

21 November 2016

Initiating Coverage (BUY)

AVANTI FEEDS LTD

CMP

INR 488

Target Price

INR 593

Stock Details

Industry	OTHER FOOD PRODUCTS
Bloomberg Code	AVNT:IN
BSE Code	512573
Face Value (Rs.)	2.00
Market Cap. (Rs. mn)	22,712.1
52wk. Low/High (Adjusted) ((Rs.))	331.05/631.70

Shareholding Pattern sept '16

Promoter (%)	43.94
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	56.06
No. of Share Outstanding (mn)	45.42

Valuation Summary

	FY 15A	FY 16A	FY 17P	FY 18P
P/E (x)*	13.32	14.07	14.00	14.00
EV/EBITDA (x)	8.17	8.74	8.81	8.70
P/BV (x)	5.82	5.76	4.75	4.06

*TTM for Current Year

Based on Market Price as on 1st Apr is taken for Each FY

Key Financial

Rs. Mn	FY 15A	FY 16A	FY 17P	FY 18P
Net Sales	20,183	22,807	26,228	30,162
EBITDA	2,459	2,789	3,056	3,520
Net Profit	1,575	1,757	1,923	2,216
EPS (Rs.)*	34.7	38.7	42.3	48.8

*Un adjusted

Key Ratios

	FY 15A	FY 16A	FY 17P	FY 18P
EBITDA Margin (%)	12.1	12.2	11.6	11.6
EBIT Margin (%)	11.6	11.6	11.1	11.1
Net Pro. Margin (%)	7.7	7.7	7.3	7.3
Debt/Equity (x)	0.01	0.00	0.00	0.00
RoNW (%)	48.5	38.9	32.6	29.7
RoCE (%)	46.5	38.0	31.9	29.2

One Year Price / Volume



We recommend 'BUY' on AVANTI FEEDS LTD for a target of INR 593 - valuing the company at P/E 14x of FY18E Earning.

INVESTMENT RATIONALE:

- Avanti Feeds Ltd is the largest seafood processors and leading manufacturer of prawn in India.
- Global distribution network
- Quality consciousness, excellent storage facilities, logistics capabilities, timely deliveries and commitment to customer satisfaction.
- Increasing demand for Indian seafood is all over the world.
- Avanti produces nutritionally well balanced and high quality feed.
- The revenue of the company is increasing every year. The major revenue comes from feeds which show a steady growth.
- The total assets value of the company increased in the last two years.
- The Institutional Investors, FIIs and DIIs are increasing their position in the stock in every quarter.

VALUATIONS AND VIEW:

Avanti Feeds has, to its credit pioneering effort and service for over two decades in development of prawn culture, processing and exports with its state-of-art shrimp and fish feeds and processing plants. It stands as a leading provider of high quality feed, best technical support to the farmer and caters to the quality standards of global shrimp customers. **We value the business at 14x FY18E EPS and recommend a BUY rating on the stock with a target price of INR 593 per share.**

RISK & CONCERNS:

- **Exchange Rate Fluctuations:** Volatility of international prices of shrimps and fluctuating foreign exchange rates, US anti-dumping duty and US Countervailing Duty continues to be the major areas of threat for the industry.
- **Infrastructure facility:** shrimp culture industry is continued to be concerned about inadequate infrastructure facilities, particularly inadequate power supply to aquaculture farmers and inadequate cold store chain available for farmers which are matters of great concern.
- **Subject to Weather Conditions:** The aqua culture activity is dependent on climatic conditions prevailing during season to season, which is unpredictable. Natural calamities like floods, cyclones, during the culture season can have serious impact on the prospects of successful culture.
- **Changes in Government Policies:** Company will be affected by changes in government policies.

COMPANY BACKGROUND:

Avanti Feeds is the leading manufacturer of Prawn and Fish Feeds and Shrimp Processor and Exporter from India. Avanti Feeds Limited has established joint venture with Thai Union Frozen Products PCL., the world's largest seafood processors and leading manufacturer of prawn and fish feeds in Thailand with integrated facilities from Hatchery to Shrimp & Fish processing and Exports.

Avanti Feeds has, to its credit pioneering effort and service for over two decades in development of prawn culture, processing and exports with its state-of-art shrimp and fish feeds and processing plants. Hallmark of Avanti is constant upgradation of aquaculture technology bringing latest developments in the field to the doorstep of the Indian aquaculture farmer. Avanti Feeds Limited stands as a leading provider of high quality feed, best technical support to the farmer and caters to the quality standards of global shrimp customers.

Products-

- Prawn Feed
- Scampi Feed
- Fish Feed

INDUSTRY OVERVIEW:

The exports of shrimp which account for 40% in volume terms of total sea food exports reported a marginal increase of 3% in exports in quantitative terms as compared to previous year. However, the overall Indian seafood product exports growth during 2015-16 is negative in quantitative terms more particularly for the export of fish, dried fish and live items. The total sea food exports were approximately Rs. 30,000 crores in 2015-16 against Rs33,442 crores in 2014-15. The major export market has been USA followed by Europe, Japan and South East Asia during 2015-16 for shrimp exports like in previous year.

The five consecutive years from 2010-11 to 2014-15 the shrimp culture industry registered a growth of 20% on an average and doubled the exports from 151465MT in 2010-11 to 357505 MT in 2014-15. However, in the current year i.e. 2015-16 the production and exports remained stagnant at almost same levels as in 2014-15. The main reason for no growth in the shrimp output is lack of adequate rainfall and diseases to culture during the 2nd half of the year 2015-16 in major shrimp producing regions. The farmers of other regions where disease was reported in Oct- Dec period have done extensive pond preparation and preventive measures during the 3-4 months period and their first crop of the season is also progressing well. The company expects the shrimp culture to grow around 10% in 2016-17 over previous year 2015-16.

Peer Comparison

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr. (Rs Cr)	Qtr. Profit Var (%)	Sales Qtr. (Rs Cr)	Qtr. Sales Var (%)	CMP/BV
Avanti Feeds	500	14.1	2,271.4	1.40	29.1	(17.36)	713.1	33.79	5.02
Waterbase	166	20.3	659.0	-	9.0	11.55	135.3	45.64	5.24
Apis India	16	0.9	8.9	-	1.5	(63.72)	41.0	(1.51)	0.19
SKM Egg Prod.	54	15.2	141.9	1.85	1.4	(80.85)	41.5	(48.53)	1.60
NHC Foods	15	7.0	17.3	-	0.2	112.11	37.8	44.55	0.85
Foods & Inns	955	62.0	148.1	0.24	1.6	151.61	81.6	(7.94)	3.14
Kothari Ferment.	30	14.0	24,592.3	-	0.6	133.33	19.0	4.29	5.76

*TTM

FINANCIAL OVERVIEW

Q4 FY16 Performance Highlight							
(in Million)	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	603.40	532.95	413.11	468.83	756.56	25.38%	61.37%
Other Income	3.21	5.49	3.96	5.37	4.58		
Total Income	606.61	538.44	417.07	474.19	761.13	25.47%	60.51%
Expenditure	-534.93	-470.14	-357.15	-428.37	-688.34		
As a % of Sales	88.65%	88.21%	86.45%	91.37%	90.98%		
Interest	-0.29	-0.3	-0.19	-0.56	-0.12	-58.62%	-78.57%
PBDT	71.39	68	59.74	45.26	72.68		
As a % of Sales	11.83%	12.76%	14.46%	9.65%	9.61%		
Depreciation	-2.6	-2.53	-2.22	-2	-2.22		
PBT	68.79	65.47	57.52	43.26	70.46	2.43%	62.88%
As a % of Sales	11.40%	12.28%	13.92%	9.23%	9.31%		
Tax	-23.08	-21.5	-18.35	-13.7	-23.9	3.55%	74.45%
Net Profit	45.71	43.96	36.71	29.57	46.56	1.86%	57.46%
As a % of Sales	7.58%	8.25%	8.89%	6.31%	6.15%		
Equity	9.08	9.08	9.08	9.08	9.08	0.00%	0.00%
EPS (Rs)	50.33	48.4	8.08	6.51	10.25	-79.63%	57.45%
CEPS (Rs)	53.19	51.19	8.57	6.95	10.74		
OPM %	11.88	12.82	14.51	9.77	9.62		
NPM %	0	0	0	0	0		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	6,480	11,316	17,807	20,183	22,807	26,228	30,162
Other Operating Income	26	37	80	166	145	146	185
Expenditure	5,970	10,211	15,997	17,890	20,163	23,318	26,828
EBITDA	536	1,142	1,890	2,459	2,789	3,056	3,520
Depreciation	50	55	88	102	116	128	142
EBIT	486	1,087	1,802	2,356	2,673	2,928	3,378
Interest Expenses	34	35	14	14	16	18	21
PBT	453	1,052	1,788	2,343	2,657	2,910	3,357
Tax	140	354	633	792	900	987	1,141
Other Income	-	-	-	-	-	-	-
Extraordinary Items	(11)	-	10	39	-	-	-
Net Income Before Adjustment	302	697	1,166	1,590	1,757	1,923	2,216
Minority Int./Income from Assoc.	1	(7)	7	15	-	-	-
Adjusted PAT	301	704	1,159	1,575	1,757	1,923	2,216

Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Equity share capital	91	91	91	91	91	91	91
Reserves & surplus	1,160	1,705	2,562	3,755	5,084	6,540	8,218
Share Warrants	-	-	-	-	-	-	-
Misc. Expenditure	-	-	-	-	-	-	-
Net worth	1,251	1,796	2,653	3,845	5,175	6,631	8,309
Minority Interest	-	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-	-
Loan Funds	119	110	42	21	23	21	19
Net deferred tax liability	10	14	60	47	47	47	47
Other Long-term Liabilities	15	27	37	37	42	49	56
Long-term Provisions	15	29	30	3	4	4	5
Total Liabilities	1,410	1,977	2,824	3,956	5,292	6,754	8,437
Net block	524	823	896	1,456	1,415	2,028	2,167
Investment, Loan & Adv.	405	396	412	653	363	403	466
Total Current Assets	1,551	2,765	3,498	4,117	6,391	7,630	9,641
Current Liabilities & Provisions	1,071	2,007	1,983	2,272	2,878	3,310	3,839
Net Current Assets	481	758	1,515	1,844	3,513	4,321	5,802
Total Assets	1,410	1,977	2,824	3,956	5,292	6,754	8,437

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
Operating Cash Flow	1,220	(854)	1,470	1,824
Cash Flow from Investments	181	556	(781)	(344)
Cash Flow from Financing	(743)	(352)	(400)	(442)
Net Changes in Cash	659	(651)	289	1,039
Opening Cash	50	708	58	347
Closing Cash Balance	708	58	347	1,386

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