

## Lakshmi Energy & Foods Limited

CMP - Rs. 266  
Target - Rs. 286  
Recommendation - Hold

Stock Update

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We recently met the management of Lakshmi Energy & Foods Limited to discuss the progress of the planned expansions and the outlook on other industry developments.

An important development for LEAF has been the commissioning of its husk based power plant. The much touted green energy venture by LEAF finally started generation on August 25th, 2008. The plant is currently undergoing trials & is functioning at low utilization levels. The operations of this 30MW plant is likely to be fully stabilized in a couple of months.

Another big positive for the company is that, it has been successful in terminating its MOU with PSEB to supply electricity from this plant @ Rs. 3.69 per unit. As against this, LEAF has struck a deal with PTC to sell power @ Rs. 7.5 per unit with regular price resets. This would clearly compensate for the 2 quarters of delay in the current fiscal and also improve the profitability going ahead. In addition this plant will also be entitled to earn carbon credits under Kyoto Protocol. We have not factored any CER income in our forward estimates and would wait for any deal/arrangement to materialize before factoring any such revenues.

Power - New Estimates							
Rs. Mn.	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Revenues	674	1,155	1,848	1,848	2,772	2,772	3,234
EBITDA	485	686	911	911	1,366	1,366	1,594
Power - Old Estimates							
Rs. Mn.	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Revenues	457	783	1,566	1,566	2,350	2,350	2,741
EBITDA	249	315	629	629	944	944	1,101

On the flip side, the management has said that there would be some delays in setting up new paddy processing capacities as compared to our earlier estimates. The extension is on account of more practical execution of such huge expansion in a short time-frame. We have revised our estimates to account for lower volumes for the coming few years. However, the negative on this front is partially offset by the increase in MSP of paddy and the consequent higher rice prices.

Rice - New Estimates								
Particulars	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E	FY12E
Installed Capacity (TPA) - Paddy	561,000	705,000	972,000	1,350,000	1,350,000	1,950,000	1,950,000	2,850,000
Sales (TPA) - Rice	256,002	402,045	500,755	582,498	633,150	773,850	914,550	1,155,750
Sales Amt (Rs. Mn.) - Rice	2,567	4,807	6,080	7,864	9,741	11,840	13,837	17,486
Realization per kg (Rs.) - Rice	10.03	11.96	12.14	13.50	15.39	15.30	15.13	15.13
Rice - Old Estimates								
Particulars	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E	FY12E
Installed Capacity (TPA) - Paddy	561,000	705,000	972,000	1,350,000	1,530,000	1,950,000	2,850,000	2,850,000
Sales (TPA) - Rice	256,002	402,045	500,755	582,498	717,570	900,480	1,095,450	1,155,750
Sales Amt (Rs. Mn.) - Rice	2,567	4,807	6,080	7,864	11,040	13,777	16,574	17,486
Realization per kg (Rs.) - Rice	10.03	11.96	12.14	13.50	15.39	15.30	15.13	15.13

LEAF has successfully launched its packaged products in the cities of Hyderabad & Nagpur. We feel that the company will be successful in gradually scaling up the sale of its branded products. The scrip is trading at 10x current year estimated EPS of Rs. 26.5 and < 8x its FY10E earnings. We currently value the scrip at Rs. 286 (8.5x FY10E EPS of Rs. 33.4). We are positive on the long-term prospects of the company and recommend HOLD.

## LEAF : Consolidated Financials

Earnings Statement				
Particulars - Rs. Mn.	FY07	FY08	FY09E	FY10E
Total Revenues	6,962.7	9,544.9	11,711.1	14,786.1
- Growth (%)	24.7%	37.1%	22.7%	26.3%
Total Expenditure	5,795.5	7,536.0	8,741.3	11,222.9
Operating Profit	1,167.2	2,008.8	2,969.8	3,563.1
Other Income	21.0	24.0	9.8	30.8
EBITDA	1,188.2	2,032.9	2,979.6	3,593.9
Depreciation	121.9	194.3	297.5	416.2
EBIT	1,066.2	1,838.5	2,682.1	3,177.7
Interest	45.0	308.5	575.9	665.9
PBT	1,021.2	1,530.0	2,106.3	2,511.8
Tax	417.9	521.3	431.8	389.3
PAT Before EI	603.3	1,008.7	1,674.5	2,122.5
- Growth (%)	43.6%	67.2%	66.0%	26.8%
Extra-ordinary Items	0.0	0.0	0.0	0.0
Reported PAT	603.3	1,008.7	1,674.5	2,122.5

Ratio Analysis				
Particulars	FY07	FY08	FY09E	FY10E
OPM (%)	16.8%	21.0%	25.4%	24.1%
EBITDA (%)	17.1%	21.3%	25.4%	24.3%
PBIT (%)	15.3%	19.3%	22.9%	21.5%
PAT (%)	8.7%	10.6%	14.3%	14.4%
Interest Cover (x)	23.7	6.0	4.7	4.8
EPS (Rs.)	10.6	16.8	26.5	33.6
P/E (x)	25.2	15.8	10.0	7.9
P/BV (x)	6.1	4.2	2.8	2.1
BVPS (Rs.)	43.6	63.4	93.9	125.8
Market Cap (Rs. Mn.)	15,205.9	15,970.6	16,808.5	16,808.5
M Cap/Sales (x)	2.2	1.7	1.4	1.1
EV (Rs. Mn.)	16,841.5	20,704.6	22,192.8	23,228.6
EV/EBITDA (x)	14.2	10.2	7.4	6.5
EV/Sales (x)	2.4	2.2	1.9	1.6
ROCE (%)	22.6%	20.0%	21.7%	20.7%
RONW (%)	24.2%	26.5%	28.2%	26.7%
Debt/Equity Ratio (x)	0.9	1.4	1.1	0.9
Inventory T/o Days	147.0	216.3	189.4	174.5
Debtors T/o Days	2.0	5.5	5.0	5.0
Advances T/o Days	48.2	38.6	40.0	40.0
Creditors T/o Days	65.1	21.2	25.0	25.0
Working Cap T/o Days	142.1	226.9	217.4	198.3
Fixed Assets T/o (Gross)	2.8	2.2	1.9	1.7
DPS (Rs.)	0.9	0.5	1.0	1.5
Dividend Payout (%)	8.5%	3.0%	3.8%	4.5%
Dividend Yield (%)	0.3%	0.2%	0.4%	0.6%

Balance Sheet				
Particulars - Rs. Mn.	FY07	FY08	FY09E	FY10E
Equity Capital	114.3	120.1	126.4	126.4
Share Application Money	96.4	59.0	0.0	0.0
Reserves	2,283.5	3,624.7	5,809.9	7,824.3
Shareholders Funds	2,494.2	3,803.8	5,936.3	7,950.7
Borrowed Funds	2,233.4	5,398.4	6,398.4	7,398.4
Deferred Tax Liability	358.4	643.7	854.3	979.9
Total Liabilities	5,086.0	9,845.8	13,189.0	16,329.0
Fixed Assets	2,363.3	3,410.3	5,712.1	7,795.8
Investments	11.4	500.9	500.9	500.9
Current Assets				
Inventory	2,803.6	5,656.3	6,076.5	7,067.1
Sundry Debtors	38.8	144.4	160.4	202.5
Loans & Advances	919.0	1,009.9	1,283.4	1,620.4
Cash & Bank Balance	586.5	163.5	513.2	477.4
Current Liabilities				
Sundry Creditors	1,241.4	553.5	802.1	1,012.7
Provisions	395.2	486.0	255.4	322.5
Net Current Assets	2,711.3	5,934.6	6,976.0	8,032.2
Miscellaneous Expenditure	0.0	0.0	0.0	0.0
Total Assets	5,086.0	9,845.8	13,189.0	16,329.0

Cash Flow				
Particulars - Rs. Mn.	FY07	FY08	FY09E	FY10E
Opening Cash & Bank	88.2	586.5	163.5	513.2
Profit After Tax	603.3	1,008.7	1,674.5	2,122.5
Inv't Income	(21.0)	(24.0)	(9.8)	(30.8)
Interest Paid	45.0	308.5	575.9	665.9
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0
Depreciation	121.9	194.3	297.5	416.2
Deferred Taxation	264.3	285.3	210.6	125.6
Others	353.2	35.8	0.0	0.0
Change in Working Cap	(242.1)	(3,646.4)	(691.6)	(1,092.1)
CF - Operating Activities	1,124.7	(1,837.7)	2,057.0	2,207.3
Change in Fixed Assets	(1,688.2)	(1,277.0)	(2,599.3)	(2,500.0)
Change in Investments	(6.7)	(489.5)	0.0	0.0
Investment Income	21.0	24.0	9.8	30.8
CF - Investing Activities	(1,673.9)	(1,742.6)	(2,589.5)	(2,469.2)
Increase in Equity	0.0	336.7	530.1	0.0
Changes in Borrowings	1,151.1	3,164.9	1,000.0	1,000.0
Interest Paid	(45.0)	(308.5)	(575.9)	(665.9)
Dividend Paid	(58.7)	(35.8)	(72.0)	(108.1)
CF - Financing Activities	1,047.4	3,157.3	882.2	226.1
Net Change in Cash	498.3	(423.0)	349.7	(35.8)
Closing Cash & Bank Bal	586.5	163.5	513.2	477.4

# Disclaimer

## Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

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NO  
NO  
NO

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