

LT Foods Ltd. – Investment BUY Call Thesis

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 23 Sept 2026

CMP -> 421

Buying Range -> up to 429

Upside Potential-> 15%

Investment Horizon -> 6 to 9 Months

Target price -> 484

1. Business Architecture, Segment Breakdown, Product Portfolio and Global Footprint

1. Integrated "Farm-to-Fork" Value Chain & Core Rice Segment : LT Foods Limited operates an integrated "farm-to-fork" supply chain model built over seven decades, transforming specialty grains from commoditized agricultural produce into high-margin consumer packaged brands. The core Basmati & Specialty Rice engine accounts for 87–88% of group revenue (INR 9,742 cr in FY26, up 29% YoY with 12% volume growth), procuring raw paddy across 300-plus mandis from over 375,000 farming families. The grain undergoes controlled-atmosphere silo aging for a minimum of 12 months to enhance aroma and elongation before milling across processing plants in India, the US, the UK, the Netherlands and Uganda. LT Foods operates total Indian milling capacity of 2,190 tonnes per day at an 85% utilization rate (aggregate Indian milling capacity ~8 lakh tonnes and packing capacity ~8–9 lakh tonnes). Flagship brand Daawat holds a 23.7% market share in India, while Royal commands over 60% of the US Basmati import market, supported by 817 Elephant in Canada and total export leadership representing 50% of India's Basmati exports.

2. Organic Platform, Convenience Portfolio & Innovative Product Launches: The company's operations span three business engines: Specialty Rice, Organic Foods & Ingredients and Ready-to-Heat / Ready-to-Cook (RTH/RTC) convenience foods. The Organic segment, managed via wholly owned Nature Bio Foods Limited, controls over 110,000 hectares of certified organic farmland and 80,000 farming families across 25 countries under Sustainable Rice Platform (SRP) Level 3 verification. Nature Bio Foods holds dominant export shares from India—78% in organic rice, 85% in organic flour and 52% in organic pulses. The convenience portfolio includes RTH pouches under Royal, RTC biryani kits and Kari-Kari roasted rice crackers via a joint venture with Japan's Kameda Seika. Product innovation has accelerated with launches including DAAWAT Saffron Basmati (infused with Jammu & Kashmir saffron), I'm Organic range (featuring QR-code supply chain traceability), Quick Cooking Black & Red Rice (500g), Biryani Masala Paste, Thai Green Curry Kit in the UAE and Royal Cuban Black Beans & Rice RTE.

3. Geographic Distribution, Strategic Subsidiaries & Digital Backbone: LT Foods distributes branded products across more than 80 countries, providing geographic diversification where North America contributes 48% of revenue, India 29%, Europe 15% and Middle East & Rest of World 8%. To support global scale, LT Foods established LTF Global Investments LLC in Dubai as a Strategic Management Office for international operations and incorporated an Australian subsidiary in June 2026. The company serves as a direct proxy for packaged staple adoption, domestic FMCG premiumisation, modern trade/quick-commerce growth and sustainable organic agriculture. Operational execution is supported by an advanced digital backbone featuring AI-powered demand planning (which cut forecasting errors by >25%), O9 planning systems in the Americas, SAP Mandi Portal, Digital Control Tower, AI-enabled Sales Force Automation (SFA/DMS) and Biryani GPT for consumer engagement.

2. Financial Performance Snapshot, Operating Margins & Return Ratios

1. Q1 FY27 & Q4 FY26 Profitability Acceleration: In Q1 FY27, LT Foods delivered top-line and bottom-line expansion, recording consolidated revenue of INR 3,161 cr, representing a 26% YoY increase (19% on a normalized basis). Gross profit for the quarter rose 19% YoY to INR 1,029 cr (gross margin of 32.6%). Operating EBITDA expanded 20% YoY to INR 363 cr with an EBITDA margin of 11.5% (moderated from 12.1% due to organic segment remodeling). Profit After Tax (PAT) expanded 9% YoY to INR 183 cr with an EPS of INR 5.3 (up 9% YoY). Sequentially (QoQ), performance accelerated with revenue up 8%, EBITDA up 21% and PAT expanding 35%. In Q4 FY26, the company generated revenue of INR 2,938 cr, EBITDA of INR 300 cr and PAT of INR 136 cr, demonstrating sequential recovery following global freight and tariff realignments.

2. FY26 Full-Year Baseline & Operational Resilience Under Shocks: For the full year FY26, LT Foods achieved record consolidated revenue (including other income) of INR 11,023 cr, up 26% reported and 19% normalized (excluding US tariff pass-throughs). Consolidated EBITDA expanded to INR 1,236 cr, while PAT stood at INR 625 cr. Management chose to "strengthen the franchise" over optimizing short-term quarter earnings amidst tariff escalations and ocean freight spikes. Full-year normalized gross margin stood at 33.5% (impacted by paddy costs rising 7–8% YoY), while normalized EBITDA margin moderated to 11.8% due to elevated brand marketing investments and organic segment restructuring.

3. Return Ratios, Margin Guidance & Management Outlook: Capital efficiency remained robust with a Return on Capital Employed (ROCE) of 21.1% in Q1 FY27 (holding steady YoY) and a Return on Equity (ROE) of 15.9%. Core Basmati segment EBITDA margins remained resilient at ~12.3% to 13.0%. Management guidance targets double-digit top-line growth (10–12% in Basmati, 10–12% in Organic and 15–20% in RTH/RTC convenience) and a restoration of normalized EBITDA margins above 12%. CEO Ashwani Kumar Arora affirmed that initial capacity and brand "investments are largely behind us; the returns are ahead," providing multi-quarter earnings visibility.

3. Growth Catalyst 1 – Domestic Branded Penetration, Premiumisation & Digital Channels

1. India Branded Basmati Deepening & Market Penetration: Domestic branded rice expansion serves as a primary earnings lever, with India generating ~29% of group revenues. In Q1 FY27, domestic India revenue surged 23% YoY (12% volume growth), expanding overall market share to 23.1% (holding a 23.7% Nielsen share in FY26) and increasing household penetration by 20 lakh to 64.4 lakh homes over 15 months (a 22.8% expansion). Management targets more than doubling domestic India revenue by FY30. Growth is propelled by accelerating consumer conversion from unbranded/loose rice to packaged branded alternatives and expanding distribution into tier-2 and tier-3 towns.

2. Product Premiumisation & Quick-Commerce Channel Leadership: Margin expansion within India is driven by portfolio premiumisation. In FY26, LT Foods' premium rice portfolio grew at twice the pace of the overall business, creating gross margin headroom that enabled the company to scale its A&P and marketing budget by 2x YoY. Brand investments were supported by national marketing campaigns such as Daawat World Biryani Day. Digital routes-to-market have emerged as fast-growing channels; quick-commerce and e-commerce platforms expanded over 45% YoY, allowing LT Foods to command an over 40% market share across Indian e-commerce grocery platforms.

3. Regional Rice Expansion & Consumer Innovation: LT Foods is scaling its presence in the regional non-basmati rice segment (Sona Masoori, Kolam and Lachkari), which generated ~INR 170 cr to INR 200 cr in revenue in FY26 and is growing at double-digit rates. To support this growth, the company commissioned a regional rice processing plant in Karnataka in December 2025. Product diversification into value-added categories—such as Biryani Masala Paste and regional RTC meal kits—leverages the core Daawat brand equity and existing distribution networks across traditional and modern trade channels.

4. Growth Catalyst 2 – Golden Star Acquisition, Strategic Collaborations & Global Scale

1. Golden Star 100% Ownership & US Jasmine Rice Leadership: In May 2025, LT Foods Americas acquired the remaining 49% stake in Golden Star Trading for USD 15 million, achieving 100% ownership and fully consolidating the entity from Q1 FY27 onward. Golden Star contributed ~INR 353 cr to consolidated revenue in its first partial year post-acquisition. This transaction eliminates minority profit leakage, enhances net earnings and cements LT Foods' market leadership in North America by securing the #1 brand position in the US Jasmine rice category—a market segment three times the total volume size of US Basmati. Combined with Royal, LT Foods now holds leading positions in both Basmati and Jasmine rice in North America.

2. SALIC Strategic Partnership & Middle East GCC Footprint: LT Foods benefits from an equity partnership with the Saudi Agricultural and Livestock Investment Company (SALIC), which holds a 9.22% stake in LT Foods Limited. Governed by a Strategic Supply & Cooperation Agreement, this partnership aligns LT Foods with Saudi Arabia's national food security initiative. The relationship grants preferential market access across GCC institutional channels, supported by LT Foods' greenfield entry into Saudi Arabia (INR 50 cr revenue in FY26, Riyadh office and Hadeel brand launch). In FY26, the Middle East achieved its highest-ever sales across the UAE, Kuwait and Qatar, supported by 44% YoY revenue growth in Middle East & ROW during Q1 FY27.

3. Strategic Management Office (Dubai) & Subsidiary Expansion: To govern its expanding international footprint, LT Foods established LTF Global Investments LLC in Dubai as its global Strategic Management Office. Concurrently, the incorporation of a wholly owned Australian subsidiary in June 2026 establishes a direct platform for market expansion across Oceania. Overseas management capabilities have been strengthened by next-generation leaders (Gursajan Arora as CEO Middle East; Aditya and Anmol Arora as Directors Europe/UK) alongside external advisors including former Tata Sons CHRO Dr. N.S. Rajan and Olam veteran Sridhar Krishnan.

5. Growth Catalyst 3 – Organic CPG Transformation, Convenience Scale & Operating Leverage

1. Nature Bio Foods CPG Transition & Rotterdam Infrastructure: Nature Bio Foods Limited (made a 100% subsidiary in December 2024 via an INR 110 cr buyout of the remaining 17.5% stake) has pivoted from bulk B2B wholesale trading to direct-to-retailer Consumer Packaged Goods (CPG). On July 10, 2025, the company inaugurated a 20,000 sq.m. facility in Rotterdam, Netherlands, for INR 35 cr, positioning it to supply European grocers directly within the USD 45 billion European organic market. While FY26 organic segment revenue reached INR 1,016 cr (+9% YoY) with EBITDA margin compressed to 5.8% (and ~4% in Q1 FY27) due to transition costs, management projects segment EBITDA to recover to INR 70–80 cr (7–8% margin) by end-FY27, before returning to double-digit EBITDA margins by FY27–28.

2. Ready-to-Heat (RTH) Capacity Double-Up & Scale Thresholds: The Ready-to-Heat (RTH) and Ready-to-Cook (RTC) convenience segment generated INR 187 cr in FY26, up 2.5x over five years (despite a 1% dip due to pruning DAAWAT Sehat), with Biryani kits surging 42% YoY in Q1 FY27 (holding a 60–65% share on Indian digital platforms). To resolve capacity constraints, the Houston facility added 15 million pouches of RTH capacity, with a second line operational in Q2 FY27 to take total US capacity to 30 million pouches. Management projects US RTH sales to grow from USD 15 million to USD 30 million (INR 300 cr) within two years, targeting segment breakeven at INR 400 cr total revenue in 2–3 years while doubling overall convenience sales over three years.

3. UK Harlow Plant Scaling & European Market Expansion: In the UK, the 60,000-tonne Harlow plant became fully operational, generating ~GBP 45 million in revenue and securing supply partnerships with four leading UK supermarket chains. Tilda Extra Long Basmati earned the UK "Product of the Year" award. The Harlow asset serves as the operational platform to double European revenues (Europe grew 34% in FY26), scaling UK sales toward £100 million by 2030 (and £10 cr in 5 years from an initial £4 cr baseline). Fixed-cost absorption across Harlow and Rotterdam facilities will drive operating leverage as volumes scale.

6. Capital Expenditure, Capacity Expansion Program & Operational Milestones

1. Past 12–18 Month Capex Execution & Asset Build-out: Over the past 12 to 18 months, LT Foods executed capital expenditure of ~INR 330 cr to INR 350 cr in FY26. Investments were directed toward strategic asset creation, including land acquisition and warehouse construction in Houston, expansion of US RTH manufacturing lines, automated packaging lines at the UK Harlow plant, the INR 35 cr Rotterdam CPG facility, the Karnataka regional rice unit and strategic land and warehousing additions across India.

2. Future Capex Roadmap & Raichur Regional Rice Facility: Management projects future annual capex run-rates to normalize around INR 250 cr per year, excluding step-up capital expenditure for multi-year infrastructure projects. A near-term operational milestone is the completion of a 30,000-tonne packing facility in Raichur, Karnataka (INR 6 cr capex), scheduled for commercial production around February 2026. This facility adds ~INR 200 cr in regional rice revenue capacity (Sona Masoori, Kolam and Lachkari), complementing the existing ~INR 200 cr regional rice portfolio.

3. SCADA Automation, Capacity Utilization & TPM Roadmap: Operating efficiency is supported by manufacturing technology, including SCADA system integration, automated robotics on retort packaging lines and an active Total Productive Maintenance (TPM) roadmap through 2031 targeting Overall Equipment Effectiveness (OEE) of $\geq 85\%$. Indian milling capacity operates at an efficient 85% utilization rate, ensuring capital productivity. As new international plants in Houston, Harlow and Rotterdam increase capacity utilization, fixed-cost absorption will support margin expansion over coming quarters.

7. Balance Sheet Evaluation, De-leveraging & Cash Flow Conversion Excellence

1. Balance Sheet De-leveraging & CRISIL Credit Rating Upgrade: LT Foods maintains balance sheet health and low financial leverage despite its working-capital-intensive business model. As of Q1 FY27, Net Debt to EBITDA stood at a conservative 0.48x (down from 0.59x in Q1 FY26 and 0.60x in FY26), while Net Debt to Equity stood at 0.15x (compared to 0.16x in FY26). Interest coverage remains healthy at 7.2x. Reflected by this financial discipline, CRISIL upgraded LT Foods' credit rating to **AA- with a Positive Outlook** in July 2025. Payables stabilized around ~100 days due to seasonal paddy procurement cycles where 60–70% of raw material is purchased during the harvest season.

2. Exceptional Operating Cash Flow Conversion Statistics: The company demonstrates strong cash generation capability across agricultural and macroeconomic cycles. Operating cash flow conversion statistics over recent financial years include:

- **Cash Flow from Operations (CFO) to PAT%:** 127%, 76% and 146% over the last 3 financial years, respectively.
- **CFO to Operating Profits%:** 97%, 71% and 99% over the last 3 financial years, respectively.

These conversion metrics highlight earnings quality, effective working capital discipline and disciplined cash extraction from operations.

3. Working Capital Days Compression & Grain Inventory Buffer: Working capital efficiency improved as working capital days fell from 196 days in FY25 to 176 days in FY26 and further compressed to 170 days in Q1 FY27. Inventory days reduced from 221 to 187 days, while receivable days tightened from 30 to 26 days. LT Foods maintains a strategic inventory buffer comprising 3,46,000 tonnes of aged rice (at an average cost of INR 56/kg) and 1,64,000 tonnes of paddy (at INR 38/kg). This inventory buffer secures customer supply and protects forward gross margins against raw material price spikes.

8. Short-Term Operational Headwinds, Raw Material Inflation & Transition Risks

1. Paddy Price Volatility & Agricultural Climate Exposure: A short-term operational headwind stems from input cost inflation, with raw paddy procurement prices rising 7–8% YoY in FY26 and accelerating 25% to 30% during Q4 FY26 from opening season baselines. While LT Foods' inventory buffers insulate near-term cost of goods sold, sustained paddy price inflation can compress gross margins during the lag period before consumer price adjustments take effect. Monsoon variations and localized climate disruptions introduce crop yield risks, though 80–85% of Indian basmati farming areas are backed by canal or groundwater irrigation systems, leaving 14–15% dependent on rainfall.

2. Organic CPG Transition Margin Drag & US Duty Disputes: The structural remodeling of Nature Bio Foods from bulk wholesale to direct CPG distribution created a short-term margin drag, with segment EBITDA margins moderating to 5.8% in FY26 and ~4% in Q1 FY27 due to initial sales infrastructure spends and commodity price pressures. Additionally, the organic segment faces headwinds from a US countervailing duty (CVD) on organic soyabean meal exports, set at 75.48% in a final order dated February 2026. While LT Foods has ceased soy exports to the US and is appealing the ruling in court, the legal process introduces temporary administrative friction.

3. Commodity Concentration Risk & Product Portfolio Pruning: Product portfolio concentration remains a structural risk, with 87–88% of consolidated revenue derived from rice categories. Furthermore, the convenience segment experienced a 1% revenue dip in FY26 (to INR 187 cr) following the deliberate discontinuation of DAAWAT Sehat, though segment gross margins held firm at 35.2%. Overseas assets in the UK and Europe remain in an investment phase, with full margin contribution and profitability targets projected toward FY28 as capacity utilization scales.

9. Geopolitical Volatility, Ocean Freight Escalation & Macro Risk Mitigation

1. Geopolitical Conflict & Ocean Freight Escalation (10–15x Spikes): Geopolitical tensions and maritime trade disruptions along Red Sea shipping corridors created logistics volatility, with container ocean freight rates to the Middle East surging **10 to 15 times** (freight rates per container escalated from USD 200–800 up to USD 2,200–4,000). These sharp freight increases created delivery delays and compressed international operating margins due to lag times in contractual cost pass-throughs across European and Middle Eastern routes.

2. Trade Policy Shifts & Tariff Absorption Strategy: Global trade policy realignments required tactical margin absorption during FY26. US import tariffs on basmati rice escalated in stages up to 50% before normalizing down to 10% following international trade negotiations. LT Foods intentionally absorbed a portion of these tariff spikes rather than fully passing them on to consumers, ensuring Royal never went out of stock and driving LT Foods' US basmati import share up from 50% to over 60%. This decision temporarily moderated FY26 EBITDA margin to 11.8% in exchange for long-term market share gains.

3. Supply Chain Redirection, Route Agility & Cost Pass-Through: LT Foods mitigated global logistics risks by utilizing alternative shipping routes, maintaining regional safety stocks and leveraging its global facility footprint (processing plants in the US, UK, Netherlands and Uganda). In saturated export markets like the Middle East, local competitive dynamics delayed immediate freight pass-throughs. However, management is executing progressive price adjustments across international retail channels to restore segment EBITDA margins toward historical baseline levels of 13–14%, relying on brand equity and direct retail relationships to protect volume share.

Investment Synthesis & Conclusion:

LT Foods Limited presents a medium-term BUY opportunity. The integration of 100% Golden Star ownership, domestic branded market share gains (target to double India revenue by FY30), margin recovery in Nature Bio Foods and RTH convenience capacity double-up in Houston provides clear top-line and bottom-line momentum. Backed by balance sheet strength (Net Debt/EBITDA of 0.48x, CRISIL AA- rating), high return ratios (ROCE of 21.1%) and strong operating cash flow conversion (CFO/PAT up to 146%), LT Foods is positioned to navigate short-term freight volatility and deliver compounding earnings growth over a 6 to 9 months investment horizon.

1. BASMATI & OTHER SPECIALTY RICE

From India to Global Kitchens



LT Foods is Known for its most trusted brands in more than 85+ Countries



2nd Largest Basmati brand in India
Leading brand in Far East & Africa



Premium Basmati in the Middle East



#1 Basmati brand in North America



#1 Basmati brand in Canada



Regionally strong Basmati brand



Mazza Rice Brand for Middle East



#1 Jasmine brand in the USA

Devaaya

Staples Brand in Middle East & India

Segmental (Q1FY27)

India

Revenue Mix %

29%

YoY Growth %

19%

Highlights

- MAT Jun'26 Market Share @ 23.1%
- HH penetration @ 64.4 Lacs (MAT Mar'26) (vs. 45.6 lacs (MAT'23));
- Leadership in leading E-Comm / Quick-Comm platforms;

North America

50%

49%
(27% Normalized Growth*)

- 'Royal' commands a 60% + Basmati rice import share;
- 'Golden Star' now #1 Jasmine rice brand;

Europe

12%

-12%**

- 4-years revenue target of £100 million for UK;

Middle East & Rest of the World

9%

44%

- INR 17 crores of revenue from Saudi Arabia (Q1 FY27)



Devaaya



Devaaya

Note:- *Including Golden Star in Q1 FY26 **Due to reduced non- strategic B2B Business

Financial Performance:

		YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr		27.9%	8.4%	3,152	2,907	2,464
Operating Profit Cr	^	33.3%	31.3%	354	269	265
OPM %				11.2	9.3	10.8
PAT Cr	^	8.9%	35.2%	183	136	169
NPM %				5.8	4.7	6.8
EPS ₹		8.9%	35.0%	5.3	3.9	4.8

Business Segment Performance



SEGMENTS	BASMATI & OTHER SPECIALITY RICE		ORGANIC FOOD AND INGREDIENTS		RTH & RTC	
Period	Q1 FY26	Q1 FY27	Q1 FY26	Q1 FY27	Q1 FY26	Q1 FY27
Revenue Share %	85%	90%	12%	8%	2%	2%
Revenue (INR in Crs)	2,124	2845	293	254	47	53
Revenue Growth %	18%	34%	32%	-13%*	-16%	13%
Volume Growth %	20% (branded business @22%)	11% (branded business @10%)	-	-	-	-
Gross Margin %	34%	33%	35%	33%	37%	37%
EBITDA Margin %	13%	13%	10%	4%	-5%	-9%

Note:- Figures in INR crores unless specified

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team