

Avanti Feeds Ltd.

Sensex	38,757
Nifty	11,440

Key Stock Data

CMP:	536
Market Cap (₹mn)	72,896
52W High/Low	770.0/250.0
Shares o/s (mn)	136
Bloomberg	AVNT:IN
NSE Code	AVANTIFEED
BSE Code	512573

Shareholding Pattern (June 2020)

Promoters	43.7%
FIs	33.3%
DIs	2.2%
Public & Others	20.8%

Performance Review for Q1FY21 vs. Q1FY20

1. Consolidated Sales declined by 12.6% YoY in Q1FY21 owing to de-growth in shrimp feed and processing segments.
2. EBITDA declined by 6% YoY however improved ~4% QoQ to ₹1291mn while EBITDA Margins improved to 13.5% up 100bps YoY in Q1FY21.
3. PAT increased by ~14% YoY and ~18% QoQ to ₹1160m while PAT Margins were up by ~300bps YoY in Q1FY21.
4. Net Cash position improved from ₹7900mn in FY19 to ₹8500mn in FY20.

Key Highlights

1. The company recorded 12.6% YoY de-growth in consolidated sales on the back of 14.3% YoY and 4.4% YoY de-growth in shrimp feeds and shrimp processing business respectively in Q1FY21. Degrowth in shrimp feed was due to panic harvesting and non-availability of shrimp seed during Covid-19 led lockdown restriction.

Avanti's shrimp feed and shrimp processing sales volume de-grew YoY however improved QoQ basis during the quarter. While shrimp feed and shrimp processing realisations improved YoY.
2. During the quarter, despite de-growth in topline, company improved its EBITDA margins by ~100bps YoY and ~146 bps QoQ owing to lower raw material consumption and decrease in lower overhead cost.
3. 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%.
4. During the quarter, share of USA to overall revenues dropped while share of Asia increased, however management mentioned share of USA to overall revenues will improve in Q2FY21E.
5. Value added products accounted for 25% of Avanti's shrimp exports in Q1FY21 v/s 29% in Q1FY20.
6. Increase in other income was on account of foreign exchange gain coupled with return on investment of surplus funds in shrimp processing and shrimp feeds division respectively in Q1FY21.
7. Management indicated construction work of 1st phase of shrimp hatchery is awaiting government approval and is likely to commence commercial production by CY20 end.
8. During the quarter, company managed to maintain the cash surplus and guided it will use the amount whenever it sees good organic/inorganic opportunity.

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View

Avanti Feeds Ltd's improvement in capacity utilisation MoM basis in both divisions and stable pricing scenario provides better outlook for both feed and processing segments. Given the government thrust on fisheries and recovery in demand MoM basis, we believe company will achieve higher growth and improve financials post H2FY21E. Further, healthy balance sheet, leading position and surplus cash provides us comfort. **Thus, we recommend investors to Accumulate on dips.**

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Disclosure of Interest Statement Avanti Feeds Ltd. as on September 15, 2020

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