

Lakshmi Energy & Foods Ltd.

CMP Rs. 255.0 | Accumulate
Target Rs. 280.0

Q1 FY2009
Result Update

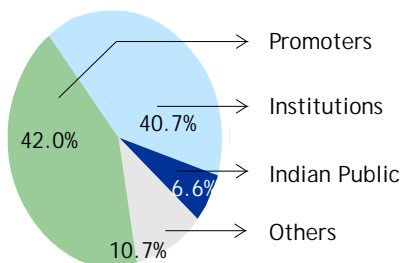
Stock Data

Bloomberg : LKEF.IN
Reuters : LAKO.BO
BSE Code : 519570
NSE Code : LAKSHMIEFL
BSE Group : B

Stock Codes

Benchmark : BSE 500
52 Week High : 295.0
52 Week Low : 178.0
Mkt Cap : Rs. 15,301 Mn
Face Value : Rs. 2.0

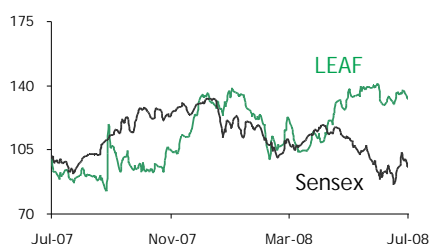
Shareholding Pattern (as on June '08)



Stock Returns

	1 Mth	3 Mths	6 Mths
LEAF	-7.79	22.29	-5.87
Sensex	2.45	-20.22	-22.34

Price Comparison



Jigar Valia - jigar@ppfas.com
Deepti Singh - deepti@ppfas.com

Lakshmi Energy & Foods (LEAF) has reported a decent performance for the first quarter of the FY09 fiscal. Sequentially, the sales increased by 7.3% despite a 3% decline in rice volumes, which were more than compensated by a 15% increase in realizations. This improvement in realization is mainly on account of higher sales to Non-FCI clients. On the expenditure front, the increase in material costs was high at 8%. However, the other expenses sharply declined by 34% and contributed to the modest margin improvement. However, a decline in other income and a sharp increase in Depreciation & Taxation led to a 7% decline in reported PAT. Note that company has provided for Deferred taxation in Q1, as against its earlier practice of annual provisioning.

On a Y-Y basis, the company has reported a 72% increase in topline, 61% increase in operating profits. Lower other income and significantly higher depreciation, interest & tax impacted the PAT growth annually. The company is experiencing some delays in commissioning of its husk-based power plant.

We remain bullish on the prospects of this company, primarily on account of its mainstay rice business. This is generally a steady margin business with high volume growth prospects. But couple it with margin expansion on account of further processing of by-products and the inherent play on inventory gains, it is a fantastic 18-20% margin business with attractive return ratios. The increasing share of value added sales to non-FCI clients and new income from sale of renewable energy remain additional triggers. Being the only key listed non-basmati rice company and with no possibility of any competition threat in the foreseeable future, make LEAF one of the more attractive agri-plays in the current times.

We have altered our estimates to account for the delays in commissioning of the power plant & the revised pricing of Paddy & Rice, based on the new MSP of Rs. 850 per quintal of Paddy.

We recommend Accumulate with a near-term price objective of Rs. 280.

Particulars (Rs Mn)	FY07	FY08	FY09E	FY10E	FY11E	FY12E
Total Revenues	6,962.7	9,544.9	12,890.0	16,415.6	20,199.9	21,152.4
Reported PAT	603.3	1,008.7	1,702.0	2,381.8	2,965.6	3,216.4
EBITDA (%)	17.1%	21.3%	23.7%	24.2%	23.5%	24.0%
EPS (Rs.)	10.6	16.8	26.9	37.7	46.9	50.9
P/E (x)	24.2	15.2	9.5	6.8	5.4	5.0
ROCE (%)	22.6%	20.0%	21.5%	21.7%	22.3%	21.1%
RONW (%)	24.2%	26.5%	28.5%	28.9%	26.9%	22.9%
Debt/Equity (x)	0.9	1.4	1.2	1.0	0.7	0.5

LEAF : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(%)	Q108	Y-Y(%)	FY08	FY07	Y-Y(%)
Net Revenues	3,324.0	3,097.9	7.30%	1,926.9	72.50%	9,544.9	6,962.7	37.09%
Cost of Materials	2,598.2	2,398.3	8.34%	1,476.5	75.97%	7,311.9	5,611.2	30.31%
Gross Profit	725.8	699.7	3.74%	450.5	61.12%	2,232.9	1,351.5	65.22%
Staff Costs	14.0	12.5	11.84%	8.4	66.43%	41.2	32.8	25.69%
Other Expenses	55.2	83.7	-33.98%	35.0	57.87%	182.8	151.5	20.65%
Total Expenditure	69.2	96.2	-28.02%	43.4	59.53%	224.1	184.4	21.55%
Operating Profit	656.6	603.5	8.80%	407.1	61.28%	2,008.8	1,167.2	72.11%
Other Income	2.6	10.7	-75.79%	8.6	-69.91%	24.0	21.0	14.28%
EBITDA	659.2	614.2	7.32%	415.7	58.56%	2,032.9	1,188.2	71.09%
Depreciation	56.6	37.7	50.21%	30.5	85.85%	194.3	121.9	59.35%
EBIT	602.6	576.5	4.51%	385.3	56.40%	1,838.5	1,066.2	72.43%
Interest	122.3	129.0	-5.17%	23.9	411.85%	308.5	45.0	585.34%
PBT	480.3	447.6	7.31%	361.4	32.90%	1,530.0	1,021.2	49.82%
Tax	163.7	106.1	54.34%	40.8	300.93%	521.3	417.9	24.75%
PAT	316.5	341.5	-7.31%	320.5	-1.25%	1,008.7	603.3	67.19%
Equity Capital	120.1	120.1	0.00%	120.1	0.00%	120.1	114.3	5.03%
EPS	5.3	5.7	-7.31%	5.3	-1.25%	16.8	10.6	59.19%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)	FY08	FY07	Y-Y(bps)
OPM (%)	19.75%	19.48%	27.3	21.13%	(137.4)	21.05%	16.76%	428.3
EBITDA (%)	19.83%	19.83%	0.4	21.58%	(174.4)	21.30%	17.06%	423.3
EBIT (%)	18.13%	18.61%	(48.3)	19.99%	(186.6)	19.26%	15.31%	394.9
PAT (%)	9.52%	11.02%	(150.0)	16.63%	(711.2)	10.57%	8.66%	190.3
Operational Parameters								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)	FY08	FY07	Y-Y(bps)
RM Consumed	78.2%	77.4%	74.9	76.6%	154.3	76.6%	80.6%	(398.3)
Staff Cost	0.4%	0.4%	1.7	0.4%	(1.5)	0.4%	0.5%	(3.9)
Other Expenditure	1.7%	2.7%	(103.9)	1.8%	(15.4)	1.9%	2.2%	(26.1)
Effective Tax Rate	34.09%	23.70%	1,039.0	11.30%	2,279.1	34.07%	40.92%	(684.9)

LEAF : Financials

Earnings Statement									
Particulars (Rs Mn)	FY07	FY08	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Total Revenues	6,962.7	9,544.9	12,890.0	16,415.6	20,199.9	21,152.4	22,419.5	23,372.0	24,481.8
- Growth (%)	24.7%	37.1%	35.0%	27.4%	23.1%	4.7%	6.0%	4.2%	4.7%
Total Expenditure	5,795.5	7,536.0	9,838.9	12,464.1	15,456.7	16,090.1	16,723.6	17,357.0	17,980.4
Operating Profit	1,167.2	2,008.8	3,051.1	3,951.5	4,743.2	5,062.3	5,695.9	6,015.0	6,501.4
Other Income	21.0	24.0	8.2	16.8	12.3	18.7	10.2	17.1	16.1
EBITDA	1,188.2	2,032.9	3,059.2	3,968.3	4,755.5	5,081.0	5,706.1	6,032.1	6,517.5
Depreciation	121.9	194.3	297.5	416.2	535.0	653.7	772.5	891.2	1,010.0
EBIT	1,066.2	1,838.5	2,761.8	3,552.1	4,220.5	4,427.3	4,933.6	5,140.9	5,507.5
Interest	45.0	308.5	620.9	733.4	710.9	620.9	485.9	298.8	109.8
PBT	1,021.2	1,530.0	2,140.9	2,818.7	3,509.6	3,806.4	4,447.8	4,842.1	5,397.7
Tax	417.9	521.3	438.9	436.9	544.0	590.0	689.4	750.5	836.6
PAT Before EI	603.3	1,008.7	1,702.0	2,381.8	2,965.6	3,216.4	3,758.4	4,091.6	4,561.1
- Growth (%)	43.6%	67.2%	68.7%	39.9%	24.5%	8.5%	16.8%	8.9%	11.5%
EI: Misc Expd written off	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	603.3	1,008.7	1,702.0	2,381.8	2,965.6	3,216.4	3,758.4	4,091.6	4,561.1
Ratio Analysis									
Particulars	FY07	FY08	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
OPM (%)	16.8%	21.0%	23.7%	24.1%	23.5%	23.9%	25.4%	25.7%	26.6%
EBITDA (%)	17.1%	21.3%	23.7%	24.2%	23.5%	24.0%	25.5%	25.8%	26.6%
PBIT (%)	15.3%	19.3%	21.4%	21.6%	20.9%	20.9%	22.0%	22.0%	22.5%
PAT (%)	8.7%	10.6%	13.2%	14.5%	14.7%	15.2%	16.8%	17.5%	18.6%
Interest Cover (x)	23.7	6.0	4.4	4.8	5.9	7.1	10.2	17.2	50.2
EPS (Rs.)	10.6	16.8	26.9	37.7	46.9	50.9	59.5	64.8	72.2
P/E (x)	24.2	15.2	9.5	6.8	5.4	5.0	4.3	3.9	3.5
P/BV (x)	5.8	4.0	2.7	2.0	1.5	1.1	0.9	0.7	0.6
BVPS (Rs.)	43.6	63.4	94.4	130.4	174.4	222.5	279.1	341.0	410.4
Market Cap (Rs. Mn.)	14,577.1	15,310.2	16,113.5	16,113.5	16,113.5	16,113.5	16,113.5	16,113.5	16,113.5
M Cap/Sales (x)	2.1	1.6	1.3	1.0	0.8	0.8	0.7	0.7	0.7
EV (Rs. Mn.)	16,212.6	20,044.2	22,175.3	23,515.8	23,136.1	22,307.9	20,668.0	18,610.6	16,492.5
EV/EBITDA (x)	13.6	9.9	7.2	5.9	4.9	4.4	3.6	3.1	2.5
EV/Sales (x)	2.3	2.1	1.7	1.4	1.1	1.1	0.9	0.8	0.7
ROCE (%)	22.6%	20.0%	21.5%	21.7%	22.3%	21.1%	21.4%	20.7%	20.3%
RONW (%)	24.2%	26.5%	28.5%	28.9%	26.9%	22.9%	21.3%	19.0%	17.6%
Debt/Equity Ratio (x)	0.9	1.4	1.2	1.0	0.7	0.5	0.3	0.2	0.0
Inventory T/o Days	147.0	216.3	191.0	184.6	157.1	159.0	156.4	157.1	165.0
Debtors T/o Days	2.0	5.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Advances T/o Days	48.2	38.6	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Creditors T/o Days	65.1	21.2	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Working Cap T/o Days	142.1	226.9	212.6	202.1	175.9	174.5	174.0	174.2	182.1
Fixed Assets T/o (Gross)	2.8	2.2	2.1	1.9	1.8	1.5	1.4	1.2	1.2
DPS (Rs.)	0.9	0.5	1.0	1.5	2.5	2.5	2.5	2.5	2.5
Dividend Payout (%)	8.5%	3.0%	3.7%	4.0%	5.3%	4.9%	4.2%	3.9%	3.5%
Dividend Yield (%)	0.4%	0.2%	0.4%	0.6%	1.0%	1.0%	1.0%	1.0%	1.0%

LEAF : Financials

Balance Sheet									
Particulars (Rs Mn)	FY07	FY08	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Equity Capital	114.3	120.1	126.4	126.4	126.4	126.4	126.4	126.4	126.4
Share Application Money	96.4	59.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	2,283.5	3,624.7	5,837.4	8,111.2	10,896.7	13,933.1	17,511.3	21,422.9	25,803.8
Shareholders Funds	2,494.2	3,803.8	5,963.8	8,237.6	11,023.1	14,059.5	17,637.7	21,549.2	25,930.2
Borrowed Funds	2,233.4	5,398.4	6,898.4	8,148.4	7,898.4	6,898.4	5,398.4	3,319.9	1,219.9
Deferred Tax Liability	358.4	643.7	857.8	998.7	1,174.2	1,364.5	1,586.9	1,829.0	2,098.9
Total Liabilities	5,086.0	9,845.8	13,720.0	17,384.6	20,095.7	22,322.3	24,623.0	26,698.1	29,249.0
Fixed Assets	2,363.3	3,410.3	5,712.1	7,795.8	9,860.9	11,707.1	13,434.7	15,043.5	16,533.5
Investments	11.4	500.9	500.9	500.9	500.9	500.9	500.9	500.9	500.9
Current Assets									
Inventory	2,803.6	5,656.3	6,746.1	8,301.3	8,692.8	9,213.5	9,604.9	10,061.0	11,067.1
Sundry Debtors	38.8	144.4	176.6	224.9	276.7	289.8	307.1	320.2	335.4
Loans & Advances	919.0	1,009.9	1,412.6	1,799.0	2,213.7	2,318.1	2,456.9	2,561.3	2,682.9
Cash & Bank Balance	586.5	163.5	335.6	245.0	374.8	203.0	342.9	321.8	339.9
Current Liabilities									
Sundry Creditors	1,241.4	553.5	882.9	1,124.4	1,383.6	1,448.8	1,535.6	1,600.8	1,676.8
Provisions	395.2	486.0	281.1	358.0	440.5	461.3	488.9	509.7	533.9
Net Current Assets	2,711.3	5,934.6	7,507.0	9,087.9	9,733.9	10,114.3	10,687.4	11,153.8	12,214.6
Miscellaneous Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	5,086.0	9,845.8	13,720.0	17,384.6	20,095.7	22,322.3	24,623.0	26,698.1	29,249.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow									
Particulars (Rs Mn)	FY07	FY08	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Opening Cash & Bank	88.2	586.5	163.5	335.6	245.0	374.8	203.0	342.9	321.8
Profit After Tax	603.3	1,008.7	1,702.0	2,381.8	2,965.6	3,216.4	3,758.4	4,091.6	4,561.1
Invt Income	(21.0)	(24.0)	(8.2)	(16.8)	(12.3)	(18.7)	(10.2)	(17.1)	(16.1)
Interest Paid	45.0	308.5	620.9	733.4	710.9	620.9	485.9	298.8	109.8
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	121.9	194.3	297.5	416.2	535.0	653.7	772.5	891.2	1,010.0
Deferred Taxation	264.3	285.3	214.1	140.9	175.5	190.3	222.4	242.1	269.9
Others	353.2	35.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Working Cap	(242.1)	(3,646.4)	(1,400.2)	(1,671.5)	(516.3)	(552.1)	(433.2)	(487.5)	(1,042.7)
CF - Operating Activities	1,124.7	(1,837.7)	1,426.1	1,984.0	3,858.4	4,110.4	4,795.7	5,019.1	4,891.9
Change in Fixed Assets	(1,688.2)	(1,277.0)	(2,599.3)	(2,500.0)	(2,600.0)	(2,500.0)	(2,500.0)	(2,500.0)	(2,500.0)
Change in Investments	(6.7)	(489.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income	21.0	24.0	8.2	16.8	12.3	18.7	10.2	17.1	16.1
CF - Investing Activities	(1,673.9)	(1,742.6)	(2,591.1)	(2,483.2)	(2,587.7)	(2,481.3)	(2,489.8)	(2,482.9)	(2,483.9)
Increase in Equity	0.0	336.7	530.1	0.0	0.0	0.0	0.0	0.0	0.0
Changes in Borrowings	1,151.1	3,164.9	1,500.0	1,250.0	(250.0)	(1,000.0)	(1,500.0)	(2,078.5)	(2,100.0)
Interest Paid	(45.0)	(308.5)	(620.9)	(733.4)	(710.9)	(620.9)	(485.9)	(298.8)	(109.8)
Dividend Paid	(58.7)	(35.8)	(72.0)	(108.1)	(180.1)	(180.1)	(180.1)	(180.1)	(180.1)
CF - Financing Activities	1,047.4	3,157.3	1,337.2	408.6	(1,140.9)	(1,800.9)	(2,165.9)	(2,557.4)	(2,389.9)
Net Change in Cash	498.3	(423.0)	172.1	(90.6)	129.7	(171.8)	139.9	(21.1)	18.1
Closing Cash & Bank Bal	586.5	163.5	335.6	245.0	374.8	203.0	342.9	321.8	339.9

Contact

Hiten Sampat
President - Institutional Sales
email : hiten@ppfas.com
tel : 91 22 2284 6555 Extn 302

Ridhim Thapar
Institutional Sales
email : ridhim@ppfas.com
tel : 91 22 2284 6555 Extn 312

Jigar Valia
Analyst - Investment Research
email : jigar@ppfas.com
tel : 91 22 2284 6555 Extn 315

Deepti Singh
Research Associate
email : deepti@ppfas.com
tel : 91 22 2284 6555 Extn 202

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Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 023.

Tel : 91-22-2284 6555 Fax : 91-22-2284 6553, e-mail : research@ppfas.com

Investment Boutique: Shiv Shakti, Gr. Floor, N. S. Rd. No.10, Opp. Haveli, Juhu Scheme, Mumbai - 400 049

Tel : 91-22- 2623 6555 Fax : 91-22-2623 6553, e-mail : ib@ppfas.com