

**August 28, 2023**

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

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

BSE Code: **512573**

NSE Symbol: **AVANTIFEED**

Dear Sir/Madam,

**Sub: Transcript of post earnings Audio Conference Call for the quarter ended  
June 30, 2023.**

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Further to our letter dated August 22, 2023, we enclose herewith the transcript of post earnings Audio Conference Call for Investors held on August 22, 2023 in connection with unaudited financial results (Standalone and Consolidated) of the Company for the quarter ended June 30, 2023 and the same will also be 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

Encl: As above



## **Avanti Feeds Limited Q1 FY24 Results Conference Call**

**August 22, 2023, at 16:00 hrs. (IST) for a duration of 59 mins 02 secs**

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### **CORPORATE PARTICIPANTS:**

**Mr. A. Indra Kumar**

Chairman and Managing Director

**Mr. C. Ramachandra Rao**

Joint Managing Director, CS & CFO

**Mr. A. Venkata Sanjeev**

Executive Director

**Mr. A. Nikhilesh**

Executive Director - Avanti Frozen Foods Private Limited

**Mrs. Santhi Latha**

General Manager - Finance and Accounts

**Mr. D.V.S. Satyanarayana**

CFO - Avanti Frozen Foods Private Limited

**Ms. Lakshmi Sharma**

Senior Manager - Corporate Affairs

## **Moderator**

Good evening, ladies, and gentlemen. I'm Vidya, moderator for the conference call. Welcome to Avanti Feeds Limited Q1 FY24 Earnings Conference Call. We have with us today from the management, Mr. A. Indra Kumar, Chairman and Managing Director; Mr. C. Ramachandra Rao, Joint Managing Director; Mr. A Venkata Sanjeev, Executive Director; Mr. A. Nikhilesh, Executive Director - Avanti Frozen Foods Private Limited; Mrs. Santhi Latha, GM Finance and Accounting; and Ms. Lakshmi Sharma, Senior Manager Corporate Affair.

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 any assistance during the conference call please signal an operator by pressing \* and then 0 on your touch-tone telephone. Please note that this conference is being 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, Vidya. Good evening, ladies and gentlemen. I extend a warm welcome to all of you for this investors conference call to review the unaudited financial results for Q1 FY24. Along with me here are Mr. Venkata Sanjeev, Executive Director, Avanti Feeds Limited; Mr. A. Nikhilesh joining from Paris; Mrs. Santhi Latha, General Manager, Finance and Accounts; Mr. DVS Satyanarayana, CFO, Avanti Frozen Foods Private Limited and Ms. Lakshmi Sharma, Senior Manager Corporate Affair. Shortly, Mr. Indra Kumar also would be joining, he's on the way. Okay, now, let me start the proceedings. The results of Q1 FY24 are already with you for some time now, and we are assured that you have gone through that. However, I would like to share with you some of the key indicators relevant for our discussion today.

### **CONSOLIDATED FINANCIAL RESULTS FOR Q1FY24:**

#### **(A) Q1FY24 RESULTS**

Let me first discuss about consolidated financial results of Q1 FY24. The comparative performance of Q1 FY24 with that of Q4 FY23 and Q1 FY23 have been given in the presentation already circulated. Gross income in Q1 FY24 is INR 1,586 crores as compared INR 1,117 crores in the previous quarter, that is Q4 FY23, an increase of INR 469 crores representing about 42%. Compared to Q1 FY23 gross income of INR 1,582 crore, there is a marginal increase of INR 4 crores representing

at 0.3%. The PBT is INR157 crores in Q1 FY24 as compared to INR 140 crores in Q4 FY23, an increase of INR 17 crores with representing 12% when compared to Q1 FY23 PBT of INR 100 crores there is an increase of INR 57 crores by 57%. The consolidated results indicate net impact of several factors such as increase, decrease, in income, expenditure and exceptional items et cetera relating to Feed and Frozen Foods division which have been discussed in the following in the divisional performance of these units individually.

## **STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISIONS**

### **A. FEED DIVISION:**

#### **Q1FY24 RESULTS**

Let me take up the standalone financial results of Feed division Q1 FY24. The gross income for the Q1 FY24 is INR 1,351 crores as compared to INR 875 crores in the previous quarter before FY23, an increase of INR 476 crores mainly due to increase in quantity of presales and other income. The gross income in Q1 FY24 increased to INR 1,351 crores from INR 1,311 crores in the corresponding quarter of Q1 FY23, an increase by INR 40 crores representing 3% due to increase in sales quantity by 4,164 metric tons.

The PBT for Q1 FY24 is by INR 125 crores as compared to INR 107 crores in Q4 FY23, an increase of INR 18 crores representing 17%, mainly due to relatively stable without much volatility of prices of major raw materials and increase in other income. The feed sales increased to 1,65,507 metric tons in Q1 FY24 as compared to 1,03,376 metric tons in Q4 FY23. The PBT in Q1 FY23 has increased by INR 48 crores from INR 77 crores in Q1 FY23 representing 62%.

As you know the cost of raw materials constitutes a major share of cost of feed production particularly fishmeal, soybean meal and wheat flour. The average raw material cost in terms of percentage over feed sales prices, sale price was at 84.75% in Q1 FY24 as compared to 80.63% in Q4 FY23 and 87.74% in Q1 FY23, indicating a marginal increase by about 3% as compared to Q1 FY23 and an increase of 4% in Q4 FY23. The increase in trend is continuing so far in the current quarter it is Q2 FY24.

The average cost takes into consideration volatility of the major raw materials like fishmeal, soybean meal and wheat flour, sometimes increase and sometimes decrease during a secured quarter. The present rate of fishmeal, soybean meal and

wheat flour are INR 150 per kg, INR 54 per kg and INR 30 per kg respectively. The prices of fishmeal, soya bean meal and wheat flour were INR 130 per kg, INR 57 per kg and INR 28 per kg respectively, when we had our previous investors call on 31st May, 2023, you may observe that fishmeal prices have steeply gone up from INR 130 to INR 150 while the marginal reduction was there in the soybean meal from INR 57 to INR 54 and the wheat flour prices also have gone up to INR 30 from INR 28.

**Export of Fishmeal from India:**

So, let me just analyze why this fishmeal in India is going up. The export of fishmeal from India to countries like China, Taiwan, Vietnam has gone up steeply over the past 8 to 10 months creating shortage of fishmeal for domestic consumption. The demand for export is due to increase in import of fishmeal from India by China, Taiwan, Vietnam, etc. Added to this, the Indian rupee has been depreciating against US dollar giving a higher sales delegation to Indian exporters for the exports, for incentivized by duty drawback at 3% on FOB value and at 3.10% on RODTED. The fishmeal production in India is about 3.75-4 lakh metric tons per annum, and shrimp feed industry consumes about 3 lakh metric tons per annum per feed production that is 75-80% of fishmeal is required for feed production in the domestic market.

With the present trend for export demand, almost 3-3.5 lakhs metric tons per annum are likely to be exported in this year. This will create a significant shortage of fishmeal for domestic consumption. The decrease of customs duty on import of fishmeal to 5% from 15% recently is not going to make perceptible decrease in imported fishmeal with the advantage of the domestic consumer. There is no advantage for the domestic consumers as far as the reduction in customs duty is concerned. Though the soybean meal prices has been going up and down because only marginally thereby the average soybean meal price has been about 54 per kg during the quarter. However, in the case of wheat flour the price has been increasing, with the price being INR 30 per kg from INR 28 per kg earlier.

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

## **A. SHRIMP PROCESSING DIVISION:**

### **Q1FY24 RESULTS**

Now, let me discuss about shrimp processing division results for Q1 FY24. The gross income for Q1 FY24 is INR 238 crores as compared to INR 245 crores in Q4 FY23, a decrease by INR 7 crore representing 3%, mainly due to decrease in sales quantity by 7%. The gross income for Q1 FY24 includes sales-based incentive of INR 6.85 crores received under Production Linked Incentive Scheme.

The gross income in Q1 FY24 decreased to INR 238 crores from INR 273 crores during Q1 FY23, a decrease of INR 35 crores representing 13% YoY. The sales volume during Q1 FY24 decreased to 2,658 metric tons from 3,260 metric tons in Q1 FY23, decreased by 602 metric tons. The average realization of sales also went down by \$0.48 per kg, resulting in a decrease in gross income.

The PBT before the exceptional item for the quarter Q1 FY24 is INR 32 crores as compared to INR 38 crores in Q4 FY23, decreased by INR 6 crores mainly due to decrease in sales quantity. Though the sales quantities decreased in Q1 FY24, the higher PBT is maintained due to the fleet of sales-based incentive under the PLI scheme, decrease in ocean freight charges, and the increase in average USD/INR conversion rate by INR 0.21 per dollar during Q1 FY24.

The PBT Q1 FY24 is INR 32 crores, increased from INR 30 crores in corresponding quarter Q1 FY23. Though there is a significant decrease in sales quantity by 602 metric tons in Q1 FY24, the PBT is maintained at the same level of corresponding quarter to receipt of sales-based incentive under PLI scheme, decrease in ocean freight charges and increase in average USD/INR conversion rate by INR 6.10/ per dollar in Q1 FY24.

### **Provision for recall expenses in the financial statements:**

We would like to bring to your notice that the company has not made any additional provision for recall expenses in Q1 FY24, since this provision has been made in the financial statements till 31<sup>st</sup> December 2022 against the total claims received from the buyer. Status of product recall is as follows:

Value of claims received and charged to Profit & Loss	INR 35.62 Cr
Amount of claims settled up to 31.03.2023	INR 32.57 Cr
Amount of claims settled during Q1FY24	INR 2.06 Cr
Balance claims provision in the book of accounts as at 30.06.2023	INR 92 Lakh

As regards the product liability, the claims for bodily injury caused by consuming companies contaminated products under the recall, the company has received all the claims and confirmed insurance surveyor to submit the final report to insurance company for claims of the same, for our claim processing. Since the liability has been covered under commercial general liability insurance policy, no provision has been made in the financial statements.

As we stated in our Q4 FY23 investors call, the outlook for the current year 2023 appears to be bleak as far as the improvement in the performance of the shrimp culture industry is concerned over the previous year's performance. The export price of shrimps declining due to global shrimp market continue to face over separations, which is likely to cut this into the second half of 2023.

As you know, the import of Brood stock is a major indicator of shrimp culture in the country. The import of Brood stock by India in 2022 was just 2,55,000 animals representing a marginal decrease of 7% over 2021. In the normal course, December to January import of Brood stock indicates the shrimp culture in the first crop of the year, which is the main season. The Brood stock imports registered a marginal increase from 1,12,232 animals during Dec'21 – Mar'22, that is a previous year, over the import of 1,08,270 animals during Dec'20 – Mar'21 earlier that year. However, in 2023, import of Brood stock dropped to 67,777 animals during Dec'22- Mar'23, that is the current year's first crop indicating a consequential steep fall in shrimp production.

During the first half of 2023, India's frozen shrimp exports dropped to 16% in value terms, despite volumes falling only by 3% to 3,23,680 metric tons according to trade data released by the Ministry of Commerce and Industry. By volume, India's shrimp exports total was less the year than anticipated. The average units value decreased by 13% to US dollar 7% kilogram, the decline was led by reduced export to major markets like US, China and Japan as global inflation dampened the demand. The

shrimp production in 2023 is likely to be around 12.5-8 lakh metric tons as against 9 lakh metric tons in 2022.

**SHRIMP PRODUCTION AND FEED CONSUMPTION IN FY22 AND COMPANY PLANS FOR FY23:**

**SHRIMP FEED CONSUMPTION:**

On the basis of estimated shrimp production in 2023, the estimated feed consumption is about 10.5-11 lakh metric tons. The company's feed sales during the previous year FY22 was about 5.41 lakhs metric tons as compared to 4.73 lakh metric tons in FY21. It is 4.97 lakh metric tons in FY23 down by 44,000 metric tons when compared to FY22. However, it is just a marginal increase of 24,000 metric tons for FY21.

Now that this new shrimp feed manufacturing unit in Bandapuram is capable of operating to its full capacity, the company looks forward for a regular supply of feed to the farmer as per the requirement as it is started during the earlier year.

**SHRIMP PROCESSING & EXPORT:**

Now, coming to the processing and export. The Country's Vannamei Shrimp exports declined in FY23 compared to FY22 by 8.11% from US\$ 5234.36 million to US\$ 4809.99 million.

The country's overall export of frozen shrimps for FY23 was 7,11,099 metric tons as compared to 7,28,123 metrics tons in the FY22, a decline of 17,024 metric tons representing to 2.34.

The Company's Shrimp exports during FY23 is about 5,497 metric tons as compared to 12,836 metric tons in FY22. It is estimated that export during FY24 would be around same level as per 12,500.

Avanti Frozen is in the process of expanding Shrimp Processing Plant as detailed below:

1.	New Processing Plant and Cold Storage unit in Krishnapuram, East	➤ 70% of Civil works are completed
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<p>Godavari District with a capacity of 7,000 MT p.a.</p>	<ul style="list-style-type: none"> <li>➤ P&amp;M installations will be starting from Sept'23 onwards.</li> <li>➤ An amount of Rs.41.83 Cr has been spent on the project till 30thJun'23 against an estimated project cost of Rs.64.6 Cr (excluding Land cost).</li> <li>➤ Pre-processing trial run has been commenced from 19th Jul'2023.</li> <li>➤ Expecting commercial operations by Mar'2024.</li> </ul>
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The Company has been selected under two incentive schemes from the Government of India.

- I. Sales-based incentive under Production Linked Incentive scheme and
- II. Grant-in-Aid under Operation Greens - Long Term Interventions scheme.

I. The Production Linked Incentive scheme:

- i. the company is eligible for incentive of 6%, value-added products 10%, on incremental sales over a period of six years from the financial year 2021-22 to financial year 2026-27, subject to a maximum incentive of INR 79.44 crores with minimum 5% CAGR sales.
- ii. The company has received an incentive of INR 6.85 crores under PLI scheme of Government of India for FY22 during April 2023, which was accounted for during Q1 FY24.

II. Operation Greens scheme:

- i. 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.
- ii. Maximum Grant-in-Aid under the scheme is INR 10 crores.
- iii. The company has submitted an application for first installment of grants on 15th July 2023. Application is under review by the Ministry of Food Processing Industry.

I think I've covered up almost a bird's eye view of what has happened in this financial year and this quarter particularly. Now, I would request you to give your questions so that we can answer them.

## **Q&A**

### **Moderator**

Thank you, sir. Ladies and gentlemen, we will begin our 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. The first question comes from Mr. Onkar from Sri Investments. Please go ahead.

### **Onkar**

My question was regarding the projection of revenue and profitability for the rest of the financial year. What it would be, as you have already said that the outlook looks bleak for the current financial year, what can we expect?

### **C. Ramachandra Rao**

The projected financial results, there has been lot of changes, ups and downs, in this aquaculture activity as of now. See, as I told in my discussion on the subject, I told that what we thought initially is not happening now. At one stage, we thought that it would be very good, but it has not happened because of the global still continued price, then price coming down and lot of stocks piled up in the markets like US, and it is likely to continue for the rest of-- the rest of the year, we may expect maybe about 25% less, 25-30% less in the second half of this year. That's what our expectation, that is we'll start from the October, November, December, and January, February, March. That's what we are expecting. But the aquaculture, the culture is not progressing as we expected.

There has been a lot of disappointment depression among the farmers, but we are guiding them and advising them to keep the stocks and allow the shrimps to grow, you may get better prices and we are hoping for that. But still the situation is bleak because as I told earlier, there is an oversupply issue. So, the markets have to really come back for the demand. There should be increase of demand because the production has gone up in the countries like Ecuador and all, there is a lot of production. And we at in India have to focus more on value-added products, so that

we would be able to improve that, that is what we are focusing now. We are trying to increase our exports of value-added products. I think Nikhilesh, if you can just give your views, inputs, on the market likely to have in the next the second-half of this year.

#### **A. Nikhilesh**

Good evening, everybody. So, on the market side, things have the price we believe has these two at lowest point. So, there is some price recovery that is expected. On terms of demand, you see that, there is slow demand and there is the month-on-month retail sales of seafood had come down in the primary US market. But we feel that the consumption will start going up from the end of the year or next year, if the right pricing strategies, the lower cost is passed on to the consumer by the supermarkets. So, the Thanksgiving Christmas period is the most important period for things, and I feel that they get for a good season of sales in the US, after which they will reassess their inventory for next year. So on the total, I feel current price levels it's desirable for higher consumption as the general market environment also takes on. For us one case such the, there is still a lot of opportunity left in the market, because the market share is quite low, it's very fragmented amongst all the suppliers. So, there is some kind of consolidation that we can target in the next 16 to 24 months. Thank you.

#### **C. Ramachandra Rao**

Yes, that's the update on the market situation. And definitely, as we have been telling, even in our earlier investors calls that this is going to be a challenging year. So, we have to take all steps on the two sides, one is the cost reduction and the other is the productivity, increase in productivity, and focus on value-added products. All these things put together, we have to be able to increase the volumes and also make reasonable margins. But as far as the raw materials for feed is concerned, it is consistently has been going up and being the natural products like fishmeal and soyabean meal and wheat flour, see it all depends on not only the production and also the government policies from time-to-time that they take. And this will have a lot of influence on the pricing of these.

And as far as the company is concerned, we are trying to mitigate any hardship due to this kind of unforeseen changes. So, we keep sufficient stocks and see that an average cost is maintained in our cost of raw material production costs of this feed. This is what we are trying to do it. But many things are beyond our control. So, we have to keep our fingers crossed. But I would say that it is not so dismal, but

definitely the things looks, as Nikhilesh said, it looks bright, they're going to have Thanksgiving Day and Christmas, and definitely we will increase-- the consumptions will go up, that is one of the important developments we are all looking for. Because per capita consumption of shrimp should go up, so that definitely it will automatically whatever the production that is now having will be able to be absorbed by the market. Okay, I think we have answered your question.

**Onkar**

Yes, thanks for the detailed explanation. Just one clarification on that. You mentioned that you are expecting a decline of 25-30% in terms of revenue and profitability as compared to Q1 of this financial year or?

**C. Ramachandra Rao**

Yes, first half. Q1 and-- see, basically we'll take Q1.

**Onkar**

Q1 of the current financial year, right?

**C. Ramachandra Rao**

Yes. If you look at the Q4 FY23 and Q1 FY24, if you have to take the average of that, I think over that we'll have something like 20% less, that's what we're expecting, but still, this is only our, only estimate or guesstimate or whatever you call it, that but we are still hoping that things will improve in the rest of this year till 31st December.

**Onkar**

Okay. The second question is on the capacity front. Since you are sounding little bit bearish for the current financial year. I mean, what makes you bullish on increasing the capacity as far as feeds as well as shrimp division is concerned? You have increased the capacity or you are in the process of increasing capacity as far as the frozen shrimp feed is concerned, right? So, I mean on bullishness.

**C. Ramachandra Rao**

See as far as the increase in production of feed is already through and we are now in a position to meet the demand whatever that market requires, we are ready to make it, that's number one. Number two, we are also increasing the production capacity of processing plant also. So, see long-term what we consider, this is a temporary development that had happened because of so many other reasons. But definitely in the course of time, we need to get ourselves equipped to improve our value-added products and increase our exports to other markets apart from the US. This is what is our objective.

**A. Nikhilesh**

I'd like to also add on the processing side, we're building a new facility under the PLI scheme and this would enable us, I mean, this was being built because there was higher requirements for our product was good, the reception for the product to cater to that requirements, the seasonality of the business where like there are few months where a lot of product needs to be processed and exported. Also, there are some renovation requirements in for our unit one. So, at the time this can take in the capacity, and because we need to continue servicing the contracts that we have in the long-term as well. So, it would give us that flexibility and also our capacity to take in more value-added products and value-added products takes a lot of manpower requirements, preprocessing requirements. So, it would cater to a multiple different uses gives us flexibility in the next forthcoming future as required.

**Onkar**

Okay. Another question is on the newly-- that's on a new development which has offered. I wanted to know more about what's your plan on Avanti Pet Care.

**C. Ramachandra Rao**

See in our AGM, CMD has informed the investor, I mean the shareholders that the Pet Care project is going to come up. But we are in the process of entering to a Memorandum of Understanding and technical knowhow agreement and also joint venture agreement. These things are happening and we will be able to come, because project cost is being estimated depending on what is the domestic requirements of these Pet Care products and things like that. I think Mr. Venkata Sanjeev, who is handling the project will give you more information about it.

## **A Venkata Sanjeev**

So, with the Pet Care as Ramachandra sir said that we're in the process of making joint agreement and all. So, we see, right now the Pet Care market for cats and dogs is around 70,000 metric tons in India and it's growing at a rate of 20% YoY. So, most of the brands which are right now playing a part in the market are mostly imported brand except two brands which are produced in India that is Pedigree and Drools. So, we think there's an opportunity for us to penetrate the market and capture a certain market share in this arena.

## **C. Ramachandra Rao**

See, what we're doing is, in fact, we have taken a very senior executive to do the market survey, and also to prepare the project report. He is on that job now. And then simultaneously, we are also working with our partners in exchanging the Memorandum of Understanding, the Terms and Conditions of a Joint Venture agreement, and also the conditions of technology transfer. All these things are happening in a reasonably good speed, this was happening and we hope that in maybe in a month or so we should be able to come up with all these figures. And perhaps in the next quarter we will be able to give you more information about the total demand, supply, what is going to be the estimated project cost etc. All these details we can share once we are through with all information availability and also entering into Joint Venture agreement and Technology Transfer agreement with our partners.

## **Onkar**

Okay. For financials we can discuss in the next quarter, but just wanted to know, what is the major raw material for this Pet Care and what kind of margins generally we can expect in this business. Not your margins but industry wide margins you can give us a number of that.

## **C. Ramachandra Rao**

The technology itself means what is the raw material that is going to be used, what is the formulation for different types of, this particular dogs or cats, whatever it is, there are several types of dogs and breeds, and there are also wet feed, dry feed, there are varieties of feed. All these things require a systematic study in Indian context. We have to take into Indian context. That too, we have to see it from North India, South India and all this data is being collected. We are in the process of that.

So, once we have total picture, then we will be able to arrive at the total cost of the project, what is going to be the estimated sales for next year, maybe four or five years and what is going to be the profitability, all these things we will be able to give, as I told you in the next quarter. So, we expect a lot of information we would be able to gather in the next three to four months.

**Onkar**

Correct. But since you have formed the company, you must have generated this information earlier also, right? I mean, what kind of margins you can expect and all that stuff, right? Otherwise, you wouldn't have formed the company, right? I'm not asking for your margin, sir, I am asking for what is the industry margin.

**A Venkata Sanjeev**

See, it's not like shrimp feeds where you produce only a single type of feed and everyone buys it. For dog food and cat food they are different segments. Like if you take for example, if you take Drools, it's in the meat, it's in the low segment. If you take something like Acana, it's in the premium segment. So, we're still deciding on which segment we should be entering. And so, the raw materials also will vary according to the segment. So, if I take a premium segment, they use non grain, if I use-- if I'm going for something low budgeted, they'll be using grains like wheat and et cetera. So, we're still in the process of doing the market research and et cetera. So, after it's done, we can give you a proper answer and where we're going to enter and which segment we're going to enter or what raw materials we're going to use for the production.

**C. Ramachandra Rao**

See, what we have done so far has been, there is an in principal understanding of with the technology, which has been used by the foreign company with them agreed to invest, they've agreed to give the technology, they've agreed to support us with what type of feed that is required in India, that all these things have been in principally agreed and we are bringing all these aspects into the first level of MoU, which is a broad understanding.

Then we'll be doing simultaneously once we have an MoU signed up, then they will give more information. Once the MoU is signed, then we'll get more information as to what kind of machinery, what kind of listing is required and what is the process, what is the raw material, all these things we will get into the course of time once we

have signed Memorandum of Understanding. We are now sub creating the draft MoU and most probably in next one or two weeks' time this MoU it should get signed off and then we start working on other details. Okay, I hope you got this point.

**Onkar**

Yes, just one clarification on that. So, within this financial year, we can see something--

**Moderator**

Sorry for interrupting, sir. If you have more questions, please join back in a queue, sir.

**Onkar**

Sure. Thanks.

**Moderator**

Thank you, sir. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. The next question comes from Mr. Nitin Awasti from InCred Equities. Please go ahead.

**Nitin Awasti**

Hello sir. I wanted to understand the development on fish feed, sorry fishmeal. It seems that Peru has suspended everything that they were doing in this industry for some time because there's no availability of fish there and the prices seem to be moving very high and very rapidly. So, do we have some kind of inventory?

**C. Ramachandra Rao**

Yes, fishmeal, it's true that one major challenge which we are facing is the export market. As you rightly said the Peru they have banned and things. Already even before they banned the Indian exporters started almost like more than a year now. The exports from India, the fishmeal to Vietnam, Japan, the Taiwan and all these things have started for many other reasons like price are less and they are able to get good quality here, the distance, they travel, everything they are able to get it.



And the Indian producers of fishmeal also they get benefit because of the advantage that they are getting and the higher prices they are getting and government incentives and also appreciation of dollar against rupee.

All these things put together it is getting. So, the demand for fishmeal is continuously growing. But, it is a natural product. We have to see how best we can, we have given the presentation to the government also that the domestic producers of shrimp feed have to be taken care because this is going into a value-added product for export purpose. So, they have to give some quota some sort of or they should reduce the incentives being given to them, but all these things are under consideration, it will take some time to actually get some results out of this.

**Nitin Awasti**

Understood sir. So, we have built some kind of inventory on fishmeal or are we going to be buying at the market rates?

**C. Ramachandra Rao**

The inventory means you cannot build inventory for a longer period. We can may at the most one month or 45 days we can build. And also the availability because it is in so much demand now Indian fishmeal for export, most of the Indian fishmeal producers are exporting. So, as in when it is a process like you catch fish and process it and the entire the modus operandia of this fishmeal production has undergone a sea change in the last couple of years because they're paying advanced to fishermen to get the fish and then process and they're exporting commitments are there for exports Like this, the entire system has undergone a change. So, we try to because the Avanti has a very good reputation in the market. All the vendors our suppliers have, in India they give the first priority to us and even a part of their export commitments also, they're just giving it to us, because of our reputation and our prompt payment situation that we are able to get at least the quantities which we required, but definitely there is a shortage.

**Nitin Awasti**

Understood, sir. Thank you.

**Moderator**

Thank you, sir. The next question comes from Madhur Rathi from Counter Cyclical Investment. Please go ahead.

**Madhur Rathi**

Thank you for the opportunity. Sir, I just wanted to know our shrimp processing segment. Are we trying to move out from--

**C. Ramachandra Rao**

You are not audible. Can you please speak little bit louder?

**Madhur Rathi**

Yes. Sir, our shrimp processing segment. Sir, are we trying to move out of the US market as majority of our revenue comes from US and our competitors coastal Corp also has highlighted that due to Ecuador competition is very high in the US market. So, if you could give your thought on that, are we trying to move out of the US to some different countries on?

**A. Nikhilesh**

I would say we're definitely not looking to move out from the US market. It's our primary market and will continue to be in our primary market. But we are expanding our sales with a focus on other countries as well. So, we're allocating more resources than we used to before as a percentage to other countries, just to diversify the risk from one market. Even though Ecuador is proven to be one of the dominant suppliers in the US market, India is still one of the largest exporters and we are targeting activity which Ecuador cannot cater to at the moment. So, in fact, I would say our strong focus is still to service our primary customers in the US market.

**C. Ramachandra Rao**

I may add to what Nikhilesh said. See, the last week at the roundtable global aquaculture in which it was said that US continues to be the largest consumer of shrimps and they are the largest importers of shrimps in the world. So, they are more than about 70%. Nikhilesh, am I correct? They said about 70-80% of the world's they are consuming, that is what I saw in the global aquaculture roundtable. So, that being the case, as Nikhilesh rightly said, there's no question of going out of

US market. It is fact, we have to consolidate the US market with more value-added products and more as you said primary markets, we should be able to concentrate on that and improve. Okay. Thank you. I think we have answered your question.

**Moderator**

Thank you, sir. The next question comes from Aniketh Kulkarni from BMS capital. Please go ahead.

**Aniketh Kulkarni**

Yes. Thanks for the opportunity. So, has India loss being competitive advantage to other countries on the export front, and if so, what are the reasons for it and how do we see processed shrimp export shaping up for the company over the next three years?

**C. Ramachandra Rao**

Can you repeat the question?

**Aniketh Kulkarni**

Yes. So, my question was, has India lost any competitive advantage to other countries on the export front? And, if so, what are the reasons for it? And how do we see our processed shrimp export shaping up in the next three years for the Company?

**A. Nikhilesh**

Good evening. So, on the competitiveness, I wouldn't say that, I would say that India is still very competitive in the global market. Ecuador is definitely today's lowest cost producer. But they have certain limitations and India has certain strengths. So, we have and we are very competitive to the US, mainly because we do a lot of value-added shrimp in general compared to Ecuador. India has a huge population, a huge workforce 1.5 billion population compared to the smaller population of Ecuador. So, we can process a lot more value-added shrimp than Ecuador. On why it's losing, so why it's lost a little bit of its competitiveness. It's just because Ecuador's culture and things growing rapidly, good weather conditions for the shrimp in general to grow.

So, they've been doing it systematically as an industry. And also, they've been targeting China, which has a great appetite for Ecuador raw material. There are lot of Thai companies buy Ecuador raw material for the processing, it's closer on nature to the US, the North American market. So, there are a few things which have helped them, but I feel in the long run India will be competitive as we look more into technology, better facilities to accommodate the high standards of the global food mix of the environment. So, for us as a company, I would say we have a very bad outlook. The Avanti still constitutes a very small portion of market share in the Indian exports of frozen shrimp, there are so many exporters and the market share is very-very fragmented.

So, there is opportunity in that way. We still have to explore a lot more new markets which we are starting to do more with the more aggressive nature and also, we're also looking now into starting distribution of seafood in India itself. So, we found the domestic team to look into it, which looks to be very interesting in the long term. But it's a small pilot project that they're running on the side. So overall, I think there's a bright outlook. We are expanding, we are getting new customers, we are processing more shrimp as we grow every day. So, in that way, I feel there's a bright outlook. Once I feel, the market kind of recovers in the US where Mr. Rao had already explained in the previous questions. At this price point, it's very attractive to have shrimp as an alternate protein compared to chicken and beef as a primary seafood commodity. So, it looks very interesting that way.

### **Aniketh Kulkarni**

And secondly, is the processed shrimp market not strong enough to pass on high raw shrimp prices to the customer without dropping volumes? I mean, the reason I'm saying higher raw shrimp prices because I'm assuming the higher fishmeal prices would reflect in the raw shrimp price as well?

### **A. Nikhilesh**

So, right now the lower price is not due to, I mean, if there was low supply, we could have passed on the raw material price. But there's also a production over supply. All the shrimp producing countries have been ramping up their exports for the last few years, especially during the COVID time. And so now it's just normalizing I would say. So that way, right now, it's an oversupply situation. So, we're not able to pass

on the prices. But once things normalize, yes, shrimp prices have been passed on higher prices, have been passed on in the past.

**Aniketh Kulkarni**

Okay, thanks. Thanks for the detailed answer and best of luck for the coming quarters.

**Moderator**

Thank you, sir. The next question comes from Raju Venkatesh, an Individual Investor. Please go ahead.

**Raju Venkatesh**

Thank you, sir. All my questions have been answered. Thank you.

**Moderator**

Thank you, sir. The next question comes from Harsh Beria, an Individual Investor. Please go ahead.

**Harsh Beria**

Okay. My first question is about our feed segment. I think last year, we had some government intervention in pricing of the feeds, where we couldn't pass on the entire price in raw material. How is that situation right now? Is the government still controlling the end feed prices in the market?

**A.Venkata Sanjeev**

So, they're still controlling the prices, because right now the farmgate prices are also really low and it increase the shrimp feed price, it might affect the farmers profitability.

**C. Ramachandra Rao**

I don't say it is 100% controlled, it is something like monitoring. Whenever there is representation from the farming community to the government, the government calls both in feed manufacturers as well as the processors to decrease the feed price and increase it the farmgate price that is always been the government's stand. Whereas we tell them that unless the raw material price has come down, there is no scope for further reduction. This is what we have been telling and it is like convincing to what extent this thing they get convinced about the increase. And same thing, it is not possible to increase the farmgate price and make losses while doing the processing, that is also an issue, because this is something like ongoing process.

We keep discussing with the governments and convincing them about the situation in the market and all these things. It goes on. It doesn't have any cruel, I mean could affect like that stopping that and all not there. It is going on. But only thing is here and there the corrections are required, as and when is required by the Government also to they're answerable to the public. So they also-- we have to do kind of some sort of, I know this thing with them convincing them. So, that's what is happening now in the respect of feed as well as farmgate prices.

**Harsh Beria**

Thanks for the clarification. My next question is about our fish feed business. So, if I remember in the past, we had also planned to go into feeds of other fishes other than shrimp. Can you talk a little bit more about that venture?

**A Venkata Sanjeev**

So, with the fish feed venture, we are looking also. The fishery market is around 16 lakh metric tons as of now, but most of it is very low-value fish. So, the feed value is also very low. We are only looking at high-value fishes like barramundi and snakehead fish which is only around like maybe 15-20% of the market share right now. And also, the civil structures and everything for the fish feed plants are ready. We are looking at machinery and et cetera for the fish feed plant as of now.

### **C. Ramachandra Rao**

I want to add to what Mr. Venkata Sanjeev said that we have already civil structures and all, plant and machinery. We have already entered into technical agreement already there with the Thai Union. They're ready with all. But we have to tell them which kind of species that we require, the feed formulation and only depending upon our requirements, so, they would be able to provide whatever formulations that is required for that particular specific species. So, we have actually recruited a senior manager for business development on this fish feed business and he is on the job. He is on the job and recently he has joined and he is on the job.

And once we have complete data of the market, Indian market, and what type of species as Mr. Venkata Sanjeev said going for high end products, so that you have more formulated feed consume were used by the farmers. So that process we are also on the job, we'll be able to get some clarity by end of this year I think was probably. And it should not take much time to implement the project because civil structures are already ready, already available, only order the machinery and we get the machinery, and we'll start off. So, overly a basic market research is to be done for that product also. We are on the job.

### **Harsh Beria**

So, can we expect commercialization of this in FY25?

### **C. Ramachandra Rao**

Yes, FY25 it should be there, because that appears-- we have taken in principle decision to go ahead. So the thing is that immediately we have made the technical knowhow agreement with them and then of course long back created the civil structure for that, it is ready. Only the moment we get the data about the market which kind of species is advantageous for the Indian farmers to grow, that would be encouraged. We will take all the education program also with the farmer and we start production of this. It should not take much time. As I said FY25 we should be able to start this production.

## **Moderator**

Thank you, sir. That will be the last question for the day. Ladies and gentlemen, we have come to the end of this conference. We appreciate the interest from the investors and analysts for the participation. Thank you. And if you need any further information, you may connect with Ms. Lakshmi Sharma of Avanti Feeds Limited at [investors@avantifeeds.com](mailto:investors@avantifeeds.com). Thank you for your participation and for using to Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good day everyone.

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