

Q3FY22 Performance

Avanti Feed's topline grew ~3% Y-o-Y however dropped ~16.6% Q-o-Q to ₹1103Cr on account of decent growth in shrimp feed revenues (up ~6% Y-o-Y), and processed shrimp segment declined by 6.5% Y-o-Y.

The significant reason for the lower sales volume in Q3FY23 is the postponement of shipments on various requests because of the inventory holding at their warehouses.

EBITDA stood at ₹80.6Cr, up 19.2% Y-o-Y led by better sales realization and stabilization in raw material prices and EBITDA margins improved by 100 bps Y-o-Y to 7.3% in Q3FY23. While on Q-o-Q basis, it grew 7.5% and margins were up 160 bps.

Reported PAT grew 61% Y-o-Y but up 7% Q-o-Q to ₹70.6Cr on account of lower interest and tax expenses.

Important Statistics

Mcap (₹ Cr)	~₹5,013
52 Week H/L (₹)	528/364
NSE Code	AVANTIFEED
BSE Code	512573

Shareholding pattern (%)	Dec'22
Promoter Holding	43.3
FII	12.7
DII	08.7
Public	35.3

Key Earnings Highlights

- In shrimp feeds business, revenue witnessed a growth of 6.2% Y-o-Y to ₹857 cr. Standalone gross income of Q3FY23 is ₹878Cr as compared to ₹1,040Cr in the Q2FY23, a decrease by 16% mainly due to decrease in quantity of pre-sales and early harvesting.
- The feed sales is reduced to ₹1,06,313 metric tons in Q3FY23 vs ₹1,26,034 metric tons in Q2FY23. The PBT has increased by 37% YoY. The average raw material cost in terms of percentage for feed sales price was 83.61% in Q3FY23 as compared to 87.4% in Q3FY22 and 88.11% in Q2FY23, indicating a marginal decrease by about 3.7% as compared to Q3FY22 and 4.5% in Q2 FY23.
- **Fish Meal Export** – There is a significant increase in the export of fish meal from India. The export of fish meal from India to countries like China, Taiwan, Vietnam, etc. has gone up steeply over the past 8 to 10 months creating shortages in fish meal for domestic consumption. A spurt in demand for exports is due to increase in imports of fish meal from India by China, Taiwan, Vietnam, due to shortage of production in Peru and also higher ocean freight from Peru compared to imports from India. Added to this, the Indian rupee has been depreciating against USD, giving a higher sales realization to the Indian exporters of fish meal.
- In Q3FY23 shrimp processing revenue declined 6.5% YoY. Though the sales volume decreased by 18.2%, gross decreased 5.2% only to positive impact of increase in average export realization by \$0.29 per kg and foreign exchange gain due to depreciation of INR against USD
- In Q3FY23, an additional provision of ₹1.52Cr has been made as an exceptional item towards the value of returned destroyed products and other related expenses
- It is anticipated that shrimps culture will pickup from Mar'23 to make up the shortfall in the first months. However to be cautious with global economy looking bleak and recession looming large throughout the world, the shrimp production in 2023 is likely to be around 8.5 lakh metric tons as against 9 lakh metric tons in 2022.

Financials

Particulars	(₹ cr)	
	FY21	FY22
Net Sales	4,101	5,036
EBITDA	461	314
EBITDA Margin	11%	6%
PAT	397	245
EPS	26.4	22.5
EV/EBITDA (x)	14.1	14.4
PE	13.9%	25.7%
ROCE (%)	29%	17%
Net Debt/Equity	0.0	0.0

Source: Company Filing, Way2wealth Research

27th February 2023

CMP – ₹373/-

 View – **Hold**

- The company has completed setting up of a new shrimp feed manufacturing facility in Bandapuram with annual installed capacity of 1,75,000 metric tons with a capex of ₹125Cr.
- The company's shrimp exports during FY22 was about 12,836 metric tons as compared to 11,518 metric tons in FY21. It is expected for FY23, would be around same level of 12500 metric tons

Key Risks

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

View

It is anticipated that shrimps culture will pickup from Mar'23 to make up the shortfall in the first months. However to be cautious with global economy looking bleak and recession looming large throughout the world, the shrimp production in 2023 is likely to be around 8.5 lakh metric tons as against 9 lakh metric tons in 2022.

The outlook for coming quarters for the feed processing division appears to be promising on account of softening of the ocean freight, increase in value-added products, exports and also with the Chinese market promising, it is hoped that the processing division would do better in the coming quarters.

Company's revenue grew 23% in FY22 and has grown 3% YoY in Q3FY23. EBITDA margin came down from 11% in FY20/FY21 to 6% in FY22 and 6.5% in 9MFY23 due to lower shrimp prices and high raw material prices.

At CMP of ₹373, Avanti Feeds Ltd trades at ~23.2x TTM EPS of ₹16.2/- and EV/EBITDA (TTM) of 13x. Given the expectation of recession in developed countries, the demand situation for shrimp is looking weak in 2023 and hence we recommend investors to 'HOLD the stock'.

Consolidated Financial Highlights

(₹ Cr)

Particulars	Q3FY23	Q3FY22	VAR [%]	Q2FY23	VAR [%]	9MFY23	9MFY22	VAR [%]
Net Sales	1,102.6	1,068.9	3.1%	1,322.1	-16.6%	3,994.0	3,703.7	7.8%
Other Income	29.2	18.6	56.9%	26.5	10.2%	68.0	65.4	3.9%
TOTAL INCOME	1,131.8	1,087.5	4.1%	1,348.6	-16.1%	4,062.0	3,769.2	7.8%
Raw Material Consumed	827.4	859.4	-3.7%	1,036.4	-20.2%	3,267.4	3,183.2	2.6%
Purchase of stock in trade	1.0	0.9	10.5%	0.0	#DIV/0!	1.8	1.2	48.0%
Stock Adjustment	51.7	25.8	100.0%	55.0	-6.1%	17.0	(40.2)	-142.3%
<i>RMC as a %age of sales</i>	<i>80%</i>	<i>83%</i>		<i>83%</i>		<i>82%</i>	<i>85%</i>	
Employee Expenses	41.4	31.2	32.7%	42.7	-3.0%	124.2	94.1	31.9%
<i>EPC as a %age of sales</i>	<i>3.7%</i>	<i>2.9%</i>		<i>3.2%</i>		<i>3.1%</i>	<i>2.5%</i>	
Other Expenses	100.5	84.0	19.7%	113.0	-11.1%	324.1	260.3	24.5%
<i>Other Expenses as a %age of sales</i>	<i>8.9%</i>	<i>7.7%</i>		<i>8.4%</i>		<i>8.0%</i>	<i>6.9%</i>	
TOTAL EXPENDITURE	1,022.0	1,001.3	2.1%	1,247.2	-18.1%	3,734.5	3,498.6	6.7%
EBIDTA	80.6	67.6	19.2%	74.9	7.5%	259.5	205.1	26.6%
<i>EBITDA Margins %</i>	<i>7.3%</i>	<i>6.3%</i>		<i>5.7%</i>		<i>6.5%</i>	<i>5.5%</i>	
Interest	0.2	0.5	-53.2%	0.5	-51.1%	1.0	1.6	-36.9%
PBDT	109.6	85.7	27.8%	101.0	8.5%	326.5	268.9	21.4%
Depreciation	10.7	10.3	3.9%	9.9	7.4%	30.4	31.0	-2.0%
PBT before share of associates & Exceptional Item	98.9	75.5	31.0%	91.1	8.6%	296.1	237.9	24.5%
Share of (Loss) of associates	0.9	2.9		0.5		1.4	7.3	
Exceptional items	1.5	6.3	-75.7%	1.3	16.9%	8.1	27.5	-70.5%
PBT	96.5	66.4	45.4%	89.3	8.1%	286.6	203.1	41.1%
Tax	20.8	12.4	67.3%	18.4	12.6%	66.3	45.9	44.3%
Fringe Benefit Tax/Deferred	5.1	10.0	-48.6%	4.8	6.9%	9.6	3.7	159.3%
<i>Tax Rate</i>	<i>26.2%</i>	<i>29.6%</i>		<i>25.5%</i>		<i>25.6%</i>	<i>20.9%</i>	
Reported Profit After Tax	70.6	44.0	60.5%	66.0	6.9%	210.8	153.5	37.4%
<i>PATM %</i>	<i>6.4%</i>	<i>4.1%</i>		<i>5.0%</i>		<i>5.3%</i>	<i>4.1%</i>	
Other Comprehensive Income	0.0	(0.1)		0.4		0.1	(2.0)	
Total Comprehensive Income	70.6	43.9	61.1%	66.4	6.4%	210.9	151.5	39.2%
Basic:								
EPS	4.59	2.94	55.9%	4.18	9.7%	13.61	9.93	37.1%
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 Filing, Way2wealth Research

Segmental Performance

	(₹ Cr)							
	Q3FY23	Q3FY22	VAR	Q2FY23	VAR	9MFY23	9MFY22	VAR
REVENUES								
Revenue from Operations	1,102.8	1,069.8	3.1%	1,322.6	-16.6%	3,995.7	3,706.7	7.8%
Shrimp Feed	857.4	807.4	6.2%	1,016.8	-15.7%	3,176.7	3,003.5	5.8%
<i>% Mix</i>	<i>77.7%</i>	<i>75.5%</i>		<i>76.9%</i>		<i>79.5%</i>	<i>81.0%</i>	
Processed Shrimp	245.2	262.2	-6.5%	301.3	-18.6%	810.1	697.7	16.1%
<i>% Mix</i>	<i>22.2%</i>	<i>24.5%</i>		<i>22.8%</i>		<i>20.3%</i>	<i>18.8%</i>	
Power	0.2	0.2	5.3%	0.6	-67.7%	1.4	1.5	-5.5%
<i>% Mix</i>	<i>0.0%</i>	<i>0.0%</i>		<i>0.0%</i>		<i>0.0%</i>	<i>0.0%</i>	
Shrimp Hatchery	0.03	0.00		3.91		7.62	4.11	
<i>% Mix</i>								
Less : Inter Segment Revenues	0.2	0.9	-75.3%	0.5	-58.5%	1.8	3.0	-41.3%
Total Segment Revenue	1,102.6	1,068.9	3.1%	1,322.1		3,994.0	3,703.7	7.8%
Add : Other Unallocable Income	-	-		-		-	-	
Net Revenue from Operations	1,102.6	1,068.9	3.1%	1,322.1	-16.6%	3,994.0	3,703.7	7.8%
PROFIT								
Profit/Loss Before Interest and Tax	69.9	57.3	21.9%	65.0	7.5%	229.1	174.0	31.6%
<i>Margin %</i>	<i>6.3%</i>	<i>5.4%</i>		<i>4.9%</i>		<i>5.7%</i>	<i>4.7%</i>	
Shrimp Feed	53.2	40.4	31.8%	34.2	55.7%	161.6	118.4	36.5%
<i>Margin %</i>	<i>6.2%</i>	<i>5.0%</i>		<i>3.4%</i>		<i>5.1%</i>	<i>3.9%</i>	
Processed Shrimp	19.4	18.8	3.4%	30.7	-36.7%	70.9	58.7	20.7%
<i>Margin %</i>	<i>7.9%</i>	<i>7.2%</i>		<i>10.2%</i>		<i>8.7%</i>	<i>8.4%</i>	
Power	(0.2)	(0.2)	-5.9%	0.3	-159.3%	0.3	0.4	-21.4%
<i>Margin %</i>	<i>-80.0%</i>	<i>-89.5%</i>		<i>43.5%</i>		<i>23.9%</i>	<i>28.8%</i>	
Shrimp Hatchery	(2.63)	(1.68)	56.5%	(0.16)		(3.77)	(3.52)	7.1%
<i>Margin %</i>	<i>-3.8%</i>	<i>-2.9%</i>		<i>-0.2%</i>		<i>-1.6%</i>	<i>-2.0%</i>	
Less : Interest	0.2	0.5	-53.2%	0.5	-51.1%	1.0	1.6	-36.9%
Add: Other Income	29.2	18.6	56.9%	26.5	10.1%	68.0	65.4	3.9%
Add/Less: share of equity accounted investee	(0.9)	(2.9)		0.6		(1.4)	(7.3)	
Net Profit/Loss Before Tax	97.9	72.6	34.9%	91.6	6.9%	294.7	230.6	27.8%

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Disclosure of Interest Statement Avanti Feeds Ltd. as on February 27th, 2023

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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