

Q4FY17 Result Update
Aquaculture Avanti Feeds
BUY

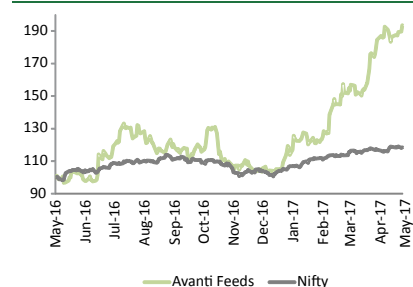
CMP (Rs)	1,077
Target Price (Rs)	1,390
Potential Upside	29.1%
Sensex	30,322
Nifty	9,445

Key Stock data

BSE Code	512573
NSE Code	AVANTIFEED
Bloomberg	AVNT:IN
Shares o/s, Cr (FV 2)	4.54
Market Cap (Rs Cr)	4,895
3M Avg Volume	55,000
52 week H/L	1,077/415

Shareholding Pattern

(%)	Sep-16	Dec-16	Mar-17
Promoter	43.9	43.9	43.9
FII	4.0	4.3	4.2
DII	25.7	26.0	26.4
Others	26.4	25.7	25.5

1 Year relative price performance


Research Analyst

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Robust performance likely to continue...

Avanti Feeds reported Q4FY17's results much ahead of our expectations. Revenue and Net profit surged by 50.3% and 168.5% respectively on YoY basis led by strong domestic demand. The operational and Net profit margins improved led by higher shrimp prices, lower material cost and lower other expenses. Avanti remains a preferred pick in the aquaculture industry. Thus we reiterate a Buy on the stock with an upgraded target of Rs. 1,390.

Q4FY17 Result Update:

- Total income increased by 50.3% to Rs. 704.4 cr compared to Rs. 468.8 cr on YoY basis mainly due to strong demand for shrimp feeds. Domestic sales surged 55.5% to Rs. 639.1 cr, wherein Avanti supplies shrimp feeds to domestic market. Exports increased by 14% to Rs. 60.2 cr which includes processed shrimps exported to US, Europe, Japan, Australia and Middle East countries.
- Operational profit for the quarter jumped 177.3% to Rs. 128.1 cr against Rs. 46.2 cr in Q4FY16. Lower material cost (up 35.4% YoY) and other expenses (up 35.4% YoY) boosted operating margins from 9.9% in Q4FY16 to 18.2% in Q4FY17. Also higher shrimp prices globally in Q4FY17 aided in margin expansion.
- As a result of higher revenue growth and lower total expenditure, Net profit more than doubled from Rs. 31.2 cr in Q4FY16 to Rs. 83.9 cr in Q4FY17. Net profit margin improved substantially to 11.9% in the last quarter of FY17 compared to 6.7% on YoY basis.

Outlook & Valuation:

The future outlook for the Indian shrimp industry looks promising. India with its vast coastline, increasing shrimp culture activities and better prevention measures to overcome diseases, is likely to emerge as a major beneficiary and could become the largest shrimp exporter in the world in the coming few years. Avanti Feeds is setting up hatchery (backward integration) and expanding capacities of processed shrimps and shrimp feeds. We remain positive on the aquaculture industry and Avanti Feeds remains our preferred pick in the sector with robust financials (return ratios > 35%), experienced management, capacity expansion plans and bright future outlook. We reiterate a Buy on the stock with an upgraded target of Rs. 1,390.

Financial Summary - Consolidated

Particulars, Rs cr	FY15	FY16	FY17	FY18E	FY19E
Net revenue	1,781	2,018	2,733	3,277	3,865
EBITDA	181	229	330	409	492
OPM (%)	10.2	11.4	12.1	12.5	12.7
Adj PAT	116	157	214	262	315
PATM (%)	6.5	7.8	7.8	8.0	8.2
EPS, Rs	25.5	34.7	47.2	57.8	69.4
RoE (%)	52.1	45.8	40.3	35.1	32.0
P/E (x)	42.2	31.1	22.8	18.6	15.5

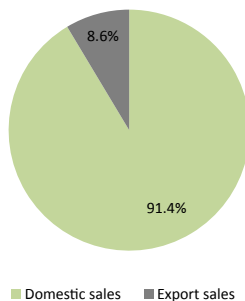
Source : Company; RSL Research

P&L Account Quarterly - Consolidated

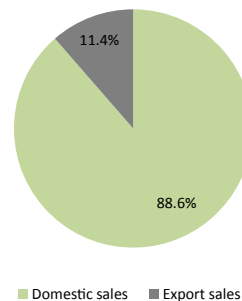
Particulars, Rs cr	Q4FY17	Q4FY16	Y-o-Y %	Q3FY17	Q-o-Q %
Net Revenue	704.4	468.8	50.3	558.6	26.1
Material cost	481.5	355.5	35.4	415.9	15.8
Employee cost	21.8	13.2	65.7	17.2	26.4
Other expenses	73.1	54.0	35.4	56.6	29.0
Total expenditure	576.4	422.7	36.4	489.8	17.7
EBITDA	128.1	46.2	177.3	68.9	86.0
OPM (%)	18.2	9.9	833	12.3	586
Other income	8.0	4.6	72.9	3.6	122.6
Depreciation	3.8	2.5	51.2	3.9	-3.1
PBIT	132.3	48.3	173.9	68.5	93.0
Interest expenses	2.2	0.6	282.5	0.2	1,047.4
PBT	130.1	47.7	172.6	68.3	90.4
Exceptional items	0.0	0.0	-	0.0	-
Tax	40.4	15.6	159.4	21.8	85.0
Tax/PBT %	31.1	32.7	-159	32.0	-90
PAT	89.7	32.1	179.1	46.5	92.9
Minority interest	-3.5	0.0	-	-4.2	-
Share of Associates	-2.3	-0.9	-	-1.2	-
APAT	83.9	31.2	168.5	41.1	104.1
APATM (%)	11.9	6.7	524	7.4	454
EPS	18.5	6.9	168.5	9.1	104.1

Source : Company; RSL Research

Geographical Revenue mix: Q4FY17



Geographical Revenue mix: Q4FY16



Source : Company; RSL Research

P&L Account - Consolidated

Particulars, Rs cr	FY15	FY16	FY17	FY18E	FY19E
Net sales	1,763.1	1,995.3	2,702.0	3,242.4	3,826.0
Other operating income	17.6	23.0	30.7	34.4	38.5
Total income	1,780.7	2,018.3	2,732.7	3,276.8	3,864.5
Expenditure					
Raw material consumed	1,368.1	1,528.9	2,071.2	2,466.9	2,904.1
Employee cost	47.6	58.1	73.4	88.4	104.3
Other expenses	184.0	202.0	258.4	312.7	364.3
Total expenditure	1,599.7	1,789.0	2,403.0	2,868.0	3,372.8
EBITDA	181.0	229.3	329.7	408.8	491.8
OPM (%)	10.2	11.4	12.1	12.5	12.7
Other income	8.0	16.6	21.8	24.4	28.8
Depreciation	8.8	10.2	13.7	17.9	21.7
PBIT	180.2	235.6	337.8	415.3	498.8
Interest expenses	1.4	1.4	2.7	0.9	0.7
PBT	178.8	234.3	335.1	414.4	498.2
Exceptional items	1.0	3.9	0.1	0.0	0.0
Tax	63.3	79.2	108.4	136.8	164.4
Tax rate %	35.2	33.3	32.4	33.0	33.0
PAT	116.6	159.0	226.8	277.7	333.8
Less: Share of minority interest	0.0	0.0	-1.3	-1.5	-1.9
Add: Profit/Loss of associates	-0.7	-1.5	-11.1	-13.9	-16.7
Adjusted Net Profit	115.9	157.5	214.4	262.3	315.2
PATM (%)	6.5	7.8	7.8	8.0	8.2
EPS	25.5	34.7	47.2	57.8	69.4

Source : Company; RSL Research

Balance sheet - Consolidated

Particulars, Rs cr	FY15	FY16	FY17	FY18E	FY19E
Share Capital	9.1	9.1	9.1	9.1	9.1
Reserves & Surplus	256.2	413.7	631.4	846.1	1,104.2
Total Shareholder's Fund	265.3	422.8	640.5	855.2	1,113.3
Minority interest	0.0	0.0	98.7	98.7	98.7
Non-Current Liabilities	14.4	10.8	27.1	21.4	20.3
Long term borrowing	4.2	2.1	12.2	6.1	4.6
Deferred tax liability	6.0	4.7	10.0	10.0	10.0
Other long term liabilities	3.7	3.7	3.7	4.0	4.4
Long term provision	0.5	0.3	1.2	1.2	1.3
Current Liabilities	197.8	189.0	290.2	327.6	368.5
Short term borrowing	50.6	6.5	1.3	1.2	1.2
Trade payables	91.2	142.9	249.6	285.3	324.4
Short term provisions	31.8	9.7	4.8	5.5	6.3
Other current liabilities	24.3	29.9	34.5	35.5	36.6
Total liabilities	477.6	622.6	1,056.5	1,302.9	1,600.8
Fixed Assets	89.6	145.6	238.9	301.0	354.9
Non Current investment	34.6	33.2	31.9	31.9	31.9
Long Term loans & advances	2.6	28.3	10.3	11.3	11.9
Other non-current assets	1.0	4.8	5.1	5.1	5.1
Current Assets	349.8	410.7	770.3	953.6	1,197.0
Current Investment	76.5	-	325.6	325.6	325.6
Inventories	222.0	285.6	355.7	402.3	471.5
Trade receivables	33.6	35.0	23.5	27.5	32.0
Cash & Cash equivalents	6.2	72.6	45.1	176.8	345.5
Short term loans and advances	4.7	7.5	7.3	7.7	8.1
Other current assets	6.9	10.2	13.0	13.6	14.3
Total assets	477.6	622.6	1,056.5	1,302.9	1,600.8

Source : Company; RSL Research

Cash Flow - Consolidated

Particulars, Rs cr	FY15	FY16	FY17	FY18E	FY19E
Profit Before Tax	179.8	236.7	335.2	414.4	498.2
Add: Depreciation	8.8	10.2	13.7	17.9	21.7
Add: Interest cost	1.0	0.7	2.7	0.9	0.7
Others	-6.3	-13.7	22.0	3.5	3.5
Op profit before working capital changes	183.3	233.9	373.6	436.7	524.1
Changes In working Capital	-33.7	-38.7	64.0	-14.7	-34.0
Direct taxes	-60.3	-73.2	-108.4	-136.8	-164.4
Cash Flow From Operating Activities	89.3	122.0	329.1	285.2	325.8
Cash Flow from Investing Activities					
Purchase of Fixed assets	-16.4	-66.5	-107.0	-80.0	-80.0
Sale of Fixed assets	0.1	0.2	0.0	0.0	0.0
Net proceeds from Investment	-69.1	80.4	-325.6	0.0	0.0
Others	1.9	4.0	24.2	0.0	0.0
Cash Flow from Investing Activities	-83.5	18.1	-408.5	-80.0	-80.0
Cash from Financing Activities					
Proceeds from issuance of shares	0.0	0.0	0.0	0.0	0.0
Net proceeds from borrowing	2.3	-47.9	4.9	-6.2	-1.6
Dividend (incl dividend tax)	-15.9	-30.1	-49.0	-62.9	-75.7
Interest cost	-1.4	-1.9	-2.7	-0.9	-0.7
Others	3.1	5.7	98.7	-3.5	0.8
Cash Flow from Financing Activities	-12.0	-74.3	51.9	-73.5	-77.1
Net Cash Inflow / Outflow	-6.2	65.9	-27.5	131.7	168.7
Opening Cash & Cash Equivalents	10.4	4.3	72.6	45.1	176.8
Closing Cash & Cash Equivalent	4.3	70.2	45.1	176.8	345.5

Source : Company; RSL Research

Key Financial ratios - Consolidated

Particulars, Rs cr	FY15	FY16	FY17	FY18E	FY19E
Dividend per share Rs	5.5	7.0	9.0	11.6	13.9
Dividend Yield (%)	0.1	0.1	0.2	0.2	0.3
Payout %	21.5	20.2	19.1	20.0	20.0
EPS Rs	25.5	34.7	47.2	57.8	69.4
Book Value per share Rs	58.4	93.1	141.1	188.4	245.2
Profitability Ratios					
EBITDA / Total income (%)	10.2	11.4	12.1	12.5	12.7
PBT/Total income (%)	10.0	11.6	12.3	12.6	12.9
NPM / Total income (%)	6.5	7.8	7.8	8.0	8.2
ROCE (%)	64.3	61.8	61.4	54.1	49.8
ROE (%)	52.1	45.8	40.3	35.1	32.0
Liquidity ratios					
Debt-Equity Ratio	0.2	0.0	0.0	0.0	0.0
Current Ratio	1.8	2.2	2.7	2.9	3.2
Interest Cover Ratio	131.5	174.5	124.7	472.2	723.5
Turnover ratios					
Total Asset Ratio	4.0	3.6	3.2	2.7	2.6
Fixed Assets Ratio	21.3	20.9	16.8	12.9	12.3
GROWTH YOY%					
Sales Growth %	57.4	13.3	35.4	19.9	17.9
Operating Profit %	63.7	26.7	43.8	24.0	20.3
Net Profit Growth %	64.6	35.9	36.1	22.3	20.2
VALUATION					
P / E Ratio	42.2	31.1	22.8	18.6	15.5
P / BV Ratio	18.4	11.6	7.6	5.7	4.4
EV / EBITDA	26.9	21.1	13.8	10.8	8.6

Source : Company; RSL Research

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[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

S. No.	Statement	Answer	
		Tick appropriate	
		YES	NO
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		NO
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		NO
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		NO
	I/we have received any compensation from the subject company in the past twelve months?		NO
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		NO
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		NO
	I/we have served as an officer, director or employee of the subject company?		NO
	I/we have been engaged in market making activity for the subject company?		NO

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No	Name(s) of RA	Signatures of RA	Serial Question of question which the signing RA needs to make separate declaration / answer	YES	NO

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