Nifty Only

CMP 450

Buy Avanti feeds

CMP 600

Avanti feeds Q2FY20 result highlights.

1) Consolidated revenue for the year increased by 41.1% yoy from Rs 754 crs to 1064 crs

2) Gross profit margin improved by 60bps yoy from 21.2% to 21.8%.

3) Net profit increased by 131% you from Rs 55crs to Rs 127crs

4) Net profit margin improved by 460bps yoy from 7.3% to 11.9%

Financial statement analysis on six monthly basis.

1) On six monthly basis, Sales improved by 20.3, EBITDA increased by 36.6% from Rs. 224crs to Rs. 306crs. PAT is up by 59%.

2) Operating cashflow is up by 38% from Rs. 212crs to Rs. 267crs.

3) Company repaid debt of Rs 7.2crs and has reduced debt exposure from Rs. 7.72crs to Rs 52lakhs. It is now debt-free company.

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Rs in crs

Particulars	Quarterly					Half year		
	Q2FY20	Q2FY19	Yoy growth (%)	Q2FY19	Qoq growth (%)	H1FY20	H1FY19	Growth
Revenue from operations	1064	754	*41.1%*	1093	*-2.7%*	2158	1794	*20.3%*
Raw material cost	832	594	*52.2%*	857	*-2.9%*	1688	1414.3	
Gross profit	**232**	**160**	*45.0%*	**236**	*-1.7%*	**470**	**380**	*23.7%*
Margin	**21.8%**	**21.2%**		**21.6%**		**21.8%**	**21.2%**	
Employee benefit expense	29	21.6		31		61	50	
Other expenses	74	66.02		68.8		143	126	
Other income	20.98	11.6		18		39	20.4	
EBITDA	**150**	**84**	*78.5%*	**154**	*-2.6%*	**306**	**224**	*36.6%*
EBITDA margins	***14.1%***	***11.2%***		***14.1%***		***14.2%***	***12.5%***	
Finance cost	0.2	0.61		0.4		0.63	0.98	
Depreciation	9.7	9.02		9.23		18.9	17.75	
Profit before tax	**140**	**74**	*88.6%*	**145**	*-3.5%*	**286**	**211**	*35.5%*
Share of associates	0.5	0.66		0.3		0.56	0.3	
Tax	13.3	19.6		44		57.09	66.22	
Tax rate	**9.5%**	**26%**		**30%**		**39%**	**31%**	
Profit after tax	**127**	**56**	*127.8%*	**101**	*-25.7%*	**230**	**145**	
PAT margins	**12%**	**7%**		**9%**		**11%**	**8%**	

Conclusion

1) Bargain valuation of the stock gives an attractive buy at CMP. We recommend a buy with a price target of Rs. 600 at PE of 20x FY20.

2) Extra-ordinary result despite several geo-political headwinds for the sector shows the strength in the company.

3) We expect the growth strategy to continue and recommend to buy the stock on every dips.

Thanks & regards,
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We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed.

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