


**Valuation and comparable metrics of domestic and global companies**

Company Name	Mkt Cap	Price	PEG	P/E Ratio				EV/Sales				EV/EBIDTA				RoE (%)				RoIC (%)				Sales				EBITDA Margin (%)				Net Margin (%)			
				2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
<b>Domestic Peers</b>																																			
LT Foods	5,985.0	172.0	0.8	14.2	12.8	10.7	9.3	0.8	0.7	0.6	0.5	7.8	6.2	5.3	4.5	15.3	14.7	15.2	15.3	18.3	19.1	19.9	6,936.0	7,729.0	8,546.0	9,464.0	10.1	10.7	11.0	11.3	6.1	6.0	6.5	6.8	
KRBL	9,610.0	408.0	2.7	13.7	10.8	10.7	9.7	1.6	1.6	1.4	1.3	8.9	7.6	7.1	6.4	14.9	16.0	16.2	17.8	17.7	21.1	23.2	25.5	5,363.2	6,294.1	6,923.5	7,615.9	17.5	20.4	20.0	20.0	13.1	14.1	13.0	13.0
Prataap Snacks	2,056.0	876.0	0.6	91.4	28.3	22.8	14.8	1.1	1.1	0.9	0.8	30.2	14.1	12.1	9.8	3.0	8.9	10.0	13.8	0.0	10.6	10.3	18.2	1,641.7	1,941.7	2,219.9	2,637.8	3.8	7.6	7.8	8.1	1.2	3.4	3.7	4.8
Adani Wilmar	49,212.0	379.0	3.4	90.3	50.7	38.8	37.2	0.9	0.8	0.7	0.6	26.7	23.3	19.2	17.0	7.1	11.1	12.7	12.2	23.0	15.6	17.0	25.4	58,184.8	62,363.5	69,977.6	73,845.8	3.3	3.5	3.8	3.7	1.0	1.7	1.9	1.9
Tata consumer	78,919.0	850.0	3.6	64.6	54.5	46.7	39.8	5.5	5.0	4.5	3.9	40.8	34.5	30.3	27.5	7.4	8.4	9.4	10.4	10.8	13.9	15.9	18.5	13,659.8	15,292.6	16,921.2	18,935.1	13.6	14.5	14.7	14.2	8.8	9.3	9.8	10.3
Godrej Agrovet	9,293.0	484.0	0.5	29.5	23.5	18.4	12.5	1.1	1.1	0.9	0.8	19.7	15.4	12.6	8.8	12.9	14.3	16.4	19.5	9.0	13.0	15.6	21.6	9,352.8	10,289.6	11,412.4	12,935.0	5.6	6.8	7.5	9.1	3.2	3.7	4.2	5.5
Patanjali	46,951.0	1,297.0	1.6	48.6	25.8	20.8	19.7	1.4	1.3	1.1	1.0	33.9	19.3	15.9	14.1	9.0	15.1	16.6	19.1	11.1	15.7	17.3	19.0	31,524.7	36,235.3	41,684.0	45,852.3	4.1	6.8	7.1	7.3	2.8	4.6	5.0	5.2
CCL Products	8,136.0	612.0	1.2	35.0	30.1	24.0	19.2	4.9	3.8	3.1	2.8	25.6	18.2	15.1	12.6	18.1	18.3	19.5	21.2	14.5	15.0	16.2	17.6	2,071.2	2,447.8	2,954.3	3,345.0	19.3	20.6	20.8	22.3	13.0	12.8	13.3	14.6
ITC Ltd	5,66,901.0	455.0	3.7	30.4	27.5	24.9	23.0	8.0	7.4	6.6	5.9	21.9	19.9	17.7	14.1	27.7	30.3	31.9	30.5	50.3	42.0	50.8	58.0	70,245.2	76,222.0	83,582.7	93,334.1	36.5	37.0	37.3	41.4	27.3	27.8	28.0	27.1
<b>Global Peers</b>																																			
Ebro foods	2,766.6	18.0	2.8	21.5	17.1	15.8	14.7	1.1	0.1	0.1	0.1	11.2	9.4	8.7	8.1	5.5	6.7	7.0	7.3	6.8	8.2	8.6	9.2	25,006.3	27,006.8	27,457.9	28,013.7	10.2	11.3	11.7	12.1	4.1	4.8	5.1	5.4
Anheuser Busch	1,11,513.8	55.2	1.4	18.7	17.5	14.9	13.3	3.1	2.8	2.6	2.4	9.7	8.5	7.6	6.8	8.0	8.0	8.9	9.4	10.0	10.7	11.9	12.8	4,62,288.0	4,94,163.3	5,20,669.2	5,45,251.1	32.3	33.5	34.5	35.1	10.3	10.3	11.5	12.3

Source: Ventura Research & Bloomberg estimates

**Strong growth prospects and healthy ROIC, available at benign valuation**



Source: Ventura Research, ACE Equity & Bloomberg



## Financial analysis and projections

### FY20-23: Stunning revenue growth compromised by margins

The period FY20-23 was a challenging one for rice stocks. The global rice market was volatile, with prices fluctuating due to a number of factors, including:

- Weather: The 2020 monsoon season was below average in many parts of Asia, which led to a decline in rice production.
- Demand: Demand for rice was strong in 2020 and 2021, as people were eating more at home due to the COVID-19 pandemic.
- Trade: The COVID-19 pandemic disrupted global trade, which made it difficult to move rice from surplus to deficit regions

Despite these factors, LTFL grew its Revenue at a CAGR of 18.8% , mainly on account of

- Strong demand for rice both in India and International markets. Revenue from rice segment grew by a CAGR 16.5% to INR 5,641 cr.
- The organic segment grew by 23.5% CAGR during the period FY21-23 to INR 784 cr
- The convenience and health segment grew by 54% CAGR during the period FY21-23 to INR 164 cr

EBITDA grew at a CAGR of 14.2% to INR 701 cr and PAT grew 27.7% to INR 423r due to reduction in total debt 1028 cr, while EBITDA and PAT margins decreased by 130 bps to 10.1% and 10bps to 6.1% respectively primarily due to an increase in RM costs and other expenses. As a result, ROE increased by 210 bps to 14.6%, meanwhile ROIC rose by 240bps to 15.3%

### FY23-26E: Revenue diversification and margin enhancement anticipated

Over the period FY23-26E, we expect LTFL Revenue to grow at a CAGR of 10.7% to INR 7,645cr. This revenue growth is expected from

- 10.9% CAGR growth in rice segment to INR 7,645cr; 5-6% growth by value and 5-6% volume growth
- 11.6% CAGR growth in organic segment to INR 1,089cr.
- 30.7% CAGR growth in the health and convenience segment to INR 366cr due to new product additions and geographic expansion.

EBITDA and PAT are expected to grow at a CAGR of 14.7% and 16.1% to INR 1,057 cr/ INR 628cr, respectively, while EBITDA and PAT margins are estimated to improve by 110bps to 11.2% and 50bps to 6.6%. Subsequently, return ratios – RoE and RoIC – are expected to improve by 30bps (to 14.9%) and 320bps(to 18.5%) respectively by FY26.

### Q1FY24: Strong top-line Growth and margin dynamics in focus

Revenue and PAT was up by 10% and 44% at 1,789 cr and 137 cr , respectively on a YoY basis aided by accelerated brand investments and distribution expansion.

- The Company's Basmati and Other Specialty rice business for Q1 FY'24 was up by 24% on YoY basis on account of increased investment in brand and marketing and subsequent gain in market share.

- The Company witnessed decline in its Organic segment, which was down by 31% for Q1 FY24 on YoY basis as compared to Q1 FY23. This was due to anti-dumping duty on the import of Organic Soya in the U.S.
- Revenue in the Health & Convenience segment comprising of Daawat Sehat on the Health platform and Royal Ready-to-Heat (in the US), Daawat Cuppa Rice, Daawat Sauté Sauces and Kari Kari (Japanese Rice Snacks) stood at INR 41 cr in Q1 FY24.

Gross Profit for Q1 FY24 was up by 6%, amounting to INR 604 crores on a YoY basis and the Gross Profit Margin decreased by 150 bps to 33.8% in Q1 FY24.

EBITDA was up by 27%, amounting to INR 224 crores on a YoY basis and the EBITDA Margin increased by 167 bps to 12.5% in Q1 FY24.

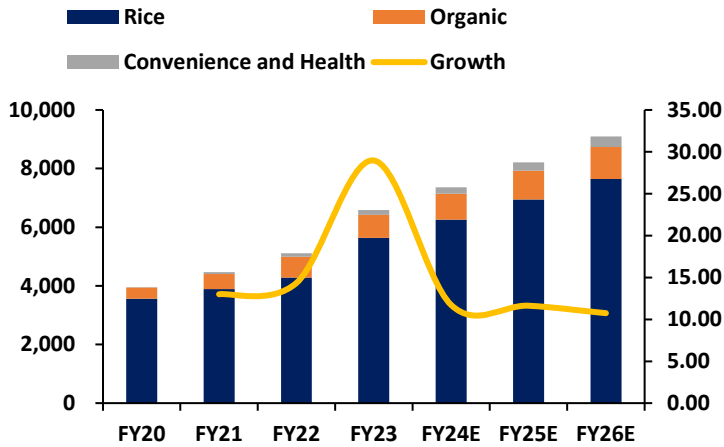


**LTFI's Financial Summary (Consolidated)**

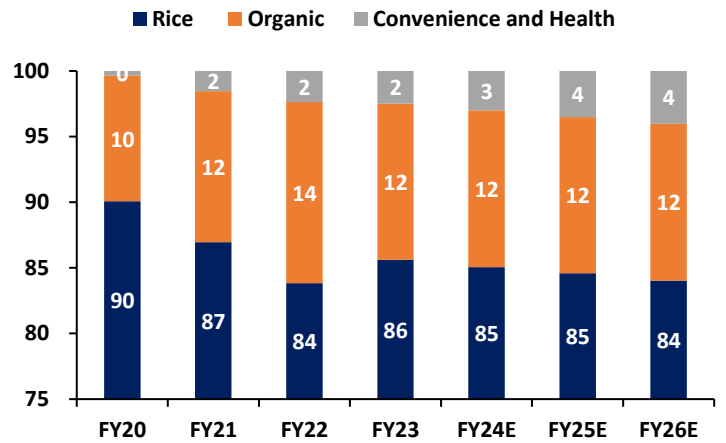
Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Revenue from operations	4,741.9	5,427.4	6,935.8	7,729.0	8,545.8	9,463.5	10,438.5	11,478.5	12,596.2	13,790.2	15,041.1	16,334.6	17,704.1	19,178.9	20,739.7
<i>YoY Growth (%)</i>	14.7	14.5	27.8	11.4	10.6	10.7	10.3	10.0	9.7	9.5	9.1	8.6	8.4	8.3	8.1
Raw Material Cost	3,041.7	3,469.0	4,577.5	5,200.7	5,723.0	6,315.7	6,945.3	7,636.2	8,401.7	9,219.4	10,042.7	10,913.2	11,835.7	12,829.7	13,881.3
<i>RM Cost to Sales (%)</i>	64.1	63.9	66.0	67.3	67.0	66.7	66.5	66.5	66.7	66.9	66.8	66.8	66.9	66.9	66.9
Employee Cost	264.3	289.6	359.6	398.5	438.0	482.2	528.7	578.0	630.5	686.1	743.8	802.9	864.9	931.2	1,000.7
<i>Employee Cost to Sales (%)</i>	5.6	5.3	5.2	5.2	5.1	5.1	5.1	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.8
Other Expenses	869.3	1,072.1	1,298.0	1,313.9	1,452.8	1,608.8	1,774.5	1,916.9	2,065.8	2,220.2	2,421.6	2,629.9	2,850.4	3,087.8	3,339.1
<i>Other Expenses to Sales (%)</i>	18.3	19.8	18.7	17.0	17.0	17.0	17.0	16.7	16.4	16.1	16.1	16.1	16.1	16.1	16.1
EBITDA	566.7	596.6	700.7	815.9	932.1	1,056.9	1,189.9	1,347.4	1,498.2	1,664.4	1,833.0	1,988.6	2,153.1	2,330.1	2,518.6
<i>EBITDA Margin (%)</i>	11.9	11.0	10.1	10.6	10.9	11.2	11.4	11.7	11.9	12.1	12.2	12.2	12.2	12.1	12.1
Net Profit	274.0	292.2	402.4	469.4	549.5	638.7	737.2	854.0	968.2	1,097.6	1,230.0	1,357.6	1,490.2	1,634.8	1,786.4
<i>Net Margin (%)</i>	5.8	5.4	5.8	6.1	6.4	6.7	7.1	7.4	7.7	8.0	8.2	8.3	8.4	8.5	8.6
Adjusted EPS	8.6	9.1	12.6	14.7	17.2	20.0	23.0	26.7	30.3	34.3	38.5	42.4	46.6	51.1	55.9
<i>P/E (X)</i>	15.4	14.5	10.5	9.0	7.7	6.6	5.7	4.9	4.4	3.8	3.4	3.1	2.8	2.6	2.4
Adjusted BVPS	54.9	62.5	86.2	99.3	114.6	132.3	152.6	175.9	202.3	232.0	265.0	301.3	340.9	384.1	431.0
<i>P/BV (X)</i>	2.4	2.1	1.5	1.3	1.2	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.4	0.3	0.3
Enterprise Value	1,946.1	1,822.5	1,675.3	1,297.2	1,180.7	1,026.0	805.7	508.1	141.9	(299.0)	(825.1)	(1,437.8)	(2,124.8)	(2,882.0)	(3,722.9)
<i>EV/EBITDA (X)</i>	3.4	3.1	2.4	1.6	1.3	1.0	0.7	0.4	0.1	(0.2)	(0.5)	(0.7)	(1.0)	(1.2)	(1.5)
Net Worth	1,755.5	1,997.6	2,757.1	3,177.2	3,666.3	4,231.5	4,880.2	5,627.5	6,469.8	7,419.3	8,477.0	9,637.8	10,904.5	12,285.9	13,786.5
<i>Return on Equity (%)</i>	15.6	14.6	14.6	14.8	15.0	15.1	15.1	15.2	15.0	14.8	14.5	14.1	13.7	13.3	13.0
Capital Employed	3,045.1	3,172.8	3,784.9	4,238.1	4,566.3	5,201.5	5,760.2	6,437.5	7,219.8	8,044.3	8,977.0	9,912.8	11,054.5	12,310.9	13,786.5
<i>Return on Capital Employed (%)</i>	11.0	10.9	11.4	12.0	12.9	12.9	13.2	13.4	13.4	13.4	13.3	13.0	12.7	12.3	11.9
Invested Capital	3,015.2	3,133.7	3,745.9	3,788.1	4,160.6	4,571.1	4,999.5	5,449.2	5,925.4	6,433.9	6,965.5	7,513.6	8,093.3	8,717.5	9,377.2
<i>Return on Invested Capital (%)</i>	15.2	15.1	15.3	18.0	18.9	19.6	20.3	21.2	21.8	22.4	22.9	23.0	23.1	23.2	23.3
Cash Flow from Operations	444.7	517.5	258.4	319.1	433.7	489.9	577.3	675.1	766.5	872.9	989.7	1,105.7	1,213.6	1,326.2	1,460.1
Cash Flow from Investing	(99.9)	(144.7)	(394.6)	203.3	(173.2)	(181.5)	(189.2)	(197.3)	(206.0)	(222.2)	(239.2)	(257.1)	(277.1)	(299.2)	(322.4)
Cash Flow from Financing	(346.1)	(357.6)	136.3	(104.6)	(304.9)	(83.6)	(257.8)	(250.1)	(254.4)	(334.7)	(349.4)	(460.9)	(374.5)	(395.0)	(321.8)
Net Cash Flow	(1.4)	15.2	0.1	417.9	(44.4)	224.8	130.3	227.6	306.1	315.9	401.1	387.7	562.0	632.1	815.9
Free Cash Flow	227.4	242.1	114.6	169.1	277.7	327.6	408.6	499.6	584.0	675.8	776.8	875.8	965.3	1,058.1	1,170.5
<i>FCF to Revenue (%)</i>	4.8	4.5	1.7	2.2	3.2	3.5	3.9	4.4	4.6	4.9	5.2	5.4	5.5	5.5	5.6
<i>FCF to EBITDA (%)</i>	40.1	40.6	16.4	20.7	29.8	31.0	34.3	37.1	39.0	40.6	42.4	44.0	44.8	45.4	46.5
<i>FCF to Net Profit (%)</i>	83.0	82.9	28.5	36.0	50.5	51.3	55.4	58.5	60.3	61.6	63.2	64.5	64.8	64.7	65.5
<i>FCF to Net Worth (%)</i>	13.0	12.1	4.2	5.3	7.6	7.7	8.4	8.9	9.0	9.1	9.2	9.1	8.9	8.6	8.5
Total Debt	1,289.6	1,175.2	1,027.8	1,060.9	900.0	970.0	880.0	810.0	750.0	625.0	500.0	275.0	150.0	25.0	0.0
Net Debt	1,259.7	1,136.1	988.9	610.8	494.3	339.6	119.3	(178.3)	(544.5)	(985.4)	(1,511.5)	(2,124.2)	(2,811.2)	(3,568.4)	(4,409.3)
<i>Net Debt to Equity (X)</i>	0.7	0.6	0.4	0.2	0.1	0.1	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
<i>Net Debt to EBITDA (X)</i>	2.2	1.9	1.4	0.7	0.5	0.3	0.1	(0.1)	(0.4)	(0.6)	(0.8)	(1.1)	(1.3)	(1.5)	(1.8)
<i>Interest Coverage Ratio (X)</i>	5.2	6.9	7.0	7.7	9.4	11.2	12.8	15.8	18.9	23.4	30.5	44.2	72.1	122.3	200.2
Altman Z Score (higher the better)	2.3	2.3	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3
Piotroski F Score (higher the better)	8.0	8.0	6.0	7.0	7.0	6.0	7.0	6.0	5.0	5.0	6.0	5.0	4.0	4.0	4.0
Beneish M Score (lower the better)	(2.6)	(2.2)	(2.0)	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)	(2.3)	(2.3)	(2.4)	(2.4)	(2.4)	(2.4)	(2.5)

Source: Company Reports &amp; Ventura Research

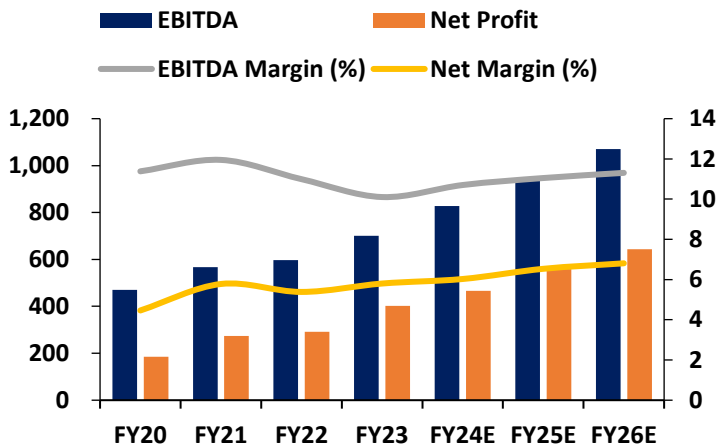
### Organic and convenience segents to contribute higher revenue



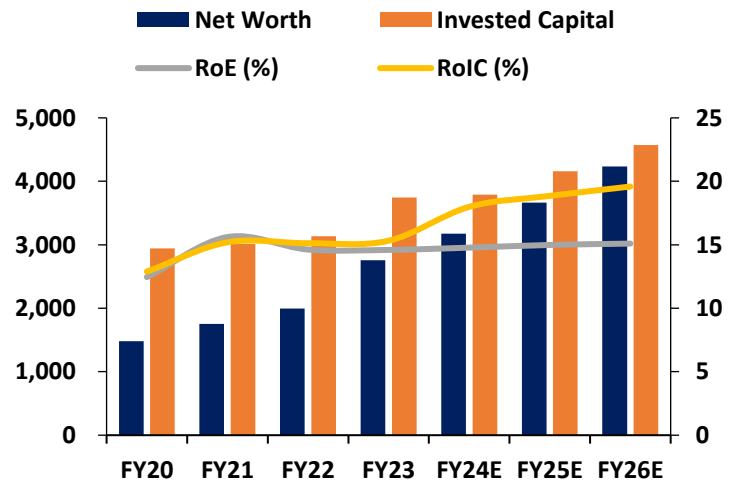
### Convenience segment to increase its revenue share



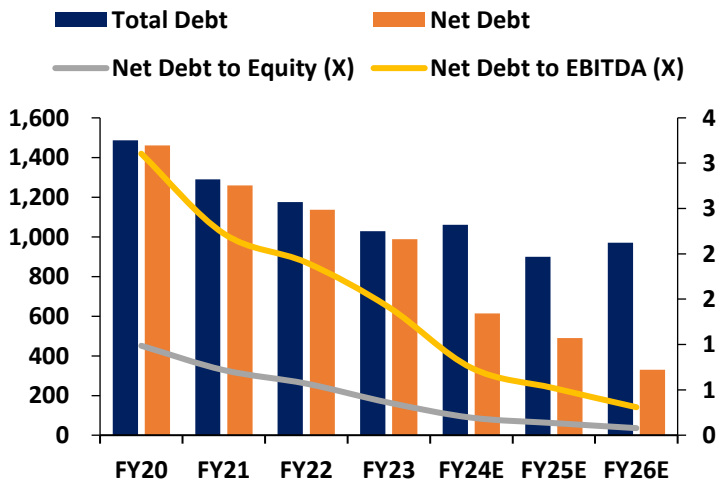
### Profitability to improve as operating leverage kicks in



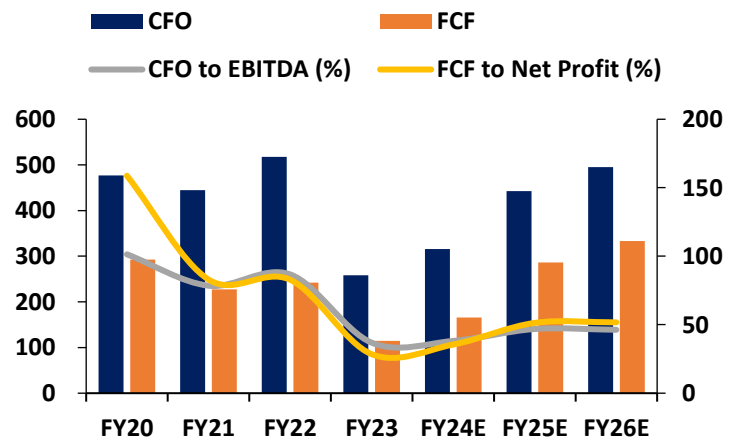
### Return ratios to improve profitability



### Gearing to fall substantially in coming years



### CFO to remain healthy as profitability improves



Source: Company Reports & Ventura Research

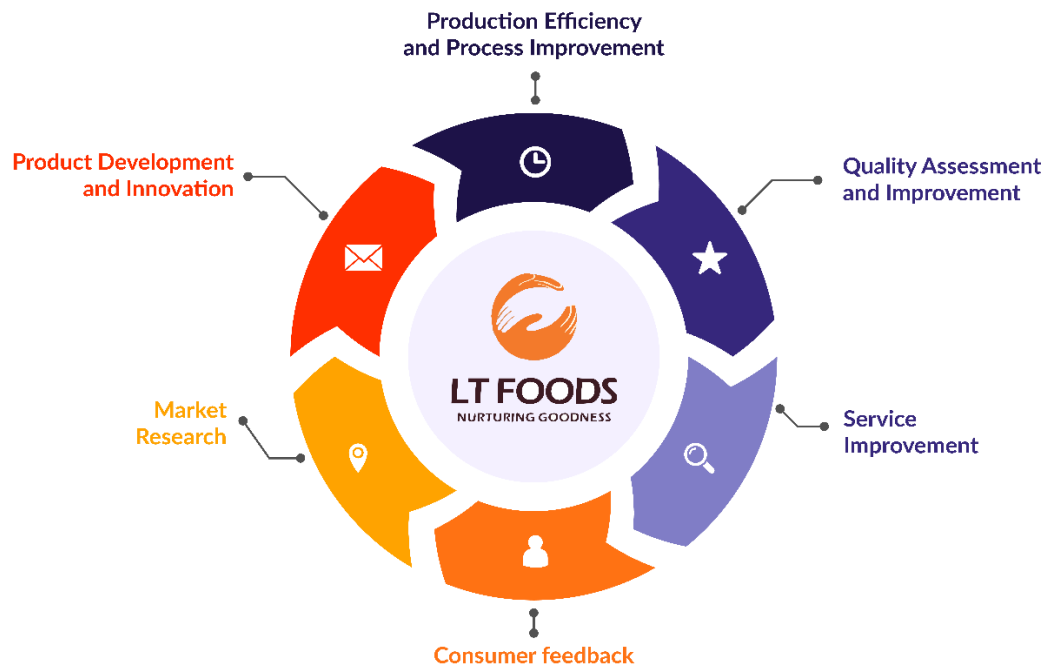
## Company Overview

LT Foods is an Indian-origin 70-year-old consumer food company which is a leading player in the speciality rice-based foods business globally. The company is committed to nurturing the goodness of food for people, the community and the planet. With nurturing goodness at the heart of everything they do, the company has been delivering the finest quality and taste experiences in more than 65 countries across India, the U.S., Europe, the Middle East, the Far East and the Rest of the World. Our range of portfolio includes ‘Daawat’, one of India’s most loved and consumed Basmati brands, ‘Royal’, North America’s No. 1 Basmati player and many more. The company is proudly expanding into the future food preferences of millennials by offering organic staples through the brand ‘Ecolife’ in markets across the globe and supplying organic agri-ingredients to leading businesses.

The Company has consolidated revenue of around Rs. 6,979 crore as of FY’23. The Company has an integrated “Farm to Fork” approach with a well-entrenched Distribution Network with Global Supply Chain Hubs backed by automated state-of-the-art and strategically located Processing Units in India, the U.S. and Europe, and a robust distribution network with 1200+ distributors across the globe.

Company has expanded its product portfolio and leveraging its exiting brand equity and distribution network and ventured in to convenience and Health segment by launching Daawat Biryani kits,, Royal Ready to Heat , Daawat Cuppa rice and Kari Kari – rice based snacks.

### LT Foods Ecosystem



Source: Company Reports

### Operational Performance

Business Segment	Brands	Products	End-users	% of Revenue (FY23)
<b>Basmati and other specialty rice</b>		<ul style="list-style-type: none"> <li>- Basmati rice</li> <li>- Regional rice</li> <li>- Quick cooking brown rice</li> <li>- Jasmine rice</li> <li>- Arborio rice</li> </ul>	Institutional customers and direct consumers	85.6
<b>Organic food and ingredients</b>		<ul style="list-style-type: none"> <li>- Cereal Grains</li> <li>- Pulses</li> <li>- Oil</li> <li>- Oil Seeds Nuts</li> <li>- Spices</li> <li>- Herbs</li> <li>- Millets</li> <li>- Sweeteners</li> </ul>	Institutional customers and Direct consumers	11.9
<b>Health and Convenience foods</b>		<ul style="list-style-type: none"> <li>- Rice-based snacks</li> <li>- Ready to Heat</li> <li>- Saute Sauces</li> <li>- Cuppa Rice</li> <li>- Staples</li> <li>- Fortified Rice</li> </ul>	Direct consumers	2.5

Source: Company Reports

#### New Product Releases

- LT Foods introduced a new regional rice variant in the specialty rice segment, expanding its diverse product portfolio. This launch aims to cater to the preferences of consumers seeking unique and authentic rice options. Additionally, the company launched black rice in the health segment, targeting health-conscious consumers in the convenience segment. These initiatives showcase LT Foods' commitment to innovation and addressing evolving consumer needs in the specialty and health segments.
- Launch of Devaaya Weight Watcher-Economy Brown Rice Segment
- Building the strengths in Bulk Pack Segment-817 Elephant

Over the years, the company has setup five manufacturing & processing facilities in India, one in Europe, three packaging units & a ready-to-heat facility in US and one snacks factory in India.

**LT Foods’ manufacturing capacities**

Capacity	Quantity
<b>Domestic</b>	
Central India	700 Mt/day
Bahalgarh, Haryana	750 Mt/day
Kamaspur, Haryana	150 Mt/day
Amritsar, Punjab	360 Mt/day
Snack Plant – Kari Kari	3,000 pouches/day
<b>International</b>	
Europe	200 Mt/day
United States	35,600 pouches/day

Source: Company reports

**Seamless Supply Chain Control and Global Reach**

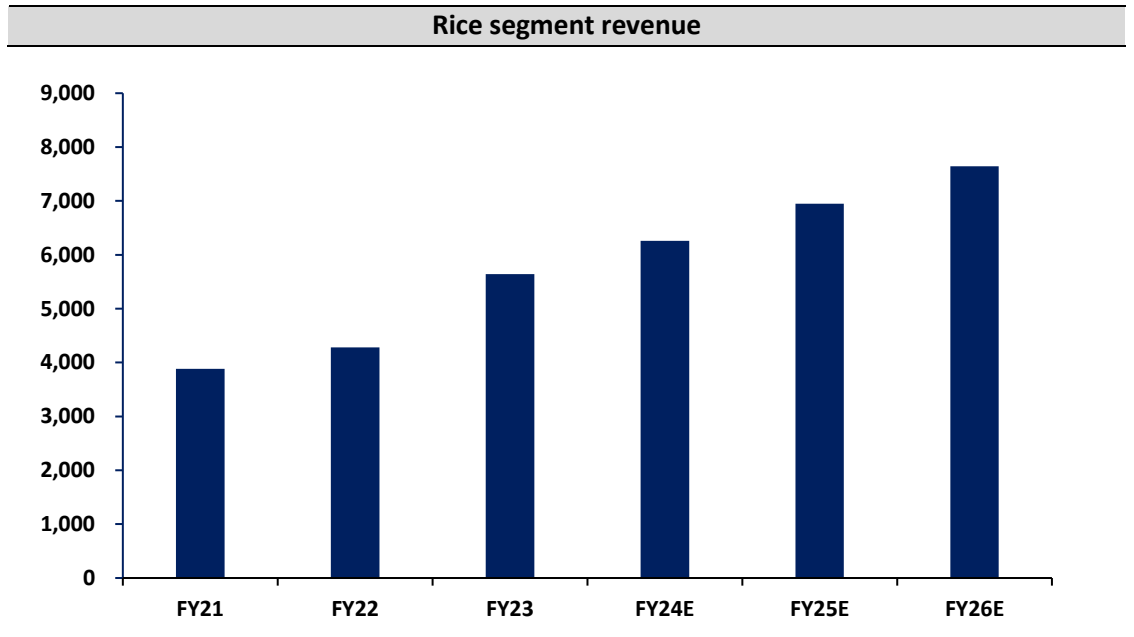
LT Foods adopts an integrated "Farm to Fork" approach, ensuring seamless control over its supply chain from the cultivation of raw materials to the final delivery of its products to consumers. To support its integrated approach, LT Foods has strategically established global supply chain hubs and state-of-the-art automated processing units in key locations such as India, the U.S., and Europe. Additionally, LT Foods has built a robust distribution network consisting of more than 1200 distributors worldwide.

**Basmati and other specialty rice segment**

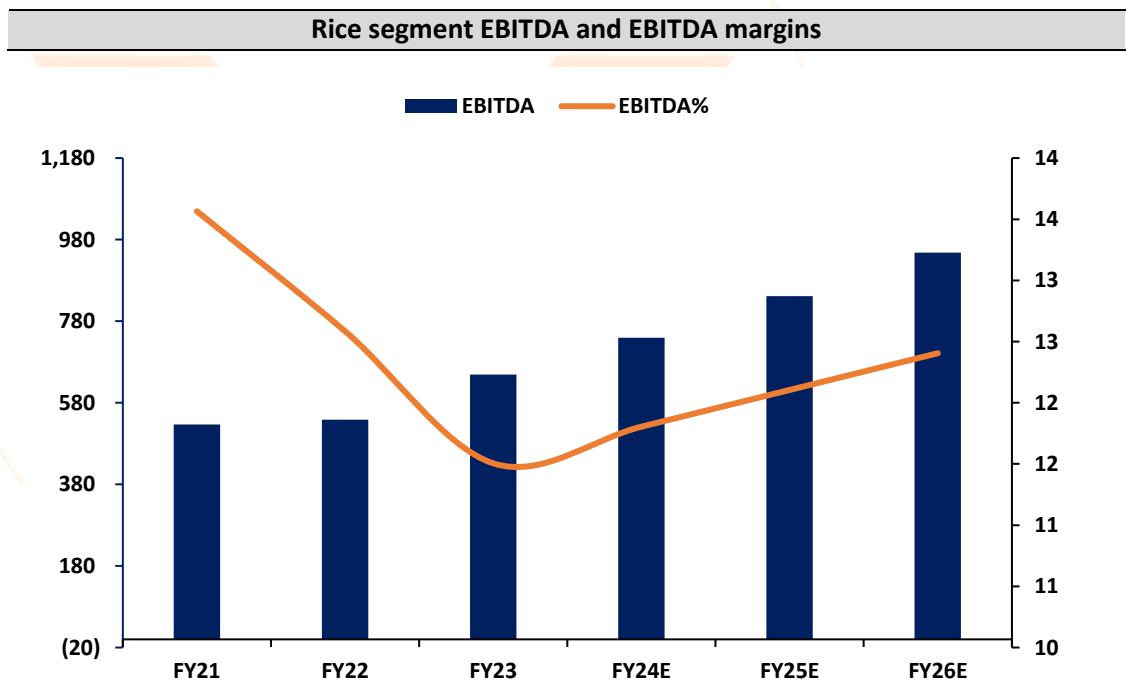
LT Foods is a market leader with a diverse variety of Specialty Rice and Rice food products in India and across geographies

This business segment has a presence in more than 60 countries under the flagship brands Daawat, Royal and Regional brands like Heritage, 817 Elephant, Gold Seal Indus Valley, Rozana and Devaaya. Its flagship brands Daawat and Royal command leadership position in India and US. Daawat, with other regional brands, also holds leadership position in other geographies as well, such as Israel, Reunion Island, Mauritius, and many more.

The Company is present across all price points from speciality to mid-range to value range, across all the channels such as General Trade, Modern Trade, HORECA, E-Commerce via more than 1,200 distributors in India and 100+ distributors in international markets. The Company is present across more than 1,76,741 (9% growth over FY22) retail outlet in India.



Source: Company reports, Ventura Research



Source: Company reports, Ventura Research

**We expect the EBITDA margins to improvise due to their premiumization strategy and their operational efficiency should kick in as they get economies of scale.**



## Industry Overview

The global basmati rice market stood at a value of around USD 6.09 billion in 2022 and expected to grow at a CAGR of 2.1% in the forecast period of 2023-2028 to attain a value of around USD 6.87 billion by 2028.

The adoption of packed rice has been on the rise in recent years, with basmati rice accounting for a substantial portion of the overall packed rice market. Furthermore, changing consumer trends have led to a preference for healthier rice options, driven by increased awareness of the benefits of health-oriented products.

The Asia Pacific region is the leading producer of rice, globally. The region accounts for almost 90% of the global production. China is the leading rice producer, followed by India. However, basmati rice, specifically, is primarily grown in India and Pakistan. India is the largest producer of basmati rice, accounting for over 70% of its output in the global basmati rice market.

***With Pakistan engulfed in its own geopolitical strife and famine like situations prevalent, Indian basmati export volumes are expected to pick up in the short to medium term.***

The Middle East and Africa is a significant consumer of basmati rice, which accounts for 37.5% of their total consumption of the paddy crop. The steady increase in imports from Saudi Arabia and Iran is driving the rise of Indian exports of basmati rice.

## Transformation of the Indian Rice Market: From Unorganized to Organized Sector

The Indian rice market has undergone a significant transformation in recent years, shifting from a predominantly unorganized sector to an organized segment, commonly referred to as the packed rice segment. Traditionally, rice was purchased in bulk due to its high consumption rates. However, with rapid urbanization and increased disposable income, consumer preferences have evolved.

The Indian rice market is segmented into various categories, including basmati, non-basmati, packed, and unpacked rice, each further divided into specific types. While basmati rice holds a smaller portion of the overall Indian market, it plays a vital role in the country's rice export industry, generating a significant share of revenue.

Competition within the rice sector in India is intense, with both established players and new entrants vying for market share. The unorganized rice market, driven by consumer preferences in Tier 2 and Tier 3 regions, traditionally favored unpacked rice. However, with increasing urbanization and smaller family sizes, there has been a noticeable shift towards packed rice products.

The health rice segment, including brown rice, organic rice, and the recent entry of black rice, has gained significant consumer confidence. These varieties are known for their nutritive content and align with the growing demand for healthier food options.

### Positioned to benefit from strong tailwinds

Demand for rice has been robust because of resumption of shipment to Iran and spike in demand in Gulf countries especially from Saudi Arabia, Iran, UAE and others for the ongoing Ramadan months,' K Kaul, senior executive director, All India Rice Exporters' Association, told FE.

India has been the world's largest exporter of rice since 2012. Currently, India exports more rice than the combined shipments of the next three largest exporters – Thailand, Vietnam and Pakistan.

The United States department of agriculture (USDA), in its April 2023 crop outlook, has stated, 'India's prices are the most competitive among global suppliers and its total supply of rice is at a near-record high.'

### India's rice exports (CY 2022-2023)

	000' MT	USD Mn	Major Importing Countries(Value in USD Mill and % Share)				
Non Basmati Rice	17786.1	6355.7	Benin (529 , 8.3%)	China P Rp (494,7.8%)	Senegal (432 , 6.8%)	Cote D Ivoire (420 ,6.6%)	Togo (331,5.2%)
Basmati Rice	4559	4787.5	Saudi Arab (1036,21.7%)	Iran (980,20.5%)	Iraq (375,7.8%)	U Arab Emts (334,7.0%)	Yemen Re- publc (307,6.4%)

Source: DGCI

**Also as per the management, the impact of El Nino on Basmati production is minimal due to the irrigation methods employed, utilizing both canal and groundwater sources. In the past, during the occurrence of El Nino in 2015, Basmati production remained unaffected. Therefore, they do not anticipate any adverse effects on Basmati production. In fact, they expect a higher crop yield next year, as farmers received significantly higher prices, around of 30% to 35% more than in the previous year.**

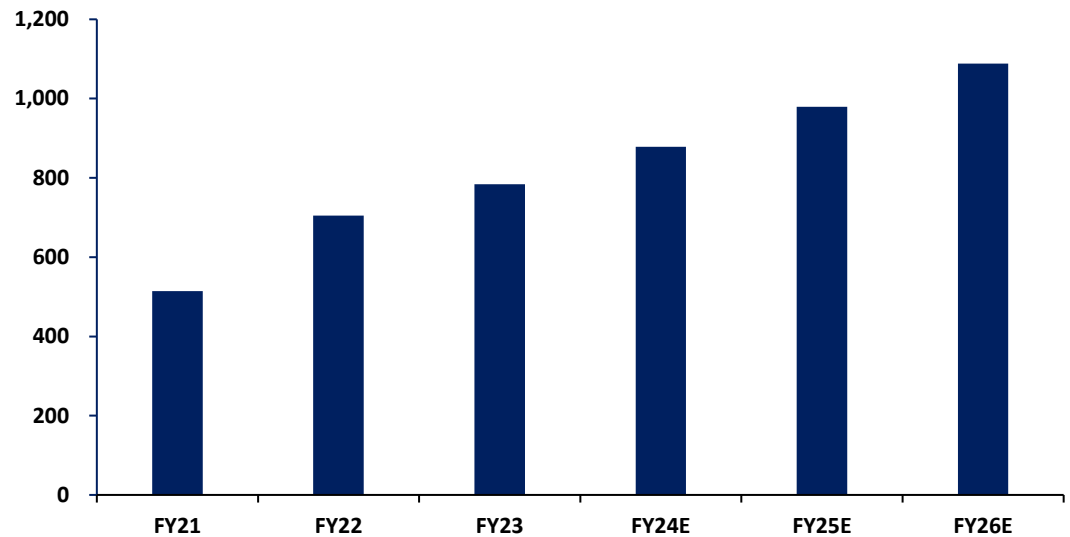
### Organic Health Segment

In 1999, LT Foods established its organic subsidiary, Nature Bio Foods Limited (NBF), which has been instrumental in providing authentic organic food ingredients to consumers in the US and Europe. NBF has made significant contributions to the Indian organic food export industry, accounting for 11% of its total exports during the reviewed year.

NBF offers a diverse range of organic products, including rice, pulses, beans, and ancient grains sourced from various Asian countries. Additionally, the company exports organic soya beans and meal, a nutritious protein supplement sourced from farms in India, as well as the African countries of Togo and Uganda.

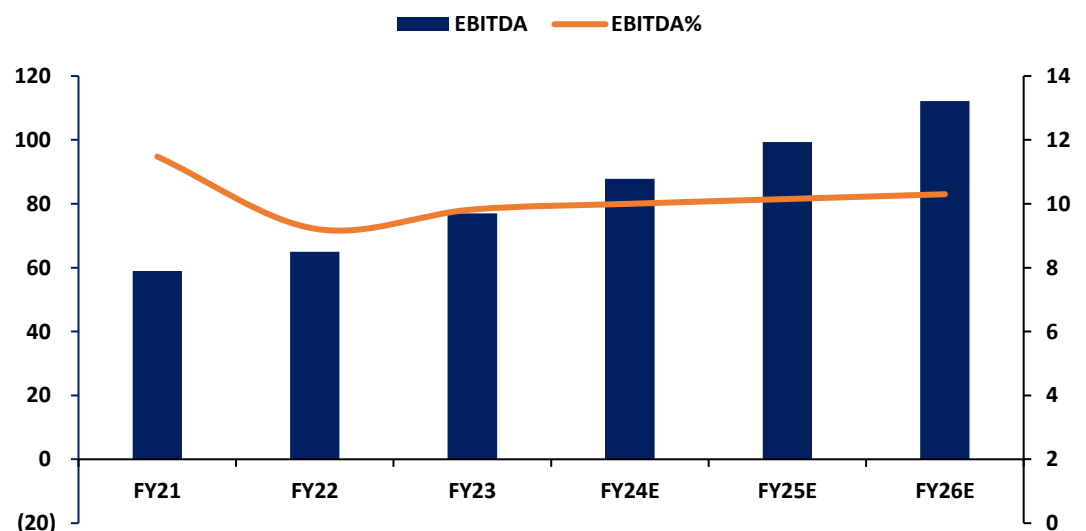
LT Foods heavily relies on export sales, which contribute 90% of its total revenue. To effectively operate in European and US markets, the company has established local subsidiaries that follow a stock and sell model. To further enhance its operations, LT Foods made new investments in Europe and initiated a dedicated organic packaging and cleaning line during the reviewed year. These endeavors aim to strengthen the company's presence in key markets and meet the increasing demand for organic food products.

**Organic segment segment revenue**



Source: Company reports, Ventura Research

**Organic segment EBITDA and EBITDA margins**



Source: Company reports, Ventura Research

**Growing Potential of the Organic Food Market**

The global organic food market grew from USD 259.06 billion in 2022 to USD 294.54 billion in 2023 at a compound annual growth rate (CAGR) of 13,7% The Russia-Ukraine war disrupted

the chances of global economic recovery from the COVID-19 pandemic, at least in the short term. The war between these two countries has led to economic sanctions on multiple countries, a surge in commodity prices, and supply chain disruptions, causing inflation across goods and services and affecting many markets across the globe. The organic food market is expected to grow from USD 512.01 billion in 2027 at a CAGR of 14.8%

Increasing health concerns due to the growing number of chemical poisoning cases globally is acting as a driver in the organic food market. Consumers are becoming more health-conscious owing to the harmful effects caused by the presence of chemical pesticides in food products. The toxicity of chemical pesticides in food products can cause cancer, hormone disruption, and birth defects. According to a UN report, around 200,000 people die every year due to the toxic effects of pesticides on food products. This is causing consumers to shift their focus towards organic food products

### **Convenience and Health segment**

LT Foods has recognized the evolving consumer needs driven by factors such as changing lifestyles, globalization, technological advancements, and higher education levels. Understanding the importance of staying attuned to these trends, the company has developed a robust mechanism to continuously assess emerging consumer needs and preferences, resulting in the creation of innovative products.

Two prominent consumer trends identified by LT Foods are health and convenience. The company's successful foray into the health segment began with the introduction of Daawat Quick Cooking Brown Rice, which has achieved a leadership position in the market. Building on this success, LT Foods launched Daawat Sehat, an iron and vitamin fortified rice, which has been well-received by consumers.

In terms of convenience, LT Foods has introduced a range of innovative products. This includes:

#### **1) Ready-to-Heat (Microwave Heat & Eat)**

The 'Royal' brand in the US market offers a range of ready-to-heat (microwave heat & eat) rice products that feature a distinctive blend of spices and seasonings. These convenient meal options allow consumers to enjoy flavorful and perfectly cooked rice in a matter of minutes. With the 'Royal' brand's unique combination of spices and seasonings, consumers can experience a taste that stands out from traditional microwavable rice offerings.

#### **2) Kari Kari**

Daawat-Kameda's Kari Kari snack is an innovative premium Japanese rice based snack whose flavours have been curated as per the Indian palate. This product has been placed in the packaged snacks market which is pegged around INR 33,000 Cr and growing at a healthy CAGR of 14-16% as well as in the Healthy and Premium snacks market is pegged around H 900 Crores and growing at 18% CAGR

### 3) Daawat Cuppa Rice

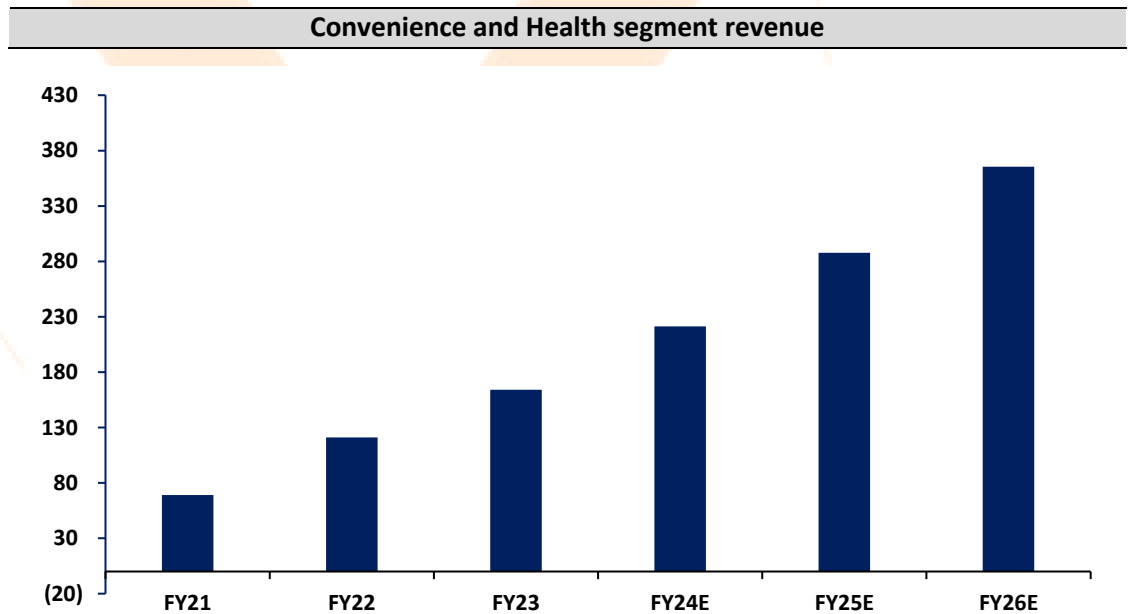
Daawat Cuppa rice offers delicious rice meals instantly. These are dehydrated ready-to-eat meals that can be reconstituted in just 10 minutes by adding hot water. It is a healthy and easy alternative for on-the-go consumption because it is simple to prepare and contains all-natural ingredients without preservatives or artificial colours

### 4) Daawat Biryani Kits

The production of authentic biryani calls for numerous ingredients and recipe expertise. The word 'Biryani' is the most often searched recipe in India, while searches for Chicken Biryani top 100,000 every month. With 115 orders placed every minute on Swiggy and two biryanis being delivered by Zomato every two seconds, it is the most popular meal in India. Biryani Kit includes everything needed to make the finest and most authentic biryani in just 30 minutes. Recognizing the vast market potential, estimated at around 250-300 crores, LT Foods aims to tap into the growing popularity of biryani by offering a hassle-free solution for home-cooked biryani preparation.

### 5) Daawat Sehat

The rationale to launch brand Daawat Sehat was to address malnutrition through fortified rice. Daawat Sehat is a fortified daily rice enriched with iron, folic acid and vitamins B1, B3, B6, and B12. The brand has a +F logo, which is featured on the FSSI website as well.



Source: Company reports, Ventura Research

## Growth Drivers

### Expanding Product Portfolio across All Business Segments:

LT Foods has embarked on a strategic initiative to expand its product portfolio across all business segments. By diversifying its offerings beyond rice, the company aims to capture new market opportunities and cater to evolving consumer preferences. This expansion includes the introduction of ready-to-eat meals, rice-based snacks, sauces,

and cooking oils. The broader product range enables LT Foods to tap into the growing demand for convenient and healthy food options, thus boosting revenue streams and enhancing customer loyalty.

#### **Widening Distribution Reach across All Channels:**

Another significant growth driver for LT Foods is the focus on widening its distribution reach across all channels. The company is actively strengthening its distribution networks, both domestically and internationally, to ensure wider market penetration.

#### **Building economies of scale and unlocking synergies**

LT Foods leverages its global presence and supply chain capabilities to consolidate purchasing power, optimize production processes, and negotiate favorable agreements with suppliers. This leads to cost efficiencies, improved profitability, and increased margins. Strategic collaborations and acquisitions further enhance margin expansion potential.

#### **Adding efficiencies across the value chain**

LT Foods focuses on employing advanced technologies, process improvements, and quality control measures to streamline operations and reduce costs at each stage of the value chain.

#### **Driving premiumization**

LT Foods strategically aims to offer high-quality, value-added rice products to cater to consumers seeking premium options. Innovative packaging, specialty rice variants, and investments in brand building and marketing initiatives allow the company to command higher prices and achieve premium positioning.

#### **Growing Market Presence and Solidifying Position through Organic and Inorganic Routes:**

LT Foods is committed to growing its market presence and solidifying its position through a combination of organic and inorganic routes. The company continues to invest in research and development, product innovation, and brand building to enhance its competitive edge and capture a larger market share. Additionally, LT Foods actively explores strategic acquisitions, partnerships, and joint ventures to gain access to new markets, technologies, and distribution networks. These expansion efforts allow the company to strengthen its position in the global rice-based food products market and accelerate its growth trajectory.

#### **LT Foods and SALIC: A Strategic Partnership for Growth**

In 2020, SALIC (Saudi Agricultural & Livestock Investment Company) acquired stake in Daawat Foods Limited (Subsidiary of LT Foods Ltd) through its subsidiary United Farmers Investment Company

United Farmers Investment Company acquired a 29.81% stake of India Agri Business Fund (Sponsored by Rabobank) and 0.1% stake of REAL Trust, for an amount of USD 17.23 million. This transaction is not expected to impact the shareholding of LT Foods Limited.

**The SALIC partnership has been a success for LT Foods in a number of ways.**

- Accelerating organic and inorganic expansion plans: The equity infusion from SALIC will give LT Foods the financial resources to accelerate its organic and inorganic expansion plans across business segments. This will help the company to grow its market share and reach new customers.
- Boosting future growth plans in the Middle East and Saudi Arabia region: SALIC is a large Saudi Arabian investment company with a strong presence in the Middle East and Saudi Arabia region. The partnership with SALIC will give LT Foods access to this important market and help the company to boost its future growth plans in the region.
- Gaining access to SALIC's expertise and resources: SALIC is a well-established and experienced investment company with a deep understanding of the food industry. The partnership with SALIC will give LT Foods access to SALIC's expertise and resources, which will help the company to improve its operations and grow its business.
- Strengthening LT Foods' position as a leading player in the industry: The partnership with SALIC will help LT Foods to strengthen its position as a leading player in the industry. This will be achieved through the company's increased market share, reach, and expertise.

**Recently, in November 2022, SALIC further invested INR 455.5 crore in LT Foods, increasing its equity partnership to 9.22%. This substantial investment by SALIC demonstrates its continued confidence in LT Foods' robust business model and marks a threefold increase in its investment in the company.**

**Specific deal contours**

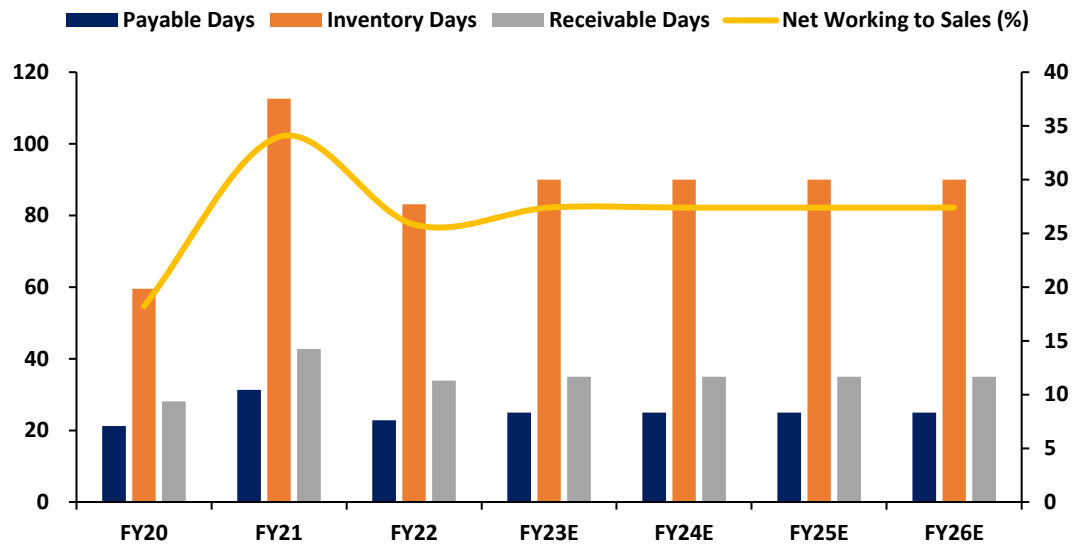
Preferential issue of shares for 7.89% at 142.2/share for INR 389.8 cr

In a related transaction, LT foods will use INR 175.8 cr from the above proceeds to purchase SALIC's entire 29.52% stake in Daawat Foods Ltd and Daawat Foods to become a wholly owned subsidiary of LT Foods Ltd

Secondary share purchase from promoter group for additional 1.33% stake for INR 65.7 cr

Source: Company Reports, Ventura Research

**Working Capital Cycle**



Source: Ventura Research

From FY20 to FY23, there is a fluctuation in the payable days, starting at 23 days in FY20 and peaking at 58 days in FY23. This indicates that the company took longer to pay its suppliers during this period. On the other hand, the inventory days remained relatively stable, ranging from 154 days to 177 days.

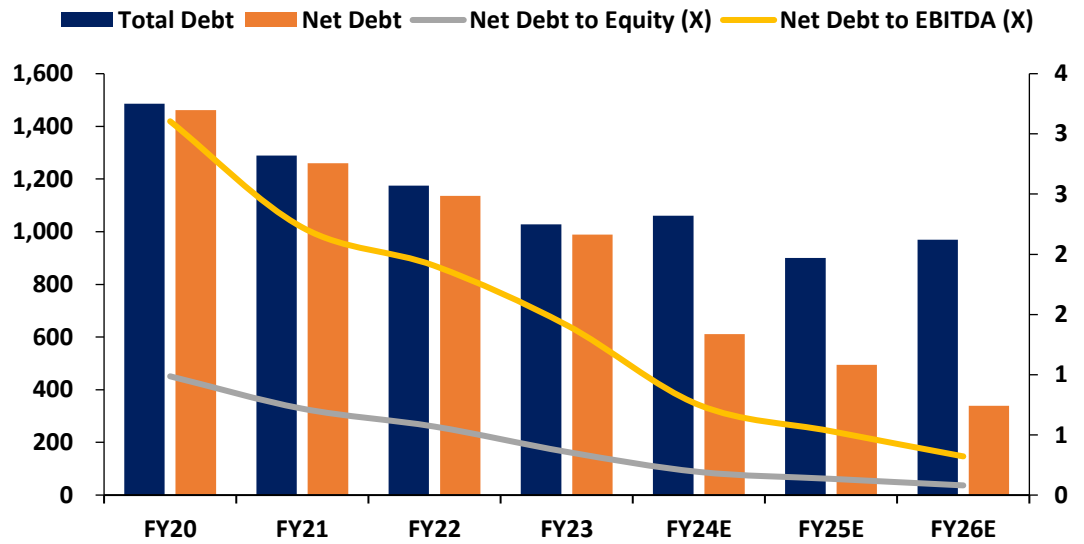
The receivable days, representing the average number of days it takes for the company to collect payment from its customers, showed a decrease from 55 days in FY20 to 35 days in FY23. This suggests an improvement in the company's collection process, as it took fewer days to receive payments.

The net working capital to sales ratio, which measures the efficiency of the company's working capital management, decreased from 51% in FY20 to 38% in FY23. This indicates that the company was able to optimize its working capital and generate more sales relative to its working capital.

Overall, the company's working capital management is expected to remain stable from FY24E to FY26E. However, there are some risks to this outlook, such as a slowdown in sales or an increase in input costs.



**Debt profile**



Source: Ventura Research

The debt profile of LT Foods has improved significantly over the past few years. In FY20, the company's net debt to EBITDA ratio was 1.461, which is considered to be high. However, by FY23, the ratio had fallen to 0.989, which is considered to be a much healthier level. This improvement is due to a number of factors, including the company's strong operating performance and its focus on debt reduction. The total debt of LT Foods has shown a gradual decline from FY20 to FY23

The debt profile of the company is expected to improve further ahead as profitability improves and as the company pays off long term debt

### Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
<b>Management &amp; Leadership</b>			
Management Quality	9	Low	The company has a strong track record of profitability and growth, and its management team has a deep understanding of the food industry.
Promoters Holding Pledge	9	Low	The promoter holding stands at 51% and there is no pledge against this holding as of 31 <sup>st</sup> March 2023.
Board of Directors Profile	8	Low	The average experience of directors is >15 years with significant experience in their respective sectors and expert areas
<b>Industry Consideration</b>			
Industry Growth	8	Low	The food industry is a large and growing industry. The global food and beverage market is expected to reach \$8.6 trillion by 2025.
Regulatory Environment or Risk	6	Low	Climate change is already having a significant impact on the food industry, and this impact is expected to increase in the future
Entry Barriers / Competition	6	Low	The food industry is a dynamic industry, and new competitors are constantly emerging.
<b>Business Prospects</b>			
New Business / Client Potential	9	Low	invest in new product development to develop new products that meet the needs of consumers.
Business Diversification	7	Low	The company is well diversified in terms of exports to various countries and various new product categories
Market Share Potential	8	Low	Company has ~30% Basmati market share.
Margin Expansion Potential	7	Low	Margins to improve as operating leverage kicks in
Earnings Growth	8	Low	The company has a strong track record of earnings growth, and it is well-positioned to continue to grow its earnings in the future
<b>Valuation and Risk</b>			
Balance Sheet Strength	8	Low	The company's balance sheet is strong with debt to equity of 0.4
Debt Profile	8	Low	LT Foods maintains a favorable debt profile with a well-managed debt structure
FCF Generation	8	Low	FCF to increase as profitability rises
Dividend Policy	8	Low	Company has a dividend yield of 0.8%
<b>Total Score</b>	<b>117</b>		
<b>Ventura Score (%)</b>	<b>78</b>	<b>Low</b>	The overall risk profile of the company is good and we consider it as a LOW risk investment opportunity

Source: Company Reports & Ventura Research

## Annual Report Takeaways

- Revenue and profit growth: The company's revenue grew by 17.8% to Rs. 3,255.2 crore in FY22, while its profit after tax grew by 38.9% to Rs. 316.7 crore.
- Strong brand equity: The company's brands, such as Daawat, Royal, and Devaaya, continue to enjoy strong brand equity in the Indian and international markets.
- Focus on innovation: The company is continuously innovating its product portfolio to meet the changing needs of consumers. In FY22, the company launched a number of new products, including Daawat Super Basmati Rice, Devaaya Basmati Rice, and Rozana Rice.
- Expansion of distribution network: The company is expanding its distribution network to reach consumers in new markets. In FY22, the company expanded its distribution network to over 60 countries.
- Sustainable growth: The company is committed to sustainable growth. In FY22, the company achieved a number of sustainability goals, such as reducing its carbon footprint and increasing its water efficiency.

### Board of Directors

Details of Board of Directors		
Particular	FY22	FY21
Mr. Vijay Kumar Arora	MD	MD
Mr. Surinder Kumar Arora	MD	MD
Mr. Ashwani Kumar Arora	MD & CFO	WTD
Mr. Abhiram Seth	ID	ID
Mr. Anil Khandelwal	ID	ID
Mrs. Neeru Singh	ID	ID
Mrs. Ambika Sharma	ID	ID

Source: Annual Reports

### Auditor's qualifications and significant notes to accounts

The report given by MSKA and Associates, Statutory Auditors on financial statements of the Company for FY 2021-22 is part of the Annual Report. The comments on statement of accounts referred to in the report of the Auditors are self-explanatory. The Auditors' Report does not contain any qualification, reservation or adverse remark or comments. During the year under review, the Auditors had not reported any matter under Section 143(12) of the Act. Therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

### Related Party Transactions and Balances

LTFL's Related Party			
Particular	FY22	FY21	FY20
Sales	88.9	97.6	66.7
Purchases	43.6	33.7	21.1
Remuneration	18.1	18.3	13.1
<b>Total</b>	<b>150.6</b>	<b>149.6</b>	<b>100.9</b>

Source: Annual Reports

LTFL's Contingent Liability			
Particular	FY22	FY21	FY20
Income tax demands	33.8	21.3	21.3
FCI Demand	0.7	0.7	0.7
Guarantees given by group	0.3	1.5	1.5
Claims against other groups	0.3	0.3	0.3
Duty saved under EPCG	2.4	0.9	3.1
<b>Total</b>	<b>37.6</b>	<b>24.7</b>	<b>26.9</b>

Source: Annual Reports

### Management Team

Key Person	Designation	Details
Mr Vijay Kumar Arora	Managing Director	He has been with the company for over 40 years and has held various positions, including Managing Director and CEO. He is a graduate in Commerce from the University of Delhi and has an MBA from the Indian Institute of Management, Ahmedabad.
Mr. Surinder Kumar Arora	Managing Director	He has been with the company for over 20 years and has held various positions, including Vice President of the Food Products Division. He is a graduate in Engineering from the Birla Institute of Technology and Science, Pilani and has an MBA from the Indian School of Business.
Mr. Ashwani Kumar Arora	Managing Director and CFO	He has been with the company for over 25 years and has held various positions, including President of the Food Products Division. He is a graduate in Engineering from the Indian Institute of Technology, Delhi and has an MBA from the Indian Institute of Management, Ahmedabad.
Mrs. Ambika Sharma	Independent Director	She is a former Managing Director of Hindustan Unilever and has over 30 years of experience in the FMCG industry. She is a graduate in Economics from the University of Delhi and has an MBA from the Indian Institute of Management, Ahmedabad.
Mrs. Neeru Singh	Independent director	She is a former Managing Director of Procter & Gamble India and has over 25 years of experience in the FMCG industry. She is a graduate in Commerce from the University of Delhi and has an MBA from the Indian Institute of Management, Ahmedabad.

Source: Company Reports

### Key Risks & Concerns

- The food industry, including the rice sector, is highly competitive. LT Foods faces competition from both domestic and international players. Intense competition could impact the company's market share, pricing power, and profitability.
- LT Foods relies on the procurement of rice and other raw materials, the prices of which can be subject to fluctuations. Price volatility could impact the company's cost structure and profitability.
- Changes in consumer preferences, evolving dietary trends, or health concerns related to food products could impact the demand for LT Foods' offerings. The company needs to stay updated with consumer preferences and adapt its product portfolio accordingly.
- LT Foods operates in multiple countries and is exposed to geopolitical risks, such as changes in trade policies, international tensions, or economic instability in the regions where it operates.

### LTFL's financial analysis & projections

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>									<b>Per share data &amp; Yields</b>								
Revenue	3,890.4	4,135.1	4,741.9	5,427.4	6,935.8	7,729.0	8,545.8	9,463.5	Adjusted EPS (INR)	24.3	35.5	7.9	8.6	10.8	13.2	15.8	18.4
YoY Growth (%)		6.3	14.7	14.5	27.8	11.4	10.6	10.7	Adjusted Cash EPS (INR)	37.6	53.1	73.6	80.7	96.4	113.8	134.0	153.8
Raw Material Cost	2,796.0	2,875.2	3,041.7	3,469.0	4,577.5	5,101.2	5,640.3	6,245.9	Adjusted BVPS (INR)	41.3	46.1	54.5	413.3	537.9	616.6	710.6	819.2
RM Cost to Sales (%)	71.9	69.5	64.1	63.9	66.0	66.0	66.0	66.0	Adjusted CFO per share (INR)	3.0	13.8	12.8	100.4	44.3	59.1	83.3	94.1
Employee Cost	151.9	198.6	264.3	289.6	359.6	398.5	438.0	482.2	CFO Yield (%)	2.2	10.4	9.7	76.1	33.6	44.8	63.1	71.3
Employee Cost to Sales (%)	3.9	4.8	5.6	5.3	5.2	5.2	5.1	5.1	Adjusted FCF per share (INR)	(3.8)	8.4	6.6	46.6	22.0	30.2	53.3	62.9
Other Expenses	545.3	590.6	869.3	1,072.1	1,298.0	1,280.7	1,390.2	1,510.6	FCF Yield (%)	(2.9)	6.4	5.0	35.3	16.7	22.9	40.4	47.7
Other Exp to Sales (%)	14.0	14.3	18.3	19.8	18.7	16.6	16.3	16.0	<b>Solvency Ratio (X)</b>								
EBITDA	397.2	470.7	566.7	596.6	700.7	815.9	932.1	1,056.9	Total Debt to Equity	1.2	0.9	0.7	0.5	0.4	0.3	0.2	0.2
Margin (%)	10.2	11.4	11.9	11.0	10.1	10.6	10.9	11.2	Net Debt to Equity	1.2	0.9	0.7	0.5	0.4	0.2	0.1	0.1
YoY Growth (%)		18.5	20.4	5.3	17.5	16.4	14.2	13.4	Net Debt to EBITDA	4.2	3.1	2.2	1.9	1.4	0.8	0.5	0.3
Depreciation & Amortization	69.0	91.4	108.5	122.6	126.9	134.5	147.7	161.5	<b>Return Ratios (%)</b>								
EBIT	328.2	379.3	458.2	474.0	573.8	681.4	784.3	895.4	Return on Equity	9.5	12.5	15.6	14.6	14.6	14.4	15.0	15.1
Margin (%)	8.4	9.2	9.7	8.7	8.3	8.8	9.2	9.5	Return on Capital Employed	7.0	9.2	11.0	10.9	11.4	12.1	12.9	12.9
YoY Growth (%)		15.6	20.8	3.4	21.1	18.8	15.1	14.2	Return on Invested Capital	11.0	12.9	15.2	15.1	15.3	18.0	18.9	19.6
Other Income	24.1	37.9	31.5	23.2	43.0	18.2	33.1	37.7	<b>Working Capital Ratios</b>								
Finance Cost	138.7	132.3	87.4	68.7	82.1	88.3	83.5	80.1	Payable Days (Nos)	27	23	39	47	58	58	58	58
Interest Coverage (X)	2.4	2.9	5.2	6.9	7.0	7.7	9.4	11.2	Inventory Days (Nos)	177	154	171	158	162	162	162	162
Exceptional Item	0.0	(4.2)	0.0	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	50	55	37	41	35	37	37	37
PBT	213.6	280.7	402.3	428.4	534.7	611.4	733.9	853.0	Net Working Capital Days (Nos)	201	186	170	152	140	141	141	141
Margin (%)	5.5	6.8	8.5	7.9	7.7	7.9	8.6	9.0	Net Working Capital to Sales (%)	55.1	51.0	46.5	41.6	38.3	38.6	38.6	38.6
YoY Growth (%)		31.4	43.3	6.5	24.8	14.3	20.0	16.2	<b>Valuation (X)</b>								
Tax Expense	76.2	77.6	108.9	114.4	139.8	153.9	184.7	214.7	P/E	5.4	3.7	16.7	15.4	12.2	10.0	8.3	7.2
Tax Rate (%)	35.6	27.7	27.1	26.7	26.1	25.2	25.2	25.2	P/BV	3.2	2.9	2.4	0.3	0.2	0.2	0.2	0.2
PAT	137.5	203.1	293.4	314.1	394.9	457.5	549.2	638.3	EV/EBITDA	5.9	4.6	3.4	3.1	2.4	1.6	1.3	1.0
Margin (%)	3.5	4.9	6.2	5.8	5.7	5.9	6.4	6.7	EV/Sales	0.6	0.5	0.4	0.3	0.2	0.2	0.1	0.1
YoY Growth (%)		47.7	44.5	7.0	25.7	15.8	20.0	16.2	<b>Cash Flow Statement</b>								
Min Int/Sh of Assoc	(10.9)	(18.6)	(19.3)	(17.0)	(20.4)	0.0	0.0	0.0	PBT	213.6	280.7	402.3	428.4	534.7	611.4	733.9	853.0
Net Profit	126.5	184.5	274.0	297.0	374.6	457.5	549.2	638.3	Adjustments	252.4	240.9	248.2	262.3	229.5	181.5	199.7	205.7
Margin (%)	3.3	4.5	5.8	5.5	5.4	5.9	6.4	6.7	Change in Working Capital	(287.3)	33.3	(97.0)	(54.0)	(393.9)	(331.8)	(315.5)	(354.5)
YoY Growth (%)		45.8	48.5	8.4	26.1	22.1	20.0	16.2	Less: Tax Paid	(76.2)	(77.6)	(108.9)	(114.4)	(139.8)	(153.9)	(184.7)	(214.7)
<b>Balance Sheet</b>									<b>Cash Flow from Operations</b>	<b>102.5</b>	<b>477.2</b>	<b>444.7</b>	<b>522.3</b>	<b>230.5</b>	<b>307.2</b>	<b>433.3</b>	<b>489.5</b>
Share Capital	32.0	32.0	32.0	32.0	34.7	34.7	34.7	34.7	Net Capital Expenditure	(113.3)	(84.5)	(99.0)	(151.9)	(143.8)	(150.0)	(156.0)	(162.2)
Total Reserves	1,402.6	1,567.2	1,858.3	2,116.9	2,762.3	3,171.8	3,660.5	4,225.4	Change in Investments	(22.2)	3.6	(1.0)	7.2	(250.8)	353.3	(17.2)	(19.3)
Shareholders Fund	1,434.5	1,599.2	1,890.3	2,148.9	2,797.0	3,206.5	3,695.2	4,260.1	<b>Cash Flow from Investing</b>	<b>(135.6)</b>	<b>(80.9)</b>	<b>(99.9)</b>	<b>(144.7)</b>	<b>(394.6)</b>	<b>203.3</b>	<b>(173.2)</b>	<b>(181.5)</b>
Long Term Borrowings	249.8	230.1	229.7	199.0	260.9	260.9	250.0	220.0	Change in Borrowings	148.3	(246.5)	(226.7)	(256.8)	258.6	33.1	(160.9)	70.0
Deferred Tax Assets / Liabilities	(8.6)	1.9	4.1	0.5	1.7	1.7	1.7	1.7	Less: Finance Cost	(138.7)	(132.3)	(87.4)	(68.7)	(82.1)	(88.3)	(83.5)	(80.1)
Other Long Term Liabilities	4.1	7.0	2.1	1.5	1.0	1.2	1.3	1.4	Proceeds from Equity	39.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	8.0	6.4	10.6	12.4	13.3	14.8	16.2	17.9	Dividend Paid	(4.8)	(25.1)	(32.0)	(32.0)	(40.2)	(48.0)	(60.4)	(73.4)
Total Liabilities	1,687.8	1,844.5	2,136.7	2,362.4	3,074.0	3,485.0	3,964.4	4,501.1	<b>Cash flow from Financing</b>	<b>43.9</b>	<b>(403.8)</b>	<b>(346.1)</b>	<b>(357.6)</b>	<b>136.3</b>	<b>(103.3)</b>	<b>(304.8)</b>	<b>(83.5)</b>
Net Block	601.2	541.6	542.4	580.3	645.3	660.8	669.1	669.8	Net Cash Flow	10.9	(7.5)	(1.4)	20.1	(27.8)	407.2	(44.6)	224.4
Capital Work in Progress	42.2	17.2	32.7	35.0	26.6	0.0	0.0	0.0	Forex Effect	(1.2)	(2.5)	(0.9)	0.0	0.0	0.0	0.0	0.0
Intangible assets under development	0.0	64.5	#REF!	61.6	61.3	0.0	0.0	0.0	Opening Balance of Cash	19.5	29.2	19.1	16.8	36.9	9.1	416.3	371.7
Non Current Investments	36.1	61.8	52.9	41.4	145.8	162.5	179.6	198.9	Closing Balance of Cash	29.2	19.1	16.8	36.9	9.1	416.3	371.7	596.1
Long Term Loans & Advances	55.1	151.8	151.3	157.4	155.2	172.9	191.2	211.7									
Other Non Current Assets	141.2	76.5	71.0	75.4	73.6	82.1	90.7	100.5									
Net Current Assets	812.0	931.1	#REF!	1,411.2	1,966.2	2,406.7	2,833.8	3,320.2									
Total Assets	1,687.8	1,844.5	2,136.7	2,362.4	3,074.0	3,485.0	3,964.4	4,501.1									

Source: Ventura Research

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