

Retail Equity Research

Apex Frozen Foods Ltd.

Aquaculture

BSE CODE: 540692

NSE CODE: APEX

Bloomberg CODE: APEX:IN

SENSEX: 73,095

Accumulate

12 Month Investment period Rating as per Small Cap

CMP Rs. 222 TARGET Rs. 255 RETURN 15% ↑
(Closing: 27-02-24)

KEY CHANGES:

TARGET ↓

RATING ↓

EARNINGS ↓

Demand in the key export markets to improve...

Apex Frozen Foods Ltd. (Apex) is a South India (Andhra Pradesh) based exporter of processed shrimps with a capacity of 34,240MT.

- We downgrade our rating to Accumulate with a revised target price of Rs. 255, factoring in the subdued demand in the major markets like USA.
- In Q3FY24, revenue dropped by 34% YoY due to decreased total volumes (-26% YoY) and realisation (-11% YoY) despite the EU market showing a volume growth of ~50%YoY.
- Drop in global shrimp prices along with deterioration in the product mix due to lower share of USA impacted realisation. Operating profit declined by 33%YoY.
- Inventory surplus situation in the key export markets is expected to ease, which will support demand. Apex is currently waiting for the approval of the RTE (ready-to-eat) products for the EU market.
- We reduce our volume assumptions, factoring in the current demand slowdown. We expect revenue/PAT to grow at 17%/58% respectively over FY24-26E. We roll forward to FY26E EPS and value Apex at 14X FY26E EPS.

Weakness in US market take a toll on revenue.

Q3FY24 revenue declined by 34% YoY due to de-growth in both volumes and realisation. Total volumes declined by 26%YoY mainly due to demand weakness in the major markets. This is mainly attributed to the drop in sales to retail or supermarket customers due to excess inventory situation, which is expected to ease going forward. The company has taken steps regarding setting up a wholly owned subsidiary in U.S.A, mainly to support logistics and market development. However, volumes in EU market improved by ~50%YoY. The drop in global shrimp prices along with lower RTE product mix impacted realisation. Going forward, expected demand pick up in the USA markets will help to improve product mix and recover realisation. Further, any additional duty (anti-dumping duty) by the US on countries like Ecuador will also aid volumes.

Poor product mix and lower volumes impact margin recovery.

EBITDA de-grew by 33%YoY due to lower volume and margins. EBITDA margin recovery was impacted (5.7% vs 7.7% QoQ) due to deterioration in the product mix which is mainly due to lower share of USA, the major contributor of RTE products. At the same time, the share of EU in the overall sales mix increased to 36% in Q3FY24 (30% in 9MFY24 from 17% last year) which is mainly RTC (ready-to-cook) products, resulting in lower realizations and margins compared to RTE products. The company is awaiting approval of RTE products for EU market, for which the capacity has already been expanded to 10,000MT. The recent disruption in the Red sea is impacting the shipments and the freight costs have started to increase by ~20-30% as per the company. This will limit margin improvement. Export incentive for Q3FY24 was Rs. 7.8cr compared to Rs. 10.1cr YoY.

Valuation & Outlook

We expect the current excess inventory situation in the major markets to ease going forward and improve demand. Also, the GoI has a strong focus to support the industry and targets to double exports to Rs. 1 lakh crore. We roll forward to FY26E EPS and value Apex at a P/E of 14x to arrive at a target price of Rs. 255, and downgrade to Accumulate rating.

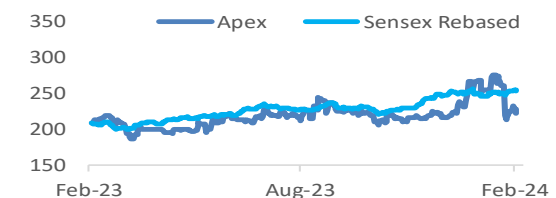
Company Data

Market Cap (Rs.cr)	694
Enterprise Value (Rs.cr)	783
Outstanding Shares (cr)	3.1
Free Float	27%
Dividend Yield	1.1%
52 week high Rs.	285
52 week low Rs.	185
6m average volume (lakhs)	3.60
Beta	0.9
Face value Rs.	10

Shareholding (%)	Q1FY24	Q2FY24	Q3FY24
Promoters	72.6	72.6	72.6
FII's	0.0	0.0	0.0
MFs/Institutions	4.5	0.1	0.0
Public	21.0	24.6	24.8
Others	1.9	2.7	2.5
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	2.7%	-1.6%	6.8%
Absolute Sensex	10.8%	12.6%	22.3%
Relative Return*	-8.0%	-14.2%	-15.5%

*over or under performance to benchmark index



Standalone (cr)	FY24E	FY25E	FY26E
Sales	851	1,025	1,168
Growth (%)	-20.5	20.4	13.9
EBITDA	58	80	102
EBITDA Margin (%)	6.8	7.8	8.7
Adj. PAT	23	40	57
Growth (%)	-38.0	74.5	42.9
Adj. EPS	7.3	12.7	18.1
Growth (%)	-38.0	74.5	42.9
P/E	30.6	17.5	12.3
P/B	1.4	1.3	1.2
EV/EBITDA	12.7	9.3	7.0
ROE (%)	4.6	7.6	10.1
D/E	0.1	0.1	0.1

Vincent Andrews
Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs (cr)	Q3FY24	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)	9MFY24	9MFY23	YoY Growth (%)
Sales	148	225	-34	241	-38	642	849	-24
EBITDA	8	13	-33	19	-54	40	66	-39
EBITDA margins (%)	5.7	5.6	10bps	7.7	-200bps	6.2	7.8	-160bps
Depreciation	3	5	-33.4	5	-34.7	14	16	-11
EBIT	5	7	-31.9	13	-62.3	26	50	-48.4
Interest	2	3	-36.5	3	-33.9	8	13	-39.4
Other Income	1	6	-91.4	1	-47.0	2	16	-89.3
Exceptional Items	0	0	0.0	0	0.0	0	0	0.0
PBT	4	10	-65.4	11	-68.3	20	54	-62.6
Tax	1	3	-76.2	3	-79.3	5	14	-62.8
Share of profit from associates	0	0	NA	0	NA	0	0	0.0
Minority interest	0	0	NA	0	NA	0	0	0.0
Reported PAT	3	8	-61.7	8	-64.3	15	40	-62.6
Adjustments	0	0	0.0	0	0.0	0	0	0.0
Adj PAT	3	8	-61.7	8	-64.3	15	40	-62.6
No. of Shares	3	3	0.0	3	0.0	3	3	0.0
Adj EPS (Rs)	0.9	2.5	-61.7	2.7	-64.3	4.8	12.8	-62.6

Per Kg Analysis

	Q3FY24	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)
Volume (MT)	2,117	2,869	-26.2	3,084	-31.4
Cost of materials consumed	457	562	-18.7	548	-16.6
Employee Expenses	65	41	59.9	48	35.7
Other expenses	138	137	1.0	124	11.3
Total expenses	660	739	-10.8	720	-8.3
Realisation (inc. RMC)	700	783	-10.6	780	-10.3
EBITDA	40	44	-8.5	60	-33.6

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	1,120	1,264	851	1,025	-24.0	-18.9
EBITDA *	91	122	58	80	-36.4	-34.8
Margins (%)	8.1	10	6.8	7.8	-130bps	-180bps
Adj. PAT	56	83	23	40	-59.5	-52.3
EPS	17.9	27	7.3	12.7	-59.4	-52.2



PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	818	911	1,071	851	1,025	1,168
% change	-1.0	11.3	17.5	-20.5	20.4	13.9
EBITDA	91	76	84	58	80	102
% change	4.5	-16.1	9.8	-31.0	37.6	28.4
Depreciation	22	19	19	19	20	21
EBIT	69	58	64	39	59	81
Interest	16	17	15	10	6	5
Other Income	8	13	2	2	1	1
PBT	61	53	51	31	54	77
% change	-24.9	-12.2	-3.4	-39.8	74.5	42.9
Tax	16.3	15.1	14.7	8.2	14.4	20.5
Tax Rate (%)	26.9	28.4	28.7	26.6	26.6	26.6
Reported PAT	44	38	37	23	40	57
Adj*	0	0	0	0	0	0
Adj PAT	44	38	37	23	40	57
% change	-27.0	-14.1	-3.8	-38.0	74.5	42.9
No. of shares (cr)	3.1	3.1	3.1	3.1	3.1	3.1
Adj EPS (Rs.)	14.2	12.2	11.7	7.3	12.7	18.1
% change	-27.0	-14.1	-3.8	-38.0	74.5	42.9
DPS (Rs.)	2	2	2	2	2	2
CEPS (Rs.)	21.2	18.1	17.9	13.4	19.2	24.8

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Depn.	66	57	56	42	60	78
Non-cash adj.	-5	-5	0	0	0	0
Other adjustments	14	18	14	10	6	5
Changes in W.C	-57	-46	47	16	-47	-41
C.F. Operation	13	28	121	68	19	42
Capital exp.	-15	-11	-23	-2	-10	-10
Change in inv.	1	0	2	0	0	0
Other invest.CF	0	0	0	0	0	0
C.F - Investment	-14	-10	-20	-2	-10	-10
Issue of equity	0	0	0	0	0	0
Issue/repay debt	4	-20	-65	-53	-6	-20
Dividends paid	0	0	-8	-7	-7	-7
Other finance.CF	0	0	0	0	0	0
C.F - Finance	4	-20	-99	-60	-13	-27
Chg. in cash	3	-2	1	6	-5	5
Closing cash	10	7	2	8	3	8

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	10	7	2	8	3	8
Accounts Receivable	155	132	112	110	129	144
Inventories	161	203	180	177	193	218
Other Cur. Assets	60	75	46	40	47	52
Investments	0	0	0	0	0	0
Gross Fixed Assets	325	329	355	365	375	385
Net Fixed Assets	250	236	242	233	223	212
CWIP	15	22	18	10	10	10
Intangible Assets	0	0	0	0	0	0
Def. Tax (Net)	0	0	0	0	0	0
Other Assets	3	3	13	11	13	15
Total Assets	654	678	614	589	618	659
Current Liabilities	51	39	26	28	25	31
Provisions	0	0	0	0	0	0
Debt Funds	166	165	91	48	48	33
Other Liabilities	-2	-1	7	7	7	7
Equity Capital	31	31	31	31	31	31
Reserves & Surplus	409	444	459	474	507	556
Shareholder's Fund	440	475	490	506	538	587
Total Liabilities	654	678	614	589	618	659
BVPS (Rs.)	141	152	157	162	172	188

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.1	8.4	7.8	6.8	7.8	8.7
EBIT margin (%)	8.4	6.3	6.0	4.6	5.8	7.0
Net profit mgn.(%)	5.4	4.2	3.4	2.7	3.9	4.8
ROE (%)	10.6	8.3	7.6	4.6	7.6	10.1
ROCE (%)	7.5	6.3	6.0	4.2	5.9	7.5
W.C & Liquidity						
Receivables (days)	52.1	57.4	41.6	47.5	42.5	42.7
Inventory (days)	77.0	72.9	65.2	76.5	65.8	64.2
Payables (days)	24.8	15.1	9.4	11.0	8.9	8.6
Current ratio (x)	2.0	2.4	3.0	4.4	5.1	6.6
Quick ratio (x)	0.9	0.8	1.0	1.5	1.8	2.4
Turnover & Leverage						
Gross asset T.O (x)	2.5	2.8	3.1	2.4	2.8	3.1
Total asset T.O (x)	1.3	1.4	1.7	1.4	1.7	1.8
Int. coverage ratio (x)	4.3	3.3	4.4	4.0	9.5	15.4
Adj. debt/equity (x)	0.4	0.4	0.2	0.1	0.1	0.1
Valuation						
EV/Sales (x)	1.0	0.9	0.7	0.9	0.7	0.6
EV/EBITDA (x)	9.4	11.2	9.3	12.7	9.3	7.0
P/E (x)	15.7	18.2	18.9	30.6	17.5	12.3
P/BV (x)	1.6	1.5	1.4	1.4	1.3	1.2

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
13-Sept-21	Buy	340
17-Nov-21	Buy	355
08-Mar-22	Buy	360
25-Aug-22	Accumulate	364
23-Feb-23	Accumulate	250
23-Jun-23	Buy	265
28-Feb-24	Accumulate	255

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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