

BSE SENSEX
75,301

S&P CNX
22,834

CMP: INR357

TP: INR460 (+29%)

Buy



Bloomberg	LTFOODS IN
Equity Shares (m)	347
M.Cap.(INRb)/(USDb)	124.1 / 1.4
52-Week Range (INR)	452 / 160
1, 6, 12 Rel. Per (%)	-1/-5/106
12M Avg Val (INR M)	400

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	88.8	102.2	115.7
EBITDA	9.9	12.0	14.0
PAT	6.1	8.0	9.5
EBITDA (%)	11.1	11.8	12.1
EPS (INR)	17.5	22.9	27.5
EPS Gr. (%)	2.7	30.7	19.9
BV/Sh. (INR)	112.1	130.1	152.5

Ratios

Net D/E	0.1	0.0	-0.1
RoE (%)	16.8	18.9	19.4
RoCE (%)	15.7	17.8	19.0

Valuations

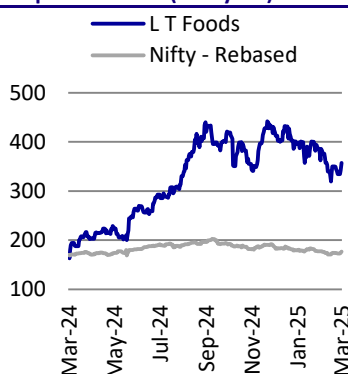
P/E (x)	20	16	13
EV/EBITDA (x)	13	10	9

Shareholding pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	51.0	51.0	51.0
DII	5.9	5.8	5.1
FII	9.3	8.0	5.7
Others	33.8	35.2	38.1

Note: FII includes depository receipts

Stock's performance (one-year)



Basmati beyond borders!

Export growth picks up

The global rice trade has experienced a sharp uptick, driven by rising consumption, policy shifts, and record production. With global rice consumption projected to reach 530mMT in FY25, up from 522mMT in FY24, demand remains robust across key markets. India, the world's largest rice exporter, has capitalized on this trend, with rice exports surging 21% YoY in 9MFY25. This was fueled by the removal of export restrictions and a strong global appetite for Indian basmati and non-basmati rice:

- India's rice reserves soared to 44.1mMT in Dec'24, far exceeding the government's target of 7.6mMT. Record production has led to a 20% drop in basmati paddy prices this season, easing inflationary concerns but pressuring margins as inventory costs remained elevated.
- The lifting of the non-basmati rice export ban and the removal of minimum export price (MEP) on basmati rice exports in Sep'24 led to a spike in export volumes, particularly in Jan'25, when rice exports surged 50% YoY. However, higher supply has exerted pressure on realizations.
- Despite a 20% YoY increase in 9MFY25 basmati export volumes, realization declined by 7% YoY due to softer global prices. Expanding basmati production, improving yields, and new seed varieties have driven output to record levels, ensuring steady availability.
- As domestic consumption rises gradually and India holds substantial rice reserves, the government's decision to lift the MEP and export ban on non-basmati rice is set to drive higher exports. Moreover, with better margins and realizations in exports vs. the domestic market, LTFOODS is well-positioned for strong growth.
- We expect LTFOODS to report a revenue/EBITDA/PAT CAGR of 14%/19%/25% over FY25E-27E. We value the stock at 17x FY27E EPS to arrive at our TP of INR460; reiterate BUY.

India's rice reserves soar propelled by strong production

- India's rice inventory, including unmilled paddy, has surged to a record 44.1mMT in early Dec'24. This significantly exceeded the government's reserve target of 7.6mMT, primarily due to robust domestic production and previous export restrictions that increased local supplies.
- For FY25, rice output is likely to reach a record 145mMT, up from 138mMT in FY24, with basmati rice production also hitting an all-time high of over 16mMT of paddy harvested across the GI region and all basmati varieties. This 10% YoY increase is driven by expanded cultivation and improved yields. The introduction of pest- and disease-resistant seed varieties has enhanced productivity while reducing dependence on chemical pesticides.
- Due to higher production, **basmati paddy prices have declined by 20% this season compared to the previous year**, largely driven by strong supply levels and a balanced supply-demand equation.
- Global rice consumption is estimated to reach 530mMT in FY25, while its estimated production stands at 534m, indicating that production will once again exceed consumption. This shift marks a reversal of the deficits observed in FY22 and FY23.
- Further, India remains one of the largest consumers of rice, with total consumption inching up to ~110mMT in FY24, from 108mMT in FY23.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Global rice trade on the rise

- As India holds a massive stockpile of rice, and domestic consumption is expected to remain stable, the Indian government lifted the export ban on non-basmati rice. It also **removed the MEP of USD950/MT on Basmati rice in Sep'24**.
- This policy shift led to higher trade volumes as there is a proven global appetite for consuming Indian **basmati rice**. **This resulted in India's total rice exports surging 21% YoY in 9MFY25, with an impressive 50% spike in Jan'25**. Indian basmati rice exports increased 10% YoY in 9MFY25, while volume surged 20% YoY. However, **basmati realization dropped 8% YoY to INR85.5/Kg** due to record production of basmati rice in India as well as Pakistan.
- During India's export curbs, Pakistan gained market share, with its total rice exports surging 61.5% in volume and 83.5% in value for its fiscal year ending Jun'24. During Jun-Dec'24, Pakistan's Basmati rice exports jumped 30% YoY, reflecting increasing global demand. Meanwhile, Vietnam also achieved a record-high 9mMT of rice exports in CY24, registering 11% YoY growth. This shift underscores strong global demand, with buyers increasingly willing to source rice from alternative markets.
- Some big buyers of Indian basmati, such as Iran, which were previously affected by geopolitical tensions, are recovering now, with Indian exporters securing 145k MT of orders. Saudi Arabia became the top buyer of basmati in FY24 (the second highest in FY23) and is likely to retain this position in FY25, driven by demand from the wholesale (55-60% of the market) and HORECA (20%) segments. **To exploit this trend, LTFOODS plans to export 20K MT of basmati rice to Saudi Arabia in FY26**.
- Oman also emerged as a high-growth market with a 46% basmati volume CAGR since FY22. The US market continues to report a 21% CAGR from FY22, with FY25 exports projected to grow 22% YoY. LTFOODS also registered a high growth of 37% and 17% in the Middle East and the US, respectively.
- **With India's export restrictions lifted, higher global supplies in CY25 could intensify competition among other exporters, thus influencing price trends.**

Basmati's global sprint: demand hubs, industry trends, and supply woes

- India's basmati rice exports continue to witness strong demand, particularly from the Middle East, Europe, and the U.S. To capitalize on this, **LTFOODS is investing SAR185m in Saudi Arabia over the next five years and is also expanding its UK production capacity to 60K MT**. With this, the company expects to generate EUR145m in revenue from its UK and European operations by FY26, supported by a growing preference for packaged basmati rice.
- While basmati paddy prices have declined by 20% YoY, inventory costs remained elevated, temporarily impacting margins (inventory loss). The benefits of lower procurement costs are expected to be reflected in the financials from FY26 as inventory levels stabilize.
- Analyzing this trend, LTFOODS' exports are likely to gain further momentum, leading to relatively higher revenue growth and margin expansion, as exports typically offer better realizations and higher margins than domestic trade.
- However, the industry is facing temporary challenges, with LTFOODS' logistics expenses mounting to 7.1% (up 2.3%/0.5% YoY/QoQ) of revenue in 3QFY25 due

to the Red Sea rerouting, port congestion in the US and Europe, rising marine fuel costs, and higher insurance premiums. These factors have hit its EBITDA margin by ~200bp.

- While freight rates are projected to remain elevated in 4QFY25, industry experts anticipate cost stabilization from 1QFY26 as geopolitical tensions ease and alternative shipping routes become more efficient. **Despite these short-term pressures, India's Basmati rice exports continue on a strong growth trajectory, driven by rising global demand and expanding market reach.**

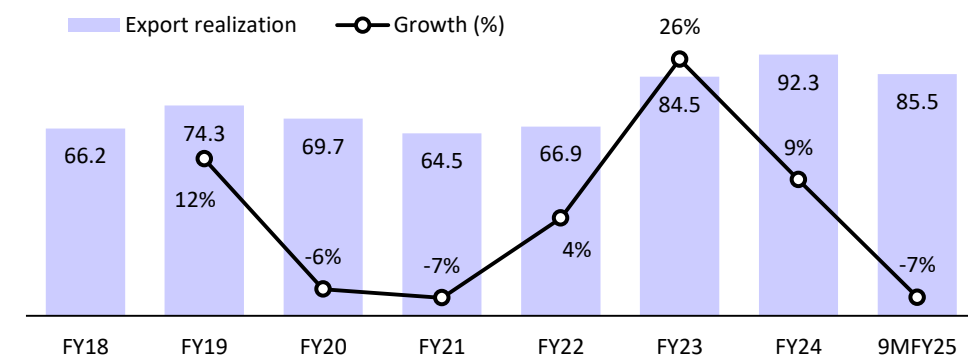
LTFOODS fares well among peers

- LTFOODS reported a 14%/13% volume/revenue growth in 9MFY25, the best in the industry, backed by strong traction across key markets (refer to Exhibit 4).
- EBITDA margin for the industry contracted in 9MFY25 due to declining paddy prices and elevated freight costs as highlighted earlier. Among peers, LTFOODS witnessed the lowest contraction in margin (~100bp YoY), while other key players such as KRBL and Chamanlal saw a higher contraction of ~490bp/340bp (refer to Exhibit 9).
- LTFOODS has a well-diversified geographic presence that is insulated in multiple ways, such as well-distributed freight cost impact, diverse realization according to the industry, and strong growth across key markets. Further, the growing value-added segments, such as Organic and Convenience & Health, support the company's margins.

Valuation and view

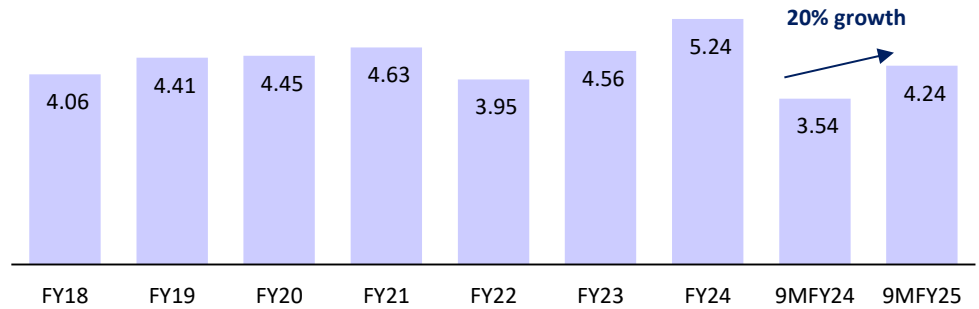
- With domestic consumption gradually rising and India holding substantial rice reserves, the government has decided to lift the MEP on basmati rice, which is anticipated to drive higher exports. Given the superior margins and realizations in exports compared to the domestic market, LTFOODS is well-positioned for strong growth as 66% of its revenue is derived from exports.
- LTFOODS is likely to witness margin improvements as we expect its export mix to strengthen, aided by the benefit of low-priced inventory from 2QFY26.
- We expect LTFOODS to report a revenue/EBITDA/PAT CAGR of 14%/19%/25% over FY25-27. We value the stock at 17x FY27E EPS to arrive at our TP of INR460; **reiterate BUY.**

Exhibit 1: Trend in the realization of basmati export (INR/kg)



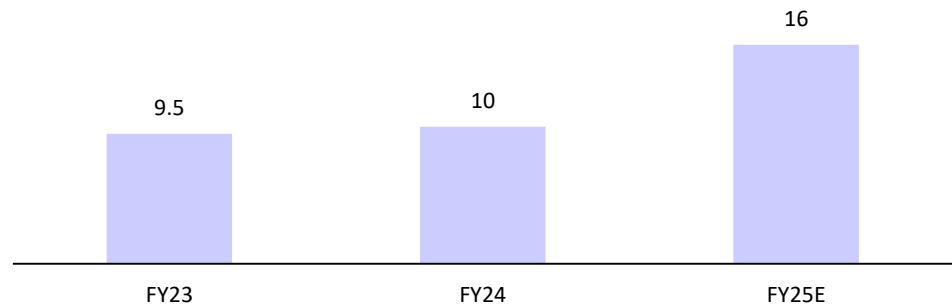
Source: Company, MOFSL

Exhibit 2: India's basmati rice exports (in mMT)



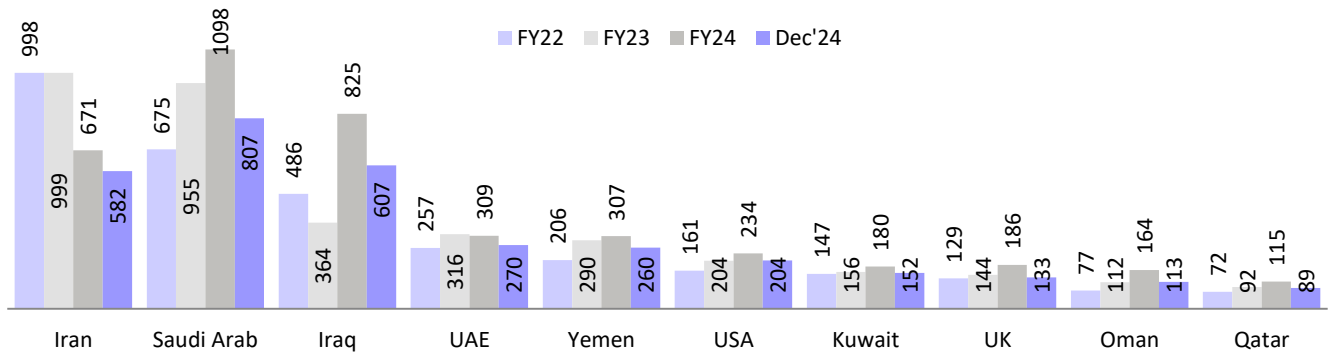
Source: Company, MOFSL

Exhibit 3: India's basmati rice production (in m MT)



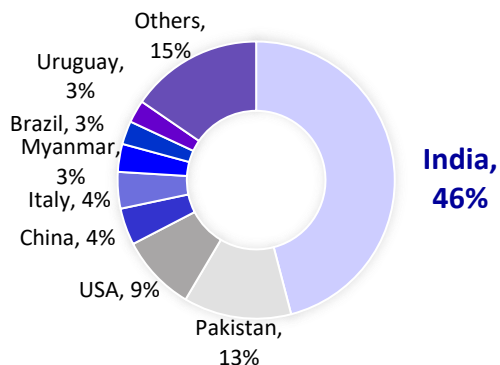
Source: Company, MOFSL

Exhibit 4: Trends of the top 10 export destinations for Indian basmati rice ('000 MT)



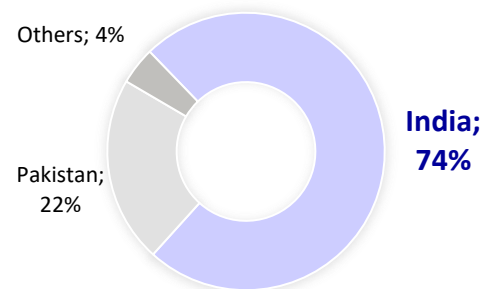
Source: Company, MOFSL

Exhibit 5: Global rice exports mix (CY23)

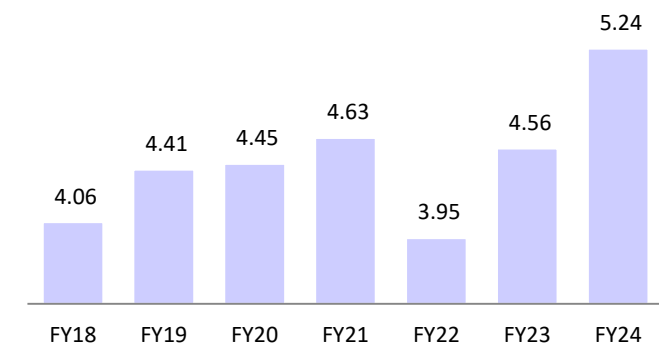


Source: Industry, MOFSL,

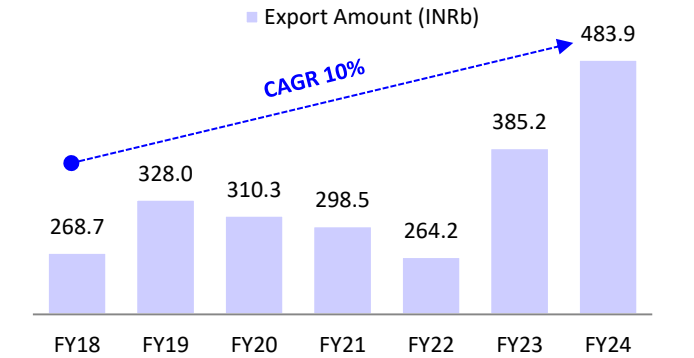
Exhibit 6: Basmati rice production (11.5mmt) mix globally



Source: Industry, MOFSL

Exhibit 7: India's basmati rice export volume (mMT)


Source: Industry, MOFSL,

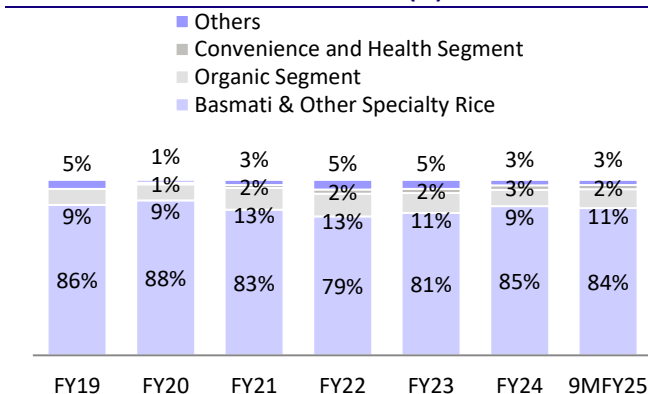
Exhibit 8: India's basmati rice export value (INR b)


Source: Industry, MOFSL

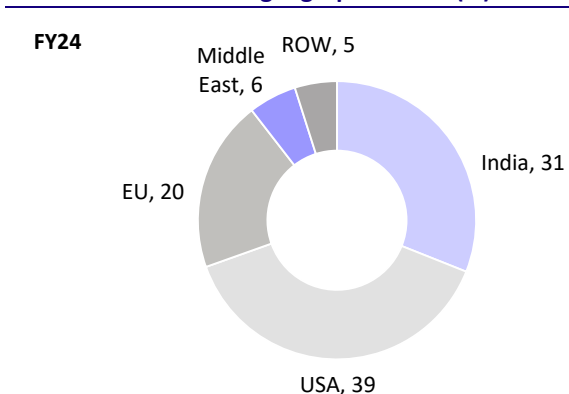
Exhibit 9: 9MFY25 performance of key basmati rice players

Particulars	9MFY24	9MFY25	Change YoY
Consol. revenue (INR m)			
LT Foods	56,976	64,531	13%
KRBL	40,658	41,516	2%
Chamanlal Setia	9,721	11,276	16%
Aggregate	1,07,355	1,17,322	9%
Consol. EBITDA (INR m)			
LT Foods	6,928	7,200	4%
KRBL	6,238	4,345	-30%
Chamanlal Setia	1,263	1,077	-15%
Aggregate	14,429	12,622	-13%
EBITDA margin (%)			
LT Foods	12%	11%	-100
KRBL	15%	10%	-488
Chamanlal Setia	13%	10%	-344
Aggregate	13%	11%	-268

Source: Company, MOFSL

Exhibit 10: LTFOODS – business mix (%)


Source: MOFSL, Company

Exhibit 11: LTFOODS – geographical mix (%)


Source: MOFSL

Financials and valuations

Consolidated - Income Statement

(INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	38,904	41,351	47,419	54,274	69,358	77,724	88,814	1,02,162	1,15,713
Change (%)	7.7	6.3	14.7	14.5	27.8	12.1	14.3	15.0	13.3
Raw Materials	27,960	28,752	30,405	34,679	45,775	52,781	59,294	68,448	76,371
Gross Profit	10,945	12,599	17,015	19,595	23,583	24,943	29,520	33,713	39,342
Employees Cost	1,519	1,986	2,643	2,896	3,596	4,301	4,902	5,312	6,017
Other Expenses	5,454	5,986	8,748	10,781	12,989	11,263	14,719	16,376	19,312
Total Expenditure	34,932	36,724	41,796	48,356	62,360	68,345	78,915	90,137	1,01,700
% of Sales	89.8	88.8	88.1	89.1	89.9	87.9	88.9	88.2	87.9
EBITDA	3,972	4,627	5,624	5,917	6,998	9,379	9,899	12,025	14,013
Margin (%)	10.2	11.2	11.9	10.9	10.1	12.1	11.1	11.8	12.1
Depreciation	690	914	1,085	1,226	1,269	1,529	1,756	1,757	1,882
EBIT	3,282	3,713	4,539	4,691	5,729	7,850	8,143	10,268	12,131
Int. and Finance Charges	1,387	1,323	874	687	821	830	840	371	139
Other Income	241	379	315	232	430	496	692	613	694
PBT bef. EO Exp.	2,136	2,770	3,980	4,236	5,338	7,517	7,995	10,510	12,687
EO Items	0	0	0	0	0	0	0	0	0
PBT after EO Exp.	2,136	2,770	3,980	4,236	5,338	7,517	7,995	10,510	12,687
Total Tax	762	776	1,089	1,144	1,353	2,029	2,094	2,645	3,193
Tax Rate (%)	35.6	28.0	27.4	27.0	25.3	27.0	26.2	25.2	25.2
Minority Interest	109	148	150	170	-42	-446	-189	-95	-47
Reported PAT	1,266	1,845	2,741	2,922	4,028	5,933	6,091	7,959	9,541
Adjusted PAT	1,266	1,845	2,741	2,922	4,028	5,933	6,091	7,959	9,541
Change (%)	-6.0	45.8	48.5	6.6	37.9	47.3	2.7	30.7	19.9
Margin (%)	3.3	4.5	5.8	5.4	5.8	7.6	6.9	7.8	8.2

Consolidated - Balance Sheet

(INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	320	320	320	320	347	347	347	347	347
Total Reserves	12,971	14,494	17,235	19,656	27,223	33,369	38,592	44,814	52,619
Net Worth	13,291	14,813	17,555	19,976	27,571	33,716	38,939	45,162	52,966
Minority Interest	1,054	1,179	1,348	1,513	400	551	361	266	219
Total Loans	16,904	17,643	15,698	13,196	9,377	5,262	4,962	2,462	462
Deferred Tax Liabilities	-86	-319	-195	-182	-186	-256	-256	-256	-256
Capital Employed	31,163	33,316	34,406	34,503	37,161	39,273	44,006	47,634	53,391
Gross Block	9,692	13,840	14,264	15,255	17,838	20,967	22,047	23,588	25,296
Less: Accum. Deprn.	4,756	5,439	6,092	6,857	8,126	9,655	11,411	13,168	15,050
Net Fixed Assets	4,936	8,401	8,173	8,398	9,712	11,312	10,636	10,420	10,246
Goodwill on Consolidation	1,076	659	626	655	240	285	285	285	285
Capital WIP	422	173	327	350	266	412	832	1,041	1,083
Total Investments	361	334	287	249	1,270	1,834	1,834	1,834	1,834
Curr. Assets, Loans&Adv.	28,852	28,300	31,516	33,757	41,514	46,318	53,363	60,502	69,630
Inventory	18,912	17,502	22,228	23,518	30,724	34,981	40,613	44,070	49,170
Account Receivables	5,349	6,196	4,867	6,113	6,744	6,758	7,786	8,957	10,145
Cash and Bank Balance	377	249	300	391	390	503	307	2,119	4,248
Loans and Advances	4,214	4,352	4,120	3,734	3,657	4,075	4,657	5,357	6,067
Curr. Liability & Prov.	4,484	4,550	6,523	8,905	15,841	20,890	22,944	26,449	29,688
Account Payables	2,749	2,608	5,036	7,031	10,928	12,300	13,808	15,940	17,785
Other Current Liabilities	1,435	1,602	1,137	1,459	4,711	8,367	8,881	10,216	11,571
Provisions	299	340	350	415	202	223	254	293	332
Net Current Assets	24,369	23,750	24,993	24,851	25,673	25,429	30,418	34,053	39,942
Appl. of Funds	31,163	33,315	34,406	34,504	37,161	39,273	44,006	47,634	53,391

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	3.6	5.3	7.9	8.4	11.6	17.1	17.5	22.9	27.5
Cash EPS	5.6	7.9	11.0	11.9	15.3	21.5	22.6	28.0	32.9
BV/Share	38.3	42.7	50.6	57.5	79.4	97.1	112.1	130.1	152.5
DPS	0.0	0.0	0.9	0.9	0.5	0.5	2.5	5.0	5.0
Payout (%)	0.0	0.0	11.7	10.9	4.3	2.9	14.3	21.8	18.2
Valuation (x)									
P/E	91.6	62.9	42.3	39.7	28.8	19.5	20.3	15.5	13.0
Cash P/E	59.3	42.0	30.3	28.0	21.9	15.5	15.8	12.7	10.8
P/BV	8.7	7.8	6.6	5.8	4.2	3.4	3.2	2.7	2.3
EV/Sales	3.4	3.2	2.8	2.4	1.8	1.6	1.4	1.2	1.0
EV/EBITDA	33.4	28.8	23.4	21.8	17.9	12.9	13.0	10.3	8.6
Dividend Yield (%)	0.0	0.0	0.3	0.3	0.1	0.1	0.7	1.4	1.4
FCF per share	-0.3	11.3	10.0	10.5	3.3	16.0	3.2	16.7	15.3
Return Ratios (%)									
RoE	10.1	13.1	16.9	15.6	16.9	19.4	16.8	18.9	19.4
RoCE	7.9	9.4	10.7	10.8	13.1	16.0	15.7	17.8	19.0
RoIC	7.4	8.5	10.0	10.2	12.4	16.0	15.5	18.4	20.4
Working Capital Ratios									
Fixed Asset Turnover (x)	4.0	3.0	3.3	3.6	3.9	3.7	4.0	4.3	4.6
Asset Turnover (x)	1.2	1.2	1.4	1.6	1.9	2.0	2.0	2.1	2.2
Inventory (Days)	247	222	267	248	245	242	250	235	235
Debtor (Days)	50	55	37	41	35	32	32	32	32
Creditor (Days)	36	33	60	74	87	85	85	85	85
Leverage Ratio (x)									
Current Ratio	6.4	6.2	4.8	3.8	2.6	2.2	2.3	2.3	2.3
Interest Cover Ratio	2.4	2.8	5.2	6.8	7.0	9.5	9.7	27.7	87.4
Net Debt/Equity	1.2	1.2	0.9	0.6	0.3	0.1	0.1	0.0	-0.1

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,136	2,770	3,980	4,236	5,626	8,005	7,995	10,510	12,687
Depreciation	690	914	1,085	1,226	1,269	1,529	1,756	1,757	1,882
Interest & Finance Charges	1,351	1,298	861	676	821	830	148	-242	-555
Direct Taxes Paid	-1,037	-789	-1,131	-1,074	-1,293	-1,522	-2,094	-2,645	-3,193
(Inc)/Dec in WC	-2,164	334	-537	-14	-3,390	-805	-5,186	-1,822	-3,760
CF from Operations	977	4,527	4,257	5,051	3,033	8,037	2,619	7,557	7,060
Others	48	245	190	124	-449	-468	0	0	0
CF from Operating incl EO	1,025	4,772	4,447	5,175	2,584	7,569	2,619	7,557	7,060
(Inc)/Dec in FA	-1,133	-845	-990	-1,519	-1,438	-2,011	-1,500	-1,750	-1,750
Free Cash Flow	-108	3,927	3,457	3,656	1,146	5,558	1,119	5,807	5,310
(Pur)/Sale of Investments	-220	-10	-8	-12	-2,516	-22	0	0	0
Others	71	78	121	155	8	18	692	613	694
CF from Investments	-1,282	-777	-877	-1,377	-3,946	-2,015	-808	-1,137	-1,056
Issue of Shares	0	0	0	0	3,824	0	0	0	0
Inc/(Dec) in Debt	1,486	-2,478	-2,252	-2,781	-1,119	-3,741	-300	-2,500	-2,000
Interest Paid	-1,378	-1,309	-889	-475	-734	-724	-840	-371	-139
Dividend Paid	-61	-251	-320	-320	-160	-347	-868	-1,736	-1,736
Others	391	0	0	0	-448	-567	0	0	0
CF from Fin. Activity	439	-4,038	-3,461	-3,575	1,363	-5,380	-2,008	-4,607	-3,875
Inc/Dec of Cash	182	-43	108	223	1	175	-197	1,813	2,129
Opening Balance	195	292	191	168	389	329	503	307	2,119
Closing Balance	377	249	300	391	390	503	307	2,119	4,248

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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