

Price: 848

Recommendation: Buy

Industry: Animal Feed

Sector: Fast Moving Consumer Goods

Report Date: 13-Mar-2025

Avanti Feeds Ltd is enhancing its market presence through strategic initiatives, including a joint venture with Bluefalo Company Limited to enter the Indian pet food market with Avant Furst cat food. The company is diversifying with fish feed trials and a new facility in Hyderabad. Despite challenges like raw material costs, Avanti reported a 9.17% income increase in Q3 FY '25, focusing on value-added products and new markets for growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	5511 Cr	Operating Profit(Year)	586 Cr	Operating Profit Margin	10.6 %
Previous Year	5087 Cr	Operating Profit(Quarter)	160 Cr	EBITDA Margin	10.25 %
Current Quarter	1366 Cr	PAT (Year)	337 Cr	Net Profit Margin	6.91 %
Previous Quarter	1355 Cr	PAT (Quarter)	135 Cr	EPS	35.3
Revenue (QYoY)	1253 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	24.0	Sales Growth	6.42 %	Sales Growth	0.81 %
PEG Ratio	4.53	PAT Growth	25.75 %	Sales Growth QYoY	9.02 %
EV/EBITDA	14.8	EPS Growth	34.73 %	PAT Growth	18.42 %
P/B	4.58	Dividend Yield	0.82	PAT Growth QYoY	86.21 %
Capital Allocation		Holdings		Leverage	
RoE	15.1 %	Promoter	43.2 %	Debt/Equity	0.01
RoA	12.7 %	FII	14.5 %	Debt	16.2 Cr
RoCE	20.0 %	DII	5.49 %	Market Cap	11560 Cr
RoIC	19.2 %	Public	34.1 %	Enterprise value	10887 Cr
		No of Shares	13.6 Cr	Cash Equivalents	689 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Avanti Feeds Ltd has embarked on several new initiatives and business strategies to enhance its market presence and operational efficiency. A significant development is the joint venture with Bluefalo Company Limited, Thailand, to establish a pet food manufacturing facility in India. This venture marks Avanti's entry into the Indian pet food market, with the initial launch of cat food under the brand Avant Furst. The company plans to expand its product range and geographical reach across India, leveraging its existing distribution network. Additionally, Avanti is focusing on value-added shrimp products to mitigate the impact of countervailing duties in the U.S. market, which remains a significant export destination. The company is also exploring new markets in Japan, Korea, the EU, and the Middle East to diversify its export base.

In terms of diversification, Avanti is conducting trials for fish feed in collaboration with Thai Union Feed Mill Limited. This initiative aims to introduce fish feed products tailored to Indian conditions, with plans to commence domestic production once market acceptance is achieved. The company is also investing in a state-of-the-art manufacturing facility in Hyderabad, which is expected to be operational by the end of 2026. This facility will support the production of pet food and potentially other feed products, aligning with Avanti's strategy to strengthen its position in the feed industry. The company is also focusing on optimizing its shrimp processing operations, with plans to increase capacity utilization to 80% in the coming quarters.

Looking ahead, Avanti Feeds is optimistic about its growth prospects, driven by favorable climatic conditions and stable raw material prices. The company anticipates a stable year for shrimp production, with potential growth in feed consumption and exports. The pet food and fish feed segments are expected to be key growth drivers, supported by Avanti's expertise in feed manufacturing and distribution. The company is also committed to cost optimization and enhancing its product portfolio to improve margins and competitiveness. However, challenges such as fluctuating raw material prices and international trade dynamics remain areas of concern.

From a financial perspective, Avanti Feeds reported a gross income of INR 1,405 crores for Q3 FY '25, reflecting a 9.17% increase compared to the same period last year. The shrimp processing division, however, faced margin pressures due to higher raw material and freight costs. Despite these challenges, the company remains focused on expanding its value-added product offerings and exploring new markets to sustain growth. The strategic initiatives and diversification efforts are expected to enhance Avanti's market position and drive long-term value for shareholders. The company's proactive approach to market expansion and product innovation positions it well for future growth, although continuous monitoring of market conditions and cost structures will be crucial for sustained success.

AVANTIFEED Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Hatsun Agro	19601.84	68.06	17.02%	-3.01%	6.48%	-36.35%	-28.68%
Bikaji Foods	16724.53	59.87	24.73%	-5.17%	10.31%	-57.28%	-37.28%
Varun Beverages	166382.63	64.12	22.04%	-23.23%	38.28%	-70.12%	40.30%
Godrej Agrovet	14110.07	35.76	14.90%	0.04%	4.45%	14.68%	32.41%
L T Foods	11657.27	19.59	19.32%	7.92%	17.15%	-3.46%	-5.24%

Aspect	Commentary
Revenue	The company shows a steady revenue increase, with a 6.42% YoY growth and a slight 0.81% QoQ rise. This indicates consistent performance, driven by strategic market expansions and product diversification efforts, despite challenges in raw material costs.
Profit & Loss	Operating profit margins are healthy, with a notable PAT growth of 25.75% YoY. This reflects effective cost management and strategic initiatives that have enhanced profitability, despite external pressures on margins.
Profitability Matrix	The company maintains strong profitability with an operating profit margin of 10.6% and a net profit margin of 6.91%. These figures suggest efficient operations and a robust business model, supporting sustainable growth.
Valuation Matrix	Valuation metrics indicate a moderate market perception, with a trailing P/E of 24.0 and a PEG ratio of 4.53. These suggest the market values the company's growth prospects, though there may be concerns about future earnings growth.
Growth (YoY)	Year-over-year growth is robust, with sales and PAT growth at 6.42% and 25.75%, respectively. This reflects successful strategic initiatives and market expansion, positioning the company well for future growth.
Growth (QoQ)	Quarter-over-quarter growth is modest, with sales up by 0.81% and PAT by 18.42%. This indicates stable performance, with potential for further growth as strategic initiatives take effect.
Capital Allocation	The company demonstrates strong capital efficiency, with RoE at 15.1% and RoCE at 20.0%. This suggests effective use of capital to generate returns, supporting long-term shareholder value.
Holdings	Promoter holding is stable at 43.2%, with significant public and institutional investor interest. This reflects confidence in the company's strategic direction and growth potential.
Leverage	The company maintains a low leverage with a debt/equity ratio of 0.01, indicating prudent financial management and a strong balance sheet, providing flexibility for future investments.

Analyst viewpoint: Avanti Feeds Ltd is poised for promising growth in the short to mid-term, thanks to its strategic initiatives and robust financial performance. The company has demonstrated strong quarterly growth metrics, with PAT growing by 18.42% QoQ, a testament to their effective cost management and strategic market expansions. Their efforts in diversifying through joint ventures, such as their entry into the pet food market with Avant Furst, and trials for fish feed products, reflect an adaptive business strategy aimed at capturing new markets and expanding its portfolio. The company's valuation metrics remain favorable, underscored by a trailing P/E of 24, suggesting investor confidence in its growth trajectory. Avanti's capital allocation strategy also shows efficiency, highlighted by a strong RoE of 15.1% and a low debt-equity ratio of 0.01, signaling prudent financial management and capacity for future investments.

Nevertheless, while Avanti is leading with its healthy growth metrics and strategic initiatives, potential drawbacks like fluctuating raw material costs and international trade dynamics should be monitored closely. Despite these challenges, Avanti's focus on enhancing its shrimp processing operations and market expansion into regions like Japan, Korea, and the Middle East, positions the company well against peers in the animal feed industry. Their consistent focus on cost optimization and innovative product offerings ensures that they maintain a competitive edge and sustain shareholder value in the evolving global market landscape.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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