

Ref: AFL/BSE & NSE/2020-21/

30.09.2020

The Deputy General Manager
BSE Limited
1st Floor, New Trading Ring
Rotunda Building, P.J. Towers
Dalal Street, Mumbai – 400 001

The Listing Manager
National Stock Exchange India Ltd.
Exchange Plaza
Bandra (East)
Mumbai – 400 051.

BSE Code: 512573

NSE Code: AVANTIFEED

Dear Sir,

Sub: AVANTI FEEDS LIMITED – Transcript of Audio Conference Call for Investors
on 9th September, 2020 – Outcome - Reg.

Ref: Our letter dt: AFL/BSE & NSE/2020-21 dated 07.09.2020

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Further to our letter cited, we enclose herewith the transcript of Audio Conference Call for Investors conducted on 9th September, 2020 in connection with Un-audited Financial Results for the Quarter ended 30th June, 2020.

This is for your information and record.

Thanking you,

Yours faithfully,
for Avanti Feeds Limited



C. Ramachandra Rao
Joint Managing Director,
Company Secretary & CFO



Encl: As above

Transcript

Conference Call of Avanti Feeds Limited

Event Date / Time : 9th September 2020, 04:00 PM IST
Event Duration : 01 hr 07 min 13 sec

Presentation Session

Moderator: Good evening Ladies and Gentlemen. I am Pavithra, moderator for the conference call. Welcome to the Avanti Feeds Limited Q1 FY21 results conference call hosted by KFin Technologies Private Limited. At this moment, all participants are in the listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Sherwin Fernandes from KFin Technologies. Thank you and over to you sir.

Sherwin Fernandes: Thank you Pavithra. Good Evening to all. We, at KFin Technologies would like to welcome and thank each one of you for your participation in the Q1 FY21 post results earnings call. The call will be initiated with the management remarks, followed by Q&A. The management team is represented by Mr. C. Ramachandra Rao, Joint Managing Director, Mr. A. Venkata Sanjeev, Executive Director, Mr. Alluri Nikhilesh, Executive Director – Avanti Frozen Foods Private Limited, Mr. Venkateswara Rao, General Manager – Corporate Affairs, Ms. Santhi Latha, GM – Finance and Accounts and lastly Ms. Lakshmi Sharma, Company Secretary – Avanti Frozen Foods Private Limited. And I now hand over the call to Mr. C. Ramachandra Rao. Thank you and over to you sir.

C. Ramachandra Rao: Thank you Mr. Sherwin. Good evening Ladies and Gentlemen. We extend a warm welcome to all of you for this investor's conference call today, to review the unaudited financial results of Q1 FY2021. Along with me here are Mr. Venkata Sanjeev, Executive Director, Mr. Nikhilesh, Executive Director and Ms. Santhi Latha, GM – Finance and Accounts, Mr. M.V. Rao, GM – Corporate Affairs and Ms. Lakshmi Sharma, Company Secretary and other team members.

The Results of Q1 FY 2020-21 are already with you for some time now and we are sure that you would have already gone through them.

Here are some of the key indicators from the financial results in Q1 FY 2020 – 21.

CONSOLIDATED FINANCIAL RESULTS FOR Q1FY21:

(A) Q1FY21 RESULTS

The comparative performance of Q1 FY21 with that of Q1 FY20 and Q4 FY20 have been given in the presentation already circulated. Gross Income in Q1 FY21 is Rs. 982.76 crores as compared to Rs.1046.43 crores in Q4 FY 20 a decrease of Rs.63.67 crores at 6.08% & Rs.1,111.52 Crores in Q1 FY 20 a decrease of



Rs.128.76 crores at 11.58% when compared with Q1 FY 21. The PBT is Rs. 147.01 crores in Q1 FY21 as compared to Rs.126 Crores in Q4FY20 an increase by 16.67% & Rs.145.27 crores in Q1 FY20 an increase by 1.20%. Increase in PBT when compared with previous quarter is on account of increase in other income and decrease in other expenses.

STANDALONE RESULTS OF FEED AND PROCESSING DIVISIONS

A. FEED FINANCIAL RESULTS:

(1) Q1FY21 RESULTS

The gross income for the Q1FY21 is Rs.795.43 crores as compared to Rs.921.72 crores in the corresponding quarter of Q1FY20, registering a de-growth of Rs.126.29 crores at 13.70%. The PBT for the Q1 FY21 is Rs.112.47 crores as compared to Rs.121.56 crores in the corresponding quarter of Q1 FY20 a decrease of Rs.9.09 crores at 7.48%.

B. SHRIMP PROCESSING FINANCIAL RESULTS:

(1) Q1FY21 RESULTS

The gross income for the Q1FY21 is Rs.189.30 crores as compared to Rs.191.20 crores in the corresponding quarter of Q1FY20, registering a de-growth of Rs.1.90 Crores at 0.99%. The PBT for the Q1 FY21 is Rs.34.20 crores as compared to Rs.23.58 crores in the corresponding quarter of Q1 FY20 an increase of Rs.10.62 crores at 45.04%.

C. IMPLEMENTATION OF SHRIMP HATCHERY

Long awaited and much delayed hatchery with 200 MN seed capacity has been completed and is ready to start, awaiting certain statutory clearances to commence commercial operations. It is expected to commence production by end of this year after obtaining approval from the competent Authority.

INDUSTRY OVER VIEW – FUTURE FORECAST:

Before venturing into future forecast of the industry, it is necessary to review once again the impact of COVID-19 on shrimp culture industry and global shrimp demand, as we did in our previous investors call in July'20.

The Corona Virus continues to spread world over, unabated and hoping for a Vaccine to be developed to save the humanity from this deadly virus. As the reports indicate there is a possibility of a vaccine available by end of this year. We hope the clinical trials that are in the advanced stage now and will be successful and the vaccine will be available as soon as possible.

As you all know, the global economic situation is highly depressing and no solution appearing in near future. India has been no exception to this phenomena evident from the fact that the GDP has registered a de-growth 23.9% in Q1 2020-21. The COVID-19 impact has aggravated already ailing Indian economic growth for the past 3 to 4 years. Though, the Government of India has announced COVID-19 stimulus package for various sectors, the implementation and fruits of it are yet to be seen. We do hope,



these initiatives aimed at “MAKE IN INDIA” and “ATMA NIRBHAR BHARAT” policies of the Govt. of India would go a long way in bringing the economy back on track.

Coming to the Shrimp Industry, as it is happening in all other industries, the aqua culture is also affected by COVID-19. The shrimp culture activity came to stand still in India during April and May'20 when lock down was implemented. The situation is gradually improved. Compared to other industries, such as Luxury goods, Hospitality, Travel and Tourism etc., the shrimp industry is relatively better placed since it is a food item. The recovery of this industry appears more encouraging than others. The demand for shrimp dropped globally by about 30% to 35% as an initial reaction due to closure of restaurants, malls and public eating places like food courts. However, the demand is increasing from retail sector to compensate to some extent. It is hoped that the stability will be restored gradually once the pandemic comes under control and preventive vaccine is made available.

SHRIMP PRODUCTION AND FEED CONSUMPTION IN 2020:

The shrimp production in India has registered a growth of about 10% - 12% at 8.00 Lakhs Tons in 2019 as compared to 6.85 tons in 2018.

Shrimp feed consumption has registered a growth of about 10% at 11,50,000 tons in 2019 compared to 10,20,000 Tons in 2018.

In view of COVID-19 impact, the Global demand and production is expected to come down by about 15% to 20% in FY21 compared to FY20.

Basing on the present shrimp culture situation in India, the decrease in shrimp production is estimated by about 15% to 20% during FY21, unless the impact of Covid-19 aggravates in the country, particularly, in the States where Shrimp Culture is undertaken extensively. In spite of taking all measures like Sanitization, Social Distancing, Checking of Fever etc., in the factories, the drop in attendance, obviously due to fear of Corona, is noticeable. We do hope that the severity will reduce soon and normalcy will be restored.

In view of the anticipated drop in shrimp consumption globally by about 15% to 20%, correspondingly Shrimp Production is likely to come down and Shrimp Feed Consumption in India during 2021 is expected to be around 10 lakh MT as compared to 11.50 lakh MT in 2019.

However, the Company sales for FY20-21 are expected to be maintained at the same level of 2019-20. As you know, Avanti has not only been keeping its farmer base intact, it is also adding new farmers and new areas to its sales network year after year. During FY21 the Company is also expecting to maintain its market share of 46% to 48%.

SHRIMP PROCESSING & EXPORT:

Shrimp production and exports from India in 2019, was around 8.00 Lakh tons and is expected to be around 7.25 lakh tons in 2020.



The demand for Shrimp has dropped globally by about 30% to 35% as an immediate reaction of COVID-19 due to closure of restaurants, malls and public eating places like Food Courts, it is gradually picking up and we hope that it will be stabilize. We continue to focus on export of Value added products and exploring opportunities in new markets.

APPREHENSIONS OF THE INDUSTRY IN INDIA:

Apprehensions of the stakeholders of the Aquaculture Industry in India as of now and mitigating steps initiated by the Govt. of India:

Having shared with you Company's perceptions and forecast of FY21, it is pertinent to mention that some of the policy decisions taken by the Government of India of late appear to be detrimental to the sustainability of the industry in the long run.

Recently, the Govt. of India has capped the MEIS, an incentive for export of Shrimps, to Rs.2 crores for 4 month period from 1st September'20 to 31st December'20 which was earlier 5% of FOB value. Further, w.e.f. 1st January'21 the MEIS will be totally discontinued. This would be a significant discouraging step for exports which is likely to have cascading effect on farm gate prices.

However, the Government is proposing to introduce RODTEP (Remission of Duties and Taxes on Exported Products) Scheme by which relief may be given to the exporters, replacing MEIS. The details of the scheme are yet to come. We have given all the information required for the taxes and all, how much we are paying, what is the component of taxes on our raw materials and fuel etc. We hope this will neutralize the impact of the withdrawal of MEIS, which will not have impact on farm gate prices.

Apart from this, the Government has allocated a total investment of Rs.20,050 crores on "Pradhan Mantri Matsya Sampada Yojana" (PMMSY), as part of COVID-19 relief package (ATMA NIRBHAR BHARAT PACKAGE). This scheme is designed to address critical gaps in fish production and productivity, quality, technology, post-harvest infrastructure and management, modernisation and strengthening of value chain, traceability, establishing a robust fisheries management frame work and fisheries welfare, with an aim to achieve Rs.1 lakh crores exports in the next 5 years, i.e. 2024-25, doubling of incomes of fishers and fish farmers, reduction of post-harvest losses, generation of additional 55 lakhs direct and indirect gainful employment opportunities in fisheries and related activities. This scheme is being e-launched by the Hon'ble Prime Minister at 12 Noon tomorrow i.e. 10th September,2020.

We are very much confident that the initiative of Government would go a long way in supporting the farmers in all ways, for building up infrastructure to solve the working capital needs and other facilities that will make aqua culture sustainable for all the stakeholders and the short term constraints would get over gradually as there is perpetual demand for marine products, globally.

With this, I conclude my preview and we will now take up the questions from you. Thank you. Mr. Sherwin.

Moderator:

Thank you sir.



C. Ramachandra Rao: Pavithra, I think we will start the questions and answers session.

Moderator: Sure sir.

Question and Answer Session

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing * and 1 again. I repeat, Ladies and Gentlemen, if you have a question, please press * and 1 on your telephone keypad.

We have the first question from the line of Mr. Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Hello sir. I had two questions. Firstly, on the MEIS withdrawal from the Government, most of the processors are not into value added products and their margins are quite slim compared to what Avanti does in processing. So, are you seeing any immediate impact of that on the ground, whereas the processors are trying to push the prices down, so that they can still make a margin by decreasing raw material prices?

Alluri Nikhilesh: Hi Nitin. This is Nikhilesh. Good evening to you. So, the MEIS scheme as we discussed has been removed, partially removed with a cap till December. The farm gate prices and we cannot say that the whole margin will be recovered from only the farm gate prices. We are also trying....working on moving up the selling price. From what I am seeing, we have revised our quotes for the current bids and also the long-term bids, trying to recover whatever margin that we have lost on the Government rebate and in the selling price also. But we have to see, the most important is to be competitive. There are other shrimp producing countries we are competing with. So, we need to see what is the price point in those countries and match that. So, it will be absorbed....I feel personally that it will be, 5% will be absorbed not only by the farm gate prices, but also the processor margins and upping the selling price and also the intermediaries inside the supply chain. So, it will be absorbed by all of them little by little. So, it will be uniform throughout the chain.

C. Ramachandra Rao: I may add to what Mr. Nikhilesh said that the Government is really working to support the exporters by what the new schemes, they call it as Remission of Taxes and Duties on Export Products. And we are expecting that to a great extent this will neutralize the impact of withdrawal of MEIS. Whatever is the percentage that they will give, that will add up, so that the farmers will have that support; we need not have to pass on the entire burden of that to the farmers. And farmers, ultimately it is the interest of the farmers that we have to look into. We don't know exactly the scheme, how they are working. But they have called for lot of information. And we have submitted that information. And we are expecting some decision would come soon, which will replace the MEIS. Because, this is the time period, they have allowed this and we hope that they implement it immediately and that will take care of the imbalance what we are facing now.



Alluri Nikhilesh: And that is the information that was the given by the Government also.

Nitin Awasthi: Okay. So, as of now, on the ground have things changed because of this decision? Have the farm gate prices corrected, like you stated that everybody is taking time to absorb little by little and time to adjust, the whole chain is trying to adjust? So, has the farm gate prices adjusted accordingly?

Alluri Nikhilesh: The farm gate prices have corrected a little bit, yes. But, also the selling price has also moved up. And this is very recent; it is given out on September 1st. So, it is very early and premature to give any comment. But, we are seeing adjustments on all sides, not only the farm gate prices, but all sides, on all parts of the supply chain.

Nitin Awasthi: Okay. So, also very important and critical part of the supply chain would be the feeds component of it and the company has already taken a Re.1 price cut on its feed. So, do you foresee any further price cuts either trying to, I don't think this situation will provide for it to recap and increase the prices, but does the situation get worse? Does the company foresee that they have to take a further price cuts?

C. Ramachandra Rao: That depends on how the rest of the year goes. What information we are getting is, some of the competitors, some of the feed manufacturers are resorting to some sort of slashing the prices and all, because of the reasons like loss of their market and all, sales. But, we feel that such kind of, such slash of prices will not really help, because the raw material prices are more or less stable now. Maybe Rupee this side or that side it will not really impact much. But, big discount or big scheme that will reduce the prices to the farmers, they will have to compromise on perhaps the quality of that thing. But, we do not foresee such a situation. We try to balance our total pricing. And we don't resort to any price decrease as of now. There is no such proposal to decrease, because Rs.1 we have reduced recently. We don't have any proposal as of now to reduce the price further.

Nitin Awasthi: Got it sir. And just lastly, like you pointed out if you could just shed some light on the key raw materials and how the price movement have been for the three segment?

C. Ramachandra Rao: As you know the major raw material prices are fish meal, soya bean meal and the wheat flour. These are the three prices. What we are observing is that the prices are more or less, they are stable, because the good rains were there, except a part of Madhya Pradesh, most of this, the area has gone up. Unlike last year, this year the production is likely to be higher than the last year. Availability of soya beans is much more than last year. So, we feel that there should not be much increase in the price. It should be stable. Rs.1 again, as I told you, it would be more or less, it should be on the same line. Similarly, fish meal also as it appears today, there has been fish ban till 15th of September. In the normal course it should have started. But, in the 1st of August, it should have started, fish catches should have started. But, because of this virus, the fishermen did not go for catches. So, now they are starting again, resuming from 15th of September. And because there is a gap of forty-five days and there has been good rains also, the indications are that they could get good catches. The production of fish meal also will be fairly good. So, that assures



us the stability of the price. There may not be much upward trend in the price of that. Similarly, the wheat also, good wheat production; more or less the stable price is likely to continue in the whole quarter. We don't foresee big surprise in the rest of the year.

Nitin Awasthi: Okay sir. If you could just quantify the prices as they were during the quarter and in the similar quarter last year?

C. Ramachandra Rao: The Fishmeal price is around Rs.93-94 per Kg, I think more or less same, I think Rs.93-94 per Kg. The soya bean was little higher last year. It is now Rs.40 to 43 per Kg, the grade which we use, high grade is about Rs.40 to 43 per Kg. And marginally, the wheat four has come down from Rs.25 to Rs.24. That has come about, Rs.1 reduction is there. So, we hope that this will continue for the rest of the year. What happens is, sometimes the Government suddenly intervenes and they fix the MSP for the farmers. So, the increase in the price is possible. But, I don't think, recently they have increased the price MSP, I don't think the rest of the year there will be any further increase of MSP.

Nitin Awasthi: Thank you for answering. Yes sir, got it. Thank you for answering all the questions sir. And I will get back in the queue.

C. Ramachandra Rao: Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

We have the next question from Mr. Deepesh Kashyap from Equirus Securities. Please go ahead.

Deepesh Kashyap: Hi sir. Thank you for taking the questions. Sir, can you please quantify what was the total export incentive that you have booked in this particular quarter please?

Management: Total export incentive we have accounted for during the quarter is Rs.8 crores, MEIS.

Deepesh Kashyap: Yeah. So, this is MEIS or including duty drawback also?

Management: This is only MEIS and duty drawback is 4.6 crores.

Deepesh Kashyap: Rs.4.6 crores, okay understood sir. Sir, you were talking about the RoDTEP scheme that is going to replace MEIS. I just want to understand is there any clarity when it will come, like will it be replacing from January 1st of next year or do you think maybe it will be delayed to the next fiscal year?

C. Ramachandra Rao: There is no clarity Mr. Deepesh. It appears that they want to do it immediately. There has been lot of pressure. Actually 7th was the last date to submit all the information. They wanted to know what is the component of access, this GST and other duties and all. We have given all the information; based on that they want to announce the remission of the duties and taxes. We hope that they would



decide it sooner. So, that will be, I think to some extent they may, 2 crores they have fixed as far as the four months are concerned. We are yet to see what they are going to do on that because, they have not spelt out the date when it will be implemented. The modalities and what they are looking into, all these details are not available as yet. There have only called for all the information and we have submitted that.

Deepesh Kashyap: Understood sir. And sir, on the processing segment, even adjusting for the one-off FX gain that you have seen, the processing segment, the margins were very high, I think all time high at 17 odd percent. So, can you please help me what was the reason for the same in the quarter?

Alluri Nikhilesh: So, there are two main factors, I think. In the first quarter we did see a dip in the pricing of the raw material due to the panic created by the pandemic. There were panic harvest that is what we had discussed in the call last quarter. So, our long-term contracts which were well priced also got double positive effect because of that. And also, we are focused on moving into higher value-added products, higher margin products and also working with customers of high quality requirements and giving fruitful results. I think that is what we have been talking about over the last one year. So, it takes time for them to start kicking in. So, that is what happened.

C. Ramachandra Rao: And also, I think we had good forex gain, about Rs.6 crores we got from this foreign exchange gain.

Deepesh Kashyap: Yeah, that is the part of the other income sir. That I have already excluded. Even after that the margins were pretty good. And Mr.Nikhilesh, can you please quantify what was the share of the value-added products in this quarter vis-à-vis the last quarter?

Alluri Nikhilesh: So, we have done 25%.

Deepesh Kashyap: So, I think it was similar level last quarter and last year also or was it different?

Alluri Nikhilesh: But, it is also different from what contracts we are executing. So, value added has a lot of products that has share into it. So, there are some value-added products that we have dropped from the previous quarters and got into other products.

Deepesh Kashyap: Right sir. And this quarter also your share of USA has gone down and Asia, I suppose that is China only, so that has increased substantially. So, do you think next quarter it has to be corrected?

Alluri Nikhilesh: Yes. I think in the last quarter primarily like I was saying again, there was a lot of panic harvest and also, we had a lot of, we had low footfall of workers in our factory, just because there were lot of isolation efforts being done in the communities. So, we focused on doing more commodity products to drive down the overheads in the factory and also move out the volume, which our farmers required us to buy. So, that is why the share of China has increased. But, since things have started normalizing over the last few months, our focus and execution of orders to the US has also increased. So, you will see this again getting back to normal in the next few quarters.



Deepesh Kashyap: Okay, understood. And lastly Rao sir, you highlighted in your opening remarks, that the PMMSY scheme is going to be launched tomorrow. So, I also read that in the news article. So, what exactly is going to happen? And do you think, do you get any clarity that, now you have a clarity of what you want to invest in going forward that you have been looking for the last two years?

C. Ramachandra Rao: Yeah, that is right. One good development is that they definitely, the Government, they want to boost the exports of fishery products to 1 lakh crores in these three-four years. And one of the major areas, what we understand is that they want to build the infrastructure and particularly the small and medium farmer sector, they are going to support and also give the processing and storage facility also they want to encourage. So, I think they are routing this amount through NABARD and some of these banks, Cooperative banks and all, they are routing this one. I think the farmers will take advantage of that and perhaps they may form into small clusters and farm. Long time back this concept was there. Cluster of farmers join together and form into an association thing like that. They take loans from the banks and subsidies and invest that in the infrastructure and also the cold storage plants, all these things will happen. That we hope. But, so long the Government has been saying that they will invest, but now as part of this COVID-19 package, they have brought this also. And it is good that it will help the farmers a lot. Ultimately it is the farmer who has to really sustain. The prices going up and down in the international market, but basically the farmers have to sustain by meeting his infrastructure needs as well as the needs of the working capital, like power, feed etc. All these things if the Government can really help the farmers, actually I think it will be very good initiative encouraging the farmers to undertake the shrimp culture. And of course the fisheries also is growing, that is where recently our CMD also mentioned in his remarks in the recent AGM that we are looking into the fish feed and some of the pet feeds, because when the fisheries industry grows, perhaps there is an opportunity for the fish feed also which we have been talking for a long time, that may take shape when it is time to come now.

Deepesh Kashyap: Okay. Till now there is nothing that is like clear, what you will do with the....?

C. Ramachandra Rao: Tomorrow we are launching, the question is, this Rs.20,000 crores, first I thought that the entire Rs.20,000 crores will come from the Central Government. But, it is not so. They have divided into three parts. One part the Central Government will give. One part something like Rs.8000 crores, they will give it. Rs.4000 crores State Government has to give it. Some Rs.4000 crores stakeholders will have to give it. Some scheme they are trying to bring in. But, the details are not known. Broadly they said this is going to be the structure. And they have said that all the States have positively responded, they have agreed for the scheme. Overall, also 70% to 80% of the funds would come from the State and Central Governments. So, I think if they start releasing these funds, definitely the industry will get benefited. All the stakeholders will get benefited.

Deepesh Kashyap: Understood sir. Sir, one last question if I may sir that the COVID cases in Andhra Pradesh is rising very sharply. Are you facing any utilization problems in your processing or feed plant?



C. Ramachandra Rao: It is true that the cases in Andhra Pradesh are really around 10000 plus, that is what we are seeing in the reports. But, we did not really find much impact of that. But, there is definitely, as Mr. Nikhilesh mentioned, the footfall has been little erratic coming and going. But, by and large we find that it is okay. We are able to meet our requirements.

Alluri Nikhilesh: And also, we are doing a lot of social distancing and preventive measures. So, by word of mouth and also when workers come in, they are feeling more comfortable working in such an environment because, all of us do need to work at the end of the day. It has been a very long time since the pandemic broke out. So, we are taking a lot of sanitization steps. We are doing sanitation three-four times, capacity of the bus is reduced to 50% and also increase the number of vehicles, so that we can get in more workers. So, there are steps that we have been taking over the last few months, which are kicking in and increasing our utilization step by step. And going forward, it should be increasing in that trend. But, of course how this pandemic is controlled also plays a significant factor on the utilization.

C. Ramachandra Rao: And one more thing is, most important thing, unlike many industries, we have not removed anyone. And we have paid full salaries. We have paid full bonus. We have paid all the incentives that are actually due to them, as a normal year. We have not deprived our employees, our workers, of any financial benefits that we were giving earlier. So, that is giving a good confidence to all the workers and employees also to be more loyal and come to the work spot and do work. And that is why I think it is going a long way and it is helping us a lot, this kind of measure. And also, moreover as Mr. Nikhilesh said, we are giving all help to them, like we have taken those who are affected by that quarantine and allowing them to work from home wherever it is possible. And also, we have covered insurance also. All these steps have given our employees and workers lot of confidence in the company. So, that is how we have been able to maintain the workers turnout.

Deepesh Kashyap: Great sir, great. Thank you and all the best sir.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

We have the next question from Mr. Deepak Mehta from MetLife Insurance. Please go ahead.

Deepak Mehta: Hello. Good evening sir.

C. Ramachandra Rao: Good evening.

Deepak Mehta: Thank you for taking my question. Sir, my question is regards with China. So, what is the trend for exporters, any (inaudible)?

Alluri Nikhilesh: So, about the last three years, China has been a significant market for all shrimp exporters, including India and Avanti. I think this quarter under these constraints we have done considerable exports to China and it continues to be an important market for us. However, at the moment our sales to China are normalized to what it was in the previous few quarters, though what we had this quarter was exceptional, because of the situation of the pandemic. But, it would be normalized over

the next few quarters. We are working with select few importers from China, where we are trying to develop value added products. And right now, the Chinese market really commands demand for commodity products, which we do not really specialize in. We specialize more on the value-added segment. So, we are working in that segment trying to penetrate the market. I think over the next few years, maybe five years or ten years, it should become the more dominant shrimp importer in the world. There are some trade disputes and everything ongoing right now, which should normalize and things should pick up again.

Deepak Mehta: Okay sir. And my next question is about the growth. What is the guidance for this year? And if we compare, in the last three years we have grown exponentially as compared to our competitors. So, what will be the future expectation for this or maybe next two-three years? And what about the market share, are we gaining the market share from other players?

C. Ramachandra Rao: You mean feed or exports? Let me answer first feed. The feed as such, we just said that this year we are going to almost like achieve the same levels as we did it in last year under these circumstances. And we have been bit able to maintain our market share, in spite of the de-growth. We have been maintaining reasonably good market share 48% and we may even like 1% or 2% we will try to. Our endeavor is to increase the share. And most important thing is that at this time it is necessary to maintain our farmer base intact and also try to attract more and more farmers from other competitor's field. This we have been working and planning and everything, executing it only with that focus and we hope that we should be able to achieve this growth. What we conservatively, we feel that we should be able to maintain the last years', in spite of de-growth last year's performance levels, we should be able to maintain this year also. As far as the next two years are concerned, I think it is too premature to forecast the demand and supply and all. But, we do hope that if you take the way in which the country is moving now, with all the steps which we discussed till now, it has to grow, because a lot of focus is being laid by both the Government as well as the private sector. So, definitely the growth will be there and expect, it is very premature to say what is growth rate and what is the profitability and all. It is too premature. Maybe by the end of this year, we may be able to have a broad idea about the future.

Deepak Mehta: Okay. Thank you so much sir. Best wishes for the coming quarters.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

We have the next question from Mr. Omkar Kulkarni from Shree Investments. Please go ahead.

Omkar Kulkarni: My question is similar to the question that the previous participant asked. Now, you are operating at around 46%-48% market share. So, from where do you see the growth coming, because mostly the tonnage in terms of shrimp consumption is same and the prices are also is similar to what it was the previous year.

C. Ramachandra Rao: Mr. Omkar, your voice is very feeble. It is not clear. We have not been able to get your question. Can you please repeat?



Omkar Kulkarni: Yeah. Can you hear me now?

C. Ramachandra Rao: It is now good, yes, yes.

Omkar Kulkarni: Yeah, my question was basically regarding, now you have very high market share, 46% to 48%. So, how do you plan to grow in this shrimp feed segment, because the growth, whatever the growth will be coming, will be coming from the export market. So, and that segment contributes very little to the overall top line and bottom line. So, how do you plan to grow the business going forward, say the next three to five years, because earlier most of the growth came from the shrimp feed and now because of many reasons, it is not growing that much. So, how do you plan to grow the overall business of Avanti Feeds Limited?

C. Ramachandra Rao: Basically now, we have two sectors I think, feed we have market of 46% to 48% now. Basically, the shrimp production and the feed consumption are interlinked. They are interdependent. So, we are expecting that the shrimp production would go up in the coming years, because there is a global demand and also there is lot of incentivizing by the Government and also lot of focus being laid on this sector. So, definitely there will be growth in the next couple of years. Once the shrimp culture or the fish culture grows up, then naturally the feed demand also goes up. And coming to the percentage of the market is concerned, as we are being increasing our market share year after year. So, in spite of so many feed manufacturers in India, we have been able to retain our leadership in the market for the last almost like, eight to ten years, we have been undisputed leaders in the market, by virtue of sheer quality of the feed, performance of the feed and technical services we give to them. So, these things are our basic strengths and this continues to be there. And we will further strengthen this. And as we go forward, we will maintain this and even we may cross even 50% also. There is no surprise if we are able to achieve this. This is how we want to plan the growth. Of course, other areas are there, where as a company if you are growing, once the organic growth, like again going into the fish feed or pet feed and all, and other areas where we can expand our activities, similarly on the processing side, we want to increase the value added products, the capacity, we want to increase the capacity and find new markets and new products and all. This is the plan ahead of us. Only this is the year of testing time. The Corona has really taken the entire world into a standstill now. So, we hope that gradually it will pick up and the next couple of years things will again brighten up and we should be able to move forward, progress. That is what is our plan.

Omkar Kulkarni: Okay. The second question I have is basically, you mentioned that because of this pandemic, the situation is very grim all over the world. So, do you think this cash balance you have, don't you think that is a good opportunity for inorganic growth to pick the stake in some good companies, where you can reap the benefits going forward, because this question has been coming for the last two-three years, what would you be doing with the surplus cash you are generating?

C. Ramachandra Rao: I think we have been answering the question almost every quarter, every year. You are right, we have been carrying it. Keeping, the investment in some company or the other without knowing what it is, we should always invest in companies, investments where we are sure of the growth, we are sure of the security of our investment, the appreciation to the investment, returns to the investment. These are



the basic objectives of making any investment. Just because we have some surplus, try to find, put some investment is not proper that is the view of the Board. From time to time we keep reviewing it, what is the return, how and where we can invest. We are looking for a proper opportunity for investment. So, I think the investment in some companies and inorganic is again, a grey area. Unless we know the sector how it is going, today the situation is very, very depressing. Any industry you take, it is very depressing. Almost like, very rarely you find the companies like Avanti, where they have been able to maintain their performance levels and the stakeholder's value, all these things are really kept intact. And in fact, it is growing under these testing times and critical period. So, we do not want to take any chances on the valuable, your money and putting in some investment and getting into more problems. So, we want to do such investment only after doing the due diligence and unless it is absolutely, we are confident that this is going to give us good returns and secure investment and also appreciation, then only we will do it. I think you will have to bear with us for some more time. As and when the appropriate time comes, we will definitely share with you our plans.

Omkar Kulkarni: Okay. You have been keeping all the surplus cash in the FD and diluting the return equity and capital employed. But, wouldn't it be possible for a company like this size to actually in this pandemic get some smaller companies that is actually at a good valuation for acquiring those kinds of companies?

C. Ramachandra Rao: Yes, the acquisition will take place only if the investment is properly utilized, is it not? You cannot go on acquiring many companies which is available. Now, I can explain you in a better way that, whatever surplus money are there, we put in various mutual funds or fixed deposits or public sector PSU and banking funds, like that we distribute and see that the average return is around 6% to 7%. It was much higher. I am talking about the of late situation, because much earlier we have got even 8% to 9%, 10% also we have got. So, we will have to go into such an investment where it is a long-term sustainability of your industry should be there. Just selecting some industry and keeping the money is not proper. I think you will agree with me on this. The money is there and we are safeguarding the money. It is the investor's, the stakeholder's money; we are the custodians of that money.

Omkar Kulkarni: I really appreciate that fact sir. Yeah, I appreciate the fact that you are keeping, safeguarding the investor's money.

C. Ramachandra Rao: Absolutely, absolutely.

Alluri Nikhilesh: Sir, I just want to add to this, it is not like we are not evaluating opportunities. We are continuously evaluating opportunities. But, none of them seem to be found where we think that, okay, this is what is going to get us a lot of returns. So, there is no opportunities that we have seen in the past two-three years, where we really thought that it is going to give us a great return. And once we do, definitely we are going to go forward and go for that. But, we need to wait till the right time comes up than putting a deadline and going after something like, okay, by December 31st, we need to find something. Instead of that we are looking at something that is really interesting, which really gives us good returns and it really gives the company a boost.



Omkar Kulkarni: Okay, alright. Just one last question I have is regarding the latest data from US, like the other countries like Ecuador, then Indonesia, Thailand, their exports to US have increased significantly. But, India's exports to US in terms of shrimp have marginally decreased. So, what would be the reason do you think for this?

Alluri Nikhilesh: The main reason is definitely the footfall of the workers into the factory. If you compare the countries that you said, Indonesia or Thailand or Vietnam, the number of cases in those countries are very low. And also, the factories where they are located, the shrimp factories, the number of cases are very low compared to what we are having in India. In India, it is already the second highest affected country. And I think over time with the population that we have, we are going to become number one. So, the number of people carrying the virus is also very high. So, that is the main reason. We have seen there were lot of times...there are times that we had to pass an opportunity, because we don't have enough manpower footfall to do production. We are a very manpower intensive industry. But, like I was saying in the previous question, things are normalizing. The utilizations are increasing. And we expect that again India will retain its position as the most dominant exporter to the US.

Omkar Kulkarni: Okay. So, that trend is reversing you mean, right? You can see it?

Alluri Nikhilesh: Yeah, the trend is reversing. I expect in the next few quarters we should be able to normalize. Again, it depends also what the pandemic has in store.

Omkar Kulkarni: So, mainly the Corona is the only reason for that, no other reason for that, right? The manpower shortage?

Alluri Nikhilesh: The manpower shortage and also for Ecuador, I think if you see Ecuador is exporting more to the US, because Ecuador has been having problems with the Corona virus contamination on the shrimp packaging to China. So, the Chinese Government has banned couple of companies already to export to their country. So, they are remodeling their production to go into America or other markets. So, the effect where you are seeing temporary increase, but the product that they focus on are different from what we focus on. They do more commodity head list to China. They are little bit reversing and repositioning the product to the US. But, once I think we are able to normalize, we should be able to cover up again.

Omkar Kulkarni: Okay. Thank you. Thanks a lot.

Moderator: Thank you sir. Participants are kindly requested to restrict with two questions.

Next, we have the question from Mr. Praveen Sahay from Edelweiss. Please go ahead. We have the question from Mr. Praveen Sahay from Edelweiss. Please go ahead with your question.

Praveen Sahay: Thank you. Thank you for taking my question. And thank you for the detailed briefing at the start of the call sir. I have just two questions. One is related to, you have already discussed related to the Government schemes, Government focus on the sector. So, not on just quarter or two, for a long term, what



you are expecting with these initiations, as we had already seen that the market has not grown. This year is really bad. So, the way forward, how much of the growth as a sector you are expecting, as a shrimp sector for India, say three years or five years growth trend what you are expecting?

C. Ramachandra Rao: The Government focus is now to increase the exports, what they call it as Blue Revolution, where they want to, now it is around Rs.46000 crores, - 47000 crores is the marine product exports from India. They want to double this to reach Rs.1 lakh crores by 2024-2025. So, with this objective they have earmarked about 20000 crores available to the farmers and on various activities. So, this will give a real boost to the, basically the farmers to allocate the shrimp culture, because they are subsidizing their investment cost, perhaps we don't know the working capital for the feed and all, the details are not yet known, but definitely it is aimed at giving the required boost to the sector, to the farmers, which they never did earlier, the Government of India, they have done it. And they have realized that the export of shrimps is very highly potential export earner. So, they are doing it. And if it is really successfully implemented, we see two-three important developments that is going to happen in the next two to three years. One is the most important is, area of culture. One of the areas of culture, we have a long coastline which can be used for this shrimp culture. This is one thing. The second thing is that the infrastructure funds which is needed by the farmers. We have small land holding by the farmers, maybe 2 to 5 acres, 5 to 10 acres, significant portion of the farmers have only this. This is the range, 1 to 5 acres and 5 to 10 acres, this is the range. So, they do not have sufficient funds to meet the infrastructure, development cost and also the running cost, like power, feed. These are the requirements that they need. So, if the Government and also the post-harvest, it is said that there is a lot of post-harvest losses which may go up to 15% to 20% loss. So, if they can cut down this, it is farmer who gets benefited. The post-harvest loss will definitely benefit the farmer. If proper infrastructure is created for proper post-harvest care, that will be a benefit to the farmer. Similarly, if you subsidize or if you give this support, financial support for infrastructure development and also for working capital needs, definitely it will help them to go for this shrimp culture in a big way. So, there is a constraint of area that is available at the coastline; we have more unutilized coastal line, which can be used for shrimp culture. The second thing is, it is going to provide lot of employment to the youth. Definitely these two factors will encourage more and more youth to undertake this shrimp culture and there will be prosperity. So, these are the factors which really help in increasing the growth of this industry.

Praveen Sahay: Sir, do we expect the next three to five years would be a far superior growth as compared to the last five years?

C. Ramachandra Rao: Definitely. Last five years is again, it has been very erratic. First, if you look at the immediate past, one year, it is not good. Earlier to that, three years back it was, 2014-2015 was very good year. So, there are several factors. But, the basic important thing is that the growth of this industry, while sustainable growth comes to the farmers, when he undertakes the activity on a sustainable basis. More and more the aquaculture area has decreased, more production comes, then definitely that will, supply chain, everywhere, the production, hatcheries, the processing and the export, every industry grows along with that. So, the basic backbone of the industry is the farmer. So, if you can really support him with what he requires to produce shrimps, I think automatically the growth will come. I think that is going to happen in the next three to four years.



Praveen Sahay: Right sir. Sir, related to your shrimp processing business.

Moderator: Sorry to interrupt sir. Could you please join back in the queue if the time permits?

Praveen Sahay: Just few lines.

Moderator: Please go ahead, sir.

Praveen Sahay: Related to the shrimp processing, as your percentage of US contribution as I can see on the sequential basis in the Q1 versus last year or Q4 of last year hasn't reduced. Definitely there is a reason for that. But, what is the percentage as in the US contribution you are looking at for your shrimp processing business on a stable state?

Alluri Nikhilesh: On a stable state as of today I think it would vary from 75% to 80%. We do intend to reduce it distribute it to other markets as well. But, we are looking at what contracts we are getting from all, different markets. And we are choosing the best contracts at that time. If we could focus and reduce the US markets distribution to lower or higher, but then if it goes lower, then I have to pick another market like China or another market where I don't get that much value. So, we are looking at which market is offering us the best contracts and going after the contracts rather than the market.

Praveen Sahay: Okay, great sir. Thank you.

Moderator: Thank you sir. We have the next question from Mr. Ayush Mittal from MAPL Value Investing Fund. Please go ahead.

Ayush Mittal: Sir, first of all I would like to congratulate the management for delivering good performance in these testing times, these are the leadership qualities that we look for. In reference to the discussion on the price of feed, what we have read in some reports is that the competitors have taken a price cut of further Rs.3. Sir, can you share anything on that, if that is true or not? And are you facing competition because of that?

C. Ramachandra Rao: First, let me answer this question. We have reports that it is not the price cut. What they have done is, they have announced some schemes, something like increasing, feed, the shrimp feed they have announced some schemes. They said, cash back scheme and also more discount, more cash discount, like that they said. We have not exactly valued how much really it contributes. As you said it may be about Rs.2 to Rs.3 per kg it may work out. But, we feel that the strategy that they are doing, because keeping the quality of the feed and all, it may not be proper. But, anyway we are just studying what they are really, straightaway cutting, giving more discounts to the dealers or giving more gifts or coupons or whatever it is to the farmers. It is not correct. They are giving the cash back and all these things, it doesn't appear to be proper. But anyway, that is their strategy. We will have to see what is the impact of it. Because, just they have announced very recently, we are going through the schemes that they have announced and how it is going to have an impact on various things,



particularly the raw materials and maintaining the quality of the feed and performance of the feed, all these things have to be taken into account, because the raw material prices are almost stable. There is no big reduction in the raw material prices as of now. We don't foresee also a big fall in the prices of the raw materials. But, with all these steps, we have reports. We are studying those reports and we will examine, what is actually the real impact of that.

Ayush Mittal: Okay. But, as of now are the prices....?

C. Ramachandra Rao: As of now we have no impact of that on our sale.

Ayush Mittal: Got it. Got it. Thank you sir and wish you all the best.

Moderator: Thank you sir. We have the next question from Mr. Trakhar Nathani, an Individual Investor. Please go ahead.

Trakhar Nathani: Hello sir. Do we have a plan, considering enough cash on books? Do we have a plan to reward investors with a buyback going ahead?

C. Ramachandra Rao: There is no proposal as of now for buyback. We are looking into the possibility of investments, which will be on a sustainable growth basis and value appreciation and good returns, safe investments we are looking. There is no proposal of any buyback as of now.

Trakhar Nathani: Okay. Thank you, sir. That is it from my side.

Moderator: Thank you sir. The last question for the day comes from Mr. Vishal Jaju, an Individual Investor. Please go ahead.

Vishal Jaju: Hello, good evening sir. Actually, most of the questions have been answered. But, just sort of want your view on the meatless industry which is growing in the other countries, not our target share, but just wanted to get your views on how are you viewing this meatless industry hampering our industry as well?

Alluri Nikhilesh: So, the meatless industry or the alternative protein is a fast-growing industry. It does require a lot of R&D capability and also there are lot of players who have been invested from a very long time, including like Impossible Foods or Beyond Meat or New Wave Foods. There are a lot of companies. They are developing seafood alternatives as well. But, we really need, it is a very early stage. We need to see what is going to be done in the long term and how this pans out. So, right now we do not have any R&D going into this segment. But, our partner Thai Union is doing some research and investments into this sector. So, let us see how this goes. Right now, there is not much that we can really speak about.

Vishal Jaju: So, is there any scope that this industry to be hampered in our target share for the coming two to three years or it is a way long history in our target share actually?

Alluri Nikhilesh: Two to three years is very, very, I don't think two to three years anything is going to happen. In two to three years it is not going to happen. It is



more expensive. We have to see over time. Everyone is looking at alternative proteins, alternative everything. So, we need to see. Thank you.

Vishal Jaju: Okay. So, that is it from my side. Thank you.

Moderator: Thank you sir. That will be the last question for the day. Now, I hand over the floor to Mr. Sherwin Fernandes for closing comments. Over to you sir.

Sherwin Fernandes: Thank you to the entire team of Avanti Feeds Limited for giving us the opportunity to host the call. And I would also like to thank the investors and analysts for giving their time to attend this call. Thank you.

C. Ramachandra Rao: Thank you Mr. Sherwin. Thank you Ms. Pavithra.

Moderator: Thank you sir. Ladies and gentlemen, on behalf of KFin Technologies Private Limited, that concludes your conference call. Thank you for joining us. You may now disconnect your lines.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.

