

# Retail Equity Research

## Avanti Feeds Ltd.

**Accumulate**

Sector: Aquaculture

 23<sup>rd</sup> December 2024

Key Changes	Target	Rating	Earnings	Target	Rs. 715
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	AVNT:IN	78,042	AVANTIFEED	512573	12 Months

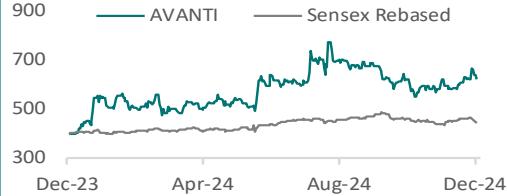
Data as of: 20-12-2024

Company Data	
Market Cap (Rs.cr)	8,461
52 Week High — Low (Rs.)	791-396
Enterprise Value (Rs.cr)	7,704
Outstanding Shares (cr)	13.6
Free Float	29%
Dividend Yield	1.1%
6m average volume (cr)	0.13
Beta	1.2
Face value Rs.	1.0

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	43.3	43.2	43.2
FII's	14.1	14.3	14.4
MFs/Insti	7.5	6.4	5.8
Public	15.1	16.6	17.0
Others	20.1	19.5	19.6
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	21.3%	17.4%	-1.9%
Absolute Sensex	-1.7%	5.9%	17.2%
Relative Return*	23.0%	11.5%	-19.1%

\*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	5,371	5,564	6,053
Growth (%)	5.6	3.6	8.8
EBITDA	460	617	701
EBITDA Margin (%)	8.6	11.1	11.6
Adj. PAT	359	489	535
Growth (%)	22.7	36.3	9.5
Adj. EPS	26.3	35.9	39.3
Growth (%)	22.7	36.3	9.5
P/E	23.6	17.3	15.8
P/B	3.6	3.1	2.6
EV/EBITDA	16.8	11.7	9.6
ROE (%)	16.1	19.0	17.9
D/E	0.0	0.0	0.0

Author: Vincent K A - Sr. Research Analyst

### Input price declines aid margins amidst challenges

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.

- Q2FY25 revenue increased by 6% YoY with volumes of feed segment improving by ~6% YoY and volumes of shrimp exports growing by ~16% YoY despite adverse weather conditions in Andhra Pradesh.
- EBITDA rose by a ~44% YoY as EBITDA margin expanded by 260bps YoY to ~10%. This is primarily due to lower input prices. PAT increased by ~53% YoY.
- AFL's shrimp exports increased by 8% in FY24. Company guides for a growth of 19% in FY25. Current positive climatic conditions from September are expected to support increased shrimp culture and feed volumes.
- The company is diversifying into pet food and pet care products (industry growth estimates at ~20% CAGR) through a joint venture with Bluefalo Company Limited, Thailand. The trading activity is planned to start by end of FY25. The company is also making efforts to enter fish feed market.
- US imposed a higher CVD of 5.77% (preliminary rate was 4.36%) on Indian shrimp exports, higher than Ecuador who is the main competitor for India. This will pose a competitive disadvantage for AFL, however, its focus on value added products (unlike Ecuador) will outweigh this disadvantage.

### Outlook & Valuation

Global shrimp market is poised to grow from USD 72.16 billion in 2023 to USD 110.775 billion by 2031 growing at a CAGR of 5.5%. Higher ocean freight poses a challenge to shrimp exports which needs to be monitored. The company anticipates better margins due to softening raw material prices and favorable climatic conditions. AFL's efforts to diversify product segments and markets will benefit in the long term. The Gol also has a strong focus on supporting the industry and targets to double exports to Rs. 1 lakh crore. We expect consolidated revenue/PAT to grow at 6%/23% CAGR over FY24-26E. **We value AFL at 17x P/E (3Yr avg=17x) to arrive at a target price of Rs. 715 and maintain Accumulate rating.**

### Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %	H1FY25	H2FY24	YoY %
Sales	1,355	1,278	6.0	1,506	-10.0	2,861	2,832	1.0
EBITDA	136	94	44.4	160	-15.2	296	232	27.8
Margin (%)	10.0	7.4	180bps	10.6	50bps	10.3	8.2	80bps
EBIT	121	80	51.5	146	-17.1	266	204	30.5
PBT	162	113	43.4	180	-9.6	342	270	26.6
Rep. PAT	114	74	53.1	128	-11.4	242	181	34.0
Adj PAT	114	74	53.1	128	-11.4	242	181	34.0
EPS (Rs)	8.3	5.4	53.1	9.4	-11.4	17.8	13.3	34.0

## Key Highlights...

- Due to adverse weather in Andhra Pradesh during July and August, harvesting took place earlier, thereby decreasing the feed consumption in Q2 which is normally the quarter for the 2nd crop. However, favorable climatic conditions supported farmers to restocking from September, extending the season to December, raising the hopes of higher consumption of feed during Q3 FY25 compared to Q3FY24.
- The company is eligible for PLI scheme on raw products and value added products. The total incentive received until Q2FY25 is Rs. 16.77cr.
- The union budget has announced financial support for setting up Nucleus Breeding Centers for Shrimp Broodstocks and NABARD financing for shrimp farming, processing, and export.
- Shrimp feed revenue has grown by ~4.5% YoY while EBITDA (shrimp feed) surged by 63% YoY with EBITDA margin increase of 490 bps.
- Shrimp processing revenue grew by ~12% YoY while EBITDA (shrimp processing) dropped by 17% YoY with EBITDA margin decline of 410 bps.

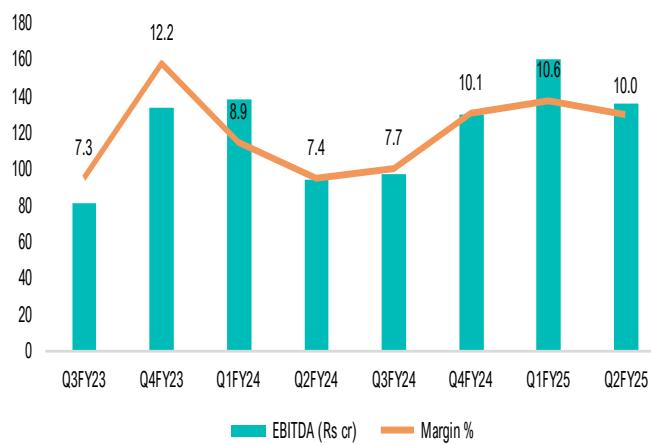
### Revenue



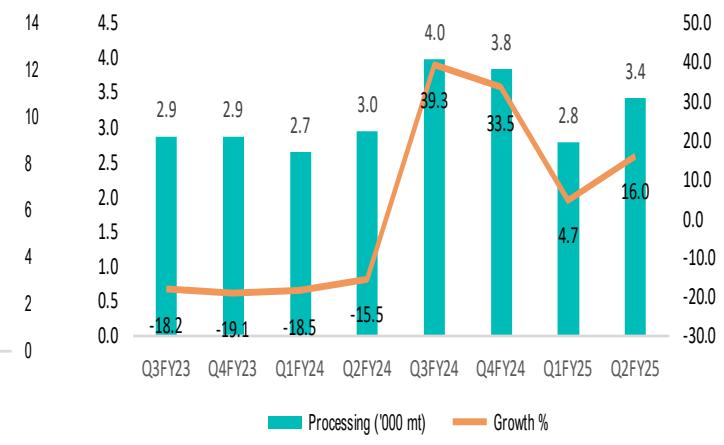
### Volume trend (Feed)



### EBITDA



### Volume trend (Processing)



### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	5,633	6,163	5,564	6,053	-1.2	-1.8
EBITDA	648	756	617	701	-4.7	-7.3
Margins (%)	11.5	12.3	11.1	11.6	10bps	-10bps
Adj. PAT	501	592	489	535	-2.4	-9.6
EPS	36.7	43.5	35.9	39.3	-2.2	-9.7

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	4,101	5,036	5,087	5,371	5,564	6,053	Cash	47	65	34	13	91	77
% change	-0.4	22.8	1.0	5.6	3.6	8.8	Accounts Receivable	67	114	122	143	145	149
EBITDA	461	323	393	460	617	701	Inventories	555	988	805	886	851	884
% change	1.6	-29.9	21.6	17.0	34.2	13.5	Other Cur. Assets	42	46	281	755	759	762
Depreciation	41	41	43	56	63	64	Investments	1,235	931	1,005	746	1,146	1,646
EBIT	420	283	350	403	555	637	Gross Fixed Assets	440	463	632	777	807	837
Interest	2	2	2	1	1	1	Net Fixed Assets	288	271	397	486	453	419
Other Income	93	82	92	136	152	151	CWIP	6	40	34	9	10	10
PBT	511	335	427	538	706	787	Intangible Assets	4	3	0	1	1	1
% change	5.5	-34.5	27.6	26.0	31.1	11.5	Def. Tax (Net)	23	21	16	23	23	23
Tax	112	79	115	143	176	209	Other Assets	12	35	38	26	40	44
Tax Rate	22.0%	23.5%	26.8%	26.6%	25.0%	26.5%	Total Assets	2,280	2,515	2,735	3,084	3,516	4,012
Reported PAT	361	223	279	359	489	535	Current Liabilities	273	351	323	349	331	330
Adj*	0	-28	-13	0	0	0	Provisions	16	14	14	12	15	17
Adj PAT	361	250	292	359	489	535	Debt Funds	0	0	0	0	0	0
% change	4.2	-30.7	16.8	22.7	36.3	9.5	Other Liabilities	229	254	303	358	400	446
No. of shares (cr)	13.6	13.6	13.6	13.6	13.6	13.6	Equity Capital	14	14	14	14	14	14
Adj EPS (Rs.)	26.5	16.4	20.5	26.3	35.9	39.3	Reserves & Surplus	1,748	1,882	2,082	2,352	2,756	3,206
% change	4.2	-30.7	16.8	22.7	36.3	9.5	Shareholder's Fund	1,761	1,895	2,095	2,365	2,769	3,219
DPS (Rs.)	6.3	6.3	6.3	6.3	6.3	6.3	Total Liabilities	2,280	2,515	2,735	3,084	3,516	4,012
CEPS (Rs.)	29.5	21.4	24.6	30.5	40.5	44.0	BVPS (Rs.)	129	139	154	174	203	236

### CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	402	291	322	415	551	599
Non-cash adj.	150	88	149	180	219	254
Other adjustments	2	-3	0	0	1	1
Changes in W.C	34	-436	152	-68	1	-44
C.F. Operation	383	-212	449	263	596	602
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	-85	-85
Other finance.CF	15	19	23	13	0	0
C.F – Finance	15	-68	-65	-60	-86	-86
Chg. in cash	31	18	-32	-21	78	-14
Closing cash	47	65	34	13	91	77

### RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.2	6.4	7.7	8.6	11.1	11.6
EBIT margin (%)	10.3	5.6	6.9	7.5	10.0	10.5
Net profit mgn. (%)	8.8	5.0	5.7	6.7	8.8	8.8
ROE (%)	22.8	13.7	14.7	16.1	19.0	17.9
ROCE (%)	17.9	10.6	10.8	11.8	14.3	13.2
W.C & Liquidity						
Receivables (days)	6.9	6.5	8.4	9.0	9.5	8.9
Inventory (days)	48.9	55.9	64.3	57.5	57.0	52.3
Payables (days)	26.0	23.4	25.9	25.5	26.4	23.2
Current ratio (x)	6.3	5.6	6.6	7.0	8.6	10.1
Quick ratio (x)	0.4	0.5	0.5	0.4	0.7	0.7
Turnover & Leverage						
Gross asset T.O (x)	10.0	11.2	9.3	7.6	7.0	7.4
Total asset T.O (x)	2.0	2.1	1.9	1.8	1.7	1.6
Int. coverage ratio (x)	250.6	140.8	173.9	309.6	566.0	758.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation						
EV/Sales (x)	1.8	1.5	1.5	1.4	1.3	1.1
EV/EBITDA (x)	15.6	23.1	18.9	16.8	11.7	9.6
P/E (x)	23.4	33.8	28.9	23.6	17.3	15.8
P/BV (x)	4.8	4.5	4.0	3.6	3.1	2.6

## Recommendation Summary (last 3 years)



Source: Bloomberg, GeoJit Research

Dates	Rating	Target
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
02-Sept-24	Accumulate	790
23-Dec-24	Accumulate	715

## Rating Criteria

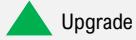
Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more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

#### Symbols definition:



Upgrade



No Change



Downgrade

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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