

June 04, 2024

To
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Mumbai – 400001
Maharashtra, India

BSE Code: **512573**

To
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra (East),
Mumbai – 400051
Maharashtra, India

NSE Symbol: **AVANTIFEED**

Dear Sir/Madam,

Sub: Earnings Audio Call Transcript for the quarter and FY ended March 31, 2024.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we enclose herewith the transcript of earnings Audio Conference Call held on May 29, 2024 in relation to the audited financial results (Standalone and Consolidated) of the Company for the quarter and FY ended March 31, 2024.

The said earnings call transcript is available on the website of the Company at <https://avantifeeds.com/corporate-announcement/#Investor-Analyst-Corner>

This is for your information and record.

Thanking you,

Yours faithfully,
For **Avanti Feeds Limited**

C. Ramachandra Rao
Joint Managing Director,
Company Secretary,
Compliance Officer & CFO
DIN: 00026010



Avanti Feeds Limited Q4 FY24 Results Conference Call

May 29, 2024, at 11:30 A.M (IST) for a duration of 1 hour 2 mins 27 secs

CORPORATE PARTICIPANTS:

Mr. C. Ramachandra Rao

Joint Managing Director, CS & CFO

Mr. A. Venkata Sanjeev

Executive Director

Mrs. Santhi Latha

General Manager - Finance and Accounts

Mr. D.V.S. Satyanarayana

CFO - Avanti Frozen Foods Private Limited

Mr. Narender Sharma

Company Secretary - Avanti Frozen Foods Private Limited

Moderator

Good morning, ladies and gentlemen. I'm Pelsia, the moderator for the conference call. Welcome to Avanti Feeds Limited Q4 FY24 Earnings Conference Call.

We have with us today, Mr. C. Ramachandra Rao, Joint Managing Director; Mr. A. Venkata Sanjeev, Executive Director; Mr. Santhi Latha, GM, Finance and Accounting; Mr. D.V.S Satyanarayana, CFO, Avanti Frozen Foods Private Limited.

As a reminder, all participants will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone telephone. Please note this conference is recorded.

I would now like to hand over the floor to Mr. C. Ramachandra Rao, Joint Managing Director. Thank you, and over to you, sir.

C. Ramachandra Rao

Thank you. Good morning, ladies and gentlemen. We are very much pleased to extend a warm welcome to all of you for this investors conference call to review the audited financial results for the Q4 FY24.

Along with me here are Sri A. Venkata Sanjeev, Executive Director; Smt. Santhi Latha, GM, Finance and Accounts; Mr. D.V.S Satyanarayana, CFO of Avanti Frozen; and Mr. Narendra Sharma, Company Secretary of Avanti Frozen.

To begin with Mr. Santhi Latha, GM Finance and Accounts Avanti Feeds Limited will present highlights of financial results of Q4 FY24 and year ended 31st March, 2024, of feed division and also consolidated financials of the company for the same period. Thereafter, Mr. D.V.S Satyanarayana, CFO, Avanti Frozen Foods Pvt Ltd will present the financial highlights of shrimp processing and export division. After the presentation by both of them, we'll have quick review of the latest situation and then we'll go on to question and answer session. Now I request Santhi Latha to take over.

Santhi Latha

Thank you, sir. Good morning, everyone. Now I'll take you through the consolidated and Feed Division financial performance highlights.

CONSOLIDATED FINANCIAL RESULTS FOR Q4FY24 & FY24:

(A) Q4FY24 RESULTS

The comparative performance of Q4 FY24 with that of Q3 FY24 and Q4 FY23 has been given in the presentation already circulated.

Gross income in Q4 FY 2024 is INR 1,320 crores as compared to INR 1,287 crores in the previous quarter Q3 FY '24, an increase of INR 33 crores, that is 2.5%. Compared with Q4 FY '23, gross income of INR 1,117 crores, there is an increase of INR 203 crores by approximately 18.2%. The PBT is INR 151 crores in Q4 FY '24 as compared to INR 116 crores in Q3 FY '24, an increase of 30%, about INR 35 crores. And compared to Q4 FY23 PBT of INR 144 crores, there is an increase of INR 7 crores by 4.86%.

(B) Comparison of the performance of the year 2023-24 with year 2022-23.

In FY '24, the total income increased to INR 5,505 crores from INR 5,179 crores in FY '23. The PBT in FY '24 increased to INR 537 crores from INR 427 crores in the corresponding period of previous year. That is an increase of INR 110 crores. This is mainly due to increase in revenue, decrease in raw material costs and better overhead absorption because increase in the quantity sold.

The consolidated results indicate net impact of several factors such as increase or decrease in income, expenditure, exceptional item relating to both feed, frozen divisions, which will be discussed in the divisional performance of these units individually.

STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISIONS

A. FEED DIVISION:

Q4FY24 RESULTS

The gross income for the Q4 FY '24 is INR 1,022 crores as compared to INR 958 crores in the previous quarter of Q3 FY '24, an increase of INR 64 crores mainly due to increase in the quantity of feed sold by 5,960 metric tons. The gross income in Q4 FY '24 increased to INR 1,022 crores from INR 875 crores in the corresponding quarter of Q4 FY '23, an increase by INR 147 crores, representing 16.8% due to increase in quantity sold by 18,902 metric tons.

The PBT for the quarter, the standalone PBT for the Q4 FY '24 is INR 119 crores as compared to INR 76 crores in Q3 FY '24, an increase of INR 43 crores by 56%, mainly due to increase in sales volume and better overhead absorption. The feed sales increased to 1,22,278 MTs in Q4 FY '24 as compared to 1,16,318 MTs in Q3 FY '24. The PBT in Q4 FY '24 has increased by INR 12 crores from INR 107 crores in Q4 FY '23, representing 11.2%.

As you know, the cost of raw materials constitutes major share of cost of feed production, particularly fish meal, soyabean meal and wheat flour. The percentage of average raw material cost was 79% on feed sale price in Q4 FY '24 as compared to 82.6% in preceding quarter Q3 FY '24 registering a decrease of 4.35%. However, the raw material percentage was on par with corresponding quarter of the previous year that is Q4 FY '23 which was 78.3%.

To summarize, the prices of major raw materials have shown a decreasing trend during the Q4 FY '24 compared to previous quarter, nearing almost the same levels as in the corresponding quarter of the previous year.

The average cost takes into consideration volatility of the raw materials like fish meal, soyabean meal and wheat flour during the year. While soyabean meal and wheat flour prices did not undergo much volatility during the year '23, '24, the fish meal did undergo high volatility due to drastic fall in fish catches in Chile and Peru, leading to fishing ban, resulting in an increasing demand for Indian fish meal in Southeast Asian countries, causing unprecedented hike in the fish meal prices both in domestic and overseas market.

During the current quarter, fish meal price has come down marginally due to good cash in Chile and Peru and release of Peruvian quota during the season. However, the soyabean meal price and wheat flour prices remain more or less stable, which are marginally lower than the previous year.

To sum up, I would like to share with you that the prices of these major raw materials along with related products like fish oil, soya lecithin et cetera keep changing from time to time depending upon the seasonality, production, global trends et cetera, which has direct impact on the raw material cost of the feed, which is beyond the company's control.

Comparison of performance for the year ended 31st March 2024 with that of 31st March 2023.

In FY24, the total income increased to INR 4,396 crores from INR 4,104 crores in FY23 due to increase in feed sales and other income. The PBT in FY24 increased to INR 407 crores from INR 307 crores in the corresponding period of the previous year, mainly due to increase in sales, other income and decrease in raw material costs and better overhead absorption.

SHRIMP PRODUCTION AND FEED CONSUMPTION IN FY23 AND COMPANY PLANS FOR FY24:

SHRIMP FEED CONSUMPTION:

On the basis of estimated shrimp production of about 8 lakh metric tons in 2023, the overall industry feed consumption is estimated to be around 10.5 to 11 lakh metric tons. The company's feed sales during the year 2023, this is calendar year, was about 5,13,000 metric ton as compared to 5,26,000 metric tons in 2022, a decrease of 13,000 metric tons.

SHRIMP PROCESSING AND EXPORTS:

The country's shrimp exports in terms of value declined in FY '23 compared to FY '22 by 8.11% from \$5,234 million to \$4,809 million. The country's overall export of frozen shrimps in quantitative terms for FY '23 was 7,11,099 metric tons as compared to 7,28,123 metric tons in FY '22. A decline of 17,024 metric tons representing 2.34%.

However, the company's shrimp exports during FY '24 was about 13,443 MTs as compared to 12,497 MTs in FY '23 and increased by 946 metric tons. It is estimated that the exports during FY '25 would be around 16,000 metric tons.

Now, I hand over to Mr. D.V.S. Satyanarayana, CFO, Avanti Frozen Foods, to present highlights of Shrimp Processing and Export division.

D.V.S. Satyanarayana

Thank you, madam. Good morning, everyone. Now I would like to take you through the financial highlights of:

B. SHRIMP PROCESSING AND EXPORT DIVISION.

Q4 FY '24 RESULTS.

The gross income for Q4 FY '24 is INR 297 crores as compared to INR 329 crores in Q3 FY '24, a decrease by INR 32 crores, representing 10%, mainly due to decrease in sales quantity by 144 metric ton, representing 4%.

The gross income in Q4 FY '24 increased to INR 297 crores from INR 244 crores during Q4 FY2023, an increase of INR 53 crores, representing 21% YoY. The sales volume during Q4 FY '24 increased to 3,846 metric tons from 2,880 metric tons in Q4 FY 2023, an increase of 966 metric tons.

The PBT before exceptional item for the Q4 FY '24 is INR 32 crores as compared to INR 40 crores in Q3 FY '24. It is decreased by INR 8 crores. The PBT is decreased mainly due to decrease in sales quantity by 144 metric ton and also decrease in average sales price realization during Q4 FY '24.

The PBT in Q4 FY '24 is INR 32 crores, decreased from INR 38 crores in the corresponding quarter, that is Q4 FY 2023, as there is a decrease in average sales price realization.

Comparison of performance for the year ended 31st March 2024 with the year ended 31st March 2023.

The gross income for the FY '24 was INR 1,117 crores as compared to INR 1,083 crores in the corresponding previous year, that is FY 2023. The increase of INR 34 crores in the gross income for the year ended FY '24 is mainly due to increase in sales quantity by 946 metric tons and share of value added products by 1,948 metric tons. Total income up FY 2024 includes the PLI incentive of INR 6.85 crores.

The PBT in FY '24 is INR 136 crores as compared to INR 137 crores in FY 2023. A decrease in PBT by INR 1.00 crores is mainly due to increase in manufacturing expenses and also depreciation.

Provision for recall expenses in the financial statements:

The company has not made any additional provision for recall expenses in Q4, FY 2024. Status of product recall is as follows:

Particulars	INR in Cr.
Value of claims received and charged to profit and loss (including recall related expenses)	35.62
Less: Amount of claims settled up to 31.12.2023	34.63
Balance claims provision in the book of accounts as at 31.12.2023	0.99
Less: Provision reversal during Q4FY24	0.99
Balance Provision as at 31.03.2024	NIL

As regards to product liability claims for bodily injury caused by consuming company's contaminated products under the recall, the company has received insurance claim in full from United Insurance Company on 21st March 2024, and no further liability for the company on this account.

Update on new shrimp processing plant at Krishnapuram:

The new processing plant with a capacity of 7,000 metric tons per annum has been in operation since 21st March 2024.

As you know, the company has been evaluating the following 2 incentive schemes from Government of India:

- I. Sales-based incentives under “**Production Linked Incentive**” scheme; and
- II. Grant-In-Aid under “**Operation Green - Long Term Intervention**” scheme.

I. Production linked Incentive scheme.

Company is eligible for incentive of 6% in case of stock products and value-added products 10% on incremental sales over a period of 6 years from the FY '21-'22 to '26-'27, subject to a maximum incentive of INR 79.44 crores with minimum 5% CAGR in sales.

The company has received an incentive of INR 9.92 crores pertaining to financial year 2023.

II. Operation Green scheme.

-) Approval from Government of India, for Grant-in-Aid for the proposed investment in new shrimp processing plant at Krishnapuram is received in December 2022.
-) Maximum Grant-in-Aid under the scheme is INR 10 crores.
-) The first instalment of 1/3 of total Grant-in-Aid is due from the ministry. The company has submitted all the relevant documents in this regard.

Now I hand over to JMD sir for sharing future outlook of the industry.

C. Ramachandra Rao

Thank you, Satyanarayana. Having reviewed the financials of Q4 FY 2024 and comparison of '23, '24 with that of '22, '23 financial performance. Now I would like to share with you some of the developments that have taken place in the industry and the present status and outlook of the aquaculture industry for this year, 2024.

You may remember, recollect, that we had informed you that 2024 will be a challenging year for aquaculture industry. Though we anticipate a marginal improvement in overall industrial performance. In light with global forecast of moderate recovery of fisheries sector in 2024 over 2023, the stockings of seed for 1st crop of shrimp culture in India commenced during second half of January 2024 with an increase of about 10% to 15% over the corresponding period of the previous year with a positive outlook for a successful first crop season.

However, unfortunately, due to uncertain and unfavourable climatic conditions, white spot disease affecting the culture in some of the areas and fluctuations in farm gate prices. The culture did not progress as expected, and they were forced harvesting in some of the areas, impacting the overall production of shrimp for the first quarter.

However, the climatic conditions being more stable now after a severe summer, the farmers are looking forward to commence fresh stockings from 1st week of June '24. Hopefully, this crop survives full season of 90 to 120 days, and the farmers will be able to make it a profitable season or profitable quarter. The company will also be in a position to increase feed sales in ensuing 2 quarters.

The processing and export shrimp division is also expected to increase exports to about 16,000 metric tons for the current year, considering commencement of commercial production by the new processing plant at Krishnapuram. The company is focusing on increasing the processing and export of value added products during financial year 2025. As mentioned before, the company's value added products exports have gone up by 142% in FY '24 compared to previous year. The company, while strengthening the exports to U.S. and Canada market, also exploring the other markets like Japan, Korea, et cetera, which are more potential markets for shrimp exports.

At this juncture, I would like to share with you a couple of important events that have impact on aquaculture.

The first one, the levy of counter vailing duty (CVD) at 4.36% on export of shrimps by U.S. Department of Commerce effective from 1st, April 24. The U.S. Department of Commerce has made a preliminary determination of CVD rate on the basis of complaint lodged by U.S. domestic shrimp industry against imports from India, and also the preliminary data that was gathered by the department. In the next step, U.S. DOC will determine the final rate basing on the objections raised by the Seafood Exporters Associations of India, Government of India and other agencies on the basis of data provided by them. The final determination is scheduled to be announced on 6th October 2024.

In the meantime, the exporters are required to deposit CVD at 4.36% with effect from 1st April 24, subject to adjustment after final determination. Along with India, other countries like Ecuador, Vietnam and Indonesia have also been levied CVD at different rates. The Seafood Exporters Association, MPEDA, EIA and Government of India are making efforts to get the CVD withdrawn at the time of final determination on October 24 by furnishing all the required data and justifying the withdrawal of the CVD.

Secondly, there were reports in U.S. and international media alleging that shrimp exports from India are processed under unhygienic conditions and Indian processes do not adhere to labour regulations et cetera. And these allegations were aimed at a few processes from India. In view of this generalized observations in the media, the company has further strengthened its internal checks and controls to ensure strict compliance of all the regulations.

Coming to the industry considers, these upheavals are part and parcel of the business activity, and they do not hinder the sustainable growth of the industry. The Government of India has been focusing and encouraging aquaculture sector by extending promotional schemes like PLI steam, operations Green, et cetera, which the company is availing.

It is heartening to know that in the budget for 2024-2025 presented by the Honourable Finance Minister on 1st February 2024, announced Pradhan Mantri Matsya Sampada Yojana, PMMSY is being stepped up to enhance aquaculture productivity from existing 3 to 5 tons per hectare with doubling exports to INR 1 lakh crores and generates INR 55 lakhs employment opportunities along with big infrastructure changes of establishing 5 integrated aqua parks. Further details of the scheme are expected to be notified after the general elections while presenting the regular budget, which is expected somewhere maybe at the end of June or July.

To conclude, the stakeholder of the industry looks forward for a future for aquaculture industry in '24 and more in '25, and thereafter, unless any unforeseen developments in the climatic conditions or changes in the global market scenario impacts the industry.

Diversification of Company's Plan into Pet Food & Pet Care Products:

Diversification of company's plans into pet food and pet care products. You are aware that the company has diversified into pet care products business through its subsidiary, Avanti Pet Care Private Limited, as a special purpose vehicle for manufacture of pet food, mainly dogs and cats and other pet care products for catering to the domestic market.

The required technical know-how is being provided by Bluefalo Pet Care Company Limited Thailand, a reputed pet food and pet care products manufacturer in Thailand. A memorandum of understanding, transfer of technical know-how agreement and joint venture agreement has been entered into with them.

The company has identified suitable land for construction of the factory and is in the process of scrutiny of legal documents and acquisition of the land. On the

basis of an independent survey and competing products in the market, the company has identified the product range both for cat as well as dog food. Recently, the company is in the process of developing formulations and producing trial products in collaboration with Bluefalo, Thailand to undertake trials in India before finalizing their products. It is anticipated that this process would take about 6 to 8 months before the launch of the products in India.

Fish Feed:

Coming to the fish feed, as reported earlier, the preliminary survey on supply versus demand of fish feed in domestic market has been completed, and the survey has revealed potential demand for certain types of fish feed for high value fishes like morel, sea bass and rainbow trout. The company is considering various options such as import of fish feed of required species initially, conduct trials under Indian conditions and set up manufacturing facility based on the results.

With this, I thank you all. And now we will take up the questions from you, gentlemen.

Question & Answers

Moderator

Thank you, sir. 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. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

First question comes from Atharva from Purnartha Investment Advisors. Please go ahead.

Atharva Bhutad

Yeah. So I have 2 questions. 1 was on the EBITDA point of view. Last quarter, we reached 10%. So what are the plans to reach 12% to 13% of EBITDA? Because over the last 10 years, we have had a GP margin of around 20%, and we have already reached that. So how do we plan to increase our EBITDA margins to 12% to 13%?

C. Ramachandra Rao

Yes. See, basically, the EBITDA gross margins depend on the raw material cost for this industry as we have been almost discussing on every investor's call. Because our major raw materials are fish meal, soyabean meal, and wheat flour. So, for these products, prices keep changing. Your question was that the what are the plans for increasing the EBITDA and the gross margin? That is what your question is. Am I right?

Atharva Bhutad

Yes. So basically, we have already reached like a 20% GP margin because raw material costs have come down. So how if they remain the same, how do we plan to increase our EBITDA margins?

C. Ramachandra Rao

Yes. See, that's what I was about to explain. See, this year, the prices have just stabilized, particularly in the year '23. We have seen that compared to year '22, '23 was more stable. All the prices except the fish meal which went very high because of the overseas demand. And that was also the reason because of very low production in Chile and Peru. So that has caused the international market high prices of fish meal because India was the supplier of fish meal to all the Southeast Asian countries which were hitherto getting from Chile and Peru.

This year there is a very good crop that is the fish catches are very good in Chile and Peru and they have resumed the production of fish meal and supply. So the prices have come down from INR 125 per kg. It went up even INR 135 also. Now it has come down to about INR 98 - 99 is now. We expect that it will be stable between INR 95 to 98. It may not come down further. But certainly, it will be around definitely much lesser than INR 124, 125 levels. And we for the rest of the year, we hope this will be continued.

And similarly, the IMD has predicted a good rainfall this year also. So though you got very good crop last year, both soya as well as wheat. So this year also, we are expecting that the soyabean production and wheat production would be at same level if not more in the current year also. Because the sowings will start sometime in June-July, the soya. And September-October we get the 1st crop.

Similarly, the wheat harvesting will be in March '25. So we see that the much variance is not going to take place for these 2 products. And fish meal again is a very, what you call, a dice situation because there is a shortage of fish catches in the West Coast in India. In fact, some of the factories have suspended production. And they may have banned from 1st July or so the fishing ban. So, with all these figures taken into consideration, we see that if it can be less than INR 100, that will be a very good sign. We should be able to keep up the margins in a comfortable level, both EBITDA and also the gross margins.

And as far as the productivity is concerned, we have a good production, good yields are coming and we have sufficient production capacity also. And again, it depends on the how the culture, takes, its, you know, way in the coming months in 2024. As I just explained, the farmers when they started with the enthusiasm in January and February, their enthusiasm did not last long because of the climatic conditions and the white spot and all. They had to do some, early harvesting.

So, they are now looking for stocking it again from June. From June, it should be good because there it is not an extreme climate. It's an ideal climate through June, July, August we'll have a good season. So we are expecting that the farmers would be able to take out good production during the next 4 months or so. 60

days to 90 days we should be able to do. As we expect it happens, it will be good production. Whatever is we have lost in the first quarter, we'll make it up in the 2nd and 3rd quarters. So that way we look forward for a stable performance for the 2024, 2025 year also.

Atharva Bhutad

Ok. Another question was could you explain why the cash flow from operations have reduced from INR 451 crores to INR 263 crores this year?

C. Ramachandra Rao

This is mostly because we do more working capital. We are using it for working capital. It will be more, inclination for that side.

Shanti Latha

There is a cash flow statement is there. but you see because of working capital changes there is a reduction in the cash flow. Otherwise, from the operations, if you see profit before tax and the adjustments, there is an increase from INR 274 crores to INR 341 crores. But the adjustments in the working capital because there is an increase in the inventory, if you can see, and also, there is an increase in the debtors. So that is what has made it like the operations, it is INR 288 versus INR 177 crores. I think you have the numbers!

Atharva Bhutad

Yes. I have the numbers. I just wanted to understand the inventory part of it. Like, what is the what is the reason for the increase? Because I think last quarter, it was said that, we will stock up inventory for value added products. So I just wanted to understand if that was the case.

C. Ramachandra Rao

Frozen or feed?

Atharva Bhutad

Frozen.

C. Ramachandra Rao

Consolidated the cash flow statement. You see, we have consolidated and standalone fee.

Atharva Bhutad

Yes. So actually, last quarter you had just said that we are going to stock up inventory. So, I just wanted to understand if that is the reason why inventory has gone up.

C. Ramachandra Rao

Yes. See, what happens is I'll explain this. See, the what happens is when we for accounting purposes, what we do is, though it is dispatched, but it has not reached the destination. As per accounting standards, we are taking it out as inventory only, as a stock in transit that we are taking. So, compared to that, it will be more in the end of the year. There are more shipments have taken place. So it is more now. Inventory is more. After 45 days, it will come down. At 31st March, it will be more, because all the shipments that have taken place in the second half of March, which is much higher this year, that would not have reflected in the form of a sale. It will come in as an export sale only after it reaches the destination.

Atharva Bhutad

Ok, thank you.

Moderator

Thank you. I request the participants to restrict with 1 question in the initial round and join back the queue for more questions.

Next question comes from Amit Agarwal from Leeway Investments. Please go ahead.

Amit Agarwal

Good afternoon. My question is regarding domestic market. Sir, there is a domestic market is huge for prawn market, but surprisingly, your presentation show that you don't sell anything in domestic market. Any particular reason for this?

C. Ramachandra Rao

We have started domestic market sales, and we did lot of study on what type of products are required and we have already appointed 1 DGM and 2 RMs who are working on that. We have identified the areas and we have in fact have some dealers also have been appointed. And see, the most important thing is that this is again a credit market. We have to be very careful because, when we are trying to only focus on the cash sales, I mean cash in the sense immediate daily addressed payment.

So, it will take some time, but we are very confident that in time to come next, maybe by end of this year, we should be able to increase our domestic sales significantly. Everybody wants credit. So they don't pay on time. That is a big risk. If you supply material and then go after them for money. This is a very big headache which we do not want to take it up for the domestic sale. If we are giving credit, everybody will come and take it.

Amit Agarwal

Sir, what is the size of the market? And who are the big players in the market right now, in domestic market?

C. Ramachandra Rao

I don't have any exact lead. You can you send an email and we will get back to you? Because we'll discuss with marketing team and come back to you with survey reports.

Amit Agarwal

Just last question regarding the same thing. Sir, is this a low margin business or is that a profitable margin?

C. Ramachandra Rao

I'll clarify that point, because this market, there is no statistics readily available. It is only our marketing staff or any company's marketing staff they go around the market and find out and give the reports. But they do not have any published reports as per the market survey on this. That is one issue and whatever figures that we are giving is only the data collected by our marketing team. Yes, please go ahead with your next question.

Amit Agarwal

My last question is I'm a vegetarian, so I just don't know much about it. Sir, is prawns and shrimps the same thing or we are specialized in shrimps only and not in prawns?

C. Ramachandra Rao

I think my colleague, Mr. Venkata, you answer it.

A. Venkata Sanjeev

It is the same thing in the Indian market. There's no difference between prawn and shrimps in the Indian market. We just use different names for it.

Amit Agarwal

And same in the export market, is it also the same? Shrimps and prawns are the same thing? In export market, USA market?

A. Venkata Sanjeev

Yes, in export market is also similar. Actually, there's a not a big difference.

C. Ramachandra Rao

In export market, they call it as frozen shrimp.

Amit Agarwal

Okay. And in domestic market, you call it prawns, right?

C. Ramachandra Rao

Yes. The locals call it prawns.

Amit Agarwal

Okay. Thank you.

C. Ramachandra Rao

Thank you.

Moderator

Thank you. Next question comes from Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna

Yes. Hi thank you for taking my question. How is the pricing of Indian processed shrimp compared to Ecuador and Indonesia post the addition of duties by the United States on all three of these nations? So, could you please give the pricing of processed shrimp into the United States for India, Ecuador and Indonesia pre and post imposition of countervailing and antidumping duties?

C. Ramachandra Rao

Yes. As you said, the Ecuador, normally the pricing depends upon the production supply and demand. So, the Ecuador being having large production capacity, they are in a position to slightly lesser in cost perspective. And they are being nearer to U.S. they try to capture U.S. market. And China is also there, one of the big markets that they diverted.

Last year, there was some problem with China. They were not exporting much to China. Now they focused on Ecuador. But of course, India and Southeast Asian countries more or less same cost of production will work out. And we stand in a better footing for the reason that our quality of the value added products or the raw traditional products is more compared to others. So, we have more exports to U.S. compared to others. I think in the U.S. is one of the largest exporter to U.S. is India.

So, pricing also varies. And it depends upon the international market price. So it keeps on fluctuating, almost, like every day there is a new price. What we work

is we take into our cost of production and conversion cost and see the margin. But it is not necessary that always you make a big margin out of it. It all depends upon the demand and supply and another thing is the inventory situation in U.S. and other countries, Europe.

As far as our company Avanti is concerned, we are very happy to say that we have been able to make good inroad into the Japanese market and in fact, CMD and also Mr. Nikhilesh, ED, both of them are working very seriously on that. And we are very confident that many importers from Japan are showing more interest towards our products. So I think that we should be more spread in the global market, not only U.S. But we'll have whole of Europe as well as the Japanese market also with you. We have some Vietnam also we got. Korea, I'm sorry, Korea, not Vietnam. Korea.

Kaustav Bubna

No, but sir, I mean countries would put import duties onto other nations, if they were promoting domestic production, right? So how is the domestic production of growing in U.S? And how do you see that as a risk to exports in general to the U.S? And also Ecuador is really close to the U.S. So how do you view a nation who is so close to the U.S, taking market share from India?

C. Ramachandra Rao

See, the method of levying the dumping duty or CVD depends on the cost of production. And the basic dumping duty comes from the concept that these countries are dumping the products in U.S. market less than what their cost of production is. That is the concept that comes. And, U.S is very, meticulous and particular about this aspect. And they go into it almost like every year there is an exercise going on what, to for determination of the, rates that are being charged for these products because almost every country definitely resists this. And if they go with an appeal, the figures that what you have arrived at the rate is not correct. It is not that so much subsidies or certain things, we are not getting it, our cost of production is equally high and the exporters are giving details to them and trying to convince them to reduce the duty.

However, the U.S. has its own methodology and its own criteria for determining the rates, and they do come to countries and they take the figures, work out what is the cost of production. They take into consideration what are all the subsidies, support that's being given to these exporters from the government side. So, they take all these things into consideration and they arrive at what is the dumping duty. Or even the CVD is nothing but what the taxes that we are giving the relief. The government is giving relief on taxes paid on export products that they consider it as a subsidy. So, they added in CVD.

Like that, these are the things. In fact, the government of India as well as these export associations are fighting very tough, saying that these are all not the, actually, the subsidies, but it was only the, you know, reimbursement of duties and taxes paid by the, domestic exporters for the export. Even every country has this provision that any export is made from their country, whatever taxes paid locally is refunded.

The same thing this is the stand which the Indian exporters are taking in their briefing which when you submit objections to the preliminary determination of 4.36% CVD, these are the things which we are going to present it to the Department of Commerce in justifying that every country will have this and so you should not be charged as CVD. So, these are all the things which are always continuously being, you know, engaged with the lawyers and experts on this with the Department of Commerce.

So, by October, we will know exactly what is the final determination. Is it going to be less than 4.36%. And so, we have all our efforts towards that. Similarly, dumping also. We cannot specifically say, the criteria is that what is the cost that the local exporting countries are incurring to make this product. Are they selling it in U.S. lesser than that cost? That is the basic criteria for dumping duty. The difference is treated as a dumping duty and they are charging the anti-dumping duty.

Kaustav Bubna

Ok sir. Thank you.

Moderator

Thank you. I request all participants to restrict with 1 question in the initial round and join back the queue for more questions. Next question comes from Nitin Awasthi from Incred Equities. Please go ahead.

Nitin Awasthi

Hello, sir. Just wanted to understand how the booking of the CVD will be done given that the rates are out, but they're not final as of now. And the final rates will be out on October 6, like you mentioned. So, from Q1, will we already start expensing it out and booking it when we report our first and second quarter numbers? And finally, when the final rate is out, will we make an adjustment post that or will we keep it separately on the balance sheet till the time the final rate is out?

C. Ramachandra Rao

So, the practice is that we will take it as a cost, the product expenditure only. We add on and even that is taken into consideration while we were working for cost of the product also. As and when they make the determination and when they refund it, only we take it as an income.

Nitin Awasthi

Understood, sir. Understood.

C. Ramachandra Rao

Yes. Because it's only preliminary, we are depositing, but it is from their point of view, it is a deposit. But from our point of view, it is an expenditure. Since, CVD

is an expenditure, we have to add to the cost of the product like any taxes. So, we take it as and when the final determination is made. If it is less than 4.36%, the difference is refunded. If it is more than that, we have to pay it. The difference also we have to pay from the date. So that adjustment will be made as and when the final determination is announced on 6th October.

Nitin Awasthi

Understood sir. So, you supplied shrimp directly to a related party, which is Thai Union, which goes ahead and also supplies shrimps to a related party of Thai Union, which is Red Lobster, which has filed for bankruptcy. So, are we directly exposed to any payments or any receivables from Red Lobster?

C. Ramachandra Rao

No. As of now, we are not supplying anything to Red Lobster directly. It is only the Thai Union's company, Chicken of the Sea, which is a company of, Thai Union. Through them, it's being exported to Red Lobster through them. Of course, there are so many developments that are taking place in the whole scenario in the U.S. market but so far we have been only doing through Chicken of the Sea.

Nitin Awasthi

Understood, sir. So last question, capital outlay for the pet food business?

C. Ramachandra Rao

See, we have initially estimated INR 100 crores. The INR 100 crores, we are in the process of, you know, like, land cost, you know how it is going up and all. See, we are now working practically on what is going to be the actual cost nearer to the reality, because whatever the plant and machinery cost or land cost or any other civil constructions like factory, other buildings and all we have taken on an estimated basis because full information was not available at the time of estimating the project cost, we have taken on the basis of the information that is provided by Bluefalo, for instance, the area of the factory or other administrative buildings and also the machinery imported, then local domestically purchased machinery and all. But maybe next 6 months, we should be able to come to the real cost of total project, which we are expecting about 20%, 25% increase by the time we complete the project? That's what our expectation. But as of now, the cost is estimated at INR 100 crores and the entire thing is being funded through equity. We are not going for any borrowing as of now.

Nitin Awasthi

Understood, sir. Bluefalo has any shareholding in the JV?

C. Ramachandra Rao

See Bluefalo has got, the owner Dr. A. Indra Kumar, CMD is also having a share in that.

Nitin Awasthi

No. So the JV that we have made for the pet food division, how much is owned by Avanti Feed? How much is owned by others including Bluefalo?

C. Ramachandra Rao

Yes, capital structure is 51% is held by Avanti Feeds and 17% by the promoters, another 15% by Bluefalo, another 17% by some private investors.

Nitin Awasthi

Understood, sir. Thank you.

Moderator

Thank you. Next question comes from Gunit Singh from Counter Cyclical Investment PMS. Please go ahead.

Gunit Singh

Hi, sir. In one of the replies to our previous participant, you said that, whatever loss or whatever conditions we are seeing in the first quarter, they will be made up in the coming quarters looking at the season and the cultivation. So, I would like to understand, since we are 2 months into Q1, what are the current conditions in the market? What kind of sales and what kind of, I mean, margins are we looking at as of now? Is it like below expectations? I want to understand your views on that.

C. Ramachandra Rao

Yes. As explained, I told that in the first quarter that is till 30th June '24, that is the first quarter, which is rather lesser than what our expectations were. In the normal course, you may see that May, June are the peak months. But this year, it was slightly different because the first crop was not, when continued for a period which is normally should have. But they have, there was premature, at least harvesting. So that's why there was a gap. And now they are starting again. In June 1st week, they are starting. It means that June month, it will be less only, because they will not be stopping, all the points at a time.

They gradually, they go on stocking it. So, what I said was the second quarter means that is July, August, September, October, November, December. See, like that stage wise, you get better yields, because we are presuming that on one side, the culture will be very good, so that gives, you know, opportunity for increasing our feed production and sales that we make, and raw material costs are also likely to be more or less stable in the next half year. So, there 2 quarters.

So, I think all these things put together, subject to the conditions, all these work out favourably. We should be able to makeover whatever the loss of sales, that was there in the first quarter, can be made good in the second quarter and third quarter.

Gunit Singh

Alright, sir. So, I mean, look, Q1 is normally our heaviest quarter in terms of sales. So I mean, that we could not be able to maintain the Q1 sales that we made in Q1 last year. Is that a fair assumption?

Santhi Latha

No. I think we are not expecting any drop in the margins or in the quantity sold in the Q1. Though, the market is not doing well.

Santhi Latha

We want to increase.

C. Ramachandra Rao

You expected more, but, it did not happen. But nevertheless, the overall situation will be, next to make up the shortfall in the 1st quarter, in the 2nd & 3rd quarters because there is a delayed drop rate.

Santhi Latha

So, we expect our market share to go up because the overall market is down. The overall market has not reached its peak in the first quarter as expected. We are talking about the overall market, not only about Avanti Feeds.

C. Ramachandra Rao

June, we are expecting to be good stockings in June and July and which will result in a good crop. Already started at some places, but we are expecting that this will pick up momentum in June and it will be somewhere around September, October, November we will be able to get good results. The crop will come and it will be safe manner. It will not be at a one time. we will see the results, the performance in the second and third quarters.

Gunit Singh

Alright sir. Got it. So, despite the slower market, I mean, Avanti sales and margins in Q1 would not be, I mean, anywhere lower than last year?

C. Ramachandra Rao

Yes. Still June is there. We are expecting that June will give some relief for us. So we hope so. We'll wait for that. See, because still we have got full month. June entire month is not yet started. So we'll have full month of June. I think, it will have real, impact on the performance. If the June month, we get more sales and all, we get good prices and raw metal prices are also stable, we get good performance in the first quarter, if June goes on well.

Gunit Singh

Alright, sir. And you mentioned that raw material prices have mostly softened down and even fresh meal prices have come down from INR 135 to about INR 98 levels. So, what are our outlooks for, FY '25 in terms of steady state EBITDA margins that we can comfortably look at?

C. Ramachandra Rao

It is very difficult to make any prediction as of now. It is like astrologer making predictions. So because it is a natural law, the fish catches depend upon the overall climatic conditions and how particularly ocean conditions for, the growth of the fish and fish catches and all these things. Same thing happens for all other 2 raw materials like soybean meal and also this wheat flour. So it's very difficult to predict 1 year in advance. It is, we can only say that today because we are sitting in May end, so we can say next 6 months it is likely to be good. It's what we have been always emphasizing next 2 quarters. So beyond that, what's going to happen is very difficult for us as of now.

Gunit Singh

All right, sir. So on the new plant that got commissioned the new capacity, so what kind of incremental revenues can we expect from that in FY '25?

C. Ramachandra Rao

You are asking feeds or frozen shrimp?

Gunit Singh

Sir, whatever extra capacity that has been commissioned, you mentioned about 7,000 metric tons, right?

C. Ramachandra Rao

We made a shrimp processing. We have commenced the new factory. And we are focusing more on value added products.

Gunit Singh

Yes, sir. So what kind of additional revenue can we expect from that, plant in FY '25?

C. Ramachandra Rao

I think we'll be able to give you in the next quarter, because we have just started that where it's all, because we are focusing more on value added products. And we hope, the next quarter will have more clarity on that how much demand. See as I told you, our CMD and ED, Mr. Nikhilesh, both of them are in fact on tour, to the market. So we'll have to wait and see how the so far has been very good.

Response has been very good for our value added products and we expect that more supports will come and more orders from the other markets also will come.

So, I think your question can be answered more precisely maybe by end of next quarter. We will be having clarity in July, August, September. In that quarter, we'll be able to come with a clear picture as to future and what we have been able to succeed with the other markets, but one thing we can say that as of now the whatever products that we are now making has got very good response in the global market.

Moderator

Thank you, sir. That was the last question for the day. Now I hand over the floor to the management for closing comments.

C. Ramachandra Rao

Yes. Thank you, ladies and gentlemen, for your active participation. And it gives us more encouragement to answer your questions and work better and see that the value of the investors really increases and we are very confident with all expansion of Avanti Processing division and also new Avanti Pet Care in days to come in the domestic market also, very positive about the future of the domestic market. But it will take some time. Even fish feed also, we are working very seriously on that.

With all this, we hope that by end of this year, maybe early next year, we'll have more clarity on the way in which these projects are going. And also the pet care is an interesting one which we are working very hard on that. To see that it's placed on a premium position in the Indian market, and we get a lot of customer response for those pet care products also. I think with all that, I would like to conclude. And thank you for your participation. Thank you very much.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's Conference Call service. You may disconnect your lines now. Thank you and have a good day.

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