

Price: 865

Recommendation: Buy

Industry: Animal Feed

Sector: Fast Moving Consumer Goods

Report Date: 05-May-2025

Avanti Feeds Limited is a leading player in aquaculture, specializing in shrimp feed and processing. With robust growth driven by strategic initiatives, the company is diversifying into pet food and fish feed markets. Leveraging its expertise, Avanti aims to expand globally, optimize costs, and enhance value-added products, ensuring sustainable growth and resilience in dynamic market conditions.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4394 Cr	Operating Profit(Year)	491 Cr	Operating Profit Margin	11.2 %
Previous Year	4041 Cr	Operating Profit(Quarter)	142 Cr	EBITDA Margin	9.33 %
Current Quarter	1045 Cr	PAT (Year)	285 Cr	Net Profit Margin	6.65 %
Previous Quarter	1079 Cr	PAT (Quarter)	127 Cr	EPS	32.3
Revenue (QYoY)	933 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	26.8	Sales Growth	5.90 %	Sales Growth	-3.15 %
PEG Ratio	4.17	PAT Growth	33.8 %	Sales Growth QYoY	12.0 %
EV/EBITDA	18.3	EPS Growth	42.92 %	PAT Growth	19.81 %
P/B	5.59	Dividend Yield	0.76	PAT Growth QYoY	123.59 %
Capital Allocation		Holdings		Leverage	
RoE	15.2 %	Promoter	43.2 %	Debt/Equity	0.00
RoA	13.1 %	FII	6.42 %	Debt	0.66 Cr
RoCE	20.2 %	DII	5.07 %	Market Cap	11782 Cr
RoIC	22.5 %	Public	42.6 %	Enterprise value	11219 Cr
		No of Shares	13.6 Cr	Cash Equivalents	564 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

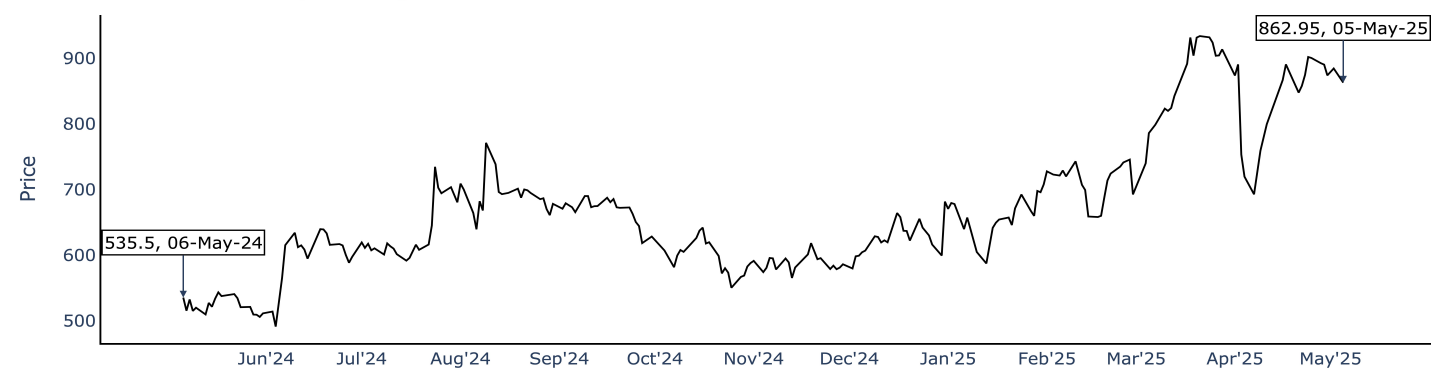
Avanti Feeds Limited showcased a robust performance in Q3 FY25, driven by strategic initiatives and favorable market conditions. The company reported consolidated gross income of INR 1,405 crores, marking a 9.17% YoY growth, and a PBT increase of 59% to INR 184 crores. Standalone feed division performance was strong, with gross income rising to INR 1,077 crores, supported by a 15,731 MT increase in sales volume. The shrimp processing segment saw gross income of INR 328 crores, with higher average selling prices offsetting a slight volume decline. The company highlighted softening raw material costs, particularly fish meal and soybean meal, which improved profitability, while wheat flour prices remained a concern. Favorable climatic conditions and stable farm gate prices contributed to higher feed consumption, with shrimp production expected to grow by 5% in FY25.

Avanti Feeds is actively diversifying its portfolio to drive future growth. The pet food segment, under the Avant Furst brand, commenced trading with cat food in five cities, with plans to expand nationwide and launch dog food by July 2025. The company has acquired 30 acres near Hyderabad for a state-of-the-art manufacturing facility, targeting production by December 2026. Additionally, Avanti is exploring fish feed opportunities, importing products from Thai Union Feed Mill Limited for trials under Indian conditions. While the fish feed plant investment is pending trial results, the company aims to leverage its expertise in feed manufacturing to capture market share. These initiatives reflect Avanti's commitment to diversifying revenue streams and tapping into high-growth markets.

Strategically, Avanti is focusing on value-added shrimp products to mitigate the impact of U.S. countervailing duties (CVD) and optimize margins. The company is expanding its global footprint beyond the U.S., targeting markets like Japan, Korea, the EU, and the Middle East. Efforts to increase shrimp feed exports, currently at 1%-2% of volumes, aim to reach 10% in the next 3-5 years. Cost optimization and higher-value product offerings are key priorities in the shrimp processing segment, with freight costs and raw material prices being closely monitored. The company's emphasis on scaling production capacity to 80% utilization in the next 4-5 quarters further underscores its growth-oriented approach.

Avanti Feeds is well-positioned for stable growth, supported by favorable aquaculture conditions and strategic diversification. The shrimp feed and processing businesses remain core drivers, with anticipated 5%-10% growth in feed volumes. Long-term growth is expected from pet food and fish feed ventures, leveraging Avanti's established expertise and market presence. The company's proactive measures to address challenges, such as CVD and wheat flour pricing, reflect strong operational resilience. With a focus on innovation, market expansion, and value creation, Avanti Feeds is poised to deliver sustainable growth and enhance shareholder value.

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	19780.06	69.28	17.32%	9.98%	7.99%	21.25%	-4.81%
Varun Beverages	181826.06	65.35	22.49%	50.92%	28.94%	292.38%	35.22%
Bikaji Foods	17416.11	62.24	24.73%	-5.17%	10.31%	-57.28%	-37.28%
Godrej Agrovet	12858.76	31.91	16.47%	-12.90%	-0.03%	-39.83%	15.70%
L T Foods	11962.85	20.11	19.32%	7.92%	17.15%	-3.46%	-5.24%

Aspect	Commentary
Revenue	Revenue grew 8.74% YoY to INR 4394 Cr, driven by strong feed division performance and favorable climatic conditions. However, QoQ revenue declined by 3.15%, reflecting seasonal fluctuations. Shrimp feed exports and diversification into pet food and fish feed are expected to sustain growth.
Profit & Loss	Operating profit rose to INR 491 Cr, with a PAT of INR 285 Cr, reflecting improved margins due to softening raw material costs. Quarterly PAT growth of 19.81% highlights operational efficiency, while EPS growth of 42.92% underscores strong shareholder returns.
Profitability Matrix	Operating profit margin at 11.2% and net profit margin at 6.65% indicate healthy profitability. EBITDA margin of 9.33% reflects cost optimization efforts. ROCE of 20.2% and ROIC of 22.5% demonstrate efficient capital utilization and strong returns on investments.
Valuation Matrix	Trailing P/E of 26.8 and EV/EBITDA of 18.3 suggest moderate valuation levels. PEG ratio of 4.17 indicates growth potential relative to earnings. Dividend yield of 0.76% provides modest income for investors, while P/B of 5.59 reflects premium valuation.
Growth (YoY)	Sales growth of 5.90% YoY reflects steady demand, while PAT growth of 33.8% highlights improved profitability. EPS growth of 42.92% underscores earnings strength. Shrimp feed and processing segments remain key contributors to overall growth.
Growth (QoQ)	QoQ sales declined by 3.15%, reflecting seasonal factors, but PAT grew by 19.81%, driven by cost optimization. Shrimp feed exports and diversification efforts are expected to mitigate quarterly fluctuations and sustain long-term growth.
Capital Allocation	RoE of 15.2% and RoA of 13.1% indicate efficient use of equity and assets. Cash equivalents of INR 564 Cr provide liquidity for strategic investments. Debt-free status enhances financial stability, supporting growth initiatives like pet food and fish feed ventures.
Holdings	Promoter holding at 43.2% reflects strong ownership confidence. FII and DII holdings at 6.42% and 5.07%, respectively, indicate institutional interest. Public holding of 42.6% ensures broad investor participation, supporting market liquidity.
Leverage	Debt-to-equity ratio of 0.00 and minimal debt of INR 0.66 Cr highlight a strong balance sheet. Market cap of INR 11782 Cr and enterprise value of INR 11219 Cr reflect robust valuation. Debt-free status ensures financial flexibility for growth initiatives.

Analyst viewpoint: Avanti Feeds Limited demonstrates strong growth potential in the short to mid-term, supported by its strategic diversification and operational efficiency. The company's Q3 FY25 performance highlights a 9.17% YoY revenue growth and a 59% increase in PBT, driven by robust feed division sales and improved profitability from softening raw material costs. Shrimp feed exports and diversification into pet food and fish feed markets are expected to sustain growth, with the pet food segment already gaining traction under the Avant Furst brand. Additionally, the company's focus on value-added shrimp products and expansion into global markets like Japan, Korea, and the EU positions it well to mitigate challenges such as U.S. countervailing duties. With a debt-free balance sheet, strong cash reserves of INR 564 Cr, and efficient capital utilization reflected in a ROCE of 20.2%, Avanti Feeds is poised for sustainable growth and enhanced shareholder value.

While the company's valuation metrics, including a trailing P/E of 26.8 and EV/EBITDA of 18.3, suggest moderate levels, its PEG ratio of 4.17 underscores significant growth potential relative to earnings. The shrimp feed and processing segments remain core drivers, with anticipated feed volume growth of 5%-10% in the coming quarters. However, QoQ revenue declined by 3.15%, reflecting seasonal fluctuations, which the company aims to address through diversification and cost optimization. Overall, Avanti Feeds' proactive measures, innovative product offerings, and strategic investments in high-growth markets make it a compelling buy recommendation for investors seeking mid-term returns.

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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