

**GMP**  
450

## *Buy Avanti feeds*

**Target**  
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.

# Nifty Only

Rs in crs

Particulars	Quarterly				Qoq growth (%)	Half year		Growth
	Q2FY20	Q2FY19	Yoy growth (%)	Q2FY19		H1FY20	H1FY19	
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%
<b>Margin</b>	<b>21.8%</b>	<b>21.2%</b>		<b>21.6%</b>		<b>21.8%</b>	<b>21.2%</b>	
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%
<b>EBITDA margins</b>	<b>14.1%</b>	<b>11.2%</b>		<b>14.1%</b>		<b>14.2%</b>	<b>12.5%</b>	
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	
<b>Tax rate</b>	<b>9.5%</b>	<b>26%</b>		<b>30%</b>		<b>39%</b>	<b>31%</b>	
Profit after tax	127	56	127.8%	101	-25.7%	230	145	
<b>PAT margins</b>	<b>12%</b>	<b>7%</b>		<b>9%</b>		<b>11%</b>	<b>8%</b>	

## 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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