

Retail Equity Research (South India Focus)

LT Foods Ltd

Packaged Foods

BSE CODE: 532783

NSE CODE: DAAWAT

Bloomberg CODE: LTFO:IN

SENSEX: 51,598

Accumulate

12Months Investment period Rating as per Small Cap

CMP Rs. 68 TARGET Rs. 82 RETURN 20% ↑
(Closing: 20-06-22)

KEY CHANGES:

TARGET ↓

RATING ↓

EARNINGS ↓

Strong revenue growth, margin pressure continues

LT Foods (LTF) is a global consumer specialty company with focus on Basmati rice, Organic Foods and Rice based Convenience Products. LTF is having presents across 60+ countries with strong footprint in US, Europe and the Middle EAST.

- We downgrade to Accumulate rating with a Target of Rs. 82 factoring current pressure on margins.
- Q4FY22 revenue grew by 33%YoY. For FY22, revenue growth was at 16% YoY. Basmati & specialty rice segment grew by 9%, Organic foods by 19%, Health & Convenience segment by ~62% on YoY basis.
- Gross margins improved by 110bpsYoY to 33.0% due to improved product mix and higher realisation, while EBITDA margin declined by 40bps YoY to 10.0% due to higher freight cost and ad spends.
- LTF has recently acquired 51% stake in Golden Star Trading Inc. to strengthen market share in US Jasmine rice segment and the brand has ~10% share in US market.
- We expect earnings to grow at 24% CAGR over FY22-24E. LTF currently trades at 7x 1Yr Fwd PE. We value at 6x FY24E EPS (3Yr Avg=6x).

Strong topline growth aided by growth across segments.

Q4FY22 consolidated revenue grew by 33%YoY (+12%QoQ) and FY22 revenue growth was 16% YoY aided by growth across segments. Basmati & Other specialty rice segment grew by 9%, Organic Foods segment by 19% and Health & Convenience segments by ~62% on YoY basis. Accelerated brand investments along with re-opening of HoReCa (Hotel, Restaurants and Catering) is aiding topline growth. The company has recently acquired 51% stake in Golden Star Trading Inc. to strengthen market share in US Jasmine rice segment (the brand has ~10% share in US market). LTF targets 5Yr revenue CAGR of 10-12% supported by continuous focus on expanding product portfolio and strengthening distribution network. We expect revenue CAGR of ~11% over FY21-FY24E.

EBITDA margin declines due to higher freight costs

Gross margin improved by 110bps YoY to 33.0% aided by improvement in product mix and higher realisation. However, EBITDA margin declined by 40bps YoY to 10.0% (10.9% QoQ) due to higher freight cost and additional investments in brands. LTF has strong focus on value added portfolio which will support margin improvement in the long-term. Health & Convenience product segment which include ready-to-eat products currently contributes ~2% in FY22 improved from 1.1%/1.5% in FY20/FY21. The company targets ~150bps expansion in EBITDA margin through improvement in product mix, operational efficiency, and scale. The green energy initiatives by the company will provide production efficiency. We expect EBITDA margin to moderate in FY22E due to higher costs and gradually improve thereafter.

Valuation & Outlook:

LTF's consistent efforts on strengthening the brands, widening distribution network, along with region & product diversification through organic & inorganic routes has been the strategy for growth. The recent acquisition in Jasmine rice segment will strengthen market share. The re-opening of HoReCa channels is also aiding growth while LTF's strong focus on value-added products will improve margins. LTF currently trades at 7x 1Yr Fwd P/E. We value at 6x FY24E (3Yr avg=6x) with a Target of Rs. 82, downgrade to Accumulate rating factoring the current margin pressure.

Company Data

Market Cap (Rs.cr)	2,463
Enterprise Value (Rs.cr)	3,947
Outstanding Shares (cr)	32.0
Free Float	43%
Dividend Yield	1.30%
52 week high (Rs.)	101
52 week low (Rs.)	59
6m average volume (Cr)	0.21
Beta	0.7
Face value Rs.	1

Shareholding %	Q2FY22	Q3FY22	Q4FY22
Promoters	56.8	56.8	56.8
FII's	1.4	1.4	1.4
MFs/Insti	3.4	3.4	3.4
Public	30.4	30.0	30.0
Others	8.0	8.0	7.9
Total	100	100	100
Promotor pledge	0.0%	0.0%	0.0%

Price Performance	3 Month	6 Month	1 Year
Absolute Return	14.2%	13.9%	2.7%
Absolute Sensex	-0.4%	-5.9%	6.5%
Relative Return*	14.7%	19.8%	-3.9%

*over or under performance to benchmark index



Consolidated (cr)	FY22E	FY23E	FY24E
Sales	5,427	6,150	6,730
Growth (%)	16.7	13.3	9.4
EBITDA	585	621	760
EBITDA Margin (%)	10.8	10.1	11.3
Adj. PAT	298	342	454
Growth (%)	9.3	14.8	33.0
Adj. EPS	9.3	10.7	14.2
Growth (%)	9.3	14.8	33.0
P/E	8.3	7.2	5.4
P/B	1.2	1.1	0.9
EV/EBITDA	6.4	6.0	4.7
ROE (%)	15.8	15.8	18.0
D/E	0.6	0.6	0.4

Vincent Andrews
Research Analyst



Quarterly Financials (Consolidated)

Profit & Loss

Rs cr)	Q4FY22	Q4FY21	YoY Growth (%)	Q3FY22	QoQ Growth (%)	FY22	FY21	YoY Growth (%)
Sales	1526	1148	33.0%	1368	11.5%	5427	4655	16.6%
EBITDA	152	119	27.9%	149	1.9%	585	552	5.9%
EBITDA margins %	10.0%	10.4%	(40bps)	10.9%	(90bps)	10.8%	11.9%	90bps
Depreciation	35	31	12.4%	30	16.0%	123	108	13.0%
EBIT	118	88	33.3%	119	-1.6%	462	444	4.1%
Interest	19	19	-2.0%	17	11.4%	69	87	-21.4%
Other Income	11	17	-37.0%	0	2927.8%	32	42	-23.6%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	108	86	24.9%	103	4.7%	423	398	6.4%
Tax	33	27	23.6%	26	26.2%	114	109	5.0%
Share of profit from associates	0	0	#DIV/0!	0	#DIV/0!	0	0	#DIV/0!
Minority interest	0	3	-100.0%	6	-100.0%	13	15	-11.7%
Reported PAT	75	56	33.0%	71	4.9%	296	274	7.9%
Adjustments	0	0	0.0%	0	0.0%	0	0	0.0%
Adj PAT	75	56	33.0%	71	4.9%	296	274	7.9%
No. of Shares	32	32	0.0%	32	0.0%	32	32	0.0%
Adj EPS (Rs)	2.3	1.8	33.0%	2.2	4.9%	9.2	8.6	7.9%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	5,808	6,378	6,150	6,730	5.9%	5.5%
EBITDA	656	753	621	760	-5.3%	1.0%
Margins (%)	11.3%	11.8%	10.1%	11.3%	(120bps)	(50bps)
Adj. PAT *	392	464	342	454	-12.9%	-2.1%
EPS	12	15	11	14	-12.5%	-2.1%

PROFIT & LOSS

Y.E March (Rs. cr)	FY20	FY21A	FY22E	FY23E	FY24E
Revenue	4,140	4,651	5,427	6,150	6,730
% change	6.3	12.3	16.7	13.3	9.4
EBITDA	472	563	585	621	760
% change	17.7	19.3	3.9	6.3	22.4
Depreciation	91	108	123	128	134
EBIT	380	454	462	493	626
Interest	132	87	69	67	64
Other Income	32	33	32	37	54
PBT	280	400	425	464	616
% change	32.3	42.8	6.3	9.0	33.0
Tax	78	109	114	122	162
Tax Rate (%)	27.7%	27.2%	26.9%	26.3%	26.3%
Reported PAT	184	275	298	342	454
Adj*	1	2	0	0	0
Adj PAT	184	272	298	342	454
% change	47.6	48.1	9.3	14.8	33.0
No. of shares (cr)	32.0	32.0	32.0	32.0	32.0
Adj EPS (Rs.)	5.8	8.6	9.3	10.7	14.2
% change	47.6	48.1	9.3	14.8	33.0
DPS (Rs.)	1	1	1	1	1
CEPS (Rs.)	8.6	11.9	13.1	14.7	18.4

CASH FLOW

Y.E March (Rs. cr)	FY20	FY21A	FY22E	FY23E	FY24E
Net inc. + Depn.	276	383	420	469	589
Non-cash adj.	3	3	13	0	0
Other adjustments	143	97	82	67	64
Changes in W.C	33	-54	-72	-343	-341
C.F. Operation	474	445	430	194	312
Capital exp.	-89	-114	-149	-65	-80
Change in inv.	3	14	4	0	0
Other invest.CF	5	0	0	0	0
C.F - Investment	-81	-100	-145	-65	-80
Issue of equity	0	0	0	0	0
Issue/repay debt	-248	-225	-193	-20	-100
Dividends paid	-25	-32	-39	-39	-39
Other finance.CF	-131	-89	-69	-67	-64
C.F - Finance	-404	-346	-300	-126	-203
Chg. in cash	-11	-2	-16	3	29
Closing cash	19	17	1	4	34

BALANCE SHEET

Y.E March (Rs. cr)	FY20	FY21A	FY22E	FY23E	FY24E
Cash	25	30	14	17	47
Accounts Receivable	627	494	611	674	738
Inventories	1,750	2,223	2,352	2,593	2,829
Other Cur. Assets	238	211	238	278	304
Investments	33	29	25	25	25
Gross Fixed Assets	1,289	1,331	1,481	1,561	1,641
Net Fixed Assets	811	794	821	773	719
CWIP	17	33	35	20	20
Intangible Assets	95	86	83	83	83
Def. Tax (Net)	35	28	28	28	28
Other Assets	198	201	241	291	319
Total Assets	3,828	4,128	4,448	4,783	5,111
Current Liabilities	477	683	924	973	984
Provisions	6	11	9	8	9
Debt Funds	1,713	1,506	1,313	1,293	1,193
Other Liabilities	128	145	160	163	164
Equity Capital	32	32	32	32	32
Reserves & Surplus	1,449	1,724	1,983	2,286	2,701
Shareholder's Fund	1,505	1,783	2,042	2,345	2,760
Total Liabilities	3,828	4,128	4,448	4,783	5,111
BVPS (Rs.)	44	53	61	71	84

RATIOS

Y.E March	FY20	FY21A	FY22E	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	11.4	12.1	10.8	10.1	11.3
EBIT margin (%)	9.2	9.8	8.5	8.0	9.3
Net profit mgn.(%)	4.4	5.9	5.5	5.6	6.7
ROE (%)	13.1	16.8	15.8	15.8	18.0
ROCE (%)	7.2	8.0	8.0	8.6	10.1
W.C & Liquidity					
Receivables (days)	51.2	44.0	37.2	38.1	38.3
Inventory (days)	160.5	155.9	153.8	146.7	147.0
Payables (days)	34.0	44.9	60.9	64.1	60.0
Current ratio (x)	1.5	1.7	1.8	1.9	2.1
Quick ratio (x)	0.4	0.3	0.3	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	3.7	3.5	3.9	4.0	4.2
Total asset T.O (x)	1.1	1.2	1.3	1.3	1.4
Int. coverage ratio (x)	2.9	5.2	6.7	7.4	9.8
Adj. debt/equity (x)	1.2	0.9	0.6	0.6	0.4
Valuation					
EV/Sales (x)	1.0	0.8	0.7	0.6	0.5
EV/EBITDA (x)	8.8	7.0	6.4	6.0	4.7
P/E (x)	13.4	9.0	8.3	7.2	5.4
P/BV (x)	1.7	1.4	1.2	1.1	0.9

Recommendation Summary-(Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
12-Oct-21	Buy	85
17-Feb-22	Buy	90
21-June-22	Accumulate	82

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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