

Price: 381

Recommendation: Buy

Industry: Other Agricultural

Sector: Fast Moving Consumer Goods

Report Date: 22-Mar-2025

LT Foods Limited is strategically enhancing growth and profitability, reporting a 17% revenue increase in Q3 FY '25 to INR 2,288 crores. The company is expanding its ready-to-eat business, especially in the U.S., and aims for a 10% revenue mix from higher-margin products by FY '29. With a focus on organic growth, LT Foods plans to build this segment to INR 1,000 crores in five years. Investments in U.K. and U.S. facilities and a merger with Raghunath Agro Industries are underway.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4081 Cr	Operating Profit(Year)	264 Cr	Operating Profit Margin	6.47 %
Previous Year	3915 Cr	Operating Profit(Quarter)	64.3 Cr	EBITDA Margin	6.57 %
Current Quarter	1044 Cr	PAT (Year)	159 Cr	Net Profit Margin	3.96 %
Previous Quarter	1016 Cr	PAT (Quarter)	62.3 Cr	EPS	6.16
Revenue (QYoY)	1058 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	61.9	Sales Growth	2.48 %	Sales Growth	2.76 %
PEG Ratio	2.65	PAT Growth	-0.62 %	Sales Growth QYoY	-1.32 %
EV/EBITDA	39.8	EPS Growth	33.91 %	PAT Growth	1.96 %
P/B	7.48	Dividend Yield	0.52	PAT Growth QYoY	51.21 %
Capital Allocation		Holdings		Leverage	
RoE	9.78 %	Promoter	51.0 %	Debt/Equity	0.07
RoA	7.33 %	FII	9.33 %	Debt	121 Cr
RoCE	13.6 %	DII	5.86 %	Market Cap	13241 Cr
RoIC	12.3 %	Public	33.8 %	Enterprise value	13151 Cr
		No of Shares	34.7 Cr	Cash Equivalents	211 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

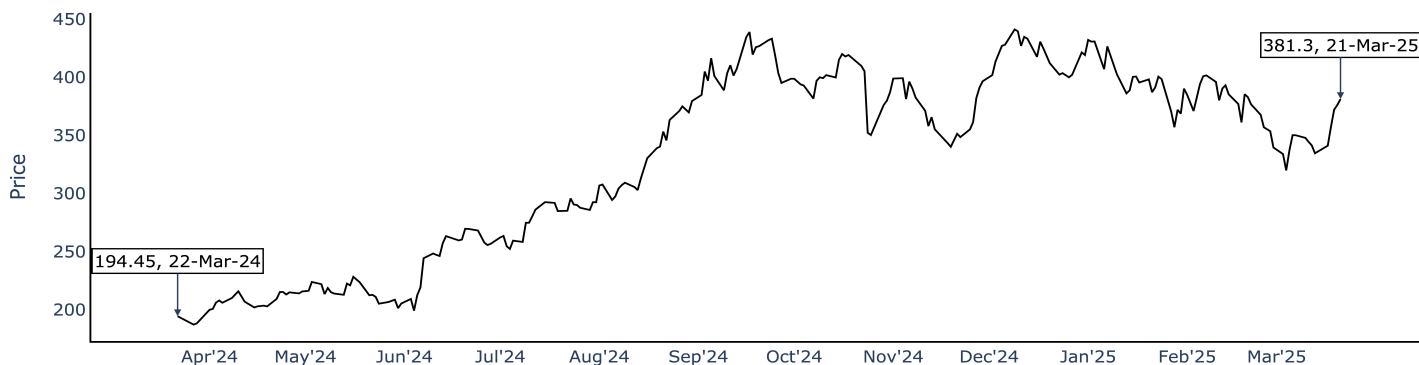
In the recent earnings call, LT Foods Limited highlighted several strategic initiatives and business strategies aimed at enhancing growth and profitability. The company reported a 17% increase in consolidated revenue for Q3 FY '25, reaching INR 2,288 crores, driven by increased sales across all segments. Gross profit grew by 22%, with a margin improvement of 125 basis points, attributed to favorable input prices. The company is focusing on expanding its ready-to-eat business, particularly in the U.S., where it is already profitable and growing at 26%. A new facility is being set up to support this growth. In India, the ready-to-eat segment is expected to break even in the next 3-4 years. The company is also targeting a revenue mix of 10% from higher-margin products by FY '29.

LT Foods is actively pursuing diversification and scaling opportunities. The organic segment is a key focus, with plans to build this business to INR 1,000 crores over the next five years, targeting an EBITDA margin of 14% plus. The company is also investing in its U.K. and U.S. facilities, with a capex plan of INR 150-200 crores for the next year. The U.K. facility is operational, and the U.S. facility is expected to be up by May next year. Additionally, LT Foods is working on a fast-track merger scheme to integrate Raghunath Agro Industries, enhancing its operational efficiency and market presence.

Looking ahead, LT Foods is optimistic about its growth prospects, with expectations of margin improvements driven by lower raw material and freight costs. The company anticipates a positive impact on margins starting in the second quarter of the next financial year. The focus remains on improving return on capital employed (ROCE), with an internal target to increase it to 25%. The company is also strategically managing its market share, opting to vacate less profitable segments while strengthening its position in premium segments.

While the company has shown strong revenue growth, there are areas for improvement. The EBITDA margin has remained relatively flat over the years, and the company is working to achieve its long-promised 14% margin. Freight costs have been a significant challenge, impacting profitability, but are expected to normalize in the coming quarters. The company is also addressing the impact of currency fluctuations on its export business. Overall, LT Foods is well-positioned for future growth, with a clear strategy to enhance profitability and market share.

LTFOODS Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Hatsun Agro	21219.00	73.69	17.02%	-3.01%	6.48%	-36.35%	-28.68%
Varun Beverages	181921.80	68.70	22.49%	-23.23%	38.28%	-70.12%	40.30%
Bikaji Foods	17466.31	62.48	24.73%	-5.17%	10.31%	-57.28%	-37.28%
Godrej Agrovet	14771.44	37.45	14.90%	0.04%	4.45%	14.68%	32.41%
L T Foods	13240.75	61.86	9.78%	2.72%	-1.36%	1.90%	51.23%

Aspect	Commentary
Revenue	The company shows a steady revenue increase, with a current year figure of 4081 Cr compared to 3915 Cr the previous year. Quarterly revenue also rose from 1016 Cr to 1044 Cr, indicating consistent growth. This upward trend reflects effective sales strategies and market expansion efforts, contributing to overall financial health.
Profit & Loss	Operating profit for the year stands at 264 Cr, with a quarterly figure of 64.3 Cr. The PAT for the year is 159 Cr, and 62.3 Cr for the quarter. These figures suggest stable profitability, though the annual PAT shows room for improvement. The company maintains a focus on cost management to enhance net earnings.
Profitability Matrix	Operating profit margin is 6.47%, with an EBITDA margin of 6.57% and a net profit margin of 3.96%. EPS is 6.16. These metrics indicate moderate profitability, with potential for margin improvement. The company may benefit from optimizing operational efficiencies to boost these figures.
Valuation Matrix	The trailing P/E ratio is 61.9, with a PEG ratio of 2.65 and EV/EBITDA at 39.8. The P/B ratio is 7.48. These valuation metrics suggest the company is priced at a premium, reflecting investor confidence but also indicating high expectations for future growth and profitability.
Growth (YoY)	Sales growth is 2.48%, with PAT growth at -0.62% and EPS growth at 33.91%. Dividend yield is 0.52. The negative PAT growth highlights challenges in maintaining profitability, while EPS growth suggests improved earnings per share, possibly due to share buybacks or cost efficiencies.
Growth (QoQ)	Sales growth is 2.76%, with a QYoQ decline of -1.32%. PAT growth is 1.96%, with a QYoQ increase of 51.21%. These figures show mixed performance, with strong quarterly PAT growth offsetting a slight sales decline, indicating effective cost control and operational adjustments.
Capital Allocation	RoE is 9.78%, RoA 7.33%, RoCE 13.6%, and RoIC 12.3%. These metrics reflect efficient capital use, with RoCE and RoIC indicating strong returns on invested capital. The company appears to be effectively allocating resources to generate shareholder value.
Holdings	Promoter holding is 51%, with FII at 9.33%, DII at 5.86%, and public holding at 33.8%. The shareholding pattern shows strong promoter confidence, with significant public participation, suggesting a balanced investor base and potential for stable market performance.
Leverage	Debt/Equity ratio is 0.07, with total debt at 121 Cr. Market cap is 13241 Cr, and enterprise value is 13151 Cr. Cash equivalents are 211 Cr. The low leverage indicates prudent financial management, with ample liquidity to support operations and potential growth initiatives.

Analyst viewpoint: LT Foods is a compelling investment opportunity due to its robust quarter-over-quarter growth metrics and strategic capital allocation. The company reported a commendable 17% increase in consolidated revenue for Q3 FY '25 driven by its expanding U.S.-based ready-to-eat business, with sales growth of 26% in that market. Such metrics underscore the effectiveness of its ongoing global expansion strategies and market positioning efforts. With strategic investments in U.K. and U.S. facilities and budgeted capex between INR 150-200 crores, LT Foods is set to capitalize on future growth opportunities. Valuation metrics, such as a trailing P/E ratio of 61.86, reflect high investor expectations for continued profitability and market share expansion.

Moreover, the company's efficient capital allocation is evident with a return on equity (RoE) of 9.78% and RoCE of 13.6%, highlighting effective resource use. In peer comparisons, LT Foods demonstrates a solid performance with favorable PAT growth and a debt/equity ratio of 0.07, indicating prudent financial management. However, investors should note the EBITDA margin, which has been relatively flat, presenting a potential area for improvement. This aligns with LT Foods' ongoing efforts to optimize operational efficiencies and enhance profitability against modest freight cost challenges expected to stabilize in coming quarters.

Please read detailed disclosure on next page.

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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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