

August 21, 2017

## Avanti Feeds Ltd

Avanti Feeds is the leading manufacturer of Prawn and Fish Feeds and Shrimp Processor and Exporter from India. The company has shown consistent growth in revenue has improved from ₹393Cr in FY12 to ₹2732Cr in FY17 as well as profit has increased from ₹ 28Cr in FY12 to ₹226Cr in FY17. The management has guided to maintain its operational margins at 15% in the coming years. Avanti Feeds was short on feed capacity in Q1FY18, which resulted in shortage of supply. However, the company is expanding its feed capacity by 175,000 MT, which is likely to become operational in March 2018. Also, additional feed processing capacity of 15,000 MTPA is under trial and commercial operation of the same is expected to start in Q2FY18. The current market share of Avanti Feeds is ~43% and management is aiming to increase it to 50-55% over the next two years. It is likely to emerge as the biggest beneficiary of the rising feed demand and could become the largest shrimp exporter in the world in the coming few years. It has shown good consistent profit growth of 48.65% over 5 years and has a good return on equity (ROE) track record for last 3 Years ROE 45.64%. The company has been maintaining a healthy dividend payout of 17.50% and has been generating healthy cash flow from ₹50Cr in FY12 to ₹ 291Cr in FY17. Avanti Feeds has a RoE 50.77% and is trading at a valuation P/E of 27x of FY17 TTM earnings. Hence **BUY**.

## BUY

CMP ₹1929

### Stock Info

Sector	Other Food Products
Market Cap (₹ cr)	8,780
Beta	1.2
52 Week High / Low	1974.1/411
Avg. Daily Volume	29,930
Face Value (₹)	2
BSE Sensex	31,196
Nifty	9,722
Reuters Code	AVNT.NS
Bloomberg Code	AVNT:IN

### Shareholding Pattern (%)

Promoters	43.9
MF / Banks / Indian Fls	29.1
FII / NRIs / OCBs	4.6
Indian Public / Others	22.4

Abs. (%)	3m	1yr	3yr
Sensex	3.5	12.0	20.8
Avanti Feeds	37.5	229.8	674.7

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Disclosure of Interest Statement	Avanti Feeds
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15)