

**NOT
RATED**
LT FOODS

| Consumer Staples

| 29 November 2023

Analyst meet takeaways: Eyeing market share gains

- **Leading basmati rice player with a strong presence in India (30% market share) and exports to 80+ countries**
- **Management guiding for 11%/14% CAGR in topline/EBITDA and 150bps margin expansion to 14% over FY24-FY30**
- **Growth strategies aligned towards consumer engagement, innovation and building market share**

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We attended LT Foods' (LTFO IN, Not Rated) analyst meet and present key takeaways in this report.

Leading player in basmati rice: Established 70 years ago, LTFO is a leading player in the rice business with a strong footprint in India and sales to more than 80 countries. The company is engaged in the basmati & other specialty rice, organic food & ingredients, and health & convenience segments. In India, LTFO has a dominant presence in Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, Andhra Pradesh, Telangana and Karnataka, which together make up 44% of the country's rice market. The company currently has 30% market share in India and is making investments to augment its position. This apart, it has a strong presence in the Americas, Europe and the Middle East.

Portfolio of strong brands: The company's portfolio encompasses homegrown and acquired brands such as Royal (50%+ market share), Ecolife, Devaaya, Kari Kari, Indus Valley, Rozana, Golden Star, Leev and 817 Elephant, in addition to its flagship Daawat (30%+ market share). These brands have helped the company record a strong 15.6% revenue CAGR over the last five years.

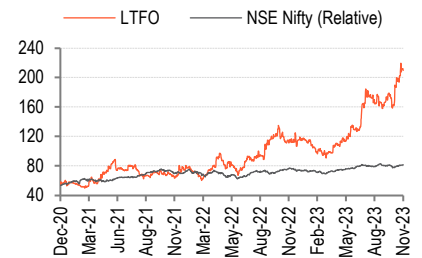
Strategic pillars for growth and margin expansion: Management is guiding for an 11%/14% revenue/EBITDA CAGR over FY24-FY30, underpinned by initiatives to strengthen brand equity, promote key products, drive consumer engagement, expand the portfolio and enhance digital distribution. The revenue forecast does not include the recent acquisition of Golden Star, a key brand in the jasmine rice market, which the company expects to reach Rs 10bn by FY30. Management further believes premiumisation and scale will support 150bps EBITDA margin expansion to 14% through FY30, along with strong growth in FCF to Rs 30bn and 5x growth in EPS.

Valuation: As per Bloomberg consensus estimates, LTFO is trading at 14.5x/13.3x FY24E/ FY25E EPS. We do not have a rating on the stock.

Ticker/Price	LTFO IN/Rs 210
Market cap	US\$ 877.0mn
Free float	41%
52wk high/low	Rs 220/Rs 90
Promoter/FPI/DII	51%/6%/43%

Source: NSE | Price as of 28 Nov 2023

Stock performance



Source: NSE



Analyst meet takeaways

- LTFO is a leading player in basmati rice with 30% market share in India and 50% share in the US, besides being the leader in the Far East.
- In India, the company reaches 1.6mn households and has 22% penetration in branded basmati rice. Management highlighted that investments are underway to further augment its market position in India and the Middle East.
- Over the last four years, LTFO has posted a 17%/31% revenue/PAT CAGR, with 80% of revenue coming from own brands. Management is guiding for a consolidated revenue CAGR of 11% (ex-Golden Star) over FY24-FY30, with volume growth of 7% and value growth of 4%.
- Segment-wise, revenue from the specialty rice segment is guided to increase at a 10% CAGR, organic revenue at 5% and revenue from new product development (NPD) at 29%. In FY29, management expects the specialty segment to contribute 86% of revenue (87% in FY23), NPD 6% (2%) and organic 8% (11%).
- EBITDA is guided to log a 14% CAGR with margin expansion of 150bps over FY24-FY30 to 14% (50bps each from scale, efficiency and innovation). EPS is guided to rise 5x over this period with FCF of Rs 30bn by FY30 and annual capex of Rs 1bn-1.2bn. Management sees volatility in commodity prices as the biggest risk to forecasts.
- Strategic growth initiatives to achieve business targets include enhancing digital communication, improving the product mix, focusing on key basmati markets, and expanding into super foods, regional and global specialty rice.
- In the convenience & health segment, the company has a presence in anytime snacks (relevant market size Rs 60bn+) through *Cuppa* rice, *Kari Kari* and *Royal Heat & Eat*. It has also launched *Daawat* biryani kits in e-commerce and modern trade with a relevant market size of Rs 30bn.
- In the organic segment, LTFO has a strong network of 64,000 farmers in India and 15,000 in Africa. It has also made strategic investments in the Netherlands (Leev) and in Bonn Nature, a Uganda-based agri supply chain.
- To bolster the organic portfolio, management is focusing on product diversification, new distribution infrastructure and worldwide sourcing to fortify the supply chain. It is also looking at strategic acquisitions in the dry organic grains and cereals segments that have synergies with the existing portfolio.
- The company expects to double revenue from Europe by 2030 and to expand the EBITDA margin in this market to 8% from 6.4% now. Growth plans include launches in adjacent categories, including biryani kits, spices, lentils, cooking sauces and aids.
- LTFO has acquired a new facility in the UK covering 90,000sq ft for rice cleaning and packing. Commercial production is expected to commence by mid-2024.

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Note: Recommendation structure changed with effect from 21 June 2021

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