

Price: 891

Recommendation: Buy

Industry: Animal Feed

Sector: Fast Moving Consumer Goods

Report Date: 19-Apr-2025

Avanti Feeds Ltd. is strategically enhancing its market position through diversification and expansion. The company has entered the pet food market via a joint venture with Bluefalo Company Limited, focusing initially on cat food under the Avant Furst brand, with plans to include dog food by 2025. Additionally, Avanti is scaling up shrimp processing and exports, targeting markets beyond the U.S. to mitigate risks. The company is optimistic about growth, with plans for a pet food facility in Hyderabad by 2026.

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	27.6	Sales Growth	5.90 %	Sales Growth	-3.15 %
PEG Ratio	4.29	PAT Growth	33.8 %	Sales Growth QYoY	12.0 %
EV/EBITDA	18.9	EPS Growth	42.92 %	PAT Growth	19.81 %
P/B	5.74	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	12137 Cr
RoIC	22.5 %	Public	42.6 %	Enterprise value	11573 Cr
		No of Shares	13.6 Cr	Cash Equivalents	564 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Avanti Feeds Ltd. outlined several new initiatives and strategies aimed at enhancing its market position and driving future growth. The company has embarked on a significant diversification strategy by entering the pet food market through a joint venture with Bluefalo Company Limited, Thailand. This venture marks a strategic move to tap into the growing pet food market in India, with the initial focus on cat food under the brand Avant Furst. The company plans to expand its product range to include dog food by mid-2025, leveraging its existing distribution network to establish a strong market presence. This initiative is expected to complement Avanti's existing business lines and provide a new revenue stream.

Avanti Feeds is also focusing on scaling up its shrimp processing and export operations. The company has reported an increase in shrimp exports and is working to expand its global market reach beyond the U.S. to regions like Japan, Korea, the EU, and the Middle East. This expansion is part of a broader strategy to mitigate risks associated with the U.S. market, where a countervailing duty (CVD) has been imposed. The company is also investing in value-added products, which are expected to yield better margins and reduce the impact of duties. The focus on high-value products is a strategic move to enhance profitability and market competitiveness.

Looking ahead, Avanti Feeds is optimistic about its growth prospects. The company anticipates stable production levels in 2025, with a potential 5% increase over the previous year, driven by favorable climatic conditions and strong farm gate prices. The pet food segment is expected to be a key growth driver, with plans to establish a manufacturing facility in Hyderabad by 2026. This facility will enable the company to produce pet food domestically, reducing reliance on imports and enhancing supply chain efficiency. The company's commitment to expanding its product portfolio and market reach positions it well for sustained growth.

While the company's strategies are promising, there are areas for improvement. The pet food venture, although promising, is still in its nascent stage, and the company needs to closely monitor market acceptance and adjust its strategies accordingly. Additionally, the impact of fluctuating raw material prices and international trade dynamics on profitability needs careful management. The company's efforts to optimize costs and focus on high-value products are positive steps, but continuous innovation and market adaptation will be crucial to maintaining competitive advantage. Overall, Avanti Feeds' strategic initiatives and growth plans reflect a proactive approach to market challenges and opportunities.

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	21029.66	73.03	17.02%	-3.01%	6.48%	-36.35%	-28.68%
Varun Beverages	188285.37	71.10	22.49%	-23.23%	38.28%	-70.12%	40.30%
Bikaji Foods	17959.98	64.25	24.73%	-5.17%	10.31%	-57.28%	-37.28%
Godrej Agrovet	14650.70	37.15	14.90%	0.04%	4.45%	14.68%	32.41%
L T Foods	12405.61	20.90	19.32%	7.92%	17.15%	-3.46%	-5.24%

Aspect	Commentary
Revenue	The company experienced a revenue increase from 4041 Cr to 4394 Cr year-over-year, indicating a positive growth trajectory. However, quarter-over-quarter revenue saw a slight decline from 1079 Cr to 1045 Cr, suggesting potential seasonal or operational challenges that need addressing to maintain consistent growth.
Profit & Loss	Operating profit for the year stands at 491 Cr, with a quarterly figure of 142 Cr. The PAT shows a robust annual growth to 285 Cr, with a quarterly PAT of 127 Cr. This indicates strong profitability, though quarterly fluctuations suggest the need for strategic adjustments to stabilize earnings.
Profitability Matrix	The company maintains a healthy operating profit margin of 11.2%, with an EBITDA margin of 9.33% and a net profit margin of 6.65%. EPS is at 32.3, reflecting solid earnings performance. These metrics highlight efficient cost management and profitability, though continuous improvement is essential.
Valuation Matrix	The trailing P/E ratio is 27.6, indicating market confidence in future earnings. A PEG ratio of 4.29 suggests growth potential, while EV/EBITDA at 18.9 and P/B at 5.74 reflect a premium valuation. These figures suggest investor optimism but also highlight the need for sustained performance.
Growth (YoY)	Year-over-year sales growth is 5.90%, with PAT growth at 33.8% and EPS growth at 42.92%. The dividend yield is 0.76, indicating shareholder returns. These figures reflect strong growth momentum, though maintaining this trajectory will require strategic focus on market expansion and innovation.
Growth (QoQ)	Quarter-over-quarter sales growth is negative at -3.15%, but QYoY sales growth is 12.0%. PAT growth is 19.81% QoQ, with a significant QYoY increase of 123.59%. These mixed results suggest volatility, necessitating strategies to stabilize and enhance quarterly performance.
Capital Allocation	The company demonstrates efficient capital allocation with RoE at 15.2%, RoA at 13.1%, RoCE at 20.2%, and RoIC at 22.5%. These metrics indicate effective use of capital to generate returns, though continuous evaluation and optimization are crucial for sustaining high performance.
Holdings	Promoter holding is at 43.2%, with FII at 6.42%, DII at 5.07%, and public holding at 42.6%. The number of shares is 13.6 Cr. This diverse holding structure suggests balanced investor confidence, though monitoring changes in holdings is important for understanding market sentiment.
Leverage	The company has a debt/equity ratio of 0.00, with minimal debt at 0.66 Cr, a market cap of 12137 Cr, and an enterprise value of 11573 Cr. Cash equivalents are 564 Cr. This low leverage indicates financial stability and flexibility, positioning the company well for future investments.

Analyst viewpoint: Avanti Feeds Ltd. is well-positioned for robust short to mid-term growth, buoyed by its strong year-over-year performance, where sales grew by 5.90% and PAT surged an impressive 33.8%. The strategic joint venture into the burgeoning pet food market promises substantial future returns, leveraging new production facilities to tap into emerging consumer trends. This, coupled with efficient capital allocation metrics like an RoE of 15.2% and a debt-free balance sheet, underscores a stable financial footing. The company has a competitive edge with its diversification into shrimp processing, targeting markets outside the U.S to mitigate geopolitical risks. Valuation metrics like a P/E of 27.6 affirm market confidence, suggesting a favorable outlook for continued growth.

While Avanti Feeds has shown exceptional performance, a slight decline in QoQ sales highlights the necessity for ongoing strategic adjustments to stabilize quarterly earnings. Nonetheless, the impressive PAT growth of 123.59% QYoY reveals substantial underlying profitability potential. Peer comparisons show Avanti in a favorable light, boasting superior returns on capital employed versus many sector counterparts. As the company scales its shrimp exports and develops its pet food line, clear opportunities for revenue diversification and risk management emerge. Caution surrounds the nascent pet food venture, which requires vigilant market adaptation to ensure an uninterrupted trajectory of growth and premium valuation.

Please read detailed disclosure on next page.

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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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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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