



# Stock Update

## LT Foods Limited

December 30, 2024



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Rice Processing	Rs 403	Buy in Rs 395-412 band and add on dips in Rs 348-365 band	Rs 447	Rs 488	2-3 quarters

HDFC Scrip Code	LTFOODEQNR
BSE Code	532783
NSE Code	LT Food
Bloomberg	LTO.IN
CMP December 27, 2024	403
Equity Capital (Rs Cr)	34.7
Face Value (Rs)	1.0
Equity Share O/S (Cr)	34.7
Market Cap (Rs Cr)	13,987
Book Value (Rs)	105.0
Avg. 52 Wk Volumes ('000)	1281
52 Week High	448.0
52 Week Low	160.0

Share holding Pattern % (Sep, 2024)	
Promoters	51.0
Institutions	13.8
Non Institutions	35.2
Total	100.0



\* Refer at the end for explanation on Risk Ratings

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### Our Take:

LT Foods Ltd. (LTFL) is one of the leading branded Basmati rice companies with over 70 years of experience in offering a diverse range of rice products under brands, Daawat and Royal. It has been one of the most successful Basmati rice players in the US & EU markets. 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. The number of households consuming LT Foods products grew by an impressive 11 to reach 50 Lakh+ households in India in FY24.

It mainly operates in 4 business segments – (1) Consumer- B2C Branded Basmati business under company’s two flagship brands – a) “Daawat” Basmati and its sub-brands in India and Overseas markets b) Its brand “Royal” is No. 1 selling basmati brand in US and commands a 50%+ market share. (2) Institutional- B2B is company’s oldest business wherein the company caters to the HORECA segment and has strong private label partnerships with large global retailers. (3) Organic portfolio in which the company manufactures and exports organic Agri ingredients like rice, pulses, oil seeds, cereal grains, spices and nuts to Europe and US under the brand “Ecolife” and has also launched these products in Indian market. (4) Value added products which includes the company’s health and convenient foods business under which it sells products like Ready to Heat “Daawat Cuppa Rice”, “Daawat” saute sauces, Daawat Biryani Kit and Kari Kari (Japanese Rice Snacks).

In North America, LTFL’s flagship brand Royal® now commands a 55% market share, while its brand 'Golden Star' has become #1 Jasmine rice brand in the North America. In Northern Europe, LTFL’s market share stands at 30%. In the Middle East, its market share has increased to 9.8%, gaining 320 bps in Q2FY25. In the Far East, its brand DAAWAT® witnessed ever highest sales in Australia, New Zealand and Indonesia. The company also recently announced its official entry into Saudi Arabia with the inauguration of a new office in Riyadh, to tap the \$2.0 bn rice and rice based food market in Kingdom of Saudi Arabia (KSA). The move is part of the company’s strategic vision of expanding its global footprint to newer geographies. The new office will act as a hub for LTFL’s regional operations, enabling the company to leverage its deep expertise in rice and rice-based food products. LTFL plans to invest SAR 185 mn in warehousing, stocks, and people over the next five years in the Kingdom. It is eyeing a revenue of SAR 435 mn over the next five years.

For its Organic Food and Ingredient segment, LTFL has set up a manufacturing facility in Uganda to mitigate the impact from levy of anti-dumping duty on the soymeal. Furthermore, the company is expanding its procurement to countries like Turkey, Egypt, Uganda, Brazil, Costa Rica, Cambodia and Thailand. We believe that introduction of additional product offerings and the exploration of new geographical markets should drive revenue expansion, going forward.

We had issued a [pick of the week](#) report on LT Foods on July 15, 2024; and both the targets were achieved within our investment horizon. We are positive on the company, given the continued growth of its core brands, diversified product portfolio and growth potential of its newly launched products.

### Valuation & Recommendation:

LTFL's revenue/PAT have grown at ~17%/34% CAGR over FY20-24. Going forward, we are positive on the future growth prospects of LTFL which is mainly on the back of its robust distribution network, strong brand equity and constant endeavor 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. Expected favourable policy changes and the set-up of new facility in UK could drive revenues and margins going forward.

While the industry witnessed slowdown in FY24 due to increased rice prices and government's ban on exports, the recent announcements from the government such as removal of MEP on basmati exports and blanket ban on export of non-basmati rice is expected to drive revenue growth in FY25. Moreover, softening of RM prices is expected to result in improved margins, which could be partially offset by increased freight costs. In our view, LTFL's revenue and PAT is likely to record a growth of 12% and 17% CAGR over FY24-26E. The stock could get further rerated over time.

**We believe investors can buy the stock in Rs 395-412 band (17.5x FY26E EPS) and add on dips in Rs 348-365 (15.5x FY26E EPS) band for a base case fair value of Rs 447 (19.25x FY26E EPS) and bull case fair value of Rs 488 (21.0x FY26E EPS) over the next 2-3 quarters.**

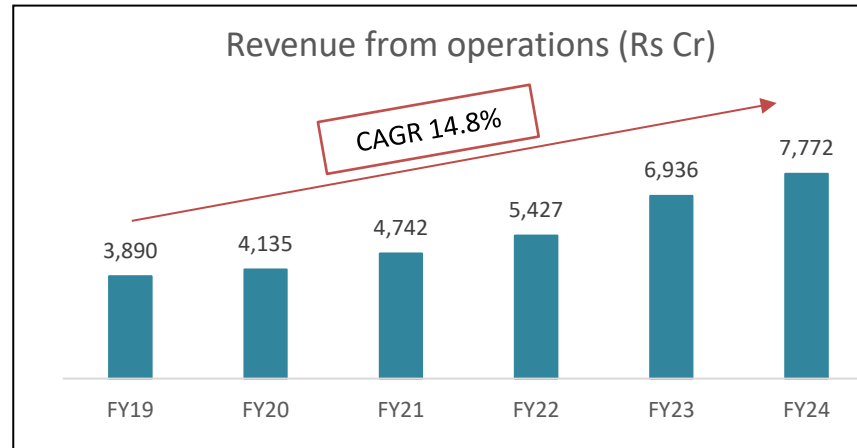
### Financial Summary:

Particulars (Rs cr)	Q2FY25	Q2FY24	YoY-%	Q1FY25	QoQ-%	FY22	FY23	FY24	FY25E	FY26E
Operating Income	2108	1978	6.6%	2071	1.8%	5427	6936	7772	8643	9680
EBITDA	229	241	-4.7%	241	-4.8%	597	701	938	1072	1220
APAT	148	156	-4.9%	153	-3.1%	292	403	593	677	796
Diluted EPS (Rs)	4.3	4.5	-4.9%	4.4	-3.2%	9.1	11.6	17.1	19.5	22.9
RoE-%						15.6	16.9	19.4	18.4	18.3
P/E (x)						44.1	34.8	23.6	21.6	17.4
EV/EBITDA (x)						23.3	19.7	14.7	13.1	10.6

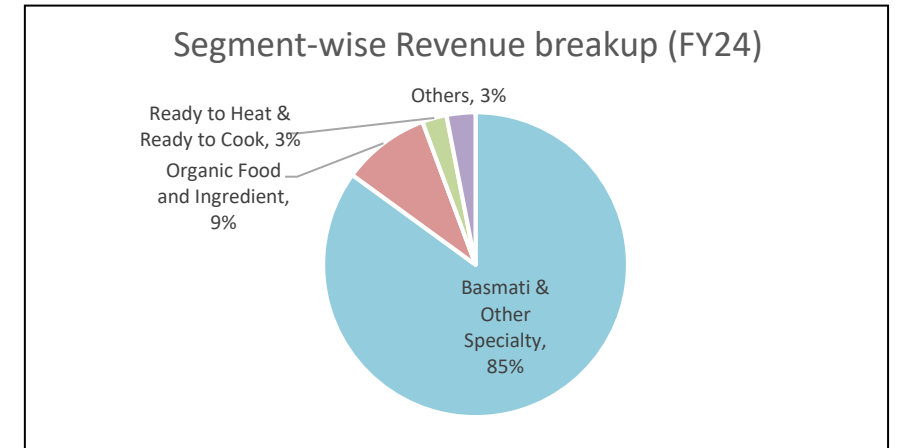
(Source: Company, HDFC sec)

## Charts in Focus

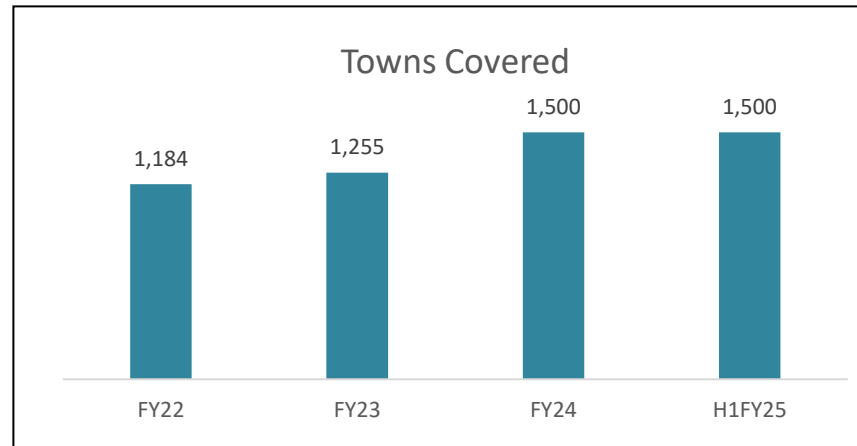
Revenue has grown at an impressive 15% CAGR between FY19-24



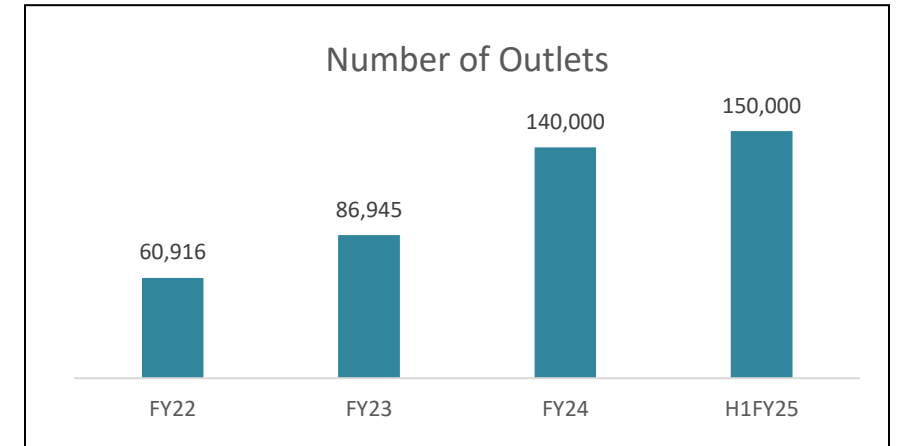
Basmati & Other speciality continues to dominate revenue mix







Increasing geographical reach aiding sales growth



Increasing retail presence to strengthen brand recall

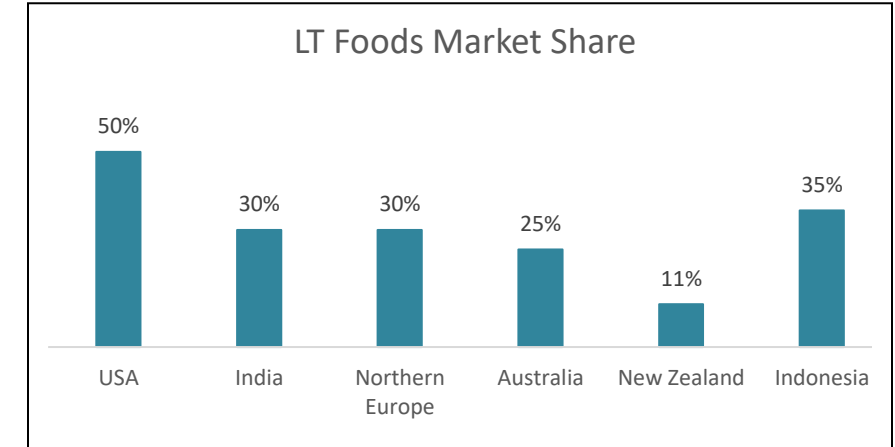


## Global basmati market presents huge growth opportunity

				
<b>Our market share</b>	50%+	30%+	2.1%+*	20%+
<b>Basmati rice market size(Crs)</b>	6000+	24,000+	30,000+	6,000+
<b>Expected Industry CAGR</b>	10-12%	7-9%	3-4%	4-6%

\*Total share in middle east market ,9.8% share in premium segment market

## Commanding market share with strong brand presence globally



(Source: Company, HDFC sec)

### Q2FY25 Result Update

LTFL reported a mixed bag of results in Q2FY25 with revenue growing by 6.6% YoY on account of strong volume growth in Basmati and other speciality segment and traction in convenience and health segments. Gross profit increased by 16.7% YoY and gross profit margins expanded by 29 bps YoY on account of reduced input costs. However, increase in freight costs due to the Red Sea crisis (6.6% of revenue in H1FY25 vs 4.8% in H1FY24) resulted in EBITDA de-growth of 4.7% YoY during the quarter. EBITDA margin contracted by 13 bps YoY. Freight costs are expected to normalize from Q4FY25 onwards. PAT declined 4.9% YoY during the quarter.

**Basmati & Other Speciality** – The segment posted a robust volume growth of 7.3% in Q2FY25 and 12.8% for H1FY25. Revenue grew by 10.2% YoY to Rs 1,851 cr in Q2FY25 on the back of continued investments in marketing initiatives to further strengthen brand recall, resulting in increased market share. EBITDA margin for the segment contracted by 200 bps YoY to 12.0% in Q2FY25. Basmati & Other Speciality segment continues to dominate LTFL’s revenue mix with 87.8% share in revenue (84.9% in Q2FY24). The company’s flagship brand Daawat® has an impressive 30% market share in India.

**Organic Food and Ingredients** – The segment’s revenue grew at 48.8% YoY in Q2FY25 to Rs 238 cr despite being impacted by the anti-dumping duty levied on import of organic soya in the US. EBITDA margin improved by 138 bps YoY to 12.0% and EBITDA grew by 68.0% YoY to Rs 29 cr in Q2FY25. The segment contributed 11.3% to LTFL’s Q2FY25 revenue. The company has set up a manufacturing facility in Uganda to mitigate the impact from levy of anti-dumping duty on the soymeal. It is also looking into expanding its procurement to countries like Turkey, Egypt, Uganda, Brazil, Costa Rica, Cambodia and Thailand.

**Ready-to-eat and Ready-to-cook** – The segment reported a 13.7% YoY revenue de-growth as the company discontinued Daawat® Sehat. The segment comprises of Royal Ready-to-Heat (in the U.S.), Daawat® Cuppa Rice, Daawat® Sauté Sauces and Kari Kari (Japanese Rice Snacks). The segment accounted for ~2.1% of the company's revenue in Q2FY25. LTFL continued to witness strong traction in products like Daawat® Biryani Kit, Royal Cilantro and Kari Kari, aided by deeper consumer reach and expanded presence in emerging channels.

LTFL's performance highlights its strategic focus on brand building, innovation, distribution and expansion. During the quarter LTFL launched DAAWAT® Jasmine Thai Rice (Thai Hom Mali), making it the first Indian-origin global FMCG company to introduce international rice varieties to India. This is part of LTFL's ongoing effort to diversify and stay aligned with evolving consumer preferences. The company's leadership in E-commerce space is evident with over 40% market share across 5 out of 6 E-Commerce platforms.

## Key Drivers

### ***Slew of measures from the Indian government, promoting rice exports***

India is one of the largest producers of Basmati rice, with stiff competition from Pakistan. India is the world's largest rice exporter, accounting for nearly 40% of global rice trade and holding a 65% market share in the Basmati sector. In FY24, the domestic price of rice in India surged to a record high as the kharif rice output was expected to be low due to unfavorable weather conditions because of El Niño patterns and a high demand for rice globally. To control domestic surges in rice prices, the Indian government put certain measures in place, like banning the export of white non-Basmati rice, imposing a 20% export duty on the export of par-boiled non-basmati rice and minimum export price (MEP) on Basmati exports. The export of broken rice has been banned since 2022-2023. Due to these export restrictions, the volume of Indian rice exports declined by 27% to 16.4 mn in FY24 vs. 22.35 mn tonnes in FY23.

In September 2024, GOI announced removal of \$950/tonne minimum export price on basmati rice. This is expected to spur a flurry of orders from the Middle East, Europe, and the Americas in the upcoming quarters. This policy change has enabled Indian exporters to offer basmati rice at more competitive prices globally, which is likely to drive higher export volumes. The government further removed the blanket ban on overseas shipments of non-basmati white rice and imposed a minimum export price (MEP) of \$490 per tonne. Exports of non-basmati white rice was banned since July 20, 2023, to boost domestic supply. The government also recently reduced the export duty on parboiled rice to 10% from 20% with an aim to ease storage burden and boost India's rice exports in the global markets. These measures are expected to benefit players like CLSEL, whose majority of the revenue comes from exports and with export realizations being higher than domestic, margins are also expected to improve, going forward.

### ***New UK facility to drive sales in UK***

LTFL has inaugurated a new state-of-the-art facility in the United Kingdom (U.K.). With this new facility, LT Foods is set to revolutionize the rice market in the U.K. and meet the growing demand for authentic and premium rice and rice-based food products. To ensure consumers experience the finest quality of rice and rice-based food products from the trusted brands of LT Foods, the facility will house the latest technology and state-of-the-art infrastructure. Located in Harlow, the new facility is spread over an area of an impressive 100,000 square feet. This location offers strategic advantages, allowing LT Foods to efficiently serve the U.K. market. To provide a diverse range of options to meet varying consumer demands, the facility will offer both branded and private-label products.

The rice and rice-based food market in the U.K. is worth around £ 1 bn. To tap this opportunity, LT Foods has made an initial investment of £ 7 mn in this new facility with a commitment of further investment upto £ 50 mn in the coming years. The company is expecting annual revenue to the tune of £ 50 mn over the next 2 years, with a targeted £ 100 mn within the next 5 years. The company will also provide employment opportunities to local talent. The company has already partnered with 4 leading retailers in the U.K. with plans to further scale this up. Moreover, the facility boasts a production capacity of 60,000 tonnes of rice per annum, setting the stage for substantial growth in the coming years.

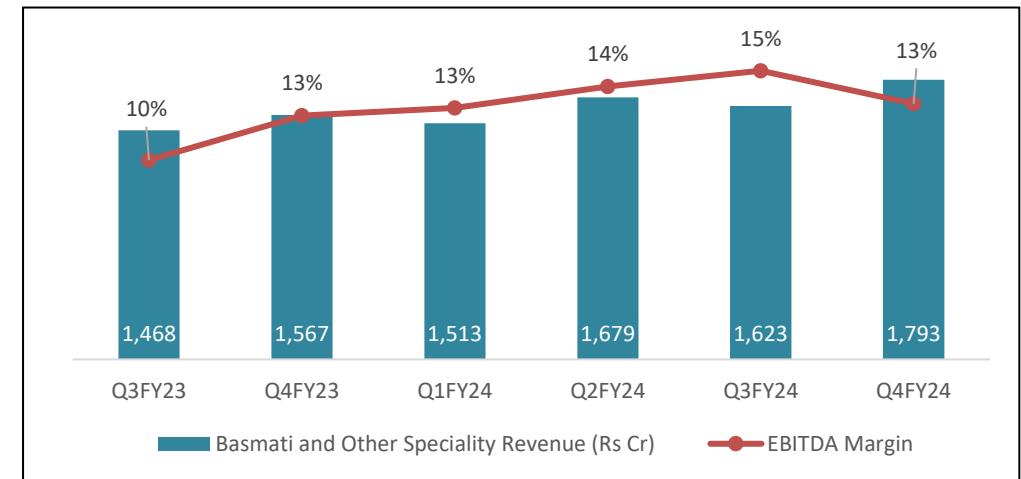
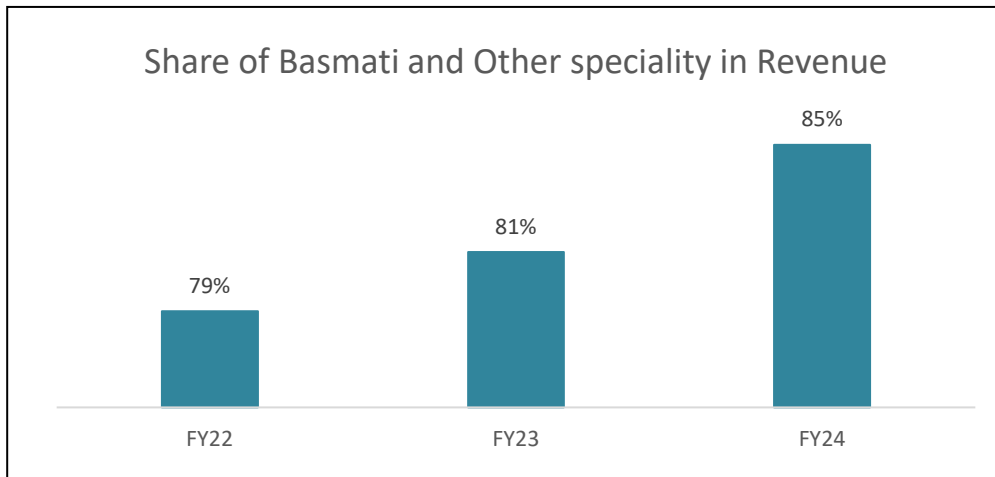
**Core brands continue to be pillars of strength for the company**

LTFL’s flagship brands Daawat® and Royal (USA) for basmati rice continue to drive market share gains driven by increasing consumption of Basmati rice in and outside India. The brands have further headroom from growth owing to shift in consumption from non-branded to branded Basmati rice, increasing popularity of speciality rice and shift in consumer’s preference from lower price point to higher price point products with the rise in per capita income. Royal basmati rice enjoys a leadership position in the US with a close to 50% market share and witnessed 210% YoY growth in revenue in FY24 as compared to category growth of 17%. The Indian Government’s move to ban the export of non-Basmati white rice has further aided the demand for export of basmati rice from India. Basmati remains the only premium grain with a growth in consumption of around 6-7% in volume terms with an ongoing shift in consumption from non-Basmati to Basmati rice. The overall Basmati and other speciality rice segment for the company is expected to grow at c.10% CAGR between FY25-29.

Within the Speciality and Jasmine rice category, LTFL strengthened its position in the US with acquisition of 51% stake in Golden Star Trading Inc. in March 2022. In FY24, Golden Star 10 lbs became the #1 Jasmine rice 10 lb brand in the US and Golden Star 2 lbs Jasmine grew from #8 brand to #3 brand. Golden star has grown at 30.8% as compared to category growth of 11.6% in FY24. 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.

*Basmati and Speciality Rice remains core strength*

*Basmati and Other speciality segment has grown at a robust pace*



(Source: Company, HDFC sec)

## ***Investments in new and innovative products to provide additional levers for growth***

Since FY22, the company has made investments in launching a host of innovative products across various geographies through both organic and inorganic route. Some of these launches in the convenience and health segment include:

- ‘Kari Kari’, a Rice-Based Snack in joint venture with Japanese conglomerate Kameda Seika
- Ready-to-Heat (Microwave Heat & Eat) rice with unique blend of spices and seasonings in the US Market under ‘Royal’ brand
- Daawat Cuppa Rice which are Ready-to-eat rice meals
- Daawat Biryani Kits that enables consumers to make authentic biryani under 30 min at home. Biryani kits recorded sales of Rs 5.47 cr in FY24

For Kari Kari snack, the company rapidly increased its presence across channels and is selling in Delhi, Punjab, Haryana, Uttar Pradesh, Maharashtra, Karnataka, Telangana, West Bengal, Assam, Manipur and Sikkim, with plan is to expand it to other states as well. The robust growth in demand in India market paved the way for expansion of this product in the international markets. In FY22, the company also started export of Kari Kari to Australia, UAE, North East and Nepal. According to the management, the launch has been very well accepted by the consumers in these geographies and there have been repeat orders.

With rise in income levels and increasing urbanization, the demand for ready to heat and ready to cook products is expected to rise at an exponential CAGR of 33%-35% between FY25-29. The company aims to leverage its brand equity and presence in more than 80 countries to enhance engagement with mainstream retailers and ethnic channels to strengthen brand positioning and increase its market share globally.

## ***Investment in new and innovative products to drive future growth***



(Source: Company, HDFC sec)



## India business on a strong footing

While exports continue to garner the dominant share in the company's primary Basmati rice business, in recent years, LTFL has also increased efforts to garner market share in the Indian market by focusing on expansion of its distribution network in the country and on creating greater brand recall by increased spends on marketing and consumer acquisition. LTFL enjoys dominant market share in 7 key states for Basmati consumption. The India business for the company has grown CAGR of 31.5% in terms of revenue and 20.5% in terms of volume over the last 3 years. The company currently has 30.1% market share in the country and aims to further increase it to 33% over the next 5-6 quarters on the back of shift in consumer preferences towards a relatively premium and better quality basmati rice with the rise in per capita income. The India business is expected to continue growing at around 15% CAGR, higher than the International piece's 8-10% CAGR over the next few years, resulting in an increased contribution of the India business towards the company's revenue, going forward.

## Strategic Partnership with Saudi Agricultural and Livestock Investment Company (SALIC)

LTFL has concluded its strategic transaction with SALIC. SALIC now hold 9.22% equity stake in LTFL through its primary (Rs.142.23/share) and secondary investment of Rs 455.5 cr. According to the management, this transaction reflects a successful collaboration and partnership between LT Foods and SALIC as the equity injection 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. On the other hand, it will enable SALIC to have greater exposure to the Specialty Rice sector and secure larger quantities of Specialty Basmati Rice to Kingdom of Saudi Arabia. In a related transaction, LT Foods purchased a 29.52% equity stake in subsidiary, Daawat Foods Ltd., from SALIC which was acquired in February 2020 through its subsidiary 'United Farmers Investment Company'. LT Foods acquired this stake for Rs 175.8 cr and after the conclusion of the transaction it will hold 100% equity stake in Daawat Foods.

The Middle east remains the fastest growing market for the company with revenue growth of 54% YoY in FY24 and 7% market share in terms of volume. The company aims to further increase penetration of its flagship brands within the region.

## Financial Summary

LTFL's has delivered a healthy revenue growth of CAGR 17.1% over FY20-24 aided by its consistent focus on high margin branded export segment. Going forward, we are expecting the company to report a revenue CAGR of 11.9% over FY24-26E. Its EBITDA and PAT grew by CAGR 19%/34% respectively over FY20-24. Going forward, we expect its operational performance to improve whereby its EBITDA and PAT likely to grow at CAGR 14.6% and 16.6% respectively over FY24-26E.

In FY24, LTFL's revenue grew by 12.1% YoY on the back of superior product mix, higher investment in marketing the brands and distribution expansion. The company's Basmati and Other Specialty rice business for FY24 grew by 17% on a YoY basis on account of increased investment in brand and marketing. In its Organic segment, in FY24 the company witnessed a slight de-growth of 8% on a YoY basis as compared to FY23. This was due to anti-dumping duty on the import of Organic Soya in the U.S. RTE/RTC revenue increased by 23% YoY and stood at Rs. 202 cr in FY24. The number of households consuming LT Foods products grew by 10.2% (vs. branded package rice growth of 2.8%) to reach 50.22 Lakh households.

Internationally, LTFL's flagship brand, Royal®, continues to commands ~55% market share in the United States (U.S.). In the Middle East, LTFL reported a growth of 42%. In Europe, LTFL delivered growth of 11%. Globally, its premium segment grew by 9.7% during FY24.

On the working capital side, LTFL being a branded player in premium quality basmati rice business is required to go through a long paddy aging process which takes at least 15-20 months. Most of its products goes through an aging process of at least 18-24 months of harvested paddy. This is a highly working capital intensive process which has been the main reason the company has a working capital heavy business model. Despite a working capital intensive business model, LT Foods has been able to consistently generate free cash flows thereby reducing its net debt from 3.6x in FY15 to 0.3x in FY23. LTFL aims is to maintain the debt/EBITDA ratio between 1x to 2x. It's currently at 0.9x.

The company continues to solidify its position further in the core Basmati and Specialty Rice segment and aims to strengthen our presence in the Organic Food and ingredients and RTE & RTC segment through innovative product offerings and increase in geographical and distribution reach.

## Risks & Concerns:

**Volatility in raw material prices:** 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.

**Geopolitical risk or trade restrictions on import from India:** LTFL has 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.

**Inability to scale-up Non-Rice business like new value-add business and Organic ingredients exports:** The company expects its Non-Rice business to grow significantly higher than rest of the business over next 4-5 years. In case if it's unable to scale this segment there can be an impact on overall revenue growth resulting in lower than expected earnings growth.

**Exposure to foreign exchange risk** - As exports constitute a significant percentage of the turnover, the company remains exposed to currency fluctuations to the extent of unhedged exposure. However, it has a well-defined treasury risk management policy in place to reduce any impact of fluctuation in foreign exchange rates through EPC limits and forward cover.

## Company Background

LT Foods Ltd. (LTFL) is into Consumer Food business for the last 70 years, a leading player in the specialty rice and rice food products and organic business across the globe, delivering the finest quality and taste experiences in more than 60 countries. The Company portfolio includes a range of power brands that include Daawat- one of India's consumed Basmati brands, Royal- North America's no. 1 Basmati player and other regional leading brands. LTFL is expanding its organic play by supplying organic food ingredients to leading businesses as well as offering organic staples to consumers in markets across the globe. The company has an integrated "Farm to Fork" approach with well-entrenched distribution network with global supply chain hubs backed by automated state-of-the art and strategically located processing units in India, the US and Europe, and a robust distribution network with 1,400+ distributors across globe.

## Peer Comparison

Company	Mcap (Rs cr)	Revenue				EBITDA Margin				APAT				RoE			
		FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
LT Foods	13,987	4742	5427	6936	7772	12.0	11.0	10.1	12.1	274	292	403	593	16.9	15.6	16.9	19.4
KRBL	6,707	3992	4211	5363	5385	20.6	15.3	17.4	14.0	559	447	695	564	16.4	11.8	16.0	12.5
Chamanlal Setia	2,047	851	932	1387	1355	13.8	10.2	11.5	11.9	82	65	118	1166	26.3	17.1	23.1	17.5

(Source: Company, HDFC sec)

## Financials

### Income Statement

Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>5427</b>	<b>6936</b>	<b>7772</b>	<b>8677</b>	<b>9740</b>
<b>Growth (%)</b>	<b>14.5</b>	<b>27.8</b>	<b>12.1</b>	<b>11.6</b>	<b>12.3</b>
Operating Expenses	4831	6235	6835	7647	8508
<b>EBITDA</b>	<b>597</b>	<b>701</b>	<b>938</b>	<b>1029</b>	<b>1232</b>
<b>Growth (%)</b>	<b>5.3</b>	<b>17.5</b>	<b>33.8</b>	<b>9.8</b>	<b>19.7</b>
<b>EBITDA Margin (%)</b>	<b>11.0</b>	<b>10.1</b>	<b>12.1</b>	<b>11.9</b>	<b>12.7</b>
Depreciation	123	127	153	184	195
Other Income	23	43	50	52	58
<b>EBIT</b>	<b>497</b>	<b>617</b>	<b>835</b>	<b>898</b>	<b>1095</b>
Interest expenses	69	82	83	87	75
<b>PBT</b>	<b>428</b>	<b>535</b>	<b>752</b>	<b>811</b>	<b>1020</b>
Tax	114	140	203	214	268
<b>PAT</b>	<b>314</b>	<b>395</b>	<b>549</b>	<b>597</b>	<b>752</b>
Share of Asso./Minority Int.	-22	8	45	51	55
<b>Adj. PAT</b>	<b>292.2</b>	<b>402.7</b>	<b>593</b>	<b>648</b>	<b>807</b>
<b>Growth (%)</b>	<b>6.6</b>	<b>37.8</b>	<b>47.3</b>	<b>9.1</b>	<b>24.5</b>
EPS	9.1	11.6	17.1	18.6	23.2

### Balance Sheet

Particulars (in Rs Cr) - As at March	FY22	FY23	FY24	FY25E	FY26E
<b>SOURCE OF FUNDS</b>					
Share Capital	32	35	35	35	35
Reserves	1966	2722	3337	3915	4652
<b>Shareholders' Funds</b>	<b>1998</b>	<b>2757</b>	<b>3372</b>	<b>3950</b>	<b>4687</b>
Minority Interest	151	40	55	59	64
Total Debt	1061	938	917	707	547
Net Deferred Taxes	1	2	2	2	2
<b>Total Sources of Funds</b>	<b>3210</b>	<b>3736</b>	<b>4346</b>	<b>4719</b>	<b>5301</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	905	995	1160	1106	999
CWIP	35	27	41	16	8
Investments	25	127	183	338	608
Other Non-Curr. Assets	227	224	265	278	312
<b>Total Non Current Assets</b>	<b>1192</b>	<b>1372</b>	<b>1650</b>	<b>1738</b>	<b>1927</b>
Inventories	2352	3072	3498	3851	4269
Debtors	611	674	676	832	934
Cash & Equivalents	39	39	50	43	130
Other Current Assets	165	162	171	190	213
<b>Total Current Assets</b>	<b>3167</b>	<b>3948</b>	<b>4394</b>	<b>4916</b>	<b>5546</b>
Creditors	703	1093	1230	1331	1494
Other Current Liab & Provisions	446	491	468	604	678
<b>Total Current Liabilities</b>	<b>1149</b>	<b>1584</b>	<b>1698</b>	<b>1935</b>	<b>2172</b>
Net Current Assets	2018	2364	2697	2981	3374
<b>Total Application of Funds</b>	<b>3210</b>	<b>3736</b>	<b>4346</b>	<b>4719</b>	<b>5301</b>

## Cash Flow Statement

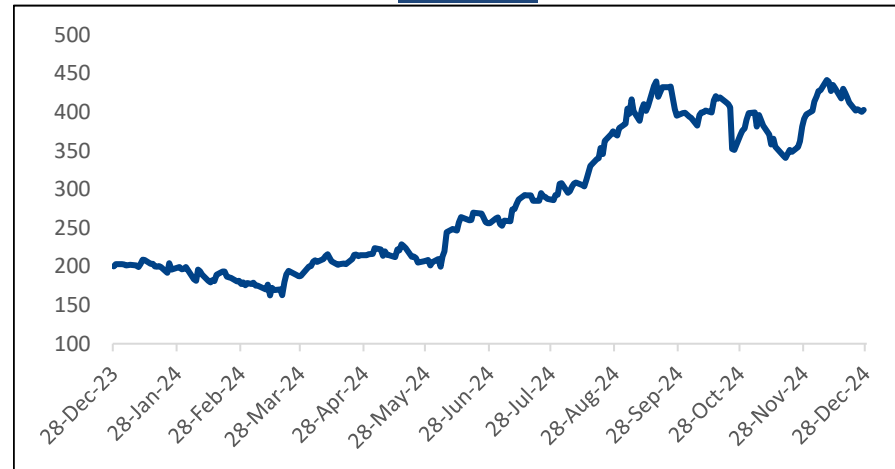
Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	563	563	801	811	1,020
Non-operating & EO items	12	-45	-47	147	2
Interest Expenses	68	82	83	87	75
Depreciation	123	127	153	184	195
Working Capital Change	-1	-339	-80	-450	-343
Tax Paid	-107	-129	-152	-214	-268
<b>OPERATING CASH FLOW ( a )</b>	<b>517</b>	<b>258</b>	<b>757</b>	<b>564</b>	<b>682</b>
Capex	-152	-144	-201	-105	-80
Free Cash Flow	366	115	556	459	602
Investments	-1	-252	-2	-100	-210
Non-operating income	8	1	2	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>-145</b>	<b>-395</b>	<b>-201</b>	<b>-205</b>	<b>-290</b>
Debt Issuance / (Repaid)	-235	-112	-374	-210	-160
Interest Expenses	-47	-73	-72	-87	-75
FCFE	91	-321	109	62	156
Share Capital Issuance	0	382	0	0	0
Others	-43	-45	-57	0	0
Dividend	-32	-16	-35	-69	-69
<b>FINANCING CASH FLOW ( c )</b>	<b>-358</b>	<b>136</b>	<b>-538</b>	<b>-366</b>	<b>-305</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>15</b>	<b>0</b>	<b>17</b>	<b>-7</b>	<b>87</b>

## Key Ratios

Particulars	FY22	FY23	FY24	FY25E	FY26E
<b>Profitability Ratios (%)</b>					
EBITDA Margin	11.0	10.1	12.1	11.9	12.7
EBIT Margin	9.2	8.9	10.7	10.3	11.2
APAT Margin	5.4	5.8	7.6	7.5	8.3
RoE	15.6	16.9	19.4	17.7	18.7
RoCE	16.3	18.3	20.9	20.1	22.1
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	1.7	1.3	0.9	0.6	0.3
Net D/E	0.5	0.3	0.3	0.2	0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	9.1	11.6	17.1	18.6	23.2
CEPS	13.0	15.3	21.5	23.9	28.9
BV	62.5	79.4	97.1	113.7	135.0
Dividend	1.0	1.0	1.5	2.0	2.0
<b>Turnover Ratios (days)</b>					
Debtor days	37	34	32	32	33
Inventory days	154	143	154	155	152
Creditors days	41	47	55	54	53
<b>VALUATION (x)</b>					
P/E	44.1	34.8	23.6	21.6	17.4
P/BV	6.5	5.1	4.2	3.5	3.0
EV/EBITDA	23.3	19.7	14.7	13.1	10.6
EV / Revenues	2.6	2.0	1.8	1.6	1.3
Dividend Yield (%)	0.2	0.2	0.4	0.5	0.5
Dividend Payout	10.9	8.6	8.8	10.7	8.6

(Source: Company, HDFC sec)

Price chart



(Source: Company, HDFC sec)

## HDFC Sec Retail Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

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This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclical of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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