

7<sup>th</sup> December 2020

CMP – ₹536.8/-

View – **ACCUMULATE** on dips**Q2FY21 Performance**

Avanti Feeds reported ~6% YoY and ~18% QoQ increase in topline to ₹11,316mn on account of increase in shrimp feed volumes and realisation. Feed volumes improved 3% YoY and 16% QoQ and realisation grew 5% YoY in the quarter.

EBITDA for the quarter stood at ₹1534mn an increase of ~19% each YoY and QoQ while EBITDA margins grew by 143bps to 13.6% in Q2FY21. EBITDA Margins increased YoY basis due to reduction in raw material and other operating expenses.

PAT fell on a YoY basis to ₹1113mn from ₹1188mn in Q2FY20 on the back of higher tax rate, while grew QoQ by 8% YoY. PAT margins stood at 9.8% in the quarter vs. 11.2% in Q2FY20.

**Important Statistics**

<b>M.Cap (₹ Cr)</b>	₹7314
<b>52 Week H/L (₹)</b>	769.0/250.0
<b>NSE Code</b>	AVANTIFEED
<b>BSE Code</b>	512573

<b>Shareholding pattern (%)</b>	<b>Sep'20</b>
Promoter Holding	43.7
FII	31.8
DII	4.1
Public	21.3

**Key Concall Highlights**

- The company recorded 6% YoY growth in consolidated sales on the back of 3% YoY growth in shrimp feeds volumes and 5% YoY shrimp feed realisations in Q2FY21. Shrimp processing volumes were lower by 11% YoY however realisation grew 15% YoY in the mentioned quarter.
- On a positive note, despite disruption due to Covid-19 led lockdown, company managed to maintain its market share in shrimp feed business to 48%.
- During the quarter, share of USA to overall revenues increased to ~92% while share of Asia increased to 2% which is inline with management's guidance in Q1FY21.
- Management indicated 1<sup>st</sup> phase of shrimp hatchery commenced its commercial production by November end.
- Management guided industry shrimp production is expected to drop by 15-20% in FY21 due to Covid-19 led disruption but to bounce back in FY22E.

**Financials**

<b>Particulars</b>	<b>FY19</b>	<b>FY20</b>
Net Sales	34,878	41,153
EBITDA	4,073	4,539
PAT	3,066	3,863
EPS (₹)	20.1	25.4
P/E (x)	26.7	21.1
EV/EBITDA (x)	17.6	15.7
ROE (%)	22.6%	24.2%
ROCE (%)	22.1%	24.2%
Net Debt/Equity	0.0	0.0

**Key Risks**

Slower than expected demand recovery in its key markets and 2<sup>nd</sup> or 3<sup>rd</sup> wave of Covid-19.

**View**

Avanti Feeds Ltd reported better numbers in Q2FY21 due to demand bounce back which improved company's overall performance. Company's shrimp feed business reported better numbers YoY and QoQ basis while shrimp processing realisations improved QoQ basis. We believe, the long term story remains intact and growth to be driven by both business segments, along with government's thrust on fisheries, improvement in export prices, regional diversification etc. **At CMP of ₹536.8, Avanti Feeds Ltd trades at ~21x FY20 EPS and is inline with its peers thus we recommend investors to 'ACCUMULATE on dips'.**

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## Consolidated Financial Highlights

	(₹ mn)				
	Q2FY21	Q1FY21	Q2FY20	YoY	QoQ
<b>Net Sales</b>	<b>11,316</b>	<b>9,554</b>	<b>10,643</b>	<b>6.3%</b>	<b>18.4%</b>
Total Expenses	9,782	8,263	9,353	4.6%	18.4%
<b>EBITDA</b>	<b>1,534</b>	<b>1,291</b>	<b>1,290</b>	<b>18.9%</b>	<b>18.8%</b>
<b>EBITDAM</b>	<b>13.6%</b>	<b>13.5%</b>	<b>12.1%</b>	<b>143bps</b>	<b>4.2bps</b>
Depreciation	95.548	94	97	-1.5%	1.3%
<b>EBIT</b>	<b>1,438</b>	<b>1,197</b>	<b>1,193</b>	<b>20.6%</b>	<b>20.2%</b>
<b>EBITM</b>	<b>12.7%</b>	<b>12.5%</b>	<b>11.2%</b>	<b>150bps</b>	<b>18.4bps</b>
Interest	2.023	2.59	2	1.2%	-21.9%
Other Income	187.4	273.6	210	-10.8%	-31.5%
PBT	1,626	1,470	1,406	15.6%	10.6%
Tax	372	310	133	180.2%	19.9%
Minority Interest	137	119	85.7	-1.5%	8.1%
<b>PAT after MI</b>	<b>1,113</b>	<b>1,041</b>	<b>1,188</b>	<b>-6.3%</b>	<b>6.9%</b>
<b>PATM%</b>	<b>9.8%</b>	<b>10.9%</b>	<b>11.2%</b>	<b>(132bps)</b>	<b>(106bps)</b>
<b>EPS (Rs)</b>	<b>8.18</b>	<b>7.66</b>	<b>8.73</b>	<b>-6.3%</b>	<b>6.9%</b>

Source: Company Filing, Way2wealth Research

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**Disclosure of Interest Statement Indian Avanti Feeds Ltd. as on December 7<sup>th</sup>, 2020**

Name of the Security	Avanti Feeds Ltd.
Name of the analyst	Yogita Desai
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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