

**Q4FY22 Result Update**
**Buy**

Industry	FMCG
CMP (Rs)	82
FY24E Target Price	123
52 Week H/L (Rs)	101/59
Volumes (BSE+NSE)*	89,774,621
Shares O/S (mn)	319.8
Market Cap (Rs mn)	26099
Free Float (%)	43.2
Bloomberg	LTFO IN
Reuters	LTOL.BO
*Three month daily average	

**Quarterly Result Review**

LT Foods Ltd (LTF) reported a robust growth in its topline in Q4FY22, above our expectation. The EBITDA margin declined due to higher freight cost and was below our estimates.

**Key Highlights:**

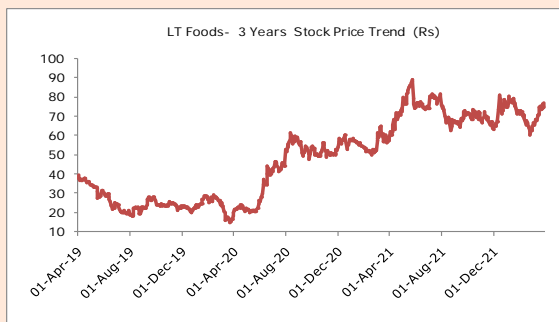
- LTF's revenues grew by 32.4% Y-o-Y to Rs 15,263mn, above our estimate of Rs 13,032mn. This was mainly due to strong growth in the Basmati and Other Specialty segment, which grew by 26% Y-o-Y. This segment accounts for ~79% of sales.
- The Organic foods segment which accounts for 13% of sales grew by 3% due to the high base effect.
- Health & Convenience segment grew by 68%, however its impact on total sales was small as it only accounts for ~3% of total sales. Management expects this segment to continue its growth momentum and contribute ~10% towards total sales in next the 5 years.
- Company expects to increase its RoCE to ~23% within 5 years, by reducing working capital and increasing the share of the highly profitable Health & Convenience segment.
- Management expects growth momentum in revenue to continue as the company is widening its distribution network and expanding its product portfolio.
- Overall EBITDA margin during the quarter declined by 60bps Y-o-Y and 100bps Q-o-Q to 10.0%.
- EBITDA margin declined on a Y-o-Y basis mainly due higher logistics cost. The company was able to pass on only the increased input cost to the customers, not the increased logistic cost.
- Further, net profit during the quarter increased by 24.8% Y-o-Y to Rs 772mn.

**Share Holding Pattern (31/03/2022)**

Particulars	Shares (mn)	Holding (%)
Promoters	181.7	56.8
FIIIs	4.5	1.4
DIIs	10.8	3.4
Others	122.8	38.4
<b>Total</b>	<b>319.8</b>	<b>100.0</b>

**Financial Highlights- Consolidated**

(Rs mn)	FY22	FY23E	FY24E
Sales	54,274	62,736	67,992
Sales Growth	16.9%	15.6%	8.4%
EBITDA	5,966	6,886	8,227
EBITDA Margin	11.0%	11.0%	12.1%
PAT	3,092	3,838	4,915
EPS (Rs)	9.7	12.0	15.4
P/E (x)	8.5	6.8	5.3
EV/EBITDA (x)	6.2	5.7	4.7
ROE	14.4%	14.9%	15.8%
RoCE	16.3%	17.2%	18.9%


**Outlook and Valuations**

The company is well placed to benefit from the expected pick-up in the domestic consumption as well as shift in consumer preference towards organic products. Increase in exports to developed countries and resolution of inventory buildup issue in Saudi Arabia would help LTF to clock 11.9% CAGR revenue growth over FY22E-24E. We also expect LTF's EBITDA margin to witness 110bps improvement over FY22E-24E, due to healthy growth in revenue and better margins from the favorable revenue mix.

Giving a target PE multiple of 8x to its FY24E PAT of Rs 4915mn, we arrive at a target price of Rs 123 for the stock, which gives an absolute upside potential of 49.9%. We have a "buy" rating on LT Foods Ltd with a medium to longer-term view.

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**Quarterly Results**

Particulars (Rs mn)	Q4FY22	Q4FY21	YoY Change	Q3FY22	QoQ Change	FY22	FY21	YoY Change
<b>Total Op. Income</b>	<b>15,263</b>	<b>11,532</b>	<b>32.4%</b>	<b>13,682</b>	<b>11.6%</b>	<b>54,274</b>	<b>46,703</b>	<b>16.2%</b>
Input Costs	10,224	7,653	33.6%	9,129	12.0%	36,142	32,423	11.5%
Other Expenses	2,761	1,974	39.9%	2,335	18.2%	9,358	6,208	50.7%
Employee Expenses	754	682	10.5%	713	5.8%	2,896	2,496	16.0%
Total Expenditure	13,738	10,309	33.3%	12,177	12.8%	48,396	41,126	17.7%
<b>EBITDA</b>	<b>1,525</b>	<b>1,223</b>	<b>24.6%</b>	<b>1,505</b>	<b>1.3%</b>	<b>5,878</b>	<b>5,577</b>	<b>5.4%</b>
EBITDA Margin	10.0%	10.6%	-60bps	11.0%	-100bps	10.8%	11.9%	-110bps
Other Income	109	160	-31.8%	4	2933.3%	320	405	-21.1%
Interest Costs	188	191	-1.9%	168	11.4%	687	874	-21.4%
Depreciation	346	308	12.4%	299	16.0%	1,226	1,085	13.0%
PBT	1,100	884	24.4%	1,042	5.6%	4,284	4,023	6.5%
Tax Expenses	328	266	23.5%	260	26.2%	1,144	1,089	5.0%
<b>PAT</b>	<b>772</b>	<b>618</b>	<b>24.8%</b>	<b>782</b>	<b>-1.3%</b>	<b>3,140</b>	<b>2,934</b>	<b>7.0%</b>
EPS (Rs)	2.4	1.9	24.8%	2.4	-1.3%	9.7	9.0	7.0%

**Consolidated Income Statement**

Y/E March (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>41,351</b>	<b>46,443</b>	<b>54,274</b>	<b>62,736</b>	<b>67,992</b>
<i>Net Sales Growth</i>	<i>6.3%</i>	<i>12.3%</i>	<i>16.9%</i>	<i>15.6%</i>	<i>8.4%</i>
<b>Expenditures:</b>					
Raw Materials Expenses	29,708	32,275	36,142	42,567	46,086
Personnel Expenses	1,986	2,578	2,896	3,890	4,351
Other Expenses	4,950	6,027	9,270	9,394	9,328
<b>Total Expenditure</b>	<b>36,644</b>	<b>40,880</b>	<b>48,308</b>	<b>55,850</b>	<b>59,765</b>
<b>EBITDA</b>	<b>4,707</b>	<b>5,564</b>	<b>5,966</b>	<b>6,886</b>	<b>8,227</b>
<i>EBITDA Margin</i>	<i>11.4%</i>	<i>12.0%</i>	<i>11.0%</i>	<i>11.0%</i>	<i>12.1%</i>
Depreciation	914	1,085	1,226	1,044	1,016
<b>EBIT</b>	<b>3,793</b>	<b>4,479</b>	<b>4,740</b>	<b>5,843</b>	<b>7,210</b>
Financial Charges	1,323	874	687	1,046	965
Other Income	379	418	232	565	612
Share of Net Loss of Associates & JV	-38	-43	-49	-53	-59
Exceptional Items	-42	0	0	0	0
<b>PBT</b>	<b>2,770</b>	<b>3,980</b>	<b>4,236</b>	<b>5,309</b>	<b>6,798</b>
Provision of Tax	776	1,089	1,144	1,470	1,883
<b>PAT</b>	<b>1,993</b>	<b>2,891</b>	<b>3,092</b>	<b>3,838</b>	<b>4,915</b>

## Consolidated Balance Sheet

Y/E March (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Sources of Funds</b>					
Equity Capital	320	320	320	320	320
Reserves & Surplus	14,493	17,235	19,656	23,815	29,050
Non-controlling Interest	1,178	1,348	1,513	1,664	1,831
<b>Total Networth</b>	<b>15,992</b>	<b>18,903</b>	<b>21,489</b>	<b>25,799</b>	<b>31,200</b>
<b>Total Loans</b>	<b>14,580</b>	<b>12,533</b>	<b>10,609</b>	<b>13,033</b>	<b>12,033</b>
<b>Total Capital</b>	<b>30,572</b>	<b>31,436</b>	<b>32,098</b>	<b>38,832</b>	<b>43,234</b>
<b>Application of Funds</b>					
<b>Net Block</b>	<b>5,416</b>	<b>5,424</b>	<b>5,803</b>	<b>5,350</b>	<b>5,234</b>
Capital Work-in-Progress	172	327	350	385	423
Other Long Term Asset	6,291	5,909	5,773	6,351	6,986
Other Long Term Liabilities	2,645	2,597	2,311	2,542	2,797
<b>Current Assets:</b>					
Inventories	17,502	22,228	23,518	27,116	29,106
Sundry Debtors	6,196	4,867	6,113	7,066	7,658
Cash and Bank	249	300	391	1,003	4,762
Other Current Assets	2,377	2,109	1,647	2,845	3,781
<b>Total Current Assets</b>	<b>26,324</b>	<b>29,504</b>	<b>31,669</b>	<b>38,030</b>	<b>45,306</b>
<b>Current Liabilities &amp; Provisions</b>	<b>4,987</b>	<b>7,132</b>	<b>9,186</b>	<b>8,741</b>	<b>11,919</b>
<b>Net Current Assets</b>	<b>21,338</b>	<b>22,372</b>	<b>22,483</b>	<b>29,288</b>	<b>33,387</b>
<b>Capital Employed</b>	<b>30,572</b>	<b>31,436</b>	<b>32,098</b>	<b>38,832</b>	<b>43,234</b>

**Consolidated Cash Flow Statement**

Y/E March (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
<b>PBT Before Extraordinary Items</b>	<b>2,769</b>	<b>3,980</b>	<b>4,236</b>	<b>5,309</b>	<b>6,798</b>
Adjustments for:					
Depreciation	914	1,085	1,226	1,044	1,016
Interest Expenses	1,323	874	687	1,046	965
Other Adjustments	221	176	113	0	0
<b>Operating Profit before Working Capital changes</b>	<b>5,227</b>	<b>6,115</b>	<b>6,262</b>	<b>7,398</b>	<b>8,780</b>
Change in Working Capital	334	-537	-9	-824	-3,040
<b>Cash generated from Operations</b>	<b>5,561</b>	<b>5,578</b>	<b>6,254</b>	<b>6,574</b>	<b>5,740</b>
Direct Taxes (net)	-789	-1,131	-1,078	-1,470	-1,883
<b>Net Cash from Operating Activities</b>	<b>4,772</b>	<b>4,446</b>	<b>5,175</b>	<b>5,103</b>	<b>3,857</b>
CASH FLOW FROM INVESTING ACTIVITIES:					
Purchase of PPE	-887	-1,138	-1,576	-900	-900
Proceeds from Sale of PPE	43	148	57	0	0
Other Investing Activity	37	-10	72	-612	-674
<b>Net Cash used in Investing Activities</b>	<b>-808</b>	<b>-999</b>	<b>-1,447</b>	<b>-1,512</b>	<b>-1,574</b>
CASH FLOW FROM FINANCING ACTIVITIES:					
Proceeds from Long-term borrowings	364	358	56	199	219
Other Financing Activities	-4,402	-3,819	-3,633	-3,108	1,256
<b>Net Cash from / (used in) Financing Activities</b>	<b>-4,038</b>	<b>-3,461</b>	<b>-3,576</b>	<b>-2,909</b>	<b>1,475</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-74</b>	<b>-14</b>	<b>152</b>	<b>682</b>	<b>3,759</b>
<b>Cash at the beginning of the year</b>	<b>43</b>	<b>144</b>	<b>1,594</b>	<b>120</b>	<b>136</b>
Other Adjustments	-25	-9	0	0	0
<b>Cash at the end of the year</b>	<b>191</b>	<b>168</b>	<b>321</b>	<b>1,003</b>	<b>4,762</b>

**Key Ratios**

Y/E March	FY20	FY21	FY22	FY23E	FY24E
<b>Liquidity Ratios</b>					
Current Ratio	1.5	1.7	1.8	1.9	2.0
Quick Ratio	0.5	0.4	0.5	0.5	0.7
<b>Leverage Ratios</b>					
Total Debt/Networth	0.9	0.7	0.5	0.5	0.4
Interest Coverage Ratio	2.9	5.1	6.9	5.6	7.5
Working Capital/Sales	0.2	0.3	0.3	0.3	0.3
<b>Activity Ratios</b>					
Inventory (Days)	215	251	238	233	231
Debtors (Days)	55	38	41	41	41
Creditors (Days)	32	57	71	71	71
<b>Profitability Ratios</b>					
Operating Profit Margin	11.4%	12.0%	11.0%	11.0%	12.1%
Net Profit Margin	4.8%	6.2%	5.7%	6.1%	7.2%
Return on Equity	12.5%	15.3%	14.4%	14.9%	15.8%
Return on Capital Employed	14.2%	16.3%	16.3%	17.2%	18.9%
<b>Valuation Ratios</b>					
No. of Shares (mn)	320.0	320.0	320.0	320.0	320.0
Book Value (Rs)	50.0	59.1	67.2	80.6	97.5
EPS (Rs)	6.2	9.0	9.7	12.0	15.4
Dividend Payout	65%	100%	100%	50%	50.0%
Dividend Yield	7.6%	11.0%	11.8%	14.6%	18.7%
P/E	13.2	9.1	8.5	6.8	5.3
P/BV	1.6	1.4	1.2	1.0	0.8
M Cap/Sales	0.6	0.6	0.5	0.4	0.4
EV/EBITDA	8.7	7.0	6.2	5.7	4.7

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