

Retail Equity Research Avanti Feeds Ltd.

Aquaculture

BSE CODE: 512573

NSE CODE: AVANTIFEED

Bloomberg CODE: AVNT:IN

SENSEX: 73,158

Accumulate

12 Months Investment period Rating as per Small Cap

CMP Rs. 494 TARGET Rs. 569 RETURN 15% ↑
(Closing: 22-02-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Input prices stabilise, margins to improve.

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 22,000 MT. AFL has a tie-up with Thai Union Group, Thailand.

- We upgrade our rating to Accumulate (from HOLD) with a revised target price of Rs.569 considering improvement in volumes.
- Revenue grew by ~14% YoY, supported by revenue growth in both feed (+9% YoY) and processing (+31%) segments. EBITDA grew by ~20% YoY due to better utilisation and EBITDA margin improved by 40bps YoY to 7.7%, aided by stabilization in raw material prices.
- Shrimp production is expected to increase by 10-15% YoY in 2024, which will support feed volume growth.
- AFL has formed a subsidiary, Avanti Pet Care (P) Ltd with the aim of diversifying into the production and trading of pet food and pet care products (expects to complete in two years). Furthermore, the company is also exploring opportunities to enter fish feed segment.
- AFL has recently added a new capacity of 1.75 lakh MT in feed and is adding 7,000MT in the processing segment by the end of FY24. Revenue/PAT is expected to grow at 12%/22% CAGR over FY24-26E. We roll forward to FY26E EPS and value AFL at 15x P/E (3Yr avg=15).

Growth in export volumes supported revenue growth.

For Q3FY24, consolidated revenue grew by 14%YoY, mainly aided by volume growth in processing segment (+39%YoY), while feed volumes improved by 9%YoY. However, realisation declined in both export (-6%YoY) and feed (-1%YoY) segments. Shrimp production had witnessed a slowdown in last year. However, the first crop in shrimp culture in 2024 is showing ~10-15% growth, which will aid future feed volumes. At the same time, export market is expected to witness an ease in the current excess inventory situations, which will support export volume and realisation. AFL has added feed capacity of 1.75 lakhs MT in FY23 last year and is also adding 7,000MT in processing segment by FY24 end. We expect a revenue CAGR of ~12% over FY24-26E.

Margins to improve supported by stability in input prices.

EBITDA improved by 20%YoY, aided by better utilization and stabilization of raw material prices, while EBITDA margin improvement was flat YoY at 7.7%. Prices of soybean, wheat and fishmeal have come down by ~36%/14%/8%, respectively, from their peaks, but fishmeal prices are still highly volatile (+18% YoY) due to a significant demand-supply gap on account of a spurt in export demand from China, Taiwan and Vietnam and shortage of fishmeal in Chile and Peru. We expect the recent stability in raw material prices, along with volume improvements, will support 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 manufacturing and trading of pet food and 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 like Pedigree and Drools and the company expects opportunity in the segment. AFL also has plans to enter into fish feed segment.

Valuation & Outlook

The shrimp production outlook has improved and the excess supply situation in the export markets is expected to correct going forward. The GoI also 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 AFL at 15x P/E (3Yr avg=15x) to arrive at a target price of Rs. 569, upgrade to Accumulate rating.

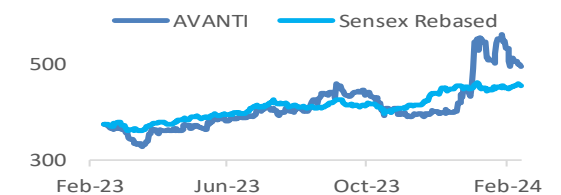
Company Data

Market Cap (Rs.cr)	6,717
Enterprise Value (Rs.cr)	5,678
Outstanding Shares (cr)	13.6
Free Float	29%
Dividend Yield	1.3%
52 week high (Rs.)	599
52 week low (Rs.)	321
6m average volume (cr)	0.08
Beta	0.6
Face value (Rs.)	1

Shareholding (%)	Q1FY24	Q2FY24	Q3FY24
Promoters	43.3	43.3	43.3
FII's	13.1	13.5	13.5
MFs/Insti	9.1	8.8	8.7
Public	15.0	14.9	15.1
Others	19.6	19.5	19.5
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	25.0%	16.3%	31.8%
Absolute Sensex	9.5%	11.3%	20.9%
Relative Return*	15.5%	5.0%	10.9%

*over or under performance to benchmark index



Consolidated (cr)	FY24E	FY25E	FY26E
Sales	5,255	5,987	6,615
Growth (%)	3.3	13.9	10.5
EBITDA	442	557	672
EBITDA Margin (%)	8.4	9.3	10.2
Adj. PAT	351	434	525
Growth (%)	20.0	23.8	20.9
Adj. EPS	25.8	31.9	38.5
Growth (%)	20.0	23.8	20.9
P/E	19.1	15.5	12.8
P/B	2.9	2.5	2.2
EV/EBITDA	12.2	9.1	6.8
ROE (%)	15.8	17.3	18.2
D/E	0.0	0.0	0.0

Vincent Andrews
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs. (cr)	Q3FY24	Q3FY23	YoY Growth	Q2FY24	QoQ Growth	9MFY24	9MFY23	YoY Growth
Sales	1,253	1,103	13.7%	1,278	-2.0%	4,085	3,994	2.3%
EBITDA	97	81	20.4%	94	3.2%	329	260	26.6%
EBITDA margins	7.7%	7.3%	40bps	7.4%	30bps	8.0%	6.5%	150bps
Depreciation	14	11	35.2%	14	0.7%	42	30	37.8%
EBIT	83	70	18.1%	80	3.7%	287	229	25.1%
Interest	0	0	-31.8%	0	-6.3%	1	1	-40.8%
Other Income	34	29	15.6%	34	0.6%	100	68	46.8%
Exceptional Items	0	-2	0.0%	0	0.0%	0	-8	0.0%
PBT	116	96	19.9%	113	2.1%	386	287	34.5%
Tax	32	26	25.2%	31	6.1%	105	76	38.3%
Share of profit from associates	0	0	NA	0	NA	0	-1	NA
Minority interest	11	8	33.1%	9	27.5%	28	25	10.5%
Reported PAT	72	62	16.0%	74	-2.4%	253	185	37.0%
Adjustments	0	2	NA	0	NA	0	8	0.0%
Adj PAT	72	64	13.3%	74	-2.4%	253	193	31.2%
No. of Shares	14	14	0.0%	14	0.0%	14	14	0.0%
Adj EPS (Rs)	5.3	4.7	13.3%	5.4	-2.4%	18.6	14.2	31.2%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	4,928	5,649	5,255	5,987	6.6%	6.0%
EBITDA	402	533	442	557	9.9%	4.6%
Margins	8.2%	9.4%	8.4%	9.3%	30bps	(10bps)
Adj. PAT	319	407	351	434	10.0%	6.7%
EPS	23.4	29.9	25.8	31.9	10.0%	6.6%

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	4,101	5,036	5,087	5,255	5,987	6,615
% change	-0.4	22.8	1.0	3.3	13.9	10.5
EBITDA	461	323	393	442	557	672
% change	1.6	-29.9	21.6	12.4	26.2	20.6
Depreciation	41	41	43	56	61	63
EBIT	420	283	350	386	496	609
Interest	2	2	2	1	1	1
Other Income	93	82	92	131	150	165
PBT	511	335	427	516	645	773
% change	5.5	-34.5	27.6	20.9	24.9	20.0
Tax	112	79	115	134	171	205
Tax Rate	22.0%	23.5%	26.8%	26.5%	26.5%	26.5%
Reported PAT	361	223	279	351	434	525
Adj*	0	-28	-13	0	0	0
Adj PAT	361	250	292	351	434	525
% change	4.2	-30.7	16.8	20.0	23.8	20.9
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	25.8	31.9	38.5
% change	4.2	-30.7	16.8	20.0	23.8	20.9
DPS (Rs.)	6	8	8	8	8	8
CEPS (Rs.)	29.5	21.4	24.6	29.9	36.4	43.2

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Depn.	402	291	322	407	496	589
Non-cash adj.	150	88	149	167	212	251
Other adjustments	2	-3	2	1	1	1
Changes in W.C	34	-436	152	28	-63	-44
C.F. Operation	383	-212	451	469	475	591
Capital exp.	-43	-55	-159	-100	-25	-25
Change in inv.	-499	341	-283	-250	-300	-400
Other invest.CF	7	9	27	0	0	0
C.F - Investment	-535	295	-416	-350	-325	-425
Issue of equity	0	0	0	0	0	0
Issue/repay debt	-2	-2	-2	-1	-1	-1
Dividends paid	-2	-86	-85	-102	-102	-102
Other finance.CF	15	19	23	0	0	0
C.F - Finance	15	-68	-65	-104	-103	-103
Chg. in cash	31	18	-30	15	47	62
Closing cash	47	65	35	51	97	160

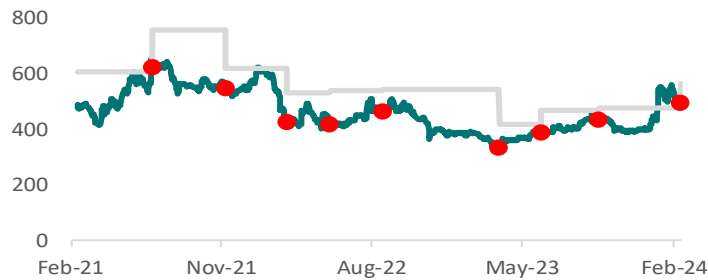
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	47	65	35	51	97	160
Accounts Receivable	67	114	122	115	131	145
Inventories	555	988	805	786	846	925
Other Cur. Assets	42	46	281	283	291	295
Investments	1,235	931	1,005	1,255	1,555	1,955
Gross Fixed Assets	440	463	632	756	781	806
Net Fixed Assets	288	271	397	465	429	390
CWIP	6	40	34	10	10	10
Intangible Assets	4	3	0	0	0	0
Def. Tax (Net)	23	21	16	16	16	16
Other Assets	12	35	38	38	43	48
Total Assets	2,280	2,515	2,735	3,020	3,419	3,945
Current Liabilities	273	351	323	326	350	406
Provisions	16	14	14	15	16	18
Debt Funds	0	0	0	0	0	0
Other Liabilities	229	254	303	336	377	423
Equity Capital	14	14	14	14	14	14
Reserves & Surplus	1,748	1,882	2,082	2,330	2,662	3,085
Shareholder's Fund	1,761	1,895	2,095	2,344	2,676	3,098
Total Liabilities	2,280	2,515	2,735	3,020	3,419	3,945
BVPS (Rs.)	129	139	154	172	196	227

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.2	6.4	7.7	8.4	9.3	10.2
EBIT margin (%)	10.3	5.6	6.9	7.3	8.3	9.2
Net profit mgn.(%)	8.8	5.0	5.7	6.7	7.3	7.9
ROE (%)	22.8	13.7	14.7	15.8	17.3	18.2
ROCE (%)	17.9	10.6	10.8	11.7	12.7	13.4
W.C & Liquidity						
Receivables (days)	6.9	6.5	8.4	8.2	7.5	7.6
Inventory (days)	48.9	55.9	64.3	55.3	49.7	48.9
Payables (days)	26.0	23.4	25.9	24.3	22.4	22.9
Current ratio (x)	6.3	5.6	6.6	7.2	7.9	8.2
Quick ratio (x)	0.4	0.5	0.5	0.5	0.6	0.7
Turnover & Leverage						
Gross asset T.O (x)	10.0	11.2	9.3	7.6	7.8	8.3
Total asset T.O (x)	2.0	2.1	1.9	1.8	1.9	1.8
Int. coverage ratio (x)	250.6	140.8	173.9	344.6	506.1	724.9
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation						
EV/Sales (x)	1.3	1.1	1.1	1.0	0.8	0.7
EV/EBITDA (x)	11.8	17.7	14.4	12.2	9.1	6.8
P/E (x)	18.6	26.8	23.0	19.1	15.5	12.8
P/BV (x)	3.8	3.5	3.2	2.9	2.5	2.2

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
10-March-22	Buy	535
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

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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