

Retail Equity Research

Avanti Feeds Ltd.

Aquaculture

BSE CODE: 512573

NSE CODE: AVANTIFEED

Bloomberg CODE: AVNT:IN

SENSEX: 78,674

Accumulate

12 Months Investment period Rating as per Small Cap

 CMP Rs. 600 TARGET Rs. 698 RETURN 16% 
 (Closing: 26-06-24)

KEY CHANGES:
TARGET 
RATING 
EARNINGS 

Margins to improve going forward.

Avanti Feeds Ltd. (AFL) is a leading manufacturer of shrimp feeds with a capacity of 7,75,000 MT and a shrimp processor & exporter with a capacity of 29,000 MT. AFL has a tie-up with Thai Union Group, Thailand.

- We maintain our Accumulate rating with a revised target price of Rs. 698, considering expected improvement in margins.
- Revenue grew by ~17% YoY, supported by volume growth in both feed (+18% YoY) and processing (+34%YoY) segments. However, EBITDA declined by 3% YoY due to lower realisation.
- The input prices have come down materially from the peak, which, along with the uptick in volumes, will improve margins going forward.
- AFL has formed a subsidiary to diversify into pet food products (to be completed in two years) and is also making efforts to enter the fish feed and domestic shrimp market.
- AFL has recently expanded its processing capacity by 7,000MT. The company also anticipates an improvement in shrimp production in the second season. We expect consolidated revenue/PAT to grow at 8%/26% CAGR over FY24-26E and value AFL at 17x P/E (3Yr avg=15).

Growth in volumes supported revenue.

For Q4FY24, consolidated revenue grew by 17%YoY, aided by volume growth in both feed (18%YoY) and processing segments (+34%YoY). However, realisation declined by 10%YoY in export and 2%YoY in feed segments. The first crop in shrimp culture in 2024 started with an expected growth of ~10-15%, but the culture did not progress as expected due to adverse weather conditions and white spot disease. However, the company expects the loss of volumes could be recouped in the second season, which started in June. AFL has added 7,000MT in the processing segment in Q4FY24 and is making efforts to diversify export markets. We expect a revenue CAGR of ~8% over FY24-26E.

Margins to improve supported by reduction in input prices.

EBITDA declined by 3%YoY, due to lower realisation. The consolidated EBITDA margin dropped to 10.1% from 12.2%YoY. Prices of soybean, wheat and fishmeal have come down by ~37%/14%/14%, respectively, from their peaks, but fishmeal prices were highly volatile due to a significant demand-supply gap on account of a spurt in export demand (from China, Taiwan and Vietnam) and low production in Chile and Peru. Now, the fishmeal supply has resumed from Chile and Peru, which is resulting in material reduction in fishmeal prices (by ~20% recently). Meanwhile, the US has introduced an additional duty (CVD) of 4.36% on export of shrimps w.e.f April 2024 (will be reviewed in October) which can impact processing margins in the near-term, but the reduction in feed input prices along with volume uptick will improve consolidated margins.

Foray into pet food & pet care products business

AFL has started a subsidiary (51% stake), Avanti Pet Care Private Limited, in July 2023, to diversify into pet food & pet care products (expect to complete in two years). Currently, the pet care market for cats & dogs is ~ 70,000 metric tons in India and it is growing at a rate of 20% YoY. Most of the brands in the market are imported except Pedigree and Drools and the company expects opportunity in this segment. AFL is also making efforts to enter fish feed segment and domestic shrimp market.

Valuation & Outlook

AFL's efforts to diversify product segments and markets will benefit in the long term. The GoI also has a strong focus on supporting the industry and targets to double exports to Rs. 1 lakh crore. We value AFL at 17x P/E (3Yr avg=15x) to arrive at a target price of Rs. 698 and maintain Accumulate rating.

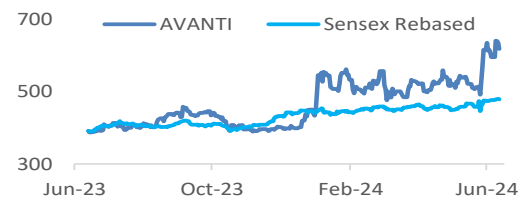
Company Data

Market Cap (Rs.cr)	8,175
Enterprise Value (Rs.cr)	7,418
Outstanding Shares (cr)	13.6
Free Float	29%
Dividend Yield	1.0%
52 week high (Rs.)	672
52 week low (Rs.)	384
6m average volume (cr)	0.12
Beta	1.1
Face value (Rs.)	1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	43.3	43.3	43.3
FII's	13.5	13.5	14.1
MFs/Insti	8.8	8.7	7.5
Public	14.9	15.1	15.1
Others	19.5	19.5	20.1
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	23.4%	55.0%	57.6%
Absolute Sensex	6.1%	8.7%	22.2%
Relative Return*	17.3%	46.3%	35.5%

*over or under performance to benchmark index



Consolidated (Rs. cr)	FY24A	FY25E	FY26E
Sales	5,371	5,725	6,239
Growth (%)	5.6	6.6	9.0
EBITDA	460	629	745
EBITDA Margin (%)	8.6	11.0	11.9
Adj. PAT	359	485	576
Growth (%)	22.7	35.1	18.8
Adj. EPS	26.3	35.6	42.3
Growth (%)	22.7	35.1	18.8
P/E	22.8	16.9	14.2
P/B	3.5	3.0	2.5
EV/EBITDA	16.1	11.1	8.7
ROE (%)	16.1	19.0	19.3
D/E	0.0	0.0	0.0

Vincent K A
 Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs. (cr)	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth	FY24	FY23	YoY Growth
Sales	1,284	1,093	17.4%	1,253	2.4%	5,369	5,087	5.5%
EBITDA	130	133	-3.0%	97	33.6%	458	393	16.6%
EBITDA margins	10.1%	12.2%	-210bps	7.7%	240bps	8.5%	7.7%	80bps
Depreciation	14	12	18.8%	14	0.6%	56	43	32.4%
EBIT	115	121	-5.1%	83	39.3%	402	350	14.6%
Interest	1	1	-30.1%	0	380.0%	1	2	-35.3%
Other Income	36	24	51.6%	34	8.1%	136	92	48.1%
Exceptional Items	0	-5	0.0%	0	0.0%	0	-13	0.0%
PBT	151	140	7.6%	116	30.3%	537	427	25.6%
Tax	38	39	-1.4%	32	17.8%	143	115	24.9%
Share of profit from associates	0	0	NA	0	NA	0	-1	NA
Minority interest	9	8	5.2%	11	-21.3%	37	34	9.2%
Reported PAT	104	93	11.5%	72	43.6%	357	278	28.4%
Adjustments	0	5	NA	0	NA	0	13	0.0%
Adj PAT	104	99	5.6%	72	43.6%	357	291	22.6%
No. of Shares	14	14	0.0%	14	0.0%	14	14	0.0%
Adj EPS (Rs)	7.6	7.2	5.6%	5.3	43.6%	26.2	21.4	22.6%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	5,987	6,615	5,725	6,239	-4.4%	-5.7%
EBITDA	557	672	629	745	12.9%	10.9%
Margins	9.3%	10.2%	11.0%	11.9%	170bps	180bps
Adj. PAT	434	525	485	576	11.7%	9.7%
EPS	31.9	38.5	35.6	42.3	11.6%	9.8%

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	4,101	5,036	5,087	5,371	5,725	6,239
% change	-0.4	22.8	1.0	5.6	6.6	9.0
EBITDA	461	323	393	460	629	745
% change	1.6	-29.9	21.6	17.0	36.7	18.6
Depreciation	41	41	43	56	63	63
EBIT	420	283	350	403	566	682
Interest	2	2	2	1	1	1
Other Income	93	82	92	136	155	162
PBT	511	335	427	538	720	843
% change	5.5	-34.5	27.6	26.0	33.7	17.2
Tax	112	79	115	143	195	223
Tax Rate	22.0%	23.5%	26.8%	26.6%	27.2%	26.5%
Reported PAT	361	223	279	359	485	576
Adj*	0	-28	-13	0	0	0
Adj PAT	361	250	292	359	485	576
% change	4.2	-30.7	16.8	22.7	35.1	18.8
No. of shares (cr)	13.6	13.6	13.6	13.6	13.6	13.6
Adj EPS (Rs.)	26.5	16.4	20.5	26.3	35.6	42.3
% change	4.2	-30.7	16.8	22.7	35.1	18.8
DPS (Rs.)	6	8	8	8	8	8
CEPS (Rs.)	29.5	21.4	24.6	30.5	40.2	46.9

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Net inc. + Depn.	402	291	322	415	547	639
Non-cash adj.	150	88	149	180	237	270
Other adjustments	2	-3	0	0	1	1
Changes in W.C	34	-436	152	-68	-43	-27
C.F. Operation	383	-212	449	263	547	659
Capital exp.	-43	-55	-159	-131	-31	-30
Change in inv.	-499	341	-283	-160	-400	-500
Other invest.CF	7	9	27	67	0	0
C.F - Investment	-535	295	-416	-224	-431	-530
Issue of equity	0	0	0	0	0	0
Issue/repay debt	-2	-2	-2	13	-1	-1
Dividends paid	-2	-86	-85	-85	-102	-102
Other finance.CF	15	19	23	13	0	0
C.F - Finance	15	-68	-65	-60	-103	-103
Chg. in cash	31	18	-32	-21	12	26
Closing cash	47	65	34	13	25	50

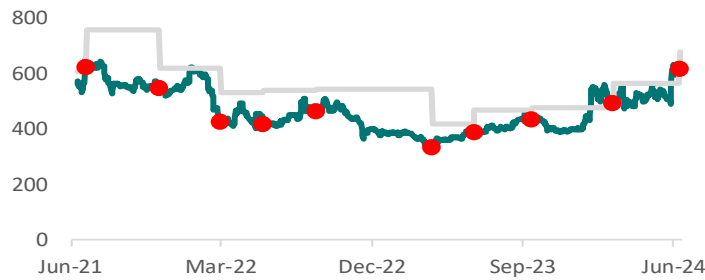
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Cash	47	65	34	13	25	50
Accounts Receivable	67	114	122	143	149	154
Inventories	555	988	805	886	890	919
Other Cur. Assets	42	46	281	755	760	763
Investments	1,235	931	1,005	746	1,146	1,646
Gross Fixed Assets	440	463	632	777	807	837
Net Fixed Assets	288	271	397	486	453	420
CWIP	6	40	34	9	10	10
Intangible Assets	4	3	0	1	1	1
Def. Tax (Net)	23	21	16	23	23	23
Other Assets	12	35	38	26	42	45
Total Assets	2,280	2,515	2,735	3,084	3,495	4,028
Current Liabilities	273	351	323	349	332	344
Provisions	16	14	14	12	16	17
Debt Funds	0	0	0	0	0	0
Other Liabilities	229	254	303	358	399	445
Equity Capital	14	14	14	14	14	14
Reserves & Surplus	1,748	1,882	2,082	2,352	2,734	3,208
Shareholder's Fund	1,761	1,895	2,095	2,365	2,748	3,221
Total Liabilities	2,280	2,515	2,735	3,084	3,495	4,028
BVPS (Rs.)	129	139	154	174	202	236

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.2	6.4	7.7	8.6	11.0	11.9
EBIT margin (%)	10.3	5.6	6.9	7.5	9.9	10.9
Net profit mgn.(%)	8.8	5.0	5.7	6.7	8.5	9.2
ROE (%)	22.8	13.7	14.7	16.1	19.0	19.3
ROCE (%)	17.9	10.6	10.8	11.8	13.8	14.2
W.C & Liquidity						
Receivables (days)	6.9	6.5	8.4	9.0	9.3	8.9
Inventory (days)	48.9	55.9	64.3	57.5	56.6	52.9
Payables (days)	26.0	23.4	25.9	25.5	25.3	22.9
Current ratio (x)	6.3	5.6	6.6	7.0	8.5	9.7
Quick ratio (x)	0.4	0.5	0.5	0.4	0.5	0.6
Turnover & Leverage						
Gross asset T.O (x)	10.0	11.2	9.3	7.6	7.2	7.6
Total asset T.O (x)	2.0	2.1	1.9	1.8	1.7	1.7
Int. coverage ratio (x)	250.6	140.8	173.9	309.6	577.6	811.8
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation						
EV/Sales (x)	1.7	1.5	1.4	1.4	1.3	1.1
EV/EBITDA (x)	15.4	22.9	18.7	16.6	11.5	9.0
P/E (x)	23.3	33.6	28.7	23.4	17.3	14.6
P/BV (x)	4.8	4.4	4.0	3.6	3.1	2.6

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
30-May-22	Buy	540
05-Sep-22	Accumulate	548
31-Mar-23	Buy	420
16-Jun-23	Buy	469
27-Sept-23	Hold	478
23-Feb-24	Accumulate	569
27-June-24	Accumulate	698

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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