

**Q2FY22 Performance**

Company's topline grew ~8% Y-o-Y on an account of strong growth in shrimp processing revenues. Shrimp feeds sales (MT) volume declined 2.8% Y-o-Y while Processed shrimp segment witnessed a rise of 12.2% Y-o-Y.

EBITDA for the quarter stood at ₹427mn, down 72% Y-o-Y led by higher input costs and other expenses and EBITDA margins reduced by 1000bps to 3.5% in Q2FY22. However, we believe increase in input prices to be passed on with a lag effect to end consumers. Re-commencement of export benefit schemes will also benefit margins.

Consolidated PAT dipped ~78% Y-o-Y mainly on account of increase in RM cost in shrimp feed division. PAT margins stood at 2.0% in the quarter vs. 10% in Q2FY21.

**Important Statistics**

<b>Mcap (₹ Cr)</b>	₹7548
<b>52 Week H/L (₹)</b>	619.9/411.9
<b>NSE Code</b>	AVANTIFEED
<b>BSE Code</b>	512573

<b>Shareholding pattern (%)</b>	<b>Sep'21</b>
Promoter Holding	43.7
FII	31.8
DII	4.1
Public	21.3

**Key Earnings Highlights**

- Shrimp Feed sales during Q2FY22 is 1.27 lakhs MT as compared to 1.31 lakhs MT in Q2FY21. H1FY22 sales are 3.01lakhs MT as compared to 2.44 lakhs MT in H1FY21 increased by 23%Y-o-Y, due to increase in farming area and conversion of farmers from other feeds.
- Company has not only kept its farmer base intact, it has also added new farmers and new areas to its sales network during H1FY22.
- Profitability during Q2FY22 has decreased due to increase in Raw Material cost mainly Soya Bean Meal and Fish Meal.
- Export sales during Q2FY22 was at 3,325MT as compared to 2,963 MT in Q2FY21, an increase of 12.22%Y-o-Y.
- Management guided lower demand from HoReCa in USA may impact Avanti in near term since the company exports 85% of shrimps to USA.
- Company is also in process to reduce the dependence on USA and has started exports to other countries such as China and Europe. While the demand is impacted in USA, recovery in other markets such as China will help to improve volume off-take.
- Non-USA exports are 14% of total shrimp exports.
- Management guided industry shrimp production was impacted due to Covid-19 led disruption however would be recovered in FY22E.

**Financials**

<b>Particulars</b>	<b>(₹ mn)</b>	
	<b>FY20</b>	<b>FY21</b>
Net Sales	41,153	41,006
EBITDA	4,539	4,601
PAT	3,863	3,974
EPS (₹)	25.4	26.5
P/E (x)	21.8	20.9
EV/EBITDA (x)	16.2	15.9
ROE (%)	27.5%	25.7%
ROCE (%)	29.8%	28.0%
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**

Company's performance was impacted on account of increase in RM prices in feeds business in Q2FY22 however RM price hike would be passed on to customer with a quarter lag. For the current quarter, shrimp processing business reported strong performance which we believe would continue in H2FY22E. 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 ₹544 Avanti Feeds Ltd trades at 20x FY21 EPS and is justified given its market leadership and strong financials, thus we recommend investors to 'ACCUMULATE on dips'.**

**Consolidated Financial Highlights**

(₹ mn)					
Particulars	Q2FY22	Q1FY22	Q2FY21	Y-o-Y	Q-o-Q
<b>Net Sales</b>	<b>12,260</b>	<b>14,088</b>	<b>11,316</b>	<b>8.3%</b>	<b>-13.0%</b>
RMC	10,668	11,914	8,652	23.3%	-10.5%
Employee costs	278	351	358	-22.3%	-20.8%
Other expense	888	875	773	14.9%	1.4%
Total Expenses	11,833	13,140	9,782	21.0%	-9.9%
<b>EBITDA</b>	<b>427</b>	<b>948</b>	<b>1,534</b>	<b>-72.2%</b>	<b>-55.0%</b>
<b>EBITDAM</b>	<b>3.5%</b>	<b>6.7%</b>	<b>13.6%</b>	<b>(1000bps)</b>	<b>(324 bps)</b>
Depreciation	104	104	95.548	8.9%	0.5%
<b>EBIT</b>	<b>323</b>	<b>844</b>	<b>1,438</b>	<b>-77.6%</b>	<b>-61.8%</b>
<b>EBITM</b>	<b>2.6%</b>	<b>6.0%</b>	<b>12.7%</b>	<b>(1007 bps)</b>	<b>(336 bps)</b>
Interest	7.7	3.3	2.023	279.2%	132.5%
Other Income	255.8	212.6	187.4	36.5%	20.3%
PBT	383	985	1,622.2	-76.4%	-61.1%
Tax	52	221	372	-86.1%	-76.6%
<b>PAT after MI</b>	<b>241.34</b>	<b>728.97</b>	<b>1,131.18</b>	<b>-78.7%</b>	<b>-66.9%</b>
<b>PATM%</b>	<b>2.0%</b>	<b>5.2%</b>	<b>10.0%</b>	<b>(802 bps)</b>	<b>(320 bps)</b>
EPS (₹)	1.77	5.36	8.18	-78.3%	-66.9%

Source: Company Filing, Way2wealth Research

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**Disclosure of Interest Statement Avanti Feeds Ltd. as on November 25<sup>th</sup>, 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
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