

India

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	Rs273
Target price:	Rs717
Previous target:	Rs780
Up/downside:	162.6%
InCred Research / Consensus:	22.6%
Reuters:	
Bloomberg:	APEX IN
Market cap:	US\$118m Rs8,545m
Average daily turnover:	US\$0.4m Rs30.7m
Current shares o/s:	31.3m
Free float:	27.4%

*Source: Bloomberg

Key changes in this note

- PAT estimates adjusted by (16) % / (8) % for FY23F/FY24F.
- Revise target price to Rs717 (Rs780 earlier).



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.6)	(18.1)	(7.9)
Relative (%)	(14.5)	(20.5)	(8.3)

Major shareholders	% held
Promoter & Promoter Group	72.6
Nippon Mutual Fund	5.3
Invesco Mutual Fund	1.5

Analyst(s)



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Apex Frozen Foods Ltd

2QFY23 performance below expectations

- Apex Frozen Foods reported a weak set of numbers for 2QFY23, below our expectations, because of a spike in raw material cost.
- The transportation problem, which had worsened in FY22, eased to some extent in 2QFY23 and seems to be getting better.
- Retain ADD rating on it with a new target price of Rs717 (Rs780 earlier).

Weak performance despite industry tailwinds

Apex Frozen Foods (AFFL) came out with a weak set of numbers for 2QFY23, which were below our expectations. The tailwinds for the shrimp processing sector are strong. Demand from USA remained steady while in case of China it went through the roof. Production gained pace with demand after a long time. Logistics cost played spoilsport earlier but has now eased and is expected to decline further. However, raw material cost spiked during the quarter and dented profitability. We expect AFFL to post better results in the coming quarters as raw material prices have eased at the farmgate level.

Industry in full swing

The company's performance has not been in line with industry, as realization for the industry has increased with China's appetite for the aquatic protein growing. Norway has increased the tax on salmon farming, denting its growth and increasing the demand for other seafoods like shrimp.

Focus on ready-to-eat products

The share of the company's ready-to-eat products in total sales increased to 27% in 2QFY23 from 21% in 2QFY22. The focus continues to be on the value-added and ready-to-eat products, in line with its decision to expand the ready-to-eat products' manufacturing capacity from 5,000MT (metric tonne) per annum to 10,000MT per annum at its new processing plant in Ragampeta.

Reiterate ADD rating with lower target price of Rs717

We adjust our PAT estimates by (16)% & (8)% for FY23F & FY24F, respectively, based on 2QFY23 numbers. We retain ADD rating on AFFL with a lower target price of Rs717 (Rs780 earlier) or 18x FY24F P/E. AFFL is likely to have an expanded capacity of 35,000mtpa by 4QFY23F. The undercurrent in terms of shrimp demand is strong, pricing power has returned for the company's products, transportation problems seem to be stabilizing, and there should be a positive momentum in the stock price going ahead, in our view. Downside risks: Any drop in demand for shrimp and shrimp products, hindrance in supply of shrimp in the domestic market, and any trade barriers imposed on India or the company's products.

Financial Summary

	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	8,271	8,185	9,142	11,088	13,731
Operating EBITDA (Rsm)	870	909	793	824	1,846
Net Profit (Rsm)	607	394	411	630	1,246
Core EPS (Rs)	19.4	12.6	13.1	20.2	39.9
Core EPS Growth	(0.2%)	(35.1%)	4.4%	53.2%	97.8%
FD Core P/E (x)	14.09	21.71	20.80	13.57	6.86
DPS (Rs)	2.0	1.8	2.6	2.0	4.0
Dividend Yield	0.73%	0.64%	0.96%	0.74%	1.46%
EV/EBITDA (x)	11.44	11.11	12.76	11.37	4.78
P/FCFE (x)	36.41	23.35	43.38	17.36	31.05
Net Gearing	35.5%	35.5%	33.2%	15.6%	4.4%
P/BV (x)	2.16	1.94	1.80	1.61	1.33
ROE	16.2%	9.4%	9.0%	12.5%	21.2%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	2QFY23	1QFY22	%QoQ	2QFY22	%YoY
Revenue From Operations	2,928	3,058	-4.3%	2,671	9.6%
Cost of Goods Sold	2,143	2,072	3.4%	1,697	26.3%
Employee Expenses	126	119	6.5%	100	26.1%
Other Expenses	538	713	-24.6%	507	6.0%
EBITDA	121	155	-22.0%	367	-66.9%
Depreciation	52	51	2.0%	47	12.1%
EBIT	69	104	-33.8%	320	-78.5%
Other Income	163	192	-15.3%	28	484.6%
Interest Expenses	48	48	-1.1%	51	-6.3%
Profit Before Tax	184	248	-25.8%	297	-38.0%
Tax Expenses	48	62	-23.1%	77	-37.3%
Profit After Tax	136	185	-26.7%	220	-38.3%
Key Ratios	2QFY23	1QFY22	%QoQ	2QFY22	%YoY
EBITDA Margin	4.1%	5.1%	-94bp	13.7%	-959bp
EBIT Margin	2.4%	3.4%	-105bp	12.0%	-963bp
PBT Margin	6.3%	8.1%	-182bp	11.1%	-483bp
PAT Margin	4.6%	6.1%	-142bp	8.2%	-361bp
Tax Rate	26.1%	25.2%	93bp	25.8%	32bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

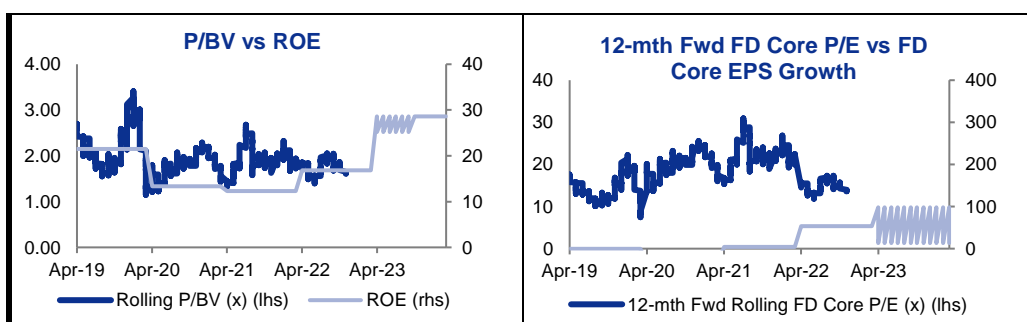
Rs m	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	11,568	14,709	11,088	13,731	-4.1%	-6.7%
EBITDA	1,095	1,983	824	1,846	-24.7%	-6.9%
EBITDA Margin (%)	9.5%	13.5%	7.4%	13.4%	-203bp	-4bp
PAT	749	1,354	630	1,246	-16.0%	-8.0%
EPS (Rs)	24	43	20	40	-16.0%	-8.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: One-year forward P/E



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Net Revenues	8,271	8,185	9,142	11,088	13,731
Gross Profit	2,535	2,654	2,992	3,353	4,394
Operating EBITDA	870	909	793	824	1,846
Depreciation And Amortisation	(146)	(220)	(185)	(215)	(192)
Operating EBIT	724	690	608	609	1,654
Financial Income/(Expense)	84	(133)	(46)	239	29
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	808	557	562	848	1,683
Exceptional Items					
Pre-tax Profit	808	557	562	848	1,683
Taxation	(201)	(163)	(151)	(219)	(438)
Exceptional Income - post-tax					
Profit After Tax	607	394	411	630	1,246
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	607	394	411	630	1,246
Recurring Net Profit	607	394	411	630	1,246
Fully Diluted Recurring Net Profit	607	394	411	630	1,246

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
EBITDA	870	909	793	824	1,846
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(455)	(546)	(471)	691	(720)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	190	26	128	420	137
Tax Paid	(163)	(81)	(116)	(219)	(438)
Cashflow From Operations	441	309	334	1,716	825
Capex	(385)	(125)	(106)	(724)	(50)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(385)	(125)	(106)	(724)	(50)
Debt Raised/(repaid)	178	182	(31)	(500)	(500)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(75)			(63)	(125)
Preferred Dividends					
Other Financing Cashflow	(94)	(146)	(174)	(180)	(108)
Cash Flow From Financing	9	36	(205)	(743)	(733)
Total Cash Generated	66	220	23	249	42
Free Cashflow To Equity	235	366	197	492	275
Free Cashflow To Firm	56	184	228	992	775

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Cash And Equivalents	72	99	74	324	366
Total Debtors	791	1,546	1,372	1,519	1,881
Inventories	1,840	1,612	2,028	1,215	1,505
Total Other Current Assets	698	603	700	849	1,051
Total Current Assets	3,402	3,860	4,175	3,907	4,803
Fixed Assets	2,802	2,504	2,360	3,114	2,972
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	62	204	258	13	13
Total Non-current Assets	2,864	2,708	2,619	3,127	2,985
Short-term Debt	1,197	1,380	1,361	861	361
Current Portion of Long-Term Debt	40				
Total Creditors	603	374	251	395	489
Other Current Liabilities					
Total Current Liabilities	1,841	1,754	1,611	1,256	850
Total Long-term Debt	241	281	291	291	291
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	241	281	291	291	291
Total Provisions	225	135	137	166	205
Total Liabilities	2,307	2,170	2,039	1,713	1,346
Shareholders Equity	3,959	4,398	4,754	5,321	6,442
Minority Interests					
Total Equity	3,959	4,398	4,754	5,321	6,442

Key Ratios					
	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue Growth	(5.4%)	(1.0%)	11.7%	21.3%	23.8%
Operating EBITDA Growth	(2.9%)	4.6%	(12.8%)	3.9%	124.0%
Operating EBITDA Margin	10.5%	11.1%	8.7%	7.4%	13.4%
Net Cash Per Share (Rs)	(45.01)	(49.98)	(50.48)	(26.51)	(9.15)
BVPS (Rs)	126.69	140.74	152.14	170.27	206.15
Gross Interest Cover	6.83	4.33	3.50	3.38	15.28
Effective Tax Rate	24.9%	29.3%	26.9%	25.8%	26.0%
Net Dividend Payout Ratio	7.8%	9.9%	14.6%	7.4%	7.4%
Accounts Receivables Days	38.10	52.11	58.25	47.59	45.19
Inventory Days	92.38	113.92	108.03	76.53	53.16
Accounts Payables Days	29.22	32.25	18.54	15.23	17.28
ROIC (%)	15.4%	12.3%	10.0%	9.4%	26.2%
ROCE (%)	14.4%	12.0%	9.8%	9.5%	24.4%
Return On Average Assets	12.8%	10.7%	9.1%	8.8%	22.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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