

Company Update

LT Foods Ltd

Bloomberg Code: LTFO IN

India Research - Stock Broking

BUY

Robust Plan to Expand Business Internationally

Stronger Quarter with Improved Margin: LT Foods Ltd has delivered strong set of consolidated numbers having recorded revenue in Q2FY18 at Rs.8531 Mn as against Rs.8290 Mn in Q2FY17 registering growth of 2.9% on YoY basis. The shares of basmati, organic and private label businesses as % of total revenue are on rise which stand at 62.0%, 10.0% and 18.0% respectively. EBITDA of the company in Q2FY18 grew 26.8% on YoY basis to Rs.988 Mn against Rs.779 Mn during the same quarter period last year thereby marking an improvement in EBITDA margin by 219 bps on YoY basis. Increased share of branded business has helped EBITDA to improve. PAT of the company in Q2FY18 came in at Rs.364 Mn as against Rs. 267 Mn in Q2FY17 exhibiting growth of 36.4% on YoY basis and profit margin expansion by 105 bps on YoY basis. Improvement in PAT growth and PAT margin could be attributed to improvement in EBITDA and reduction in interest cost. From H1FY18 performance perspective, the company has come out with great showing having registered revenue/EBITDA/PAT growth of 5.4%, 15.0% and 22.4% respectively on YoY basis. In the process, it recorded improvement in EBITDA margin by 100 bps and PAT margin by 61 bps on YoY basis.

Revenue proportion of export and India business stood at 55: 45 which points to an improvement in India business. The company has been expanding its geographical reach in Europe and Middle East through commencing operations and acquiring popular brands in the region. The company has consistently been working on adding new products to its portfolios. It has entered into JV with Japanese Snack Food major Kameda to manufacture and market rice based snacks by the name of Kari Kari and has ambitious plan of generating revenue of Rs.1000 Mn in next five years leveraging on brand equity and distribution.

Valuation and Outlook

LT Foods Ltd, with strong brand and broad distribution platforms, has been able to gain share in branded business in India, Europe, USA and Middle East. Its organic business has been growing fast in USA and Europe. Further, JV with Kameda for rice-based snacks Kari Kari and likely basmati rice export to Iran that is to begin from Dec.2017 provides for huge opportunities to scale up business. Considering all these unfolding opportunities, we have upwardly revised our target price on stock for next 9-12 months at Rs.87, which gives 24% potential upside.

Exhibit 1: Valuation Summary

| YE Mar (Rs. Mn) | FY15 | *FY16 | *FY17 | FY18E | FY19E |
|-------------------|-------|-------|-------|-------|-------|
| Net Sales | 27346 | 29734 | 32865 | 36974 | 42150 |
| EBITDA | 2638 | 3566 | 3678 | 4116 | 5082 |
| EBITDA Margin (%) | 9.6 | 12.0 | 11.2 | 11.1 | 12.1 |
| Adj. Net Profit | 764 | 725 | 1287 | 1461 | 2049 |
| EPS (Rs.)** | 2.9 | 2.7 | 4.8 | 5.5 | 7.7 |
| RoE (%) | 17.9 | 14.5 | 21.6 | 20.1 | 22.8 |
| PE (x) | 3.4 | 8.3 | 13.7 | 12.8 | 9.1 |

Source: Company, Karvy Research, *As per IndAS, ** Split Adjusted from face value of Rs.10 to Re.1

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Recommendation (Rs.)

| | |
|--------------------------|----|
| CMP (as on Nov 29, 2017) | 70 |
| Target Price | 87 |
| Previous Target Price | 83 |
| Upside (%) | 24 |

Stock Information

| | |
|---------------------------|---------------|
| Mkt Cap (Rs.mn/US\$ mn) | 18672 / 290 |
| 52-wk High/Low (Rs.) | 85 / 26 |
| 3M Avg. daily volume (mn) | 0.8 |
| Beta (x) | 1.3 |
| Sensex/Nifty | 33603 / 10361 |
| O/S Shares(mn) | 266.7 |
| Face Value (Rs.) | 1.0 |

Shareholding Pattern (%)

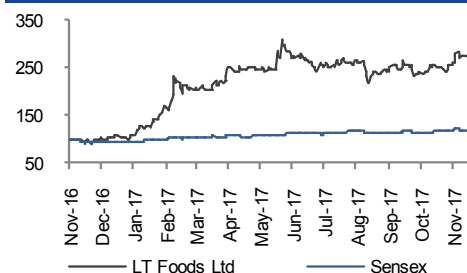
| | |
|-----------|-------|
| Promoters | 67.16 |
| FII | 2.49 |
| DII | 1.27 |
| Others | 29.08 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|----|----|------|-----|
| Absolute | 4 | 8 | (7) | 167 |
| Relative to Sensex | 2 | 2 | (14) | 109 |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Earnings Revision (%)

| YE Mar | FY18E | FY19E |
|------------|-------|-------|
| Sales (%) | ↑ 0.4 | ↑ 1.3 |
| EBITDA (%) | ↑ 0.6 | ↑ 1.7 |
| PAT (%) | ↑ 2.3 | ↑ 5.6 |

Source: Karvy Research

Analyst Contact

Kiran Shankar Prasad

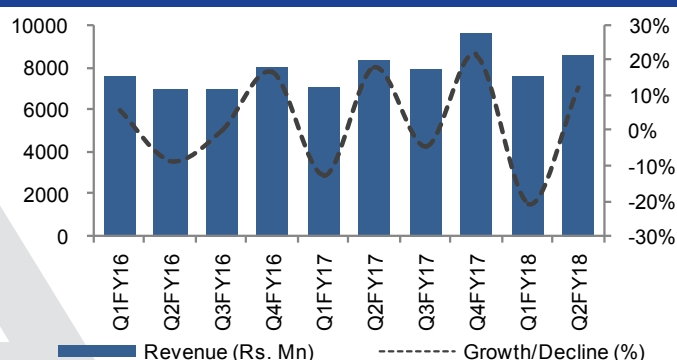
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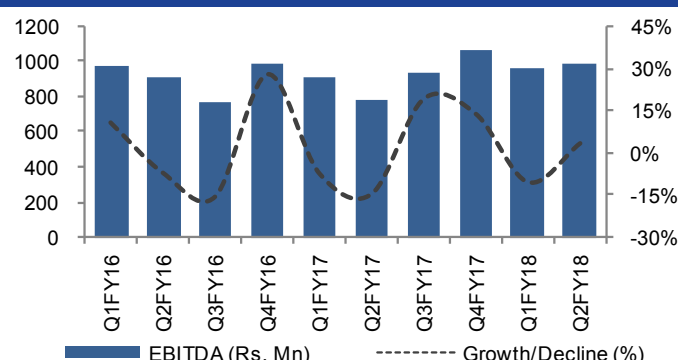
Exhibit 2: Q2FY18

| YE Mar (Rs. Mn) | Q2FY18 | Q1FY18 | QoQ % | Q2FY17 | YoY % | H1FY18 | H1FY17 | YoY% |
|-----------------------|--------|--------|-----------|--------|---------|--------|--------|---------|
| Turnover | 8531 | 7619 | 12.0 | 8290 | 2.9 | 16150 | 15320 | 5.4 |
| Expenditure | 7543 | 6667 | 13.1 | 7511 | 0.4 | 14210 | 13632 | 4.2 |
| EBITDA | 988 | 953 | 3.7 | 779 | 26.8 | 1941 | 1688 | 15.0 |
| Depreciation | 91 | 120 | (24.1) | 134 | (32.3) | 211 | 274 | (23.0) |
| Interest | 340 | 375 | (9.2) | 363 | (6.3) | 715 | 752 | (4.9) |
| Other Income | 16 | 95 | (83.3) | 159 | (90.1) | 110 | 224 | (50.7) |
| PBT | 557 | 557 | 0.0 | 442 | 26.0 | 1115 | 892 | 24.9 |
| Tax | 193 | 208 | (7.2) | 176 | 10.2 | 402 | 310 | 29.7 |
| PAT | 364 | 349 | 4.3 | 267 | 36.4 | 713 | 583 | 22.4 |
| EBITDA Margin (%) | 11.6 | 12.5 | (92) bps | 9.4 | 219 bps | 12.0 | 11.0 | 100 bps |
| EBIT Margin (%) | 10.7 | 12.2 | (147) bps | 9.7 | 100 bps | 11.4 | 10.7 | 70 bps |
| Net profit Margin (%) | 4.3 | 4.6 | (31) bps | 3.2 | 105 bps | 4.4 | 3.8 | 61 bps |

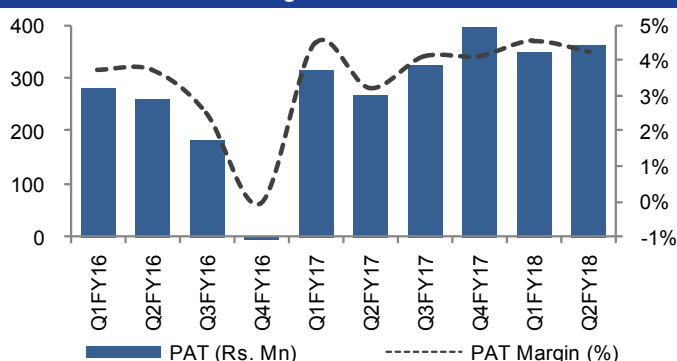
Source: Company, Karvy Research

Exhibit 3: Revenue and Trend


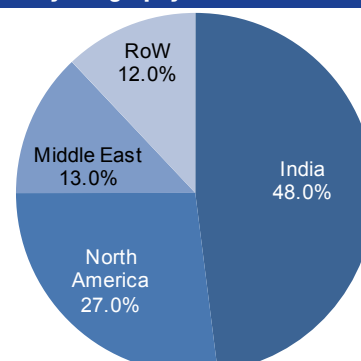
Source: Company, Karvy Research

Exhibit 4: EBITDA & EBITDA Trend


Source: Company, Karvy Research

Exhibit 5: PAT and PAT Margin Trend


Source: Company, Karvy Research

Exhibit 6: Revenue by Geography - FY17


Source: Company, Karvy Research, RoW: Rest of the World

Key Takeaways from Management Interaction

- Basmati production this year has been impacted due to farmers failing in getting right price for their produce in the last two years. Lower production, low carry-forward stocks and growing demand have led to increase in the paddy prices to the extent of 25% to 30%.
- The growth in business has come from increased shares of branded, organic and private-label businesses.
- Q2FY18 has witnessed a good recovery in India business which recorded growth of 18% in value terms though there was muted growth in volume.
- Rotterdam plant with initial capacity of 60,000 tonne is now operational which is expected to strengthen the company's position in European market which is growing at CAGR of 10%.
- Organic is another growth driver of the company which has been growing at CAGR of 40%.
- The fast cooking brown rice is doing very well growing at CAGR of more than 40% in India.

Exhibit 7: Comparison of Financial Estimates

| YE Mar (Rs. Mn) | FY18E | | | FY19E | | |
|------------------|-------|-------|----------|-------|-------|----------|
| | Old | New | % Change | Old | New | % Change |
| Net Sales | 36809 | 36974 | 0.4 | 41595 | 42150 | 1.3 |
| EBITDA | 4092 | 4116 | 0.6 | 4997 | 5082 | 1.7 |
| EBITDA Margin(%) | 11.1 | 11.1 | 3 bps | 12.0 | 12.1 | 6 bps |
| APAT | 1428 | 1461 | 2.3 | 1940 | 2049 | 5.6 |
| EPS (Rs.) | 5.4 | 5.5 | 1.5 | 7.3 | 7.7 | 5.3 |

Source: Company, Karvy Research

Key Risks

- Competiton risk.
- Fx-fluctuation risk.
- Economic slowdown risk.

Financials

Exhibit 8: Income Statement

| YE Mar (Rs. Mn) | FY15 | # FY16 | # FY17 | FY18E | FY19E |
|-----------------------------|-------|--------|--------|-------|-------|
| Revenues | 27346 | 29734 | 32865 | 36974 | 42150 |
| Growth (%) | 10.5 | 8.7 | 10.5 | 12.5 | 14.0 |
| Operating Expenses | 24708 | 26168 | 29187 | 32857 | 37068 |
| EBITDA | 2638 | 3566 | 3678 | 4116 | 5082 |
| Growth (%) | 0.2 | 35.2 | 3.1 | 11.9 | 23.5 |
| Depreciation & Amortization | 466 | 515 | 542 | 561 | 608 |
| Other Income | 452 | 62 | 356 | 320 | 393 |
| EBIT | 2624 | 3113 | 3492 | 3876 | 4866 |
| Interest Expenses | 1511 | 1478 | 1546 | 1684 | 1809 |
| PBT | 1112 | 1635 | 1947 | 2192 | 3058 |
| Tax | 348 | 471 | 644 | 731 | 1009 |
| Adjusted PAT | 764 | 725 | 1287 | 1461 | 2049 |
| Growth (%) | (9.8) | (5.2) | 77.6 | 13.5 | 40.3 |

Source: Company, Karvy Research, *Interest Expenses including other borrowing cost, # As per IndAS

Exhibit 9: Balance Sheet

| YE Mar (Rs. Mn) | FY15 | # FY16 | # FY17 | FY18E | FY19E |
|--|--------------|--------------|--------------|--------------|--------------|
| Cash & Cash Equivalents | 212 | 323 | 412 | 907 | 975 |
| Trade receivables | 3179 | 3757 | 4629 | 4893 | 5962 |
| Inventory | 13622 | 12996 | 14483 | 16256 | 18607 |
| Loans & Advances | 3475 | 3565 | 3303 | 3633 | 3997 |
| Investments | 69 | 64 | 53 | 62 | 62 |
| Net Block | 3850 | 3856 | 4101 | 4368 | 4695 |
| Other assets | 45 | 81 | 246 | 257 | 279 |
| Total Assets | 24453 | 24643 | 27227 | 30375 | 34576 |
| Current Liabilities | 3080 | 3340 | 4412 | 5079 | 6031 |
| Debt | 16387 | 15578 | 15774 | 16840 | 18086 |
| Other Liabilities | 359 | 358 | 478 | 481 | 484 |
| Total Liabilities | 19826 | 19276 | 20665 | 22400 | 24601 |
| Shareholders Equity | 265 | 267 | 267 | 267 | 267 |
| Reserves & Surplus | 4363 | 5101 | 6296 | 7708 | 9709 |
| Total Network | 4627 | 5368 | 6562 | 7975 | 9976 |
| Total Network & Liabilities | 24453 | 24643 | 27227 | 30375 | 34576 |

Source: Company, Karvy Research, # As per IndAS

Exhibit 10: Cash Flow Statement

| YE Mar (Rs. Mn) | FY15 | # FY16 | # FY17 | FY18E | FY19E |
|--|--------------|---------------|---------------|--------------|--------------|
| PBT | 1112 | 1635 | 1947 | 2192 | 3058 |
| Depreciation | 466 | 515 | 542 | 561 | 608 |
| Net Interest Expense | 1453 | 1404 | 1441 | 1684 | 1809 |
| Tax Paid | (348) | (338) | (439) | (731) | (1009) |
| Inc/dec in Net WC | (2474) | (689) | (1226) | (1708) | (2852) |
| Others | 4 | 445 | (72) | (320) | (393) |
| Cash flow from operating activities | 214 | 2972 | 2191 | 1678 | 1221 |
| Inc/dec in capital expenditure | (553) | (537) | (867) | (828) | (935) |
| Others | (4) | 1 | (15) | 311 | 393 |
| Cash flow from investing activities | (557) | (536) | (882) | (517) | (542) |
| Inc/dec in borrowings | 2375 | (268) | 689 | 1066 | 1246 |
| Dividend paid | (69) | (63) | (48) | (48) | (48) |
| Interest paid | (1453) | (1406) | (1443) | (1684) | (1809) |
| Others | (526) | (616) | (458) | 0 | 0 |
| Cash flow from financing activities | 326 | (2353) | (1260) | (666) | (611) |
| Net change in cash | (18) | 82 | 48 | 494 | 68 |

Source: Company, Karvy Research, # As per IndAS

Exhibit 11: Key Ratios

| YE Mar | FY15 | # FY16 | # FY17 | FY18E | FY19E |
|---------------------------|------|--------|--------|-------|-------|
| EBITDA Margin (%) | 9.6 | 12.0 | 11.2 | 11.1 | 12.1 |
| EBIT Margin (%) | 9.6 | 10.5 | 10.6 | 10.5 | 11.5 |
| Net Profit Margin (%) | 2.8 | 2.4 | 3.9 | 4.0 | 4.9 |
| Dividend Payout Ratio (%) | 6.9 | 6.6 | 3.1 | 2.7 | 2.0 |
| Net Debt/Equity (x) | 3.5 | 2.8 | 2.3 | 2.0 | 1.7 |
| RoE (%) | 17.9 | 14.5 | 21.6 | 20.1 | 22.8 |
| RoCE (%) | 13.3 | 14.8 | 16.1 | 16.4 | 18.4 |

Source: Company, Karvy Research, # As per IndAS


Exhibit 12: Valuation Parameters

| YE Mar | FY15 | # FY16 | # FY17 | FY18E | FY19E |
|---------------|------|--------|--------|-------|-------|
| EPS (Rs.)** | 2.9 | 2.7 | 4.8 | 5.5 | 7.7 |
| DPS (Rs.)** | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| BVPS (Rs.)** | 17.5 | 20.1 | 24.6 | 29.9 | 37.4 |
| PE (x) | 3.4 | 8.3 | 13.7 | 12.8 | 9.1 |
| P/BV (x) | 0.6 | 1.1 | 2.7 | 2.3 | 1.9 |
| EV/EBITDA (x) | 7.3 | 6.1 | 9.1 | 8.5 | 7.1 |
| EV/Sales (x) | 0.7 | 0.7 | 1.0 | 0.9 | 0.9 |

Source: Company, Karvy Research, # As per IndAS, ** Split Adjusted from face value of Rs.10 to Re.1

| Stock Ratings | Absolute Returns |
|---------------|------------------|
| Buy | : > 15% |
| Hold | : 5-15% |
| Sell | : < 5% |

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LT Foods

A Royal Daawat for investors

LT Foods Limited (LTFL) is a branded speciality foods company engaged in milling, processing and marketing of branded and non-branded basmati rice and manufacturing of rice food products in the domestic and overseas markets. Its geographical segments include India, North America and Rest of the World. The major brands of the company are Daawat, Gold Seal Indus Valley, Rozana and 817 Elephant.

Market leadership with strong brand visibility: LTFL's flagship brand Daawat enjoys 22% market share in the branded rice market of India. The company has strong market share in North America selling Basmati rice under the brand name 'Royal'. Historically, the company has been focusing on strong brand visibility, and in order to enhance brand visibility it spends on ad spends.

Wide distribution network: Currently LTFL has an access to 1,40,000 traditional retail outlets and reaches to 93% of towns with over 2 lakh population and 3,000 wholesalers. Further, the company sells its products to premium hotels & restaurants (~50% share) and has an access to 6,000 foodservice outlets i.e. 'DawatChefs Secretz'. Moreover, it has an access to 2,500 modern trade stores including 121 hypermarkets, 298 supermarkets and 1,462 mini markets. It is the 1st Rice Company to place Brown Basmati Rice in Medical Chains.

Diversified product portfolio catering to varied customers: LTFL has a well-diversified product basket, which caters to consumers of all income groups. The company is present in segments like Basmati rice, Speciality rice (non-Basmati) and Other food products. It is also consistently working on adding new products to its portfolio. LTFL has done JV with Japanese Snack Food major Kameda, which would launch rice based snacks in India. LTFL has recently introduced 'Daawat Rozana GoldPlus' brand.

Strong global footprint: LT Foods is now an emerging global Foods Company with a focus on basmati and other speciality rice, organic foods and convenience rice based products. LT Foods has a global footprint, selling their flagship basmati rice brands i.e. Royal and Daawat into 65 countries. The company has established on ground presence in the US, Europe and Middle East in order to unlock the full potential of these territories.

Outlook and Valuation: Going forward, we expect the company to report healthy top-line CAGR of 13.5% over the next two years on the back of strong distribution network & brand, continuous expansion, wide product basket and addition of new products in portfolio. On the bottom-line front, we expect ~20% CAGR on the back of robust improvement in operating performance. We expect margin expansion on the back of better manufacturing efficiency, increase in scale and change in product mix. **We initiate coverage on the stock with a Buy recommendation and Target Price of ₹ 96 (15x FY2019E EPS), indicating an upside of ~29% from the current levels.**

Key financials

| Y/E March (₹ cr) | FY2016 | FY2017 | FY2018E | FY2019E |
|-------------------|--------------|--------------|--------------|--------------|
| Net sales | 2,973 | 3,287 | 3,747 | 4,234 |
| % chg | 7.0 | 10.5 | 14.0 | 13.0 |
| Net profit | 99 | 117 | 139 | 170 |
| % chg | 36.3 | 18.9 | 18.2 | 22.6 |
| EBITDA margin (%) | 10.5 | 11.1 | 11.5 | 11.5 |
| EPS (₹) | 3.7 | 4.4 | 5.2 | 6.4 |
| P/E (x) | 20.1 | 16.9 | 14.3 | 11.7 |
| P/BV (x) | 3.7 | 3.0 | 2.5 | 2.1 |
| RoE (%) | 18.4 | 17.9 | 17.5 | 17.6 |
| RoCE (%) | 12.2 | 13.8 | 15.4 | 16.3 |
| EV/Sales (x) | 1.2 | 1.1 | 0.9 | 0.8 |
| EV/EBITDA (x) | 11.3 | 9.7 | 8.2 | 7.3 |

Source: Company, Angel Research, Note: CMP as of Nov 06, 2017

Quick take

BUY

| | |
|--------------|------|
| CMP | ₹ 74 |
| Target Price | ₹ 96 |

| Investment Period | 12 Months |
|--------------------|-----------------|
| Sector | Food Processing |
| Market Cap (₹ cr) | 1,983 |
| Net Debt (₹ cr) | 1,565 |
| Beta | 1.0 |
| 52 Week High / Low | 85 / 21 |
| Avg. Daily Volume | 1,09,568 |
| Face Value (₹) | 1 |
| BSE Sensex | 33,731 |
| Nifty | 10,452 |
| Reuters Code | LTOL.BO |
| Bloomberg Code | LTFO.IN |

| Shareholding Pattern (%) | |
|--------------------------|------|
| Promoters | 67.2 |
| MF / Banks / Indian FIs | 1.3 |
| FII / NRIs / OCBs | 2.5 |
| Indian Public / Others | 29.1 |

| Abs. (%) | 3m | 1yr | 3yr |
|----------|------|------|--------|
| Sensex | 4.5% | 23% | 21% |
| LTFL | 6.1% | 184% | 497.0% |

3 year daily price chart



Source: Company, Angel Research

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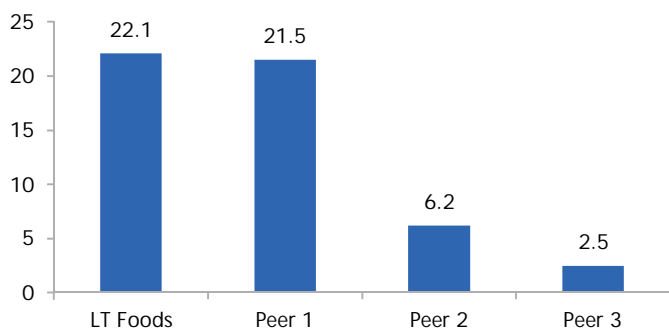
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Investment Arguments

Market leadership with strong brand visibility

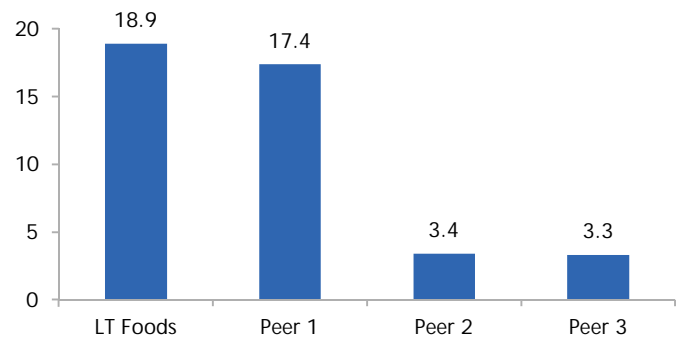
LTFL has a wide range of brands across price range catering to various customer segments. The company's flagship brand Daawat enjoys 22% market share in the branded rice market of India. LTFL has been continuously focusing on strong brand visibility. Hence, historically, the company has been spending on ad spends in order to increase brand visibility. The company also has strong market share in North America selling Basmati rice under the brand name 'Royal'.

Exhibit 1: All India Rural & Urban Markets (%)



Source: Company, Angel Research

Exhibit 2: All India Modern Trade (%)



Source: Company, Angel Research

Exhibit 3: LTFL strong brand presence across the segment



Source: Company, Angel Research

Wide distribution network

Currently LTFL has an access to 1,40,000 traditional retail outlets and reaches to 93% of towns with over 2 lakh population and 3,000 wholesalers. Further, the company sells its products to premium hotels & restaurants (~50% share) and has an access to 6,000 foodservice outlets i.e. 'DawatChefs Secretz'. Moreover, it has an access to 2,500 modern trade stores including 121 hypermarkets, 298 supermarkets and 1,462 mini markets. It is the 1st Rice Company to place Brown Basmati Rice in Medical Chains.

Diversified product portfolio catering to varied customers

The company has a well-diversified product basket catering to consumers of all income groups. The company's strong flagship brand is Daawat. In the basmati rice segment, the company has products like White Basmati, Brown Basmati, Sela Basmati, Organic Basmati, Traditional Basmati, and Super Basmati. The speciality rice (non-Basmati) includes Jasmine Thai, Brown Jasmine Thai, Arborio, Sona Masoori, Sona Masoori Organic, Kerala Mata rice, Ponni rice and Gujarat no. 17 rice. Furthermore, the company has wide range of Other food products like Curry paste, Cooking sauces, Wheat flour, Couscous, Tea, Ecolife organic, range Rice mixes and Grape seed oil.

LT Foods is also consistently working on adding new products to its portfolio. LTFL has done JV with Japanese Snack Food major Kameda, which would launch rice based snacks in India. LTFL had recently introduced "Daawat Rozana GoldPlus" brand.

Exhibit 4: Broad Portfolio of Products

| | | |
|-------------------------------------|--|--|
| Basmati rice | White Basmati Brown Basmati Sela Basmati Organic Basmati Traditional Basmati Super Basmati |  |
| Specialty rice (non-Basmati) | Jasmine Thai Brown Jasmine Thai Arborio Sona Masoori Sona Masoori Organic Kerala Mata rice Ponni rice Gujarat no. 17 rice |  |
| Other food products | Curry paste Cooking sauces Wheat flour Couscous Tea Ecolife organic range Rice mixes Grape seed oil |  |

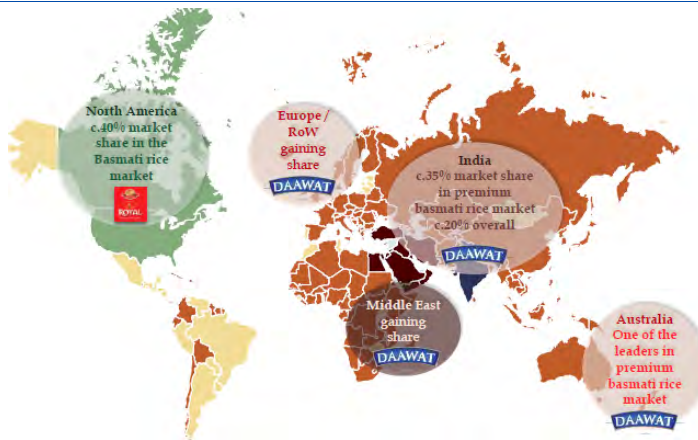
Source: Company, Angel Research

Strong global footprint

LT Foods is now an emerging global Foods Company with a focus on basmati and other speciality rices, organic foods and convenience rice based products.

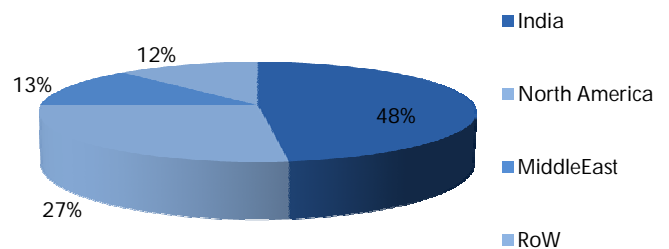
The company has a global footprint and sells its flagship basmati rice brands i.e. Royal and Daawat, into 65 countries. Further, LT Foods has a dedicated network for expanding its global reach. The company has established on ground presence in the US, Europe and Middle East in order to unlock the full potential of these territories. In addition, the company's other product brands such as ecoLife and Devaaya are also being strongly appreciated globally.

Exhibit 5: Global presence in over 65 countries



Source: Company, Angel Research

Exhibit 6: Revenue by geography in FY2017

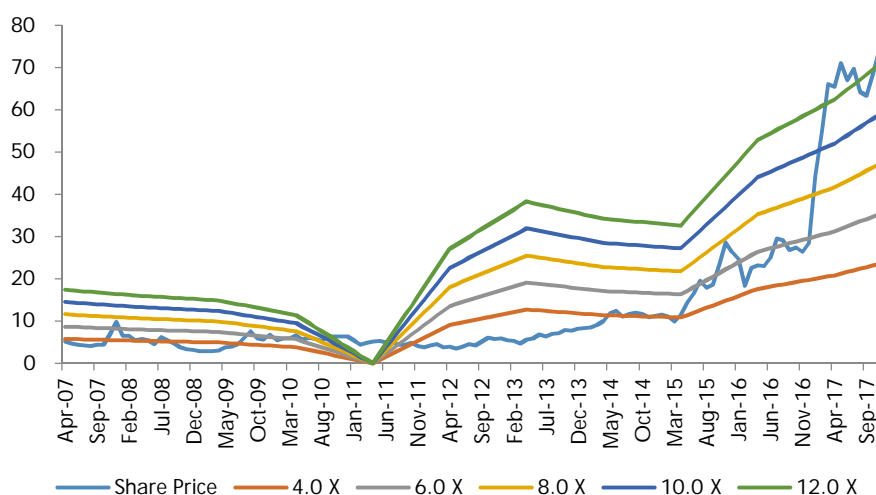


Source: Company, Angel Research

Outlook and Valuation

Going forward, we expect the company to report healthy top-line CAGR of 13.5% over the next two years on the back of strong distribution network & brand, continuous expansion, wide product basket and addition of new products in portfolio. On the bottom-line front, we expect ~20% CAGR on the back of robust improvement in operating performance. We expect margin expansion on the back of better manufacturing efficiency, increase in scale and change in product mix. **We initiate coverage on the stock with a Buy recommendation and Target Price of ₹96 (15x FY2019E EPS), indicating an upside of ~29% from the current levels.**

Exhibit 7: One year forward PE chart



Source: Company, Angel Research

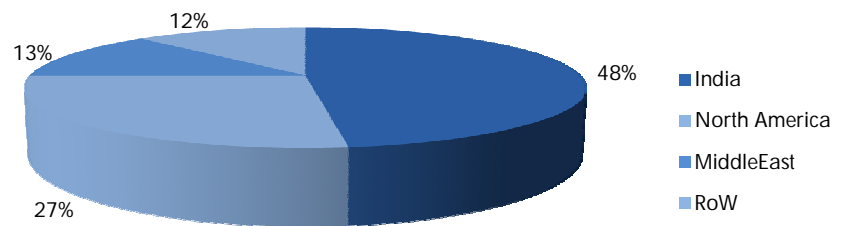
Key risks to our estimates

- 1) Increase in competition from unorganized players would impact overall growth prospects of the company.
- 2) Basmati rice is an extremely volatile commodity. Hence, any unfavorable change in Basmati rice prices could impact the company's profitability.
- 3) Company derives ~52% revenue from overseas market; any unfavorable change in currency could have an adverse impact on the company's profitability.

Company Background

LT Foods Limited (LTFL) is a branded speciality foods company. The company is engaged in milling, processing and marketing of branded and non-branded basmati rice and manufacturing of rice food products in the domestic and overseas markets. Its geographical segments include India, North America and Rest of the World. Its operations include contract farming, procurement, storage, processing, packaging and distribution. Its rice product portfolio comprises of brown rice, white rice, steamed rice, parboiled rice, organic rice, quick cooking rice, value added rice and flavoured rice in the ready to cook segment. The company's brands include (a) Royal, ecoLife, an organic food brand that includes rice, pulses, oil seeds, cereal grains, spices, nuts & fruits and vegetables; (b) Devaaya, which offers branded basmati rice, with staples, such as Atta, Suji, Besan, Dalia, Poha and Maida; and (c) Heritage, a basmati rice brand. The other brands of the company include Daawat, Gold Seal Indus Valley, Rozana and 817 Elephant.

Exhibit 8: Revenue break-up for LTFL (FY2017)



Source: Company, Angel Research

Consolidated Profit & Loss Statement

| Y/E March (₹ cr) | FY2015 | FY2016 | FY2017 | FY2018E | FY2019E |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total operating income | 2,779 | 2,973 | 3,287 | 3,747 | 4,234 |
| % chg | 11.5 | 7.0 | 10.5 | 14.0 | 13.0 |
| Total Expenditure | 2,471 | 2,661 | 2,920 | 3,316 | 3,747 |
| Raw Material | 2,076 | 2,105 | 2,405 | 2,743 | 3,099 |
| Personnel | 74 | 90 | 117 | 139 | 157 |
| Others Expenses | 321 | 466 | 398 | 435 | 491 |
| EBITDA | 308 | 313 | 366 | 431 | 487 |
| % chg | 9.6 | 1.6 | 17.2 | 17.6 | 13.0 |
| (% of Net Sales) | 11.1 | 10.5 | 11.1 | 11.5 | 11.5 |
| Depreciation & Amortisation | 47 | 52 | 54 | 57 | 60 |
| EBIT | 261 | 261 | 312 | 374 | 427 |
| % chg | 7.3 | (0.0) | 19.5 | 19.8 | 14.1 |
| (% of Net Sales) | 9.4 | 8.8 | 9.5 | 10.0 | 10.1 |
| Interest & other Charges | 151 | 148 | 155 | 157 | 159 |
| Other Income | 1 | 6 | 36 | 10 | 10 |
| (% of PBT) | 1.1 | 5.2 | 18.4 | 4.4 | 3.6 |
| Share in profit of Associates | - | - | - | - | - |
| Recurring PBT | 111 | 120 | 193 | 227 | 278 |
| % chg | (15.1) | 7.5 | 61.5 | 17.4 | 22.5 |
| Tax | 35 | 47 | 64 | 75 | 92 |
| (% of PBT) | 31.3 | 39.4 | 33.3 | 33.0 | 33.0 |
| PAT (reported) | 76 | 72 | 129 | 152 | 186 |
| Minority Interest (after tax) | 4 | (0) | 10 | 12 | 15 |
| Profit/Loss of Associate Company | - | (1) | (1) | (1) | (1) |
| Extraordinary Items | - | (27) | - | - | - |
| ADJ. PAT | 72 | 99 | 117 | 139 | 170 |
| % chg | (7.5) | 36.3 | 18.9 | 18.2 | 22.6 |
| (% of Net Sales) | 2.6 | 3.3 | 3.6 | 3.7 | 4.0 |
| Basic EPS (₹) | 2.7 | 3.7 | 4.4 | 5.2 | 6.4 |
| Fully Diluted EPS (₹) | 2.7 | 3.7 | 4.4 | 5.2 | 6.4 |
| % chg | (7.5) | 36.3 | 18.9 | 18.2 | 22.6 |

Consolidated Balance Sheet

| Y/E March (₹ cr) | FY2015 | FY2016 | FY2017 | FY2018E | FY2019E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| SOURCES OF FUNDS | | | | | |
| Equity Share Capital | 26 | 27 | 27 | 27 | 27 |
| Reserves & Surplus | 436 | 510 | 630 | 768 | 938 |
| Shareholders Funds | 463 | 537 | 656 | 795 | 965 |
| Minority Interest | 34 | 34 | 45 | 45 | 45 |
| Total Loans | 1,692 | 1,597 | 1,612 | 1,632 | 1,652 |
| Deferred Tax Liability | 5 | 1 | 5 | 5 | 5 |
| Total Liabilities | 2,194 | 2,169 | 2,318 | 2,477 | 2,667 |
| APPLICATION OF FUNDS | | | | | |
| Gross Block | 638 | 676 | 736 | 736 | 766 |
| Less: Acc. Depreciation | 268 | 315 | 365 | 422 | 482 |
| Net Block | 370 | 361 | 371 | 313 | 283 |
| Capital Work-in-Progress | 15 | 24 | 40 | 40 | 40 |
| Investments | 7 | 6 | 5 | 5 | 5 |
| Current Assets | 2,052 | 2,065 | 2,299 | 2,566 | 2,846 |
| Inventories | 1,362 | 1,300 | 1,448 | 1,653 | 1,856 |
| Sundry Debtors | 318 | 376 | 463 | 513 | 580 |
| Cash | 21 | 32 | 41 | 62 | 72 |
| Loans & Advances | 319 | 189 | 179 | 169 | 169 |
| Other Assets | 31 | 168 | 167 | 169 | 169 |
| Current liabilities | 256 | 296 | 410 | 460 | 521 |
| Net Current Assets | 1,796 | 1,769 | 1,889 | 2,105 | 2,325 |
| Deferred Tax Asset | 6 | 8 | 13 | 13 | 13 |
| Mis. Exp. not written off | - | - | - | - | - |
| Total Assets | 2,194 | 2,169 | 2,318 | 2,477 | 2,667 |

Consolidated Cashflow Statement

| Y/E March (₹ cr) | FY2015 | FY2016 | FY2017 | FY2018E | FY2019E |
|----------------------------------|-------------|--------------|--------------|--------------|--------------|
| Profit before tax | 111 | 163 | 195 | 227 | 278 |
| Depreciation | 47 | 52 | 54 | 57 | 60 |
| Change in Working Capital | (245) | (69) | (125) | (195) | (211) |
| Interest / Dividend (Net) | 145 | 140 | 143 | 157 | 159 |
| Direct taxes paid | (50) | (34) | (44) | (75) | (92) |
| Others | 1 | 45 | (7) | 0 | 0 |
| Cash Flow from Operations | 9 | 297 | 217 | 171 | 194 |
| (Inc.)/ Dec. in Fixed Assets | (55) | (53) | (85) | (30) | (30) |
| (Inc.)/ Dec. in Investments | (3) | (1) | (4) | 0 | 0 |
| Cash Flow from Investing | (58) | (54) | (89) | (30) | (30) |
| Issue of Equity | 1 | 5 | 2 | 0 | 0 |
| Inc./(Dec.) in loans | 184 | (93) | 23 | 20 | 20 |
| Dividend Paid (Incl. Tax) | (6) | (5) | (4) | 0 | 0 |
| Interest / Dividend (Net) | (147) | (142) | (145) | (129) | (175) |
| Cash Flow from Financing | 32 | (235) | (124) | (109) | (155) |
| Inc./(Dec.) in Cash | (17) | 8 | 4 | 32 | 9 |
| Opening Cash balances | 35 | 18 | 26 | 30 | 62 |
| Closing Cash balances | 18 | 26 | 30 | 62 | 72 |

Key Ratios

| Y/E March | FY2015 | FY2016 | FY2017 | FY2018E | FY2019E |
|--|--------|--------|--------|---------|---------|
| Valuation Ratio (x) | | | | | |
| P/E (on FDEPS) | 27.4 | 20.1 | 16.9 | 14.3 | 11.7 |
| P/CEPS | 16.1 | 16.0 | 10.8 | 9.5 | 8.1 |
| P/BV | 4.3 | 3.7 | 3.0 | 2.5 | 2.1 |
| Dividend yield (%) | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| EV/Sales | 1.3 | 1.2 | 1.1 | 0.9 | 0.8 |
| EV/EBITDA | 11.8 | 11.3 | 9.7 | 8.2 | 7.3 |
| EV / Total Assets | 1.7 | 1.6 | 1.5 | 1.4 | 1.3 |
| Per Share Data (₹) | | | | | |
| EPS (Basic) | 2.7 | 3.7 | 4.4 | 5.2 | 6.4 |
| EPS (fully diluted) | 2.7 | 3.7 | 4.4 | 5.2 | 6.4 |
| Cash EPS | 4.6 | 4.6 | 6.9 | 7.8 | 9.2 |
| DPS | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Book Value | 17.3 | 20.1 | 24.6 | 29.8 | 36.2 |
| Returns (%) | | | | | |
| ROCE | 12.1 | 12.2 | 13.8 | 15.4 | 16.3 |
| Angel ROIC (Pre-tax) | 12.3 | 12.5 | 14.0 | 15.9 | 16.8 |
| ROE | 15.7 | 18.4 | 17.9 | 17.5 | 17.6 |
| Turnover ratios (x) | | | | | |
| Asset Turnover (Gross Block) | 4.4 | 4.4 | 4.5 | 5.1 | 5.5 |
| Inventory / Sales (days) | 179 | 160 | 161 | 161 | 160 |
| Receivables (days) | 42 | 46 | 51 | 50 | 50 |
| Payables (days) | 13 | 18 | 24 | 24 | 24 |
| Working capital cycle (ex-cash) (days) | 208 | 188 | 188 | 187 | 186 |

Source: Company, Angel Research

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| | |
|--|----------|
| Disclosure of Interest Statement | LT Foods |
| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15%)