



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- LT Foods Q1FY25 consolidated revenues came in at ₹2,070 Cr, up 16.4% YoY and down 0.2% QoQ.
- PBIDT (Ex-OI) for Q1FY25 stood at ₹241 Cr, up 12.7% YoY and down 2% QoQ.
- PBIDTM (Ex-OI) for Q1FY25 came at 11.6%, -40 bps YoY and -20 bps QoQ.
- PAT (Ex-OI) for Q1FY25 stood at ₹145 Cr, up 17.6% YoY and up 4% QoQ.
- Volume growth was 16.1% for Basmati & Other Specialty segment, 37.2% for Ready to Heat & Ready to Cook segment, and 34.2% in Organic Food & Ingredient segment.

### 2. MANAGEMENT COMMENTARY:

- On a full year basis, the management is expecting double digit growth.
- Organic business is doing well and has started witnessing growth.
- India currently contributes 30% to overall business and its contribution will grow going forward as the consumption is growing faster compared globally in Basmati segment.
- Have been penetrating Tier II and Tier III cities and have added 80 new towns in Q1.
- Doubling capacity in the US for the retort business.

### 3. CONCALL SUMMARY

- Disruption due to Red Sea issue has caused an increase in freight rates to the East Coast and Europe due to imposed emergency surcharge on shipping line and the transit time has increased by 15 days. However, there will be no loss of sales because of this disruption.
- The increase in freight cost will have minimal impact on margins.
- Have a positive outlook for the upcoming Kharif season with good monsoon.
- Brand equity is being extended in ready to eat and ready to cook segments from Daawat and Royal. Further, extending their organic portfolio in Royal and will be starting soon in Daawat.
- Anticipating stable margins with lower commodity prices and improved stability in freight costs.
- Have reported a 30% market share in India. Focusing on strengthening market presence in the Middle East, especially in Saudi Arabia.

### 4. OTHER UPDATES:

- Court of Madhya Pradesh allowed claim of Rs 161.2cr from Oriental Insurance for fire incident which took place on 7 June, 2014 along with interest of 6% per annum with effect from the date of loss.
- Have been positioned second largest player in the Indian market.

### 5. VALUATION AND OUTLOOK:

LT Foods' earnings grew at a CAGR ~16% over FY19-23. Going forward, we are positive on the future growth prospects of the company which is mainly on the back of its robust distribution network, strong brand equity and constant endeavour to enrich their product portfolio by expanding into newer categories. It aims to further enhance its product mix with higher focus on margin accretive premium basmati export business and plans constant scale-up of new launches in value-add segment. With a strong growth outlook, we initiate a "BUY" rating on the stock and value the stock at **25x FY25 EPS to arrive at the target of 495**.

## RECOMMENDATION - BUY

**CMP – 411**

**TARGET – 495(+20.4%)**

Industry	Consumer Food
NSE CODE	LTFOODS
BSE CODE	532783
Market Cap (₹ Cr)	3134
Shares Outstanding (in Cr)	34.73
52 wk High/Low (₹)	448/150
P/E	23.4
P/BV	4.24
Face Value (₹)	1.00
Book Value (₹)	97.1
EPS (FY24) (₹)	17.1
Dividend Yield (%)	0.36
Debt / Equity	0.27
Interest Coverage	11.4

## SHAREHOLDING PATTERN

	Sep 24	Jun 24	Dec 23
Promoters	51.00	51.00	51.00
MF/ DII	4.65	4.60	3.48
FII/FPI	8.03	5.89	5.14
Retail & Others	35.19	37.44	39.78
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

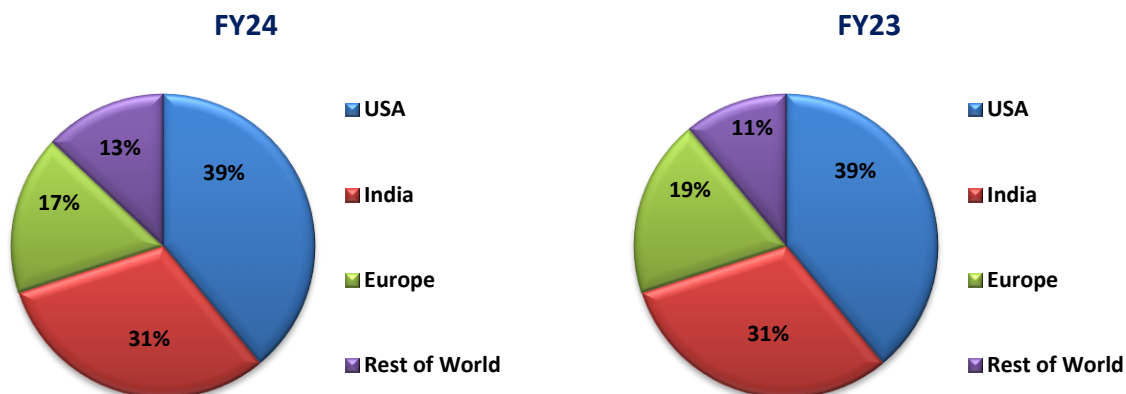
Y/E March	2024	2025E	2026E
<b>Crore</b>			
Sales	7772	8938	10547
Sales Gr. (%)	12	15	18
EBITDA	938	1162	1424
EBITDA %	12.7	13.0	13.5
PAT	593	686	852
EPS (₹)	17.09	19.8	24.5
EPS Gr. (%)	47.36	16	24
<b>Valuation</b>			
P/E (x)	23.4	25	22.5

## Historical & Industrial Val Ratios

Historical P/E	16.7
Industry P/E	39.8
Historical P/B	3.7
Industry P/B	3.51



## Revenue by Geography Trend



### QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23		FY24		FY25			FY24	FY25E*	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1			Q2E*
<b>Net sales</b>	<b>1778</b>	<b>1821</b>	<b>1778</b>	<b>1978</b>	<b>1942</b>	<b>2075</b>	<b>2071</b>	<b>2235</b>	<b>7772</b>	<b>8938</b>
YoY change (%)	30.0	19.3	10.4	14.7	9.2	13.9	16.4	13	12.1	15
<b>Total Expenditures</b>	<b>1613</b>	<b>1625</b>	<b>1564</b>	<b>1737</b>	<b>1703</b>	<b>1830</b>	<b>1830</b>	1944	<b>6835</b>	<b>7776</b>
<b>EBITDA</b>	<b>166</b>	<b>196</b>	<b>214</b>	<b>240</b>	<b>239</b>	<b>245</b>	<b>241</b>	<b>290</b>	<b>938</b>	<b>1162</b>
YoY growth (%)	10.1	28.8	28.0	40.1	44.0	24.8	12.7	21.0	32.8	24
Margins (%)	9.3	10.8	12.0	12.2	12.3	11.8	11.6	13.0	12.7	13.0
Depreciation	32	35	36	36	36	45	42	40	153	161
Interest	22	26	22	19	18	23	19	21	83	83
Other income	13	14	11	14	8	17	17	14	50	54
<b>PBT</b>	<b>125</b>	<b>149</b>	<b>167</b>	<b>199</b>	<b>192</b>	<b>193</b>	<b>198</b>	230	<b>801</b>	<b>918.1</b>
Rate (%)	26%	25%	26%	27%	27%	28%	27%	26%	25.3	25
Tax	33	37	44	54	51	54	53	60	203	232.3
<b>Adjusted PAT</b>	<b>92</b>	<b>112</b>	<b>123</b>	<b>146</b>	<b>141</b>	<b>139</b>	<b>145</b>	<b>170</b>	<b>598</b>	<b>685.8</b>
<b>EPS in Rs</b>	<b>2.98</b>	<b>3.69</b>	<b>3.96</b>	<b>4.49</b>	<b>4.35</b>	<b>4.28</b>	<b>4.41</b>	<b>4.90</b>	<b>17.09</b>	<b>19.8</b>

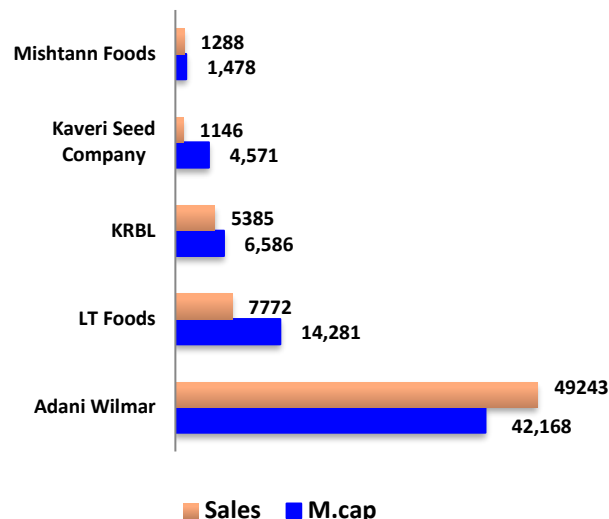
Source: Company, Hem Securities Research.



## 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.
- 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.

## KEY PLAYERS in Rice Segment



## PEER PERFORMANCE

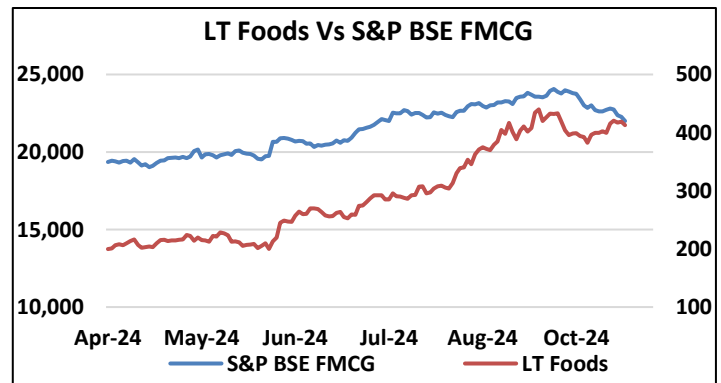
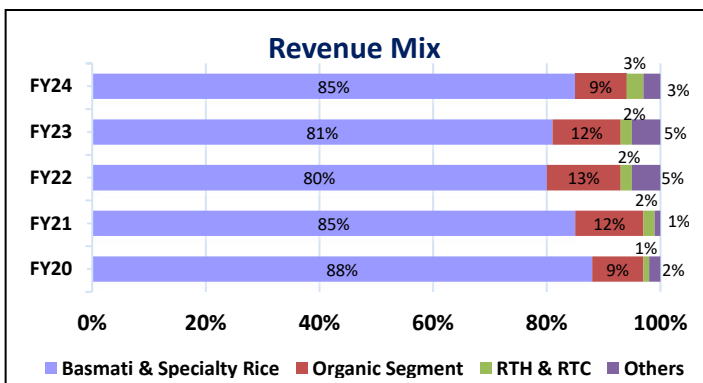
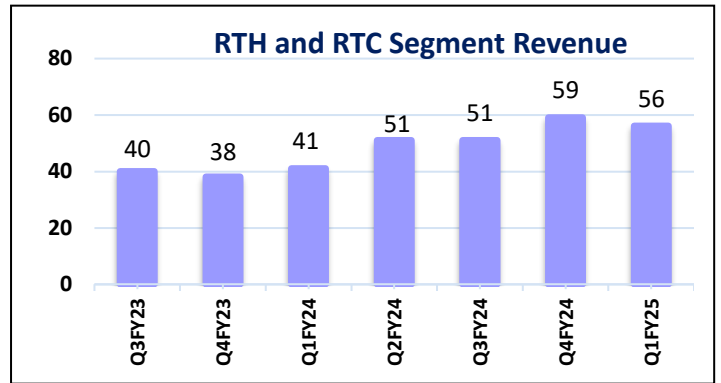
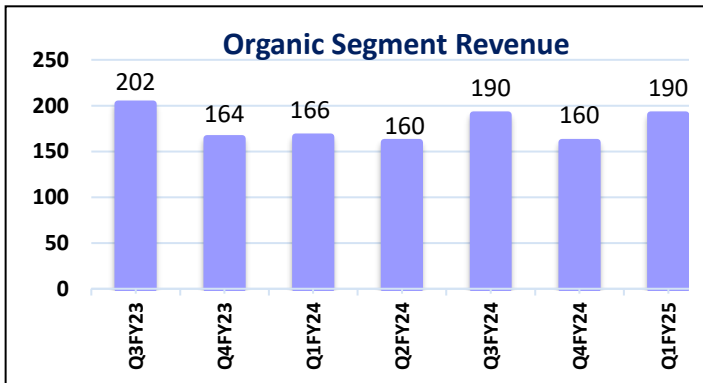
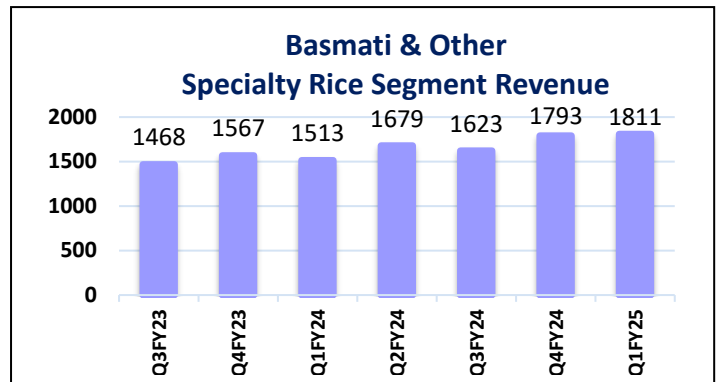
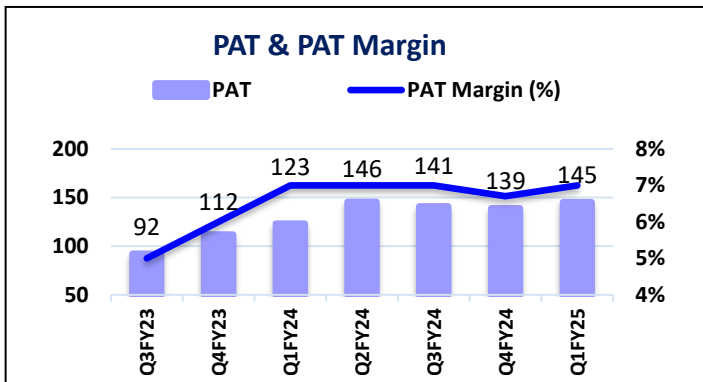
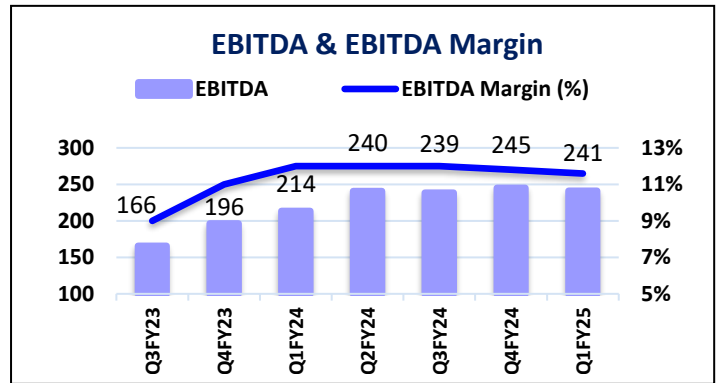
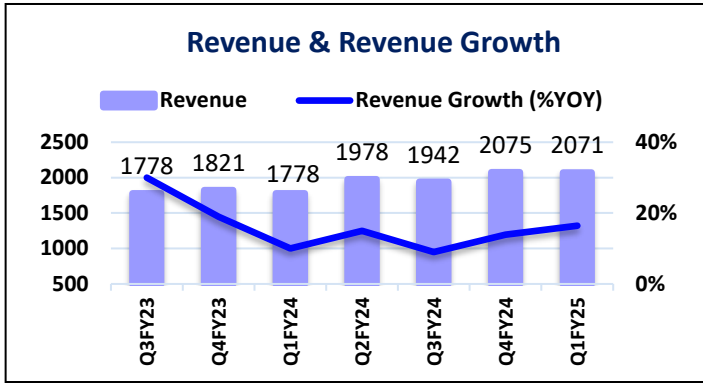
(₹ Cr)

Particulars	LT Foods Ltd.	KRBL Ltd.	Mishtann Foods Ltd.	Adani Wilmar Ltd.	Kaveri Seed Company Ltd.
Market Cap	14281	6586	1478	42168	4571
Net Sales	7772	5385	1288	49243	1146
EBITDA	938	802	359	1141	286
PAT	598	596	346	278	300
EBITDA MARGIN %	12.7	15	28	2	25
PAT MARGIN %	7.7	9.0	23.4	0.7	6.6
ROCE %	21.1	15.8	88.7	10.4	21.8
ROE %	19.3	12.5	98.7	3.65	20.3
P/E TTM	23.4	13.5	4.27	61.2	14.6
P/B TTM	4.25	1.36	2.65	5.09	3.71
Dividend Yield %	0.36	1.39	0.01	0.00	0.56
MCap/Sales	1.78	1.27	1.08	0.83	3.76

Source: Company, Hem Securities Research.



## STORY IN CHARTS





## INVESTMENT RATIONALE:

- LT Foods is strategically positioning itself for revenue growth through portfolio diversification, geographic expansion, and digital transformation to take advantage of the changing industry dynamics.
- In FY22, the company made new investments in Europe and started a dedicated organic packaging and cleaning line.
- Further, it expanded to new geographies such as Mauritius, Denmark and Slovenia, and expanded its product portfolio to include rice syrups, buckwheat, sorghum and sugar. It plans to introduce the brand Ecolife pan-India.
- Its flagship brand, Royal, enjoys leadership position in the US, which is why It has a notable market share of more than 50% plus. In Middle East market, LTFL is on the path of strengthening its position and have witnessed a significant growth of 55%.It also plans to double its capacity in US and expand its footprints to UK to tap the GBP 1bn (INR 110 bn) basmati rice and rice-based food market.
- The organic food segment is the company's fastest-growing division, achieving a CAGR of 15.5% over FY19- 24, contributing 9.3% to FY24 revenue. Both the business command higher margins than the rice business and has a huge market opportunity size. Recent consumer trend indicates increase in focus towards healthy and organic foods along with ready to eat products owing to time poverty. Their portfolio of products now encompasses specialty rice across price points, organic food, sauté sauces, rice-based snacks and rice-based convenience products which is doing extremely well (growing at 20%+) and the company is in process to scale up the operations.
- In March 2022 acquired 51% stake in Golden Star Trading Inc. to strengthen market share in US. The US specialty rice market includes Basmati as well as Jasmine rice. In the US, Market size of Jasmine rice is 3 times bigger than Basmati rice. Golden Star is one of the strongest brands in Jasmine rice segment particularly through mainstream channels.
- Strategic Partnership with Saudi Agricultural and Livestock Investment Company (SALIC) will accelerate LTFL's organic and inorganic expansion plans across business segments, give a boost to its future growth plans specifically in the Middle East and Saudi Arabia region and fortify its position as one of the leading players in the industry.

## RISK / NEGATIVE FACTORS:

- The basmati rice processing industry is an agro-based industry and its main raw material is basmati paddy. Any drought like situation in key paddy producing states can have a supply crunch of paddy which can result in abrupt price rise making the product less competitive against other rice varieties.
- The company has a huge dependence on the export business particularly in the US markets. Any large trade restriction or geopolitical issue can result in over supply in other markets and a steep decline in company's realization thereby impacting its profitability.
- Exports constitute a significant percentage of the turnover and therefore, the company remains exposed to currency fluctuations.

## COMPANY RECAP

- LT Foods is an Indian-origin 70-year-old consumer food company which is a leading player in the specialty rice-based foods business globally. It has been delivering the finest quality and taste experiences in more than 80 countries across India, the U.S., Europe, the Middle East, the Far East and the Rest of the World.
- Their 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 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. 7,772 crores as of FY24. It 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 1300+ distributors across the globe.
- The company has expanded its product portfolio and leveraging its existing 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.
- The company is amongst the few players in this space to invest behind setting-up a rice processing facility in Europe (Rotterdam) and a packaging unit with Ready to Heat facility in US. It has dominant market share of 50%+ in US while in the Indian market it holds 30% share.



## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement						(₹ Cr)
Y/E March	2021	2022	2023	2024	2025E	2026E
<b>Revenue from operations</b>	<b>4741.9</b>	<b>5427.4</b>	<b>6935.8</b>	<b>7772.4</b>	<b>8938</b>	<b>10547</b>
Growth YoY (%)	14.7	14.5	27.8	12.1	15	18
<b>Total Expenditure</b>	<b>4175.3</b>	<b>4830.8</b>	<b>6235.1</b>	<b>6834.5</b>	<b>7776</b>	<b>9123</b>
(%) of sales	88.1	89.0	89.9	87.9	87.0	86.5
<b>EBITDA</b>	<b>566.7</b>	<b>596.6</b>	<b>700.7</b>	<b>937.9</b>	<b>1162</b>	<b>1424</b>
EBITDA Growth (%)	17.6	3.6	20.0	32.8	24	23
EBITDA Margin (%)	12.6	11.4	10.7	12.7	13.0	13.5
Depreciation	108.5	122.6	126.9	152.9	161	190
<b>EBIT</b>	<b>485.4</b>	<b>492.3</b>	<b>644.7</b>	<b>883.5</b>	<b>1001</b>	<b>1234</b>
EBIT Growth (%)	18.6	1.4	30.9	37.0	13.3	23.3
Net Interest Expenses	87.4	68.7	82.1	83.0	83	83
Other Income	31.5	23.2	43.0	49.6	54.0	62.0
<b>Earnings before Taxes</b>	<b>398.0</b>	<b>423.6</b>	<b>562.6</b>	<b>800.5</b>	<b>918.1</b>	<b>1151.0</b>
EBT Margin (%)	8.4	7.8	8.1	10.3	10	11
Tax-Total	108.9	114.4	139.8	202.9	232.3	299.3
Rate of tax (%)	27.4	27.0	24.9	25.3	25	26
<b>Net Profit</b>	<b>289.1</b>	<b>309.2</b>	<b>422.8</b>	<b>597.6</b>	<b>685.8</b>	<b>851.8</b>
PAT Growth (%)	45.0	7.0	36.7	41.4	14.8	24.2
PAT Margin (%)	6.1	5.7	6.1	7.7	7.7	8.1
Minority Interest	-15.0	-17.0	-20.1	-4.3	-	-
<b>Adjusted PAT</b>	<b>274.0</b>	<b>292.2</b>	<b>402.7</b>	<b>593.3</b>	<b>685.8</b>	<b>851.8</b>
<b>EPS</b>	<b>8.6</b>	<b>9.1</b>	<b>11.6</b>	<b>17.1</b>	<b>19.8</b>	<b>24.5</b>
EPS Growth (%)	48.5	6.6	26.9	47.4	16	24

### Balance Sheet

Y/E March	2021	2022	2023	2024
Share Capital	32	32	35	35
Reserves	1724	1966	2722	3337
<b>Net Worth</b>	<b>1756</b>	<b>1998</b>	<b>2757</b>	<b>3372</b>
Borrowings	1570	1320	1221	917
Other Liabilities	787	1042	1341	1753
<b>Total Liabilities &amp; Equity</b>	<b>4112</b>	<b>4359</b>	<b>5319</b>	<b>6042</b>
Fixed Assets	880	905	995	1160
CWIP	33	35	27	41
Investments	29	25	127	183
Other Assets	3171	3394	4170	4657
<b>Total Assets</b>	<b>4112</b>	<b>4359</b>	<b>5319</b>	<b>6042</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>				
<b>Y/E March</b> (Basic (INR))	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>				
Net profit margin (%)	6.10	5.70	6.10	7.69
EBITDA margin (%)	12.61	11.42	10.72	12.71
EBIT margin (%)	10.24	9.07	9.30	11.37
ROE (%)	17.86	16.48	17.78	19.50
ROCE (%)	16.15	16.13	19.09	23.27
<b>Working Capital &amp; liquidity ratios</b>				
Payables (Days)	45.86	63.56	74.42	82.74
Inventory (Days)	152.91	153.83	142.73	154.28
Receivables (Days)	42.58	36.92	33.83	31.70
Current Ratio (x)	1.70	1.78	1.96	2.08
<b>Valuations Ratios</b>				
EV/sales (x)	0.66	0.65	0.61	0.90
EV/EBITDA (x)	5.22	5.68	5.72	7.10
P/E (x)	6.80	8.55	8.34	11.02
P/BV (x)	1.06	1.25	1.22	1.94
Dividend Yield (%)	1.72	1.28	1.03	1.06
Return on Assets (%)	7.34	7.33	8.77	10.56
<b>Leverage Ratio</b>				
Debt/Equity (x)	0.73	0.53	0.34	0.16

### Cash Flow Statement

<b>Y/E March</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>445</b>	<b>517</b>	<b>258</b>	<b>757</b>
<b>CF from Investing Activities (B)</b>	<b>-100</b>	<b>-145</b>	<b>-395</b>	<b>-201</b>
<b>CF from Financing Activities (C)</b>	<b>-346</b>	<b>-358</b>	<b>136</b>	<b>-538</b>
Net Cash Flow	-1	14	-1	17
Add: Opening Bal.	21	20	34	33
<b>Closing Balance</b>	<b>20</b>	<b>34</b>	<b>33</b>	<b>50</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
18/4/24	BUY	237(++16.17%)
21/10/24	BUY	495(++20.4%)

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Name of the Research Analyst: AARUSHI LUNIA

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5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.