



COMPANY NAME	: AVANTI FEEDS
BSE Code	: 512573
Time Duration	: 1 year
CMP	: ₹2428 (as on 16 Nov., 2017)
Target Price	: ₹3060

The Mid Bridge for the month of November is Avanti Feeds Limited. This company is in the field of aquaculture industry engaged in manufacturing of high quality feed for shrimps, operating Vannamei hatchery and processing and export of shrimps. The company's growth rate has been exceptional over the last 4-5 years. Its revenue has grown at a CAGR of 47.3% over FY13-17 and PAT has grown at CAGR of 49.7% over FY13-17.

Exceptional performance in Q1FY18

The June quarter for this company is always the best as it is the peak season for the company's business due to the monsoon season in India. The Q1FY18 has been exceptional so far. The company's revenue grew by 37.8% YoY to Rs 998.17 crore. Its EBITDA margin was ~23%, which is highest so far. Its net profit increased by 203.8% YoY to Rs 148.8 crore, maintaining PAT margin at 14.9%.

Capacity Expansion

Avanti Feeds Ltd. has a subsidiary named Avanti Frozen Foods Pvt. Ltd. A shrimp processing plant at Yerravaram in East Godavari district of Andhra Pradesh has capacity of 15,000 MTA and had started its trial production. The commercial production has started from September 2017. Further, the company is planning for expansion with capacity of 1,75,000 MTA of shrimp feed at Bandapuram, West Godavari district of Andhra Pradesh. This will take the total capacity of shrimp feed to 6,00,000 MTA. It is expected that this plant will get operational by the end of FY18. It is also planning to set up 400mn shrimp feed hatchery as part of its backward integration plan. The implementation of this plan would begin in FY18 and it would be implemented in two phases of 200mn each. In Q1FY18, the company had fallen short of supply as demand was too high, but it did not have enough production capacity to meet the demand. Hence, the company is planning for such robust expansion.

Vision 2022

Currently, the share of shrimp exports and shrimp feed in total revenue is 13% and 87%, respectively. The company is planning to change this ratio to 40:60, i.e. revenue from shrimp exports 40% and shrimp feed 60%. The company has set a target to become a billion-dollar company by 2022. Looking at the current growth rate of the company, we see that it has the capability to achieve its target of 2022.

Industry Outlook

The global sea food market has grown at a CAGR of 4.1% during 2014-16, while sea food consumption has been growing at 1% annually. Maximum growth in consumption is seen in China, Middle East and East & South-East Asia. India has an advantage to grab this growing consumption opportunity as it has a long coastline and easily availability of raw materials. India exports sea food, of which 38% of the total volumes consist of shrimps. In FY17, India exported 434,000 MT of shrimp as against 373,868 MT in FY16. Last two years, the monsoons have been favourable and thus 10% growth in shrimps' production and exports is expected in FY18. Sea food consumption is growing rapidly across the globe and hence this industry has bright prospects going forward.

Robust Financial Performance

Since FY11, the company has shown consistent growth and delivered high returns. In FY17, its consolidated revenue grew by 35.4% YoY to Rs 2732.66 from Rs 2018.29 cr. Its EBITDA increased by 44.1% YoY from Rs 230.3 cr to Rs 331.86 cr., while EBITDA margin was 11.4% in FY16, which improved to 12.1% in FY17. The company's PAT jumped by 36.1% YoY from Rs 157.5 cr to Rs 214.35 in FY17. The PAT margin improved to 8.29% in FY17 from 7.87% in FY16. The company is effectively managing its working capital cycle and this can be seen as its receivable days in FY17 were 1.8 days as against 27.8 days in FY11. The company is virtually debt-free and thus its interest coverage ratio is as high as 77.8x in FY17.

Valuation

The company is trading at TTM P/E of 29.39x with TTM EPS of 85.44. For FY17, it has delivered ROE and ROCE of 42.9% and 62.5%, respectively, which is much higher as compared to its peers. In the past one year, the stock has given more than 410% returns to the investors. Due to the robust capacity expansion, the company is expecting additional revenue generation of Rs 600 crore. The company management is optimistic about maintaining margins at levels of 10-12% for feed business and 5-7% for processing segment. Based on the growing global demand, the capacity expansion and robust growth and performance, we see a potential upside of 26% in the stock price with target of Rs 3060.

We urge investors to make investment in three tranches.

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DSIJ INVESTMENT ADVISORY UNIT (CRU)

Inc/Exp Statement(Consolidated) (Rs in Crore)

Description	201703	201603	201503	201403	201303
Net Sales	2732.66	2018.29	1780.66	1131.61	648.04
Total Income	2754.47	2034.84	1788.63	1135.29	650.62
Total Expenditure	2400.81	1786.96	1598.37	1020.18	596.46
PBIDT	353.66	247.88	190.27	115.11	54.15
PAT	226.75	158.98	116.57	69.75	30.18
Dividend %	450.00	350.00	275.00	150.00	65.00
Adj. EPS(Rs)	47.20	34.68	25.53	15.50	6.62

Quarter On Quarter (Consolidated) (Rs in Crore)

Particulars	201709	201706	Q on Q Var%	201609	Y on Y Var%
Net Sales	854.02	998.17	-14.44	684.53	24.76
Total Expenditure	667.39	773.20	-13.69	625.66	6.67
PBIDT (Excl OI)	186.64	224.98	-17.04	58.87	217.01
PAT	125.68	148.79	-15.53	42.13	198.35
PBIDTM% (Excl OI)	21.85	22.54	-3.06	8.60	154.07
PBIDTM%	23.12	23.16	-0.17	9.62	140.33
PATM%	14.72	14.91	-1.27	6.15	139.35
Adj. EPS(Rs)	25.62	32.30	-20.68	8.64	196.53

