

20th February 2021

CMP – ₹496/-

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Q3FY21 Performance

Avanti Feeds reported ~1% Y-o-Y and ~19% Q-o-Q decrease in topline to ₹9154mn on an account of degrowth in shrimp feed volumes (-4% YoY) and shrimp processing volumes (-18% YoY).

Shrimp feed revenues were up ~ 4% Y-o-Y but Processed shrimp segment reported revenue decline of ~12% YoY.

EBITDA for the quarter stood at ₹922mn an increase of ~45% YoY while EBITDA margins grew by 320bps to 10.1% in Q3FY21. EBITDA Margins increased 320 bps Y-o-Y due to reduction in raw material and other operating expenses.

PAT increased on a Y-o-Y basis to ₹750mn from ₹478mn in Q3FY20 on the back of lower tax rate and 44% Y-o-Y increase in other income, however de-grew Q-o-Q by 32.6%. PAT margins stood at 8.2% in the quarter vs. 5.2% in Q3FY20.

Important Statistics

Mcap (₹ Cr)	₹6882
52 Week H/L (₹)	663.0/250.0
NSE Code	AVANTIFEED
BSE Code	512573

Shareholding pattern (%)	Dec'20
Promoter Holding	43.7
FII	31.8
DII	4.1
Public	21.3

Key Earnings Highlights

- The company recorded 1% YoY de-growth in consolidated sales on the back of decrease in shrimp feed volumes (-4% YoY) and shrimp processing volumes (-18% YoY).
- On a positive note, despite disruption due to Covid-19 led lockdown, company managed to maintain its market share in shrimp feed business to 45-48%.
- 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 Q3FY21.
- Shrimp Production is likely to come down and Shrimp Feed Consumption in India during FY20-21 is expected to be around 10 lakh MT as compared to 11.50 lakh MT in FY19-20.
- 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.
- Due to current scenario in shrimp culture in India, company's sales during FY20-21 is expected to be maintained at the same level of 4.85 lakh MT as in the previous year.
- Value added products accounted for around 27% of total exports in Q3FY21.
- Slow-down in Avanti's key market (USA) and lower off-take by HoReCa segment (~50% shrimp consumption in USA) continue to hurt Avanti's exports.

Financials

Particulars	FY19	FY20
Net Sales	34,878	41,153
EBITDA	4,073	4,539
PAT	3,066	3,863
EPS (₹)	20.1	25.4
P/E (x)	24.4	19.3
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 2nd or 3rd wave of Covid-19.

View

Avanti Feeds Ltd reported subdued numbers in Q3FY21 due to lower sales volumes in its shrimp feeds and shrimp processing business. We believe, the company's 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 ₹496, Avanti Feeds Ltd trades at ~19x FY20 EPS and is in line with its peers thus we recommend investors to 'ACCUMULATE on dips'.**

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Consolidated Financial Highlights

Particulars	(₹ mn)				
	Q3FY21	Q2FY21	Q3FY20	Y-o-Y	Q-o-Q
Net Sales	9,154	11,316	9,227	-0.8%	-19.1%
RMC	7,135	8,652	7,623	-6.4%	-17.5%
Employee costs	293	358	245	19.8%	-18.0%
Other expense	803	773	725	10.8%	3.9%
Total Expenses	8,232	9,782	8,593	-4.2%	-15.8%
EBITDA	922	1,534	634	45.5%	-39.9%
EBITDAM	10.1%	13.6%	6.9%	320bps	-347bps
Depreciation	116.9	96	91	28.5%	22.4%
EBIT	805	1,438	543	48.3%	-44.0%
EBITM	8.8%	12.7%	5.9%	291bps	-391bps
Interest	4.864	2.023	7	-30.5%	140.4%
Other Income	282.2	187.4	196.0	44.0%	50.6%
PBT	1,076	1,622	730	47.3%	-33.7%
Tax	214	372	142	50.7%	-42.5%
PAT after MI	750	1,113	478	56.8%	-32.6%
PATM%	8.2%	9.8%	5.2%	300bps	-164bps
EPS (₹)	5.51	8.18	3.52	56.8%	-32.6%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Indian Avanti Feeds Ltd. as on February 20th, 2021

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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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