

India

July 13, 2023 - 9:43 AM

REDUCE (no change)

Consensus ratings*: Buy 2 Hold 1 Sell 1	
Current price:	Rs406
Target price: ▶	Rs353
Previous target:	Rs353
Up/downside:	-13.1%
InCred Research / Consensus:	-22.0%
Reuters:	
Bloomberg:	AVNT IN
Market cap:	US\$761m
	Rs55,282m
Average daily turnover:	US\$1.1m
	Rs80.3m
Current shares o/s:	136.2m
Free float:	57.0%
*Source: Bloomberg	

Key financial forecast

	Mar-23A	Mar-24F
Net Profit (Rsm)	2,068	3,009
Core EPS (Rs)	15.54	22.09
Core EPS Growth	(16.0%)	42.2%
FD Core P/E	26.11	18.37
Recurring ROE	10.7%	13.8%
P/BV (x)	2.68	2.40
DPS (Rs)	3.03	4.43
Dividend Yield	0.75%	1.09%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	4.8	12.1	(10.6)
Relative (%)	1.2	3.6	(26.9)

Major shareholders	% held
Promoter Group	43.7
Thai Union Group Public Company Ltd	15.4
Thai Union Asia Invest Holding Ltd	8.8

Brokers Poll 2023

BROKERS POLL 2023

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InCred Research

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Avanti Feeds Ltd

Forays into pet care business

- Avanti Feeds, which was trying to foray into fish feed and pet care markets for quite some time, has finally announced the formation of a pet care arm.
- Thai Union Group's pet care venture, I-Tails, is among the top-10 pet care companies worldwide. Hence, the synergy is something to look forward to.
- Currently, we are trying to gather more information on the company's pet care division for a firm view on the stock.

Board approves formation of a subsidiary - Avanti Pet Care Pvt Ltd

- Avanti Feeds had been promising to venture into fish feed and pet care segments for quite some time. However, there was no serious action on its part.
- There is no dearth of capital for the company for this diversification.
- The expertise of its partner, Thai Union Group, will play a pivotal role in this business segment.

Thai Union Group's expertise via I-Tails

- **The Thai Union Group** is a Thailand-based producer of seafood products.
- The company was founded in 1977 and was listed on the Stock Exchange of Thailand (SET) in 1994.
- Its business includes tuna, shrimp, sardine, mackerel, salmon, and pet food products.
- The pet care division was spun out as I-Tails and was listed on SET in 2022.
- The Thai Union Group continues to be the promoter of I-Tails with a majority stake.

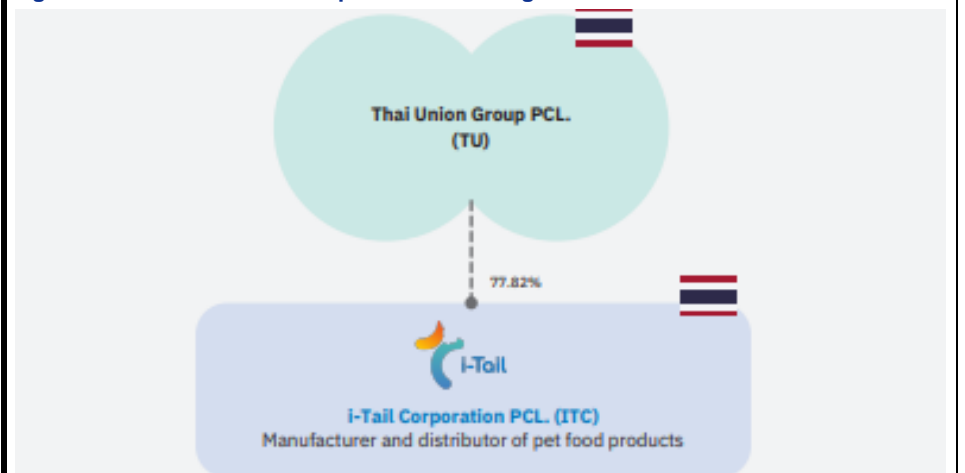
It's music to the ears of Avanti Feeds' shareholders

- As neither the fish feed nor pet care business plans took off, cash was lying idle on the company's books while depleting the return ratios..
- Finally, the foray into pet care business would not only utilize the idle cash on its books but also generate healthy returns.
- While one may still question the ability of the company to execute the new venture, we remain confident that its management has the capability to execute different businesses, considering the promoter family's track record.
- Not venturing into related segments while retaining the cash on its books had upset the company's shareholders.

Our view

- Before the company announcing its pet care subsidiary, we had a REDUCE rating on Avanti Feeds.
- However, the announcement of the pet care subsidiary will make us review our stance.
- Currently, we are trying to gather more information on the pet care subsidiary.

Figure 1: The Thai Union Group & I-Tails holding structure



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Net Revenues	41,006	50,360	52,844	56,921
Gross Profit	8,956	7,981	9,146	11,809
Operating EBITDA	4,602	3,220	3,261	5,308
Depreciation And Amortisation	(410)	(408)	(447)	(719)
Operating EBIT	4,192	2,812	2,814	4,588
Financial Income/(Expense)	908	797	607	500
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)				
Profit Before Tax (pre-EI)	5,100	3,609	3,421	5,088
Exceptional Items		(275)	(66)	
Pre-tax Profit	5,100	3,334	3,355	5,088
Taxation	(1,123)	(787)	(847)	(1,221)
Exceptional Income - post-tax				
Profit After Tax	3,977	2,547	2,508	3,867
Minority Interests	(372)	(237)	(440)	(857)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	3,605	2,311	2,068	3,009
Recurring Net Profit	3,605	2,521	2,117	3,009
Fully Diluted Recurring Net Profit	3,605	2,521	2,117	3,009

Balance Sheet

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Cash And Equivalents	471	747	591	2,038
Total Debtors	666	1,137	2,244	2,417
Inventories	5,551	9,893	7,022	7,563
Total Other Current Assets	286	370	294	317
Total Current Assets	6,974	12,147	10,151	12,335
Fixed Assets	2,817	2,638	4,591	5,871
Total Investments	12,486	8,142	10,000	10,000
Intangible Assets	106	87	87	87
Total Other Non-Current Assets	437	2,167	1,766	1,766
Total Non-current Assets	15,848	13,034	16,445	17,725
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	2,393	3,048	2,476	2,667
Other Current Liabilities	272	456	483	483
Total Current Liabilities	2,665	3,503	2,959	3,150
Total Long-term Debt		3	3	3
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	193	178		
Total Provisions	68	23	69	73
Total Liabilities	2,927	3,707	3,031	3,226
Shareholders Equity	17,612	18,954	20,604	23,016
Minority Interests	2,283	2,520	2,960	3,818
Total Equity	19,896	21,474	23,564	26,834

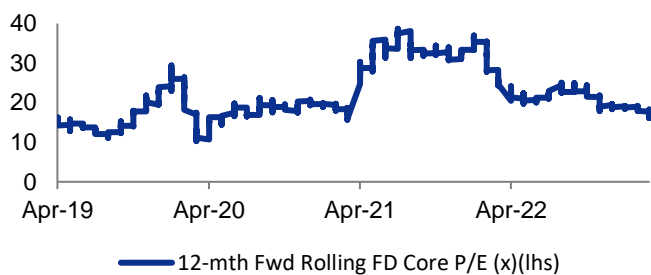
Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F
EBITDA	4,602	3,220	3,261	5,308
Cash Flow from Invt. & Assoc.				
Change In Working Capital	345	(4,074)	1,342	(542)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(785)	(237)	(440)	(857)
Net Interest (Paid)/Received	908	797	607	500
Tax Paid	(1,256)	(787)	(847)	(1,221)
Cashflow From Operations	3,814	(1,081)	3,923	3,186
Capex	(427)	(557)	(2,000)	(2,000)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments	(3,303)	4,345	(1,858)	
Other Investing Cashflow				
Cash Flow From Investing	(3,730)	3,788	(3,858)	(2,000)
Debt Raised/(repaid)	(2)	3		
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(18)	(443)	(413)	(603)
Preferred Dividends				
Other Financing Cashflow	32	(209)	262	857
Cash Flow From Financing	13	(650)	(150)	254
Total Cash Generated	97	2,057	(85)	1,441
Free Cashflow To Equity	82	2,710	65	1,186
Free Cashflow To Firm	101	2,727	73	1,187

Key Ratios

	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue Growth	(0.4%)	22.8%	4.9%	7.7%
Operating EBITDA Growth	1.4%	(30.0%)	1.3%	62.7%
Operating EBITDA Margin	11.2%	6.4%	6.2%	9.3%
Net Cash Per Share (Rs)	3.45	5.47	4.32	14.94
BVPS (Rs)	129.27	139.12	151.23	168.93
Gross Interest Cover	247.16	139.94	359.72	16,374.75
Effective Tax Rate	22.0%	23.6%	25.3%	24.0%
Net Dividend Payout Ratio	20.0%	17.1%	19.3%	20.0%
Accounts Receivables Days	6.92	6.53	11.67	14.94
Inventory Days	62.56	66.51	70.64	59.00
Accounts Payables Days	26.01	23.43	23.07	20.81
ROIC (%)	56.7%	39.1%	22.0%	35.2%
ROCE (%)	28.5%	17.5%	15.2%	20.2%
Return On Average Assets	14.7%	8.4%	7.6%	11.9%

12-mth Fwd Rolling FD Core P/E (x)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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