

Price: 753

Recommendation: Buy

Industry: Animal Feed

Sector: Fast Moving Consumer Goods

Report Date: 03-Apr-2025

Avanti Feeds Ltd. is advancing its market position through strategic initiatives, including a joint venture with Bluefalo Company Limited to enter India's pet food market with the Avant Furst brand. The company is expanding its shrimp processing capacity and diversifying its market focus beyond the U.S. to mitigate risks. Despite challenges like low margins in the pet food segment and fluctuating raw material prices, Avanti Feeds is committed to innovation and market expansion.

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	23.4	Sales Growth	5.90 %	Sales Growth	-3.15 %
PEG Ratio	3.63	PAT Growth	33.8 %	Sales Growth QYoY	12.0 %
EV/EBITDA	15.9	EPS Growth	42.92 %	PAT Growth	19.81 %
P/B	4.85	Dividend Yield	0.90	PAT Growth QYoY	123.59 %
Capital Allocation		Holdings		Leverage	
RoE	15.2 %	Promoter	43.2 %	Debt/Equity	0.00
RoA	13.1 %	FII	14.5 %	Debt	0.66 Cr
RoCE	20.2 %	DII	5.49 %	Market Cap	10276 Cr
RoIC	22.5 %	Public	34.1 %	Enterprise value	9713 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 diversifying its product offerings. A significant development is the joint venture with Bluefalo Company Limited, Thailand, to establish Avanti Pet Care in India. This venture marks the company's entry into the Indian pet food market, starting with cat food under the Avant Furst brand. The company plans to expand its product range and market reach across India, with a state-of-the-art manufacturing facility in Hyderabad in the pipeline. This initiative is a strategic move to tap into the growing pet food market, leveraging technology transfer and equity investment from its Thai partner.

The company is also focusing on scaling up its shrimp processing capacity, with plans to increase utilization from 60-65% to 80% over the next 4-5 quarters. This scaling is crucial as the company navigates the seasonal nature of the business, which affects raw material availability and processing capacity. Additionally, Avanti Feeds is working on optimizing costs and focusing on higher-value products that do not attract duties, thereby enhancing margins. The company is also diversifying its market focus beyond the U.S. to include Japan, Korea, the EU, and the Middle East, aiming to mitigate risks associated with the U.S. market's countervailing duties.

Looking ahead, Avanti Feeds is optimistic about its growth prospects, driven by favorable climatic conditions and stable farm gate prices, which are expected to boost shrimp production by 5% compared to the previous year. The company is also exploring opportunities in the fish feed market, with plans to import and test fish feed from Thai Union Feed Mill Limited before commencing domestic production. These efforts are part of a broader strategy to strengthen the company's value proposition and expand its market presence in both domestic and international markets.

While the company is making significant strides, there are areas for improvement. The margins in the pet food segment are currently low due to high marketing expenses and the nascent stage of market entry. However, as volumes increase, margins are expected to improve. Additionally, the company faces challenges from fluctuating raw material prices and international trade dynamics, which could impact profitability. Despite these challenges, Avanti Feeds remains committed to its strategic initiatives, with a focus on innovation, market expansion, and cost optimization to drive future growth and 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	20207.86	70.18	17.02%	-3.01%	6.48%	-36.35%	-28.68%
Varun Beverages	184125.67	69.53	22.49%	-23.23%	38.28%	-70.12%	40.30%
Bikaji Foods	17068.96	61.06	24.73%	-5.17%	10.31%	-57.28%	-37.28%
Godrej Agrovet	14759.81	37.43	14.90%	0.04%	4.45%	14.68%	32.41%
L T Foods	12794.53	21.56	19.32%	7.92%	17.15%	-3.46%	-5.24%

Aspect	Commentary
Revenue	The company shows a moderate increase in annual revenue, indicating stable growth. However, quarterly revenue has slightly decreased, suggesting potential seasonal or market fluctuations. This trend requires monitoring to ensure long-term sustainability and identify any underlying issues affecting short-term performance.
Profit & Loss	Annual operating profit and PAT have increased, reflecting improved efficiency and cost management. Quarterly figures also show positive growth, indicating strong operational performance. This suggests the company is effectively managing its resources and capitalizing on market opportunities to enhance profitability.
Profitability Matrix	The company maintains healthy profitability margins, with a strong operating profit margin and EBITDA margin. The net profit margin is also robust, indicating effective cost control and revenue generation. These metrics suggest the company is well-positioned to sustain its profitability in the competitive market.
Valuation Matrix	The valuation metrics indicate a relatively high P/E ratio, suggesting market confidence in future earnings growth. The PEG ratio and EV/EBITDA are moderate, reflecting balanced growth expectations. The P/B ratio is high, indicating strong market valuation relative to book value, warranting careful investment consideration.
Growth (YoY)	Year-over-year growth metrics are positive, with significant increases in PAT and EPS, reflecting strong financial performance. Sales growth is moderate, suggesting steady market demand. The dividend yield is low, indicating a focus on reinvestment for growth rather than immediate shareholder returns.
Growth (QoQ)	Quarter-over-quarter growth shows a decline in sales, possibly due to seasonal factors or market conditions. However, PAT growth remains strong, indicating effective cost management and operational efficiency. This suggests resilience in maintaining profitability despite revenue fluctuations.
Capital Allocation	The company demonstrates efficient capital allocation with strong returns on equity, assets, and capital employed. This indicates effective use of resources to generate shareholder value. The high return on invested capital suggests strategic investments are yielding positive returns, supporting long-term growth.
Holdings	The ownership structure shows a balanced distribution among promoters, institutional investors, and the public. This indicates a diversified investor base, which can provide stability and support for strategic initiatives. The number of shares suggests a moderate market presence, with potential for growth.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and low financial risk. The minimal debt level suggests strong cash flow generation and a conservative approach to leveraging, which enhances financial stability and flexibility for future investments.

Analyst viewpoint: Avanti Feeds Ltd. is showing promising potential with strong growth metrics, making it an attractive option for short to mid-term investment. The company has demonstrated robust QoQ growth in Profit After Tax and Earnings Per Share, which suggests effective cost management and operational efficiency. Valuation metrics reveal a balanced P/E and PEG ratio, reflecting investor confidence and reasonable growth expectations. Avanti Feeds' strategic entry into the Indian pet food market through a joint venture bolsters its market proposition while diversifying product offerings. This initiative, alongside plans to expand shrimp processing capacity to greater utilization levels, indicates a focus on scaling up operations, optimizing costs, and enhancing margins. Additionally, the company's strategic expansion into new geographical markets aids in risk mitigation, positioning it well to capitalize on global demand shifts.

While Avanti Feeds' financial health appears strong with an impressive Return on Capital Employed and a robust market position, one must note the impact of fluctuating raw material prices on profitability. Despite low margins in the new pet food segment, influenced by initial high marketing costs, anticipated volume growth should gradually improve these margins. Nevertheless, the company remains committed to innovation and strategic initiatives, setting a solid foundation for sustained profit and market growth. This proactive approach, coupled with efficient capital allocation and a scalable business model, strengthens Avanti Feeds' investment appeal amidst competitive peer dynamics in the fast-moving consumer goods sector.

Please read detailed disclosure on next page.

