

12th June 2023

CMP – ₹382/-

View – Exit

Q4FY23 Performance

Avanti Feed's topline declined ~18% Y-o-Y and 0.9% Q-o-Q to ₹1093Cr due to decrease in quantity of feed sales and lower realization in processed shrimp segment.

EBITDA stood at ₹134Cr, up 14% Y-o-Y led by better sales realization and stabilization in raw material prices and EBITDA margins improved by 340 bps Y-o-Y to 12.2% in Q4FY23. While on Q-o-Q basis, it grew 66% and margins were up 490 bps. Reported PAT grew 11% Y-o-Y to ₹101.4Cr.

Important Statistics

MCap (₹ Cr)	₹5,203
52 Week H/L (₹)	528/321
NSE Code	AVANTIFEED
BSE Code	512573

Shareholding pattern (%) Mar'23

Promoter Holding	43.3
FII	12.7
DII	09.5
Government	02.7
Public	31.7

Key Earnings Highlights

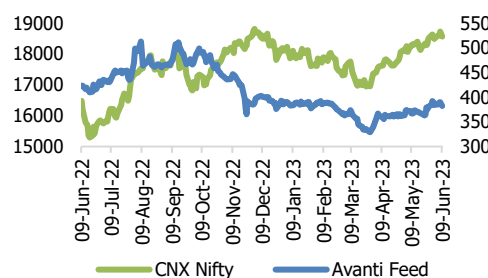
- Shrimp Feed division's revenue declined ~18% Y-o-Y to ₹847Cr due to decrease in sales quantity by 29895MT. The PBT for the Q4FY23 increased by 58% QoQ to ₹84Cr mainly due to stabilization of prices of major Raw Materials and marginal increase in sales realization. The Feed sales reduced to 1,03,376 Mts in Q4FY23. The average raw material cost in terms of percentage over feed sale price was 80.63% in Q4FY23 as compared to 84.36% in Q4FY22 and 83.61% in Q3FY23, indicating a marginal decrease by about 3.73% as compared to Q4FY22 and 2.98% in Q3FY23.
- The export of Fishmeal from India to countries like China, Taiwan, Vietnam etc., has gone up steeply over the past 8 to 10 months, creating shortage in Fishmeal for domestic consumption.
- The spurt in demand for exports is due to increase in import of Fishmeal from India by China, Taiwan and Vietnam etc. and also, shortage of fish meal in Chile and Peru, they are the, really the largest producers of fish meal in the world. Added to this, the Indian Rupee (INR) has been depreciating against USD giving a higher sales realization to Indian exporters further the exports are incentivized by Duty Drawback @3% on FOB Value and @3.10% of RODTEP.
- In Q4FY23 shrimp processing revenue declined 19% YoY and 3% QoQ to ₹237Cr. mainly due to decrease in average sales realization by \$0.68/kg. However, on positive side, sales volumes are increased marginally by 15 MT during the quarter. The PBT (Before Exceptional item) for the Q4FY23 is ₹33Cr as compared to ₹15Cr in Q4FY23, mainly due to decrease in ocean freight charges and increase in average USD/INR conversion rate by ₹1.52/\$.
- The Company's feed sales during the previous year FY22 was about 5.41 lakh mts as compared to 4.73 lakhs mts in FY 21. It is 4.97 lakh Mt in FY23 down by 44,000 Mt when compared with FY22. However, it registered a marginal increase of 24,000 Mt over FY21.
- The Company's Shrimp exports during the FY23 is about 12,497 MTs as compared to 12,836 MTs in the FY22. It is estimated that the exports during FY24 would be around the same level of 12,500 MTs.
- The Company has received an incentive of ₹6.85Cr under PLI Scheme of the Govt. of India for FY22 during April'23, which will be accounted for during Q1FY24.

Financials

Particulars	₹ cr	
	FY22	FY23
Net Sales	5,036	5,087
EBITDA	314	393
EBITDA Margin	6%	8%
PAT	245	312
EPS	22.5	20.4
EV/EBITDA (x)	14.4	9.5
PE	17.3	19.1
ROCE (%)	17%	22%
Net Debt/Equity	0.0	0.0

Source: Company, Way2wealth Research

Relative Performance



Source: Company, Way2wealth Research

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- The company has completed setting up of a pre-processing plant (adjacent to the existing processing plant in Gopalapuram) and the capacity of new processing plant is 6,000 Mtpa.
- New Processing Plant and Cold Storage unit in Krishnapuram, East Godavari District with a capacity of 7,000 MT p.a.: Civil works of the processing plant has been commenced in Dec'22 and it is in progress now. Total estimated project cost is ₹64.6Cr (excluding land cost). An amount of ₹21.68Cr has already been spent on the project till 31st Mar'23 and purchase orders are placed for major plant & machinery and expecting commercial operations by Mar'2024.

Key Risks

- Slower than expected demand recovery in its key markets.
- Susceptibility to the outbreak of diseases, unfavorable climatic conditions
- Sharp fluctuation in RM prices will affect company's profitability

View

Aqua feeds and market prices have consistently been the top concerns for the fish shrimp farmers over the past few years. Since 2021, the stakeholders' top concern has been feed prices. This is mainly due to high volatility of the raw materials, since the start of Ukraine war which led to the supply shocks and sent prices soaring.

Further the banks have now reduced the credit to this sector and also the interest rates have gone up because of the high inflation. The farmers did not show much interest and were reluctant to stock the feeds which otherwise would have been started briskly.

The stocking went down by 30% to 9,229 mn feed during the first 4' months of CY23, as against 13,548 mn feed during the corresponding period of the previous year. The Shrimp production in 2023 is likely to around 8.5 lakh Mt as against 9 lakh Mt in 2022.

The stock has seen around 20% correction since our initiating coverage in Aug'20 due to COVID19 pandemic, Russia-Ukraine war, rising inflation and slowdown in demand in export markets. Further FY2024 also looks challenging given the global recession scenario. Overall, **we believe investors should EXIT the stock at current levels given the uncertainty. Further, we would be closely watching company's performance and we may re-initiate our coverage based on any positive development in coming quarters.**

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View – Exit

Consolidated Financial Highlights

(₹ Cr)

Consolidated	Q4FY23	Q4FY22	VAR	Q3FY23	VAR	FY23	FY22	VAR
Net Sales	1,093.0	1,332.2	-18.0%	1,102.6	-0.9%	5,087.0	5,036.0	1.0%
Other Income	24.0	16.2	48.1%	29.2	-17.6%	92.0	81.7	12.7%
TOTAL INCOME	1,117.0	1,348.5	-17.2%	1,131.8	-1.3%	5,179.0	5,117.6	1.2%
Raw Material Consumed	848.8	1,063.4	-20.2%	827.4	2.6%	4,116.2	4,246.6	-3.1%
Purchase of stock in trade			-	1.0	-100.0%	1.8	1.2	48.0%
Stock Adjustment	(16.6)	30.2	-154.9%	51.7	-132.0%	0.4	(10.0)	-104.3%
<i>RMC as a %age of sales</i>	<i>76%</i>	<i>82%</i>		<i>80%</i>		<i>81%</i>	<i>84%</i>	
Employee Expenses	42.7	33.2	28.7%	41.4	3.0%	166.8	126.3	32.1%
<i>EPC as a %age of sales</i>	<i>3.8%</i>	<i>2.5%</i>		<i>3.7%</i>		<i>3.2%</i>	<i>2.5%</i>	
Other Expenses	84.6	88.6	-4.5%	100.5	-15.9%	408.7	349.9	16.8%
<i>Other Expenses as a %age of sales</i>	<i>7.6%</i>	<i>6.6%</i>		<i>8.9%</i>		<i>7.9%</i>	<i>6.8%</i>	
TOTAL EXPENDITURE	959.5	1,215.3	-21.0%	1,022.0	-6.1%	4,694.0	4,713.9	-0.4%
EBIDTA	133.5	116.9	14.2%	80.6	65.6%	393.0	322.0	22.0%
<i>EBITDA Margins %</i>	<i>12.2%</i>	<i>8.8%</i>		<i>7.3%</i>		<i>7.7%</i>	<i>6.4%</i>	
Interest	1.0	0.4	139.5%	0.2	368.2%	2.0	2.0	1.0%
PBDT	156.5	132.7	17.9%	109.6	42.9%	483.0	401.7	20.2%
Depreciation	12.2	9.8	24.7%	10.7	14.6%	42.6	40.8	4.4%
PBT before share of associates & Exceptional Item	144.3	123.0	17.4%	98.9	45.9%	440.4	360.9	22.0%
Share of (Loss) of associates	1.0	(2.1)		0.9		0.3	9.5	
Exceptional items	5.2	0.0	-	1.5	241.4%	13.3	27.5	-51.6%
PBT	140.1	120.8	16.0%	96.5	45.2%	426.8	323.9	31.8%
Tax	29.0	31.8	-8.6%	20.8	39.9%	95.3	77.7	22.7%
Fringe Benefit Tax/Deferred	9.7	(2.7)	-454.8%	5.1	88.5%	19.2	1.0	1881.4%
<i>Tax Rate</i>	<i>26.8%</i>	<i>23.6%</i>		<i>26.2%</i>		<i>26.0%</i>	<i>21.8%</i>	
Reported Profit After Tax	101.4	91.8	10.5%	70.6	43.6%	312.3	245.2	27.3%
<i>PATM %</i>	<i>9.3%</i>	<i>6.9%</i>		<i>6.4%</i>		<i>6.1%</i>	<i>4.9%</i>	
Other Comprehensive Income	(0.3)	0.7		0.0		(0.3)	(1.3)	
Total Comprehensive Income	101.1	92.5	9.4%	70.6	43.1%	312.0	243.9	27.9%
Basic:								
EPS	6.85	6.19	10.7%	4.59	49.3%	20.45	16.26	25.8%
Equity	13.6	13.6		13.6		13.6	13.6	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2wealth Research

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Segmental Performance

	(₹ Cr)							
	Q4FY23	Q4FY22	VAR	Q3FY23	VAR	FY23	FY22	VAR
REVENUES								
Revenue from Operations	-1,093.1	-1,332.5	-18.0%	-1,102.8	-0.9%	-5,088.8	-5,039.2	1.0%
Shrimp Feed	847.2	-1,036.3	-18.2%	857.4	-1.2%	-4,023.9	-4,039.7	-0.4%
% Mix	77.5%	77.8%		77.7%		79.1%	80.2%	
Processed Shrimp	237.4	293.9	-19.2%	245.2	-3.2%	-1,047.5	991.6	5.6%
% Mix	21.7%	22.1%		22.2%		20.6%	19.7%	
Power	0.2	0.2	35.3%	0.2	15.0%	1.6	1.6	-1.2%
% Mix	0.0%	0.0%		0.0%		0.0%	0.0%	
Shrimp Hatchery	8.26	2.08		0.03		-15.9	6.2	
%Mix						-	-	
Less : Inter Segment Revenues	0.1	0.0	390.0%	0.2	-55.5%	1.9	3.0	-38.5%
Total Segment Revenue	-1,093.0	-1,332.4	-18.0%	-1,102.6		-5,087.0	-5,036.2	1.0%
Add : Other Unallocable Income	-	-		-		-	-	
Net Revenue from Operations	-1,093.0	-1,332.4	-18.0%	-1,102.6	-0.9%	-5,087.0	-5,036.2	1.0%
PROFIT								
Profit/Loss Before Interest and Tax	121.4	108.1	12.3%	-69.9	73.7%	350.4	282.2	24.2%
Margin %	11.1%	8.1%		6.3%		6.9%	5.6%	
Shrimp Feed	-84.2	-92.9	-9.3%	-53.2	58.2%	245.8	211.3	16.3%
Margin %	9.9%	9.0%		6.2%		6.1%	5.2%	
Processed Shrimp	-32.9	-15.4	114.0%	-19.4	69.5%	103.8	-74.1	40.1%
Margin %	13.9%	5.2%		7.9%		9.9%	7.5%	
Power	-(0.0)	-(0.0)	-18.8%	-(0.2)	-91.9%	0.3	0.4	-21.5%
Margin %	-5.7%	-9.4%		-80.0%		19.7%	24.8%	
Shrimp Hatchery	4.27	(0.09)	-4642.6%	(2.63)		0.5	-(3.6)	-113.8%
Margin %	3.5%	-0.1%		-3.8%		0.1%	-1.3%	
Less : Interest	1.0	0.0	2240.9%	0.2	368.2%	2.0	1.6	25.2%
Add: Other Income	-24.0	-16.2	48.1%	-29.2	-17.6%	-92.0	-81.7	12.7%
Add/Less: share of equity accounted investee	1.0	-(2.1)		-(0.9)		-(0.3)	-(9.5)	
Net Profit/Loss Before Tax	145.4	122.2	19.0%	-97.9	48.5%	440.1	352.7	24.8%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Avanti Feeds Ltd. as on June 12th, 2023

Name of the Security	Avanti Feeds Ltd.
Name of the analyst	Ashwini Sonawane
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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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