

## LAKSHMI ENERGY & FOODS LIMITED

BUY

Lakshmi Energy & Foods Limited [LEAF] is the largest manufacturer of long grain non basmati rice in India. It started its plant in 1981 at Khamanon, near Chandigarh. LEAF is India's largest rice processor with current capacity of 1.8 mtpa. The company is uniquely positioned in the two fastest growing sectors i.e. Food and Energy, of the Indian economy.

- LEAF has started cultivating 'PUSA -1121' rice in a big way, which has been classified as 'Basmati' by the Government of India and is eligible for exports. The company recently received an order of Rs 3bn for the same.
- LEAF has signed a 5 year agreement with 'Power Trading Corporation' for sale of power from its 30MW husk based power plant commissioned in FY09.
- During FY09, LEAF had suffered a decline of 55% Y-o-Y from Food Corporation of India [FCI] on account of lack of warehousing capacity and drought. However, this year due to drought, the situation is likely to reverse. Also the FCI has stepped up procurement to ensure adequate supply of food grains.
- The company has expansion plans for which it requires a capex of Rs 9bn over a period of 3-4 years. This is going to be funded through debt and internal accruals.

Based on a P/E multiple of 6x, the fair value per share for the company works out to Rs 179.40.

### Financial Snapshot

Projections (Rs mn)	FY08*	FY09	FY10E	FY11E
Net Revenue	15,402	6,914	13,137	17,078
Y-o-Y Growth %		-55%	90%	30%
Operating Profit	3,223	2,126	3,421	4,207
Y-o-Y Growth %		-34%	61%	23%
PAT	1,599	858	1,570	1,889
Y-o-Y Growth %		-46%	83%	20%
EPSRs	25.3	13.6	24.8	29.9
BVPSRs	77.0	91.9	116.7	146.6
OPM %	20.9%	30.7%	26.0%	24.6%
NPM %	10.4%	12.4%	12.0%	11.1%
RoE %	33%	15%	21%	20%
PERx	5.4	10.0	5.5	4.6
P/B Ratio	1.8	1.5	1.2	0.9

\* Figures for FY08 are for 18 months

Recommendations	<= 1 year	1 - 2 yrs	2 - 5 yrs
Strong Buy			
Buy			
Hold			
Reduce			
Sell			

**Strong Buy** – Expected Returns > 20% p.a.

**Buy** – Expected Returns from 10 to 20% p.a.

**Hold** – Expected Returns from 0% to 10% p.a.

**Reduce** – Expected Returns from 0% to 10% p.a. with possible downside risk

**Sell** – Returns < 0%



### STOCK DATA

BSE / NSE Code	519570 / LAKSHMIEFL
Bloomberg Code	LKEF IN Equity
No. of Shares (Mn)	63.2
Sensex / Nifty	16,994 / 5,088.7

### PRICE DATA

CMP (as on Mar 5, 2010)	136.05
Beta	0.68
Market Cap (Rs mn)	8,598
52 Week High-Low	175 / 61.5
Average Daily Volume	103,205

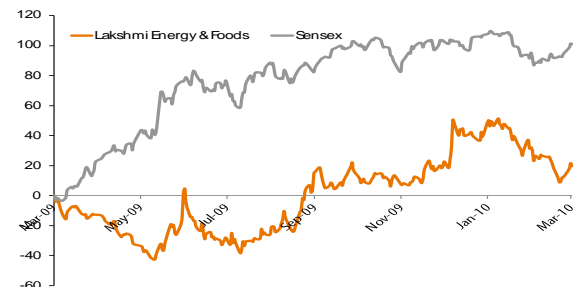
### STOCK RETURN (%)

	30D	3M	6M	1Y
Lakshmi Energy & Foods	-6%	-1%	5%	22%
Sensex	5%	-1%	8%	101%
Nifty	5%	-1%	9%	92%

### SHARE HOLDING PATTERN (%)

Promoter	45.0
Institution	32.2
Non Institution	22.8
<b>Total</b>	<b>100.0</b>

### 1 Year Price Performance (Rel. to Sensex)



**Disclaimer:** This document is prepared by Epitome Global Services Private Limited exclusively for Fullerton Securities & Wealth Advisors Ltd (FSWA) customers. This document is not for public distribution and has been furnished to you solely for your information and you are notified that you should not further copy, modify, use or distribute the information in any way unless you obtain written consent from FSWA. The information provided in the document is on the "best effort" basis and is subject to change depending on several factors, including general market conditions. While reasonable care to compile the document but the accuracy and completeness cannot be guaranteed either by FSWA or any other person or entity associated with it. The returns shown are merely estimates and forecasts and are not necessarily indicative of future performance and can change without notice. The document is prepared only for your information and is not sufficient for making an investment decision. You should rely on your own investigations and seek professional advice for investment decision. Neither FSWA nor any person connected with it accepts any liability either arising from the use of this document or due to any inadvertent error in the information contained in this document. Financial investments carry risks including principal risk and therefore you should seek professional advice prior to making any investment decision. The risk of any losses occurring by use of this report or document will be entirely yours. The investments covered in this report are not guaranteed. Also past performance of an investment or fund is not an indication of future performance. FSWA, its affiliates, or associates, or any regulatory or other body or entity assumes no liability or responsibility for investment results or losses arising out of investment decisions made by you. This document is not to be considered as an offer to sell or a solicitation to buy any security or financial product. FSWA reserves the right to modify or alter the terms and conditions of the use of this service or discontinue, temporarily or permanently, the information and services provided (or any part thereof) at any time, with or without prior notice and FSWA shall not be liable to you for any suspension, modification, or termination of the information and services provided herein.



## BUSINESS PROFILE

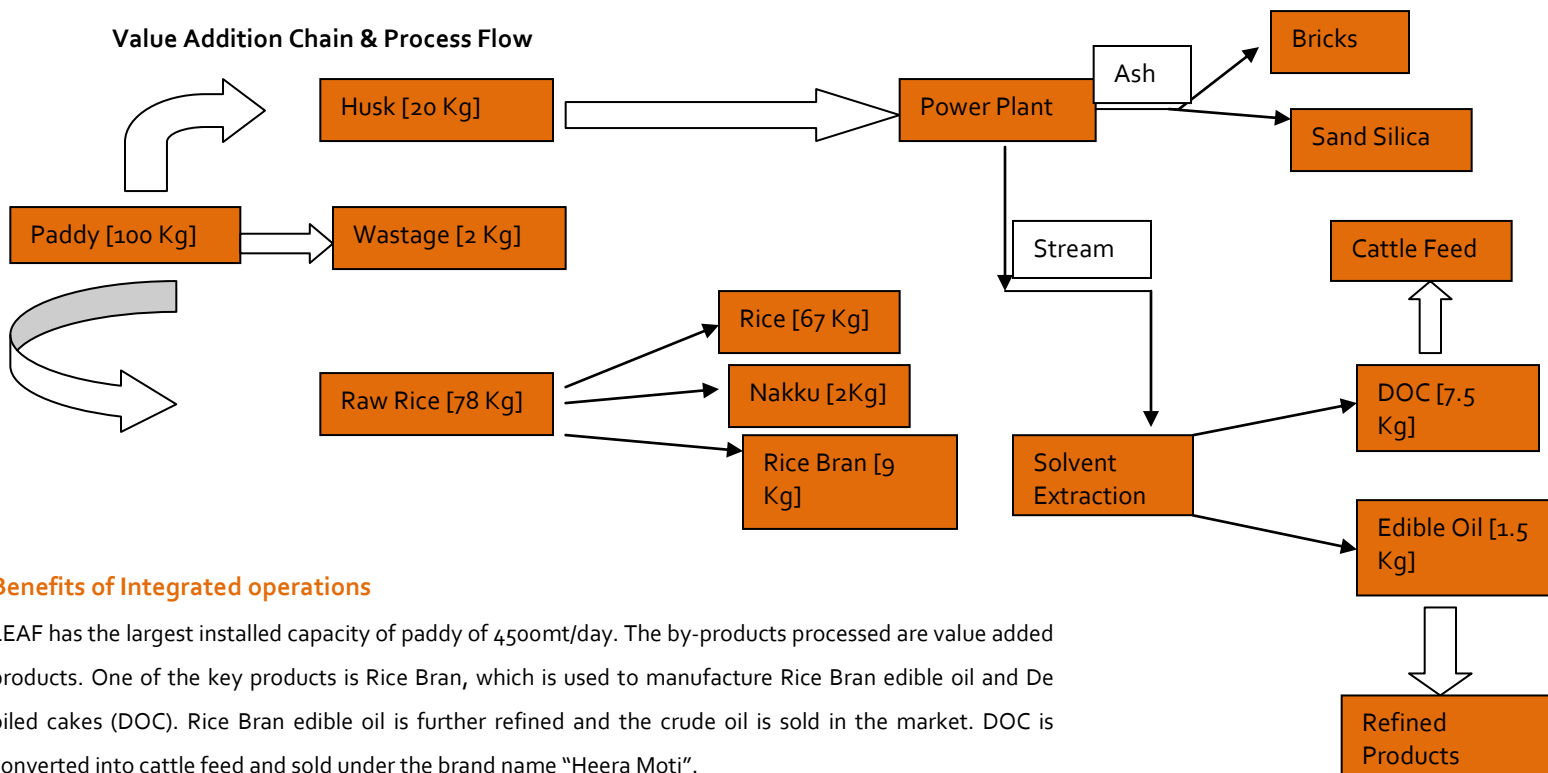
LEAF is a significant player in the non basmati rice segment of the food processing industry. The company processes paddy to produce rice and generates other value-added products such as edible oil, de-oiled cakes and cattle feed from downward streaming of its byproducts.

The company purchases paddy at the minimum support price (MSP) declared by the government and sells rice at MSP to the Food Corporation of India (FCI, 75% of output). The balance is sold at marginally higher prices in the open market. The company's profitability is substantially aided by the sale of by-products, which can be processed further. In the past few years, the company has scaled up operations substantially, installing state-of-the-art machinery, which has improved its efficiency.

LEAF also generates power from husk, which adds substantial value to its business.

**LEAF is India's largest rice processor with a current capacity of 1.8 mtpa**

Value Addition Chain & Process Flow



### Benefits of Integrated operations

LEAF has the largest installed capacity of paddy of 4500mt/day. The by-products processed are value added products. One of the key products is Rice Bran, which is used to manufacture Rice Bran edible oil and De oiled cakes (DOC). Rice Bran edible oil is further refined and the crude oil is sold in the market. DOC is converted into cattle feed and sold under the brand name "Heera Moti".

Husk is the primary source of fuel for bio – power generation. Also the power generation business provides a major upside to the profitability due to power deficiency in the country and fiscal incentives provided by the Government.

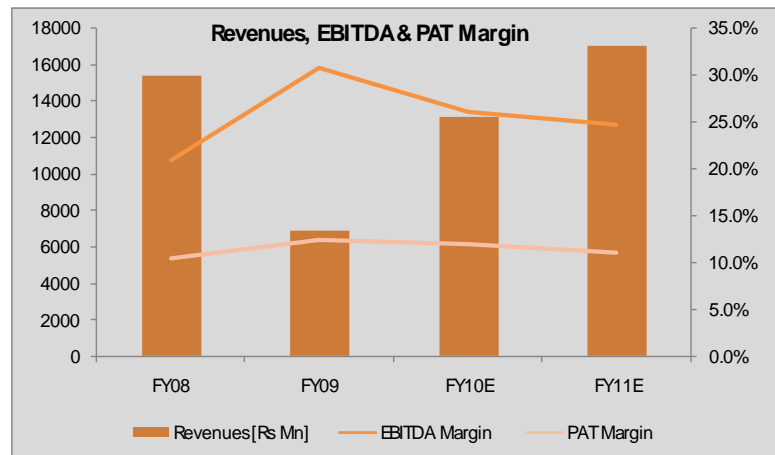
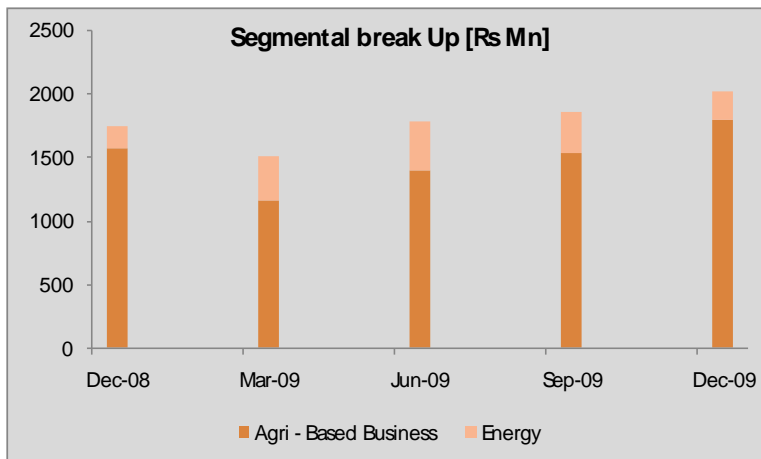
**Disclaimer:** This document is prepared by Epitome Global Services Private Limited exclusively for Fullerton Securities & Wealth Advisors Ltd (FSWA) customers. This document is not for public distribution and has been furnished to you solely for your information and you are notified that you should not further copy, modify, use or distribute the information in any way unless you obtain written consent from FSWA. The information provided in the document is on the "best effort" basis and is subject to change depending on several factors, including general market conditions. While reasonable care to compile the document but the accuracy and completeness cannot be guaranteed either by FSWA or any other person or entity associated with it. The returns shown are merely estimates and forecasts and are not necessarily indicative of future performance and can change without notice. The document is prepared only for your information and is not sufficient for making an investment decision. You should rely on your own investigations and seek professional advice for investment decision. Neither FSWA nor any person connected with it accepts any liability either arising from the use of this document or due to any inadvertent error in the information contained in this document. Financial investments carry risks including principal risk and therefore you should seek professional advice prior to making any investment decision. The risk of any losses occurring by use of this report or document will be entirely yours. The investments covered in this report are not guaranteed. Also past performance of an investment or fund is not an indication of future performance. FSWA, its affiliates, or associates, or any regulatory or other body or entity assumes no liability or responsibility for investment results or losses arising out of investment decisions made by you. This document is not to be considered as an offer to sell or a solicitation to buy any security or financial product. FSWA reserves the right to modify or alter the terms and conditions of the use of this service or discontinue, temporarily or permanently, the information and services provided (or any part thereof) at any time, with or without prior notice and FSWA shall not be liable to you for any suspension, modification, or termination of the information and services provided herein.

## BUSINESS PERFORMANCE

### Clear expansion plans to drive topline growth

Following last year's global crisis, management has chalked out clear expansion plans for the coming years. Management plans to add a 50MW power plant within 18 months and also increase its rice milling capacity to 3m tonnes (from the current 1.8m tonnes) within the next 3 years. Together, these plans are likely to cost Rs 9bn, to be funded equally by debt and internal accruals. Last year, the company also diversified its customer base to offset the demand decline from FCI. Therefore, it has made some new relations, which includes domestic wholesalers and retailers (through its branded rice) as well as the export market (mainly the Middle East) to whom it sold the PUSA 1121 variety of rice.

**The capex of Rs 9bn over a period of 3 years is likely to be funded through debt and internal accruals**



### Peer Comparison

LEAF is India's largest rice processor with capacity of 1.8mtpa, way ahead of its competitors. The company's growth strategy is based on volume expansion and exportable varieties. The capacity plans are back in place and the company is confident of executing the same. The company plans to achieve a turnover of Rs 13000mn in FY2009-10. The company is likely to generate strong revenues and earnings growth with predictable cash flows.

**The company's growth strategy is based on volume expansion and exportable varieties and overall better utilization of resources**

### Peer Group Comparison

Companies	Revenues (Rs mn)	Operating Margins %	PAT Margins %	ROE	P/E (x)	P/B (x)	CMP	FV
Lakshmi Energy & Foods	7,194	31.4%	13.8%	33%	8.5	1.5	136.1	2
REI Agro	33,324	15.2%	4.1%	11%	12.1	2.2	51.0	1
Kohinoor Foods	7,735	2.4%	0.3%	22%	10.8	0.8	58	10

\* TTM Figures are used

**Disclaimer:** This document is prepared by Epite Global Services Private Limited exclusively for Fullerton Securities & Wealth Advisors Ltd (FSWA) customers. This document is not for public distribution and has been furnished to you solely for your information and you are notified that you should not further copy, modify, use or distribute the information in any way unless you obtain written consent from FSWA. The information provided in the document is on the "best effort" basis and is subject to change depending on several factors, including general market conditions. While reasonable care to compile the document but the accuracy and completeness cannot be guaranteed either by FSWA or any other person or entity associated with it. The returns shown are merely estimates and forecasts and are not necessarily indicative of future performance and can change without notice. The document is prepared only for your information and is not sufficient for making an investment decision. You should rely on your own investigations and seek professional advice for investment decision. Neither FSWA nor any person connected with it accepts any liability either arising from the use of this document or due to any inadvertent error in the information contained in this document. Financial investments carry risks including principal risk and therefore you should seek professional advice prior to making any investment decision. The risk of any losses occurring by use of this report or document will be entirely yours. The investments covered in this report are not guaranteed. Also past performance of an investment or fund is not an indication of future performance. FSWA, its affiliates, or associates, or any regulatory or other body or entity assumes no liability or responsibility for investment results or losses arising out of investment decisions made by you. This document is not to be considered as an offer to sell or a solicitation to buy any security or financial product. FSWA reserves the right to modify or alter the terms and conditions of the use of this service or discontinue, temporarily or permanently, the information and services provided (or any part thereof) at any time, with or without prior notice and FSWA shall not be liable to you for any suspension, modification, or termination of the information and services provided herein.

## VALUATIONS

We believe that Lakshmi Energy and Foods would continue dominating the market and emerge as one of the fastest growing food companies in India. In order to diversify and provide stability to its revenue stream, the company is increasing its focus on the Energy Business, which would be a major contributor to revenues in the coming years. We expect the revenues to grow at a CAGR of 52.2% and PAT to grow at 48.4% for FY2009-2011E.

**Based on P/E multiple of 6x, the fair value per share for the company works out to Rs 179.40**

**Based on P/E multiple of 6x, the fair value per share for the company works out to Rs 179.40.**

We recommend a 'BUY' rating on the stock.

### Financial Analysis and Projections

Particulars(Rsmn)	FY2008*	FY2009	FY2010E	FY2011E
Net Revenue	15,402	6,914	13,137	17,078
Other Income	28	10	15	26
Total Income	15,430	6,924	13,152	17,104
Operating Expenditure	12,207	4,798	9,731	12,897
Depreciation	335	347	384	447
EBITDA	3,223	2,126	3,421	4,207
EBITDA Margin (%)	20.9%	30.7%	26.0%	24.6%
Interest	488	682	794	1,061
Profit Before Tax	2,400	1,097	2,243	2,699
Less: Tax	801	239	673	810
Profit After Tax	1,599	858	1,570	1,889
PAT Margin (%)	10.4%	12.4%	12.0%	11.1%
ROE (%)	33%	15%	21%	20%
EPS (Rs)	25.3	13.6	24.8	29.9
BVPS (Rs)	77.0	91.9	116.7	146.6
<b>Valuation Ratios (x)</b>			<b>FY2010E</b>	<b>FY2011E</b>
P/E			5.5	4.6
P/B			1.2	0.9

\* Figures for FY08 are for 18 months

**Disclaimer:** This document is prepared by Epitome Global Services Private Limited exclusively for Fullerton Securities & Wealth Advisors Ltd (FSWA) customers. This document is not for public distribution and has been furnished to you solely for your information and you are notified that you should not further copy, modify, use or distribute the information in any way unless you obtain written consent from FSWA. The information provided in the document is on the "best effort" basis and is subject to change depending on several factors, including general market conditions. While reasonable care to compile the document but the accuracy and completeness cannot be guaranteed either by FSWA or any other person or entity associated with it. The returns shown are merely estimates and forecasts and are not necessarily indicative of future performance and can change without notice. The document is prepared only for your information and is not sufficient for making an investment decision. You should rely on your own investigations and seek professional advice for investment decision. Neither FSWA nor any person connected with it accepts any liability either arising from the use of this document or due to any inadvertent error in the information contained in this document. Financial investments carry risks including principal risk and therefore you should seek professional advice prior to making any investment decision. The risk of any losses occurring by use of this report or document will be entirely yours. The investments covered in this report are not guaranteed. Also past performance of an investment or fund is not an indication of future performance. FSWA, its affiliates, or associates, or any regulatory or other body or entity assumes no liability or responsibility for investment results or losses arising out of investment decisions made by you. This document is not to be considered as an offer to sell or a solicitation to buy any security or financial product. FSWA reserves the right to modify or alter the terms and conditions of the use of this service or discontinue, temporarily or permanently, the information and services provided (or any part thereof) at any time, with or without prior notice and FSWA shall not be liable to you for any suspension, modification, or termination of the information and services provided herein.

**Board Of Directors**

Director Name	Current Position	Description
Balbir Singh Uppal	Chairman & Managing Director	Mr. Balbir Singh Uppal is a Chairman of the Board, Managing Director of Lakshmi Energy and Foods Ltd. He has 37 years of experience.
Iqbal Singh Gumber	Executive Director	Mr. I. S. Gumber was appointed as the Executive Director of Lakshmi Overseas Industries Ltd. w.e.f. 1st March, 2005. He has a rich experience of 27 years in banking and in financial institutions, etc. He is involved in business strategic and corporate finance related matters of the Company. He is heading the newly opened office in Mumbai
Harnita Ahluwalia	Non Executive Director	Harnita Ahluwalia is a Non Executive Director of the company
Nirdoshi Bali	Non Executive Independent Director	Nirdoshi Bali is a Non Executive Independent Director of the company
Vijay Luxmi	Non Executive Director	Vijay Luxmi is a Non Executive Director of the company
Rajendra Sharma	Non Executive Independent Director	Rajendra Sharma is a Non Executive Independent Director of the company
Amarjit Singh	Non Executive Independent Director	Amarjit Singh is a Non Executive Independent Director of the company
Sanjeev Sood	Non Executive Independent Director	Sanjeev Sood is a Non Executive Independent Director of the company
A.L. Suri	Non Executive Independent Director	A.L. Suri is a Non Executive Independent Director of the company
Janak R.S. Uppal	Executive Director	Janak R.S.Uppal is a Executive Director of the company

**Disclaimer:** This document is prepared by Epitome Global Services Private Limited exclusively for Fullerton Securities & Wealth Advisors Ltd (FSWA) customers. This document is not for public distribution and has been furnished to you solely for your information and you are notified that you should not further copy, modify, use or distribute the information in any way unless you obtain written consent from FSWA. The information provided in the document is on the "best effort" basis and is subject to change depending on several factors, including general market conditions. While reasonable care to compile the document but the accuracy and completeness cannot be guaranteed either by FSWA or any other person or entity associated with it. The returns shown are merely estimates and forecasts and are not necessarily indicative of future performance and can change without notice. The document is prepared only for your information and is not sufficient for making an investment decision. You should rely on your own investigations and seek professional advice for investment decision. Neither FSWA nor any person connected with it accepts any liability either arising from the use of this document or due to any inadvertent error in the information contained in this document. Financial investments carry risks including principal risk and therefore you should seek professional advice prior to making any investment decision. The risk of any losses occurring by use of this report or document will be entirely yours. The investments covered in this report are not guaranteed. Also past performance of an investment or fund is not an indication of future performance. FSWA, its affiliates, or associates, or any regulatory or other body or entity assumes no liability or responsibility for investment results or losses arising out of investment decisions made by you. This document is not to be considered as an offer to sell or a solicitation to buy any security or financial product. FSWA reserves the right to modify or alter the terms and conditions of the use of this service or discontinue, temporarily or permanently, the information and services provided (or any part thereof) at any time, with or without prior notice and FSWA shall not be liable to you for any suspension, modification, or termination of the information and services provided herein.

Call us at  
**39400800**

