

Ref: AFL/BSE & NSE/2021-22

31.08.2021

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

BSE Code: 512573

NSE Code: AVANTIFEED

Dear Sir,

Sub: Avanti Feeds Ltd Transcript of Audio Conference Call for Investors on 21st August, 2021 - Outcome - Reg.,

Ref: Corporate Announcement No. AFL/BSE & NSE/2021-22, Dtd. 18.08.2021

Further to our letter cited, we enclose herewith the transcript of Audio Conference Call for Investors conducted on 21st August, 2021 in connection with Un-audited Financial Results for the Quarter ended 30th June, 2021.

This is for your information and record.

Thanking you

Yours faithfully
for Avanti Feeds Limited



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



Encl.:As above

Transcript

Avanti Feeds Ltd Q1FY22 Earnings Conference Call

Event Date / Time : 21st August 2020, 04:00 PM IST
Event Duration : 57 mins 08 secs

Presentation Session

Bharti: Good evening, ladies & gentlemen! I am Bharti, moderator for the conference call. Welcome to Q1FY22 earnings conference call of Avanti Feeds Limited, hosted by K-FIN Technologies. As a reminder, all participants will be in 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 STAR, then 0 on your touch-screen phones. Please note that this conference is recorded. I would now like to hand over the floor to Mr. Sherwin Fernandes of K-FIN Technologies. Thank you and over to you, sir.

Sherwin Fernandez: Thank you, Bharti! Good evening everyone! Welcome to the Avanti Feeds Q1FY22 post results earnings conference call. From the management we have with us Mr. C. Ramachandra Rao – Joint Managing Director, Mr. A Venkata Sanjeev – Executive Director, Mr. Alluri Nikhilesh – Executive Director, Avanti Frozen Foods Pvt. Ltd., Mrs. Shantilata – GM Finance & Accounts and Ms. Lakshmi Sharma – Company Secretary, Avanti Frozen Foods Pvt. Ltd. I now request the management to take over the call. Thank you!

C. Ramachandra Rao: Thank you, Sherwin! Good evening ladies and gentlemen! We extend a warm welcome for this investors' call to review the unaudited financial statements for Q1FY22. Along with me here are, Mrs. Shantilata – GM Finance & Accounts, Ms. Lakshmi Sharma – Company Secretary, Mr. Muthyam Reddy and Mr.K. S. Reddy, the Finance team. And Mr. Nikhilesh Chaudhary and Venkat Sanjeev are joining through VC call from the plant.

The results of Q1FY22 are already with you for some time now and we are sure that you would have already gone through them.

The Chairman & Managing Director has already dealt with most of the important aspects of the financial results for the year ended as well as the quarter ended – Q1 FY22. During the interaction with the shareholders at the AGM held very recently on 14th of August 21. However, I would like to share with you some of the key indicators relevant for our discussion today. Q1FY22 financial results of consolidated financial statements, the comparative performance of Q1FY22 with that of Q1FY21 and Q4FY21 have been given in the presentation already circulated.

Gross income in Q1FY22 is Rs. 1,430 crores as compared to Rs. 1,116 crores in Q4FY21. An increase by Rs. 314 crores at 28.14%. Compared to Q1FY21, gross income of Rs. 983 crores there is an increase of Rs. 447 crores at 45.47%. The PBT is Rs.99 crores in Q1FY22 as compared to Rs.93 crores in Q4FY21, an increase by 6.45% compared to Q1FY21 PBT of Rs.147 crores there is a decrease by 32.65%. Decrease in



PBT year on year basis is on account of increase in raw-material prices. It may be noticed that gross income of Feeds Division has registered a significant increase of about 58% over the corresponding quarter of the previous year and 40% over the previous quarter. However, the AFFPL revenue has gone down by 5% over the corresponding quarter of previous year, and 19% from the immediate previous quarter. The consolidated PBT has come down by 33% on year-on-year basis and 6% on QoQ basis. Now, this is the consolidation position.

Now, let us go through the standalone financial results of Feeds and processing divisions.

Feed division:

Q1FY22 results - the gross income for the Q1FY22 is Rs. 1,257 crores as compared to Rs. 795 crores in the corresponding quarter of Q1FY21, which is an increase of Rs. 462 crores at 58%. The PBT for Q1FY22 is Rs. 93 crores as compared to Rs. 112 crores in Q1FY21, a decrease of Rs. 19 crores at 17%. You may notice that in spite of significant increase in the gross income, the PBT has come down by 17% compared to corresponding quarter of the previous year. Compared to the previous quarter, a marginal increase of 2% in PBT was recorded.

Increase in raw material prices:

As in the recent past, the uncontrolled steep increase in the raw-material prices, particularly Soybean meals and fishmeal and their products such as Soy Lecithin and fish oil have been the major contributing factors for the drastic fall in the margin in spite of increase in sale of feeds. The fish meal price has gone up to 95 per kg in Q1 FY22 as compared to 91 per kg in Q4FY21. And now it is around 115 rupees per kg. Due to increase in Soy bean meal prices, consumers like Poultry industry have shifted to fish meals, soybean meals... from soybean meals. However, the announcement of permission to import soybean meal, lifting of ban on fish meal which commences from 1st August, the industry is expecting stabilization of fish meal prices in due course. The soybean meal price, which was at Rs.46 per kg in Q4FY 21 was shot up to Rs. 65 per kg in Q1FY22 and went further up to Rs. 105 per kg recently.

After the announcement of import of soybean meals, the prices started to come down and recently are about 95 to 96 per kg. For importing soybean meals customs notification regarding notification for import is awaited. Hopefully, with imported soybean meals and local fresh crop commencing, fresh soya crop commencing from 2nd of September, the industry expects stabilization of the price in due course. The company, after a long time increased the feed price by Rs 2.15ps per kg in April 21 and by Rs. 3 per kg in May 21 and further increase of Rs 4.25ps in August 21 to recover RM cost partially, the impact of which will be seen in Q2FY22. I mean August 21 increase of Rs. 4.25ps will have impact in current quarter, ongoing quarter. The positive impact of softening of RM prices can be seen only in Q3FY22.

Shrimp processing division:

Coming to the Shrimp processing division, the FY22 results. The gross income for the Q1FY22 is 175 crores as compared to 189 crores in Q1FY21. Registering a de-growth by Rs. 14 crores at 7.41% due to non-availability of containers and slow-down in exports by influencing more quality checks in view of the USFDA recalls. The PBT for the Q1FY22 is Rs.8 crores as compared to Rs 34 crores in the Q1FY21. A decrease of Rs.



26 crores mainly due to withdrawal of MEIS scheme. Increase in marketing expenses on account of step increase in the ocean prices.

Impact of MEIS withdrawal:

The gross income includes export incentives of 5% MEIS and 3% duty drawback on FoB value of export which were contributing significantly to the PBT of the company. However, the Government of India withdrew MEIS in two phases. Firstly, restricting MEIS incentives from September 20th to December 20th to Rs. 2 crores for 4 months and from January 2021 onwards, it was completely withdrawn. On account of withdrawal of MEIS incentive, there is reduction in income by about Rs 8.10 crores.

The Government of India had announced in place of MEIS had announced... in the place of MEIS incentive, a new incentive scheme called Remission of Duties and Taxes on export products called RODTEP will be introduced which is effective from 1st January 2021. However, considerable time has been taken to announce the new scheme, and recently as on 17th of August 2021 the Government of India announced the RODTEP scheme of issuing tradable e-scripts at 2.5% of FoB value of exports, subject to a cap of Rs. 16 per kg. As a results, the company's effective benefit would be only at about 2% on FOB which has not been taken into consideration in Q1FY22 results. Effectively net 3% disadvantage to company on withdrawal of earlier MEIS scheme will have the impact on financial statements of the company. The necessary rules and procedures regarding the company, grant of claim application, time period for application, record keeping, realization, etc. would be notified by the CBIC, Govt. of India in due course.

I mentioned that there has been various things, unabated increase in the ocean freight; going by about 300% over the earlier freight rate. The company along with other exporters have made several representations to the Government, to various other agencies like MPEDA to take initiative to curb this unabated freight increase. Any conceivable results are yet to come.

The volumes of exports during the Q1FY22 compared to Q1FY21 decreased on account of shortage of containers availability. Slowing down of exports of cooked Shrimps for strengthening of Quality Control System in view of, USFDA recall, exceptional item of Rs.4.10 crores taken to profit and loss for Q1FY22 on account of product recall. Other Income consisting mainly exchange fluctuations and on investment of surplus funds has decreased by about Rs 4.68 crores due to decrease in yields on Mutual funds and other investments and also foreign exchange fluctuations.

Industry over view – Future Outlook:

The world as you know has suffered the impact of the first wave and the effect of second wave appears to have receded to a great extent now and the economies of countries are getting back to normalcy. But the threat of the third wave COVID-19 is looming large; and the countries are getting ready to face it to prevent major impact by vaccinating their population and other preventive measures.

During the phase of second wave, the economic activity was not disturbed as much as it did in the case of the first wave. India had higher number of positive cases and fatalities. The industrial growth also picked-up in almost all the sectors except for industries like tourism, hospitality, etc. Demand for products and services picked up for supporting...

picked up fast supporting the manufacturing sector. Seafood industry is no exception to this. The restaurants, food services, etc. are all got back to normalcy. There is increase in demand for sea food products, processed shrimps.

During the first half of 2021, shrimp culture has been very good, expected to continue to be good during the second half also. The demand for the product also likely to increase in the second half due to the occasions like Thanks Giving Day, Easter, Christmas, New Year, Chinese New Year, etc. Therefore, the future of the industry looks quite promising.

Shrimp Production and Feed Consumption in 2021:
Shrimp Feed Consumption:

The shrimp feed consumption in India declined to 9.55 lakh tons in 2020. However, the demand is expected to increase in 2021 due to return of normalcy and favorable shrimp culture conditions, the shrimp culture consumption is expected to grow by about 10 to 15% over the previous year with estimated consumption of shrimp feed around 11 lakh tons during 2021.

The company's feeds sales during 2020 was about 4.55 lakhs metric tons and it is expected to be around 5.25 lakh metric tons in 2021, an increase of 15%. The company is expected to maintain market share in the feed of 48% to 50%.

With regards to processing and exports, shrimp production and exports from India in 2020 was 5.75 lakh metric tons in 2020. However, during the current year i.e., 2021 the production and exports of shrimp is estimated around 6.50 lakh metric tons, a growth of about 10 to 15% over the previous year.

The company's shrimp exports in 2020 was about 12,192 metric ton. The estimated exports in 2021, is about 12,700 metric tons. Maintaining almost same levels as in 2020.

Now let me just explain the issue of recall of some of the containers of shrimps shipped by Avanti Frozen Foods – Processing Division.

The company has issued a corporate announcement a couple of days back communicating the status of initial recall and also expanded recall of cooked shrimp products for potential for contamination due to the presence of Salmonella in the recalled products.

As stated in Q1FY22 a sum of 4.10 crores has been charged off as returned/destroyed product as against the total value of Rs. 16.11 crores in the initial recall. Since the recall is more than 45 days as of now, further returns of products for refund appear to be not significant. However, recall is open till the expiry date of product which is a year from now.

As far as the expanded recall is concerned, the quantity is 613.862 metric tons with a value of Rs. 50.12 crores covering products exported into the US from November 20 to May 21. The company is in the process of ascertaining the inventory of the products with consignees distributed, etc. and evaluate the possibility of the extent... possibility and the extent of returns that could come for claim. The process is on because the recall was announced very recently. We got only the information about 70 tons is in the warehouse.

This is what the information we have right now. But we have to wait for some more time...how much... what is the return what we are going to get from this second recall.

At this stage, I would like to conclude with the positive note that the aquaculture industry is poised for a promising growth. And whatever that recall is... it's a...it's not a normal thing. It is something which has happened an aberration and I think in the course of time we will be able to solve this issues and we have already put, taken lot of efforts to strengthen our check and systems, engaging the food safety, public health, consumer safety and regulatory compliances. And they have all been giving very fruitful results and we should be able to resolve these issues very soon, and come back to normalcy. And we do not foresee any serious impact on account of this on our image of company or reputation of the company. Since this kind of situation never happened in the past two and half decades; and it is the first time that it is happening, and we are confident that in consultation, in discussion with the customers we will be able to establish whatever the necessary steps are taken. We will do it and give them the confidence that such situation will never arise. I think, with this I would like to conclude and go into questions and answers now.

Bharti: First question comes from Aniruddha Doshi from ICICI Securities. Please go ahead.

Aniruddha Doshi: Thanks for the opportunity. Sir, firstly, what is likely to be the maximum impact on our profitability considering the shrimps that are getting rejected. So, obviously, the maximum impact may get accounted or not, but what is the fair assumption on the loss that we may have to incur on this account?

Point 2, the MEIS benefits were around 5% and the RODTEP benefits are 2.5%. That too, considering the cap it will be around 2%. So, how do you see the 3% gap that will be bridged? Or, it will have impact on profitability initially and then it will get absorbed in the entire shrimp family chain that is farmers, feed manufacturers and exporters, all three? Yeah, so these are the two main questions from my side.

C Ramachandra Rao: The first question, that the impact of these recall, Mr. Aniruddha, we mentioned in our corporate announcement that the first i.e., the initial recall I think was about 16 crores odd, we have received 4 crores, say I would say around roughly 25% is the impact. And what see is that initial recall was made way back on June 25th, and till now almost we have 2 months time, we have only got these value worth Rs 4 crores only we have received. And we have written off that value in the profit and loss accounts. Further, definitely... since the recall is open, we may get some more such claims but we do not foresee a see a significant impact on the profitability of this because of such claims. So, as far as the product recall, I feel we have completely taken care of all the products that have been returned, they have been destroyed. And there may not be any more left-out in the initial, the primary, the initial recall... over and above that.

And coming to the second recall, this is about 50 crores, which is the financial impact and 613 tons are involved. See, this has been issued and we are just waiting and seeing. We have to really; we are not in a position to exactly figure out how much is going to be the return. It happens like this, if you look at the normal process when the... it is distributed from the consignee's warehouse to the distributor to ultimately to the retailers and then to the customers. We don't know the entire channel. That normally how much time it takes and all... though there is a shelf life of the product which is there

for one year or two years. But that does not mean in the stores... in the refrigerators in the houses till that period. The normal tendency is that you buy the goods, buy the products, particularly food products, you consume it as soon as possible. It cannot go for more than two weeks, maximum in the refrigerators.

We don't see that it's going to be a big impact, but in any case, as you have asked what is the maximum. Maximum could be 50 and minimum could be 0. So, that is the range. So, if you take what has happened in the first, the initial recall its around 25%. Ok, let us take 25 to 30%. 30% of 50 is 15 crores. That may be our very, very preliminary assessment as of now. But we have to wait and see. That we cannot give any guarantee as of now, but it could be anywhere between 15 crores to 20 crores maximum. It may not be that, it is only our assessment, guess work. But we have to wait and see how the things develop.

Then, the second question comes regarding the price, when we lose this 3% deficit, the incentive that the government has announced. As you rightly said, in the normal course it gets distributed amongst all the three stakeholders. The processors or the farmers or the buyers. It gets to get adjusted in the course of time. I think we are expecting it to happen in due course.

Aniruddha Doshi: Ok. Just, sir last question. So, now the benefit is from retrospective from 1st of January, so do you see that the industry including Avanti will be posting a onetime... because it not an accrued income, so we will be accruing all the income in September quarter for the January to September period?

C. Ramachandra Rao: See, you are right. Because it has come into effect from January 21st.... 21 January, the first quarter the value is about 3 crores 88 lakhs 50 thousand. That is what we have worked out and estimated. And that is the first quarter. That is Q1 in the calendar year i.e., January to March.

Coming to the second quarter, it is 4 crores 65 lakhs i.e., April – May – June quarter. So, total for the first half of the year, it will be 8.53 crores, which pertains to the earlier period. Coming to the current quarter, we are yet to get the full information. Only in the July it is about 1 crore 96 lakh. So, total as of now, the benefit which we have... we are estimating is about 10.50 crores. Added to that, August to September also we have to see. And once the Government announces the scheme, how it should be, they are talking that it will come automatically it will be credited along with the shipping bill, it will be credited. But as you know, the Government we have to see the processes and how they are going to do it and it is automatically to our account. That is what they are saying. E-scripts are given, they are tradable scripts. So, this can be utilized for payment of duties against import of the products which are notified. I mean, it is by and large in the same lines as it was in the MEIS. So, we hope that may be with the discount of another 5% or so on this overall, let us say 10 crores 50 lakhs you have to give discount of about 4 to 5% in the course of that trend, that is, when selling it. So, you may get the net benefit of about 10 crores we should be able to take from the January to July.

Aniruddha Doshi: Ok. Ok. Sir, so this is very helpful, sir.

C. Ramachandra Rao: So, it is 8.53 crores belonging to the first 6 months of this calendar year, add into that these 3 months – July, August, September will be reflected in the... this current quarter, i.e., Q2FY22. Yes, yes, you are right.



Aniruddha Doshi: Ok. Ok. Sir, so this is very helpful. Just lastly, can you indicate on the loss that we may have to book? Will that be get booked in FY22 or it may get booked in FY23 itself?

C. Ramachandra Rao: I don't... see, I tell you, most of the things shouldn't have happened. In the recalls, it does not take so much time. By end of this year i.e., by December we should have all this thing should get settled. It should not get beyond that. That is what we are expecting. Because, it is in the month of August... see we are now September, October, November, December. We have got about 4 months here. So, in the 4 months' time... see, the recall mostly it will be known. It does not take time. If there is any other consequential liabilities or anything like that, anything is there, it may take some time. But certainly, by December we should have clarity. And beyond December, the Q4 it may not be much. Q3 we should be able to settle everything.

Aniruddha Doshi: Ok. Ok. Sir, so this is very helpful. Many thanks! Thank you!

Bharti: Thank you, sir! Next question comes from Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Good afternoon, sir! Am I audible?

C. Ramachandra Rao: Yes, yes. Good afternoon! Go ahead.

Ayush Mittal: Sir, first of all congratulations on a good performance given the circumstances and other challenges. It was very heartening to see the strong growth in feeds segment and you had mentioned this in the earlier call also. So, sir, can you give us some idea as to the strong volume growth that we are seeing in this quarter, how much you see to be maintained in the next season? In the coming quarters?

C. Ramachandra Rao: Mr. Ayush, we don't see any reason why this should not be maintained. See, we are keen only growing. We are not seeing that as going down. We have been maintaining and we continue to maintain. We have got all the wherewithal to maintain this growth. And this... you know, you can't get this super growth, but definitely, the growth which you have seen, it will now not go down. It will be will be about 48 to 50%. 48 to 50% share will be maintained in the overall... in the coming quarters also.

Ayush Mittal: No sir, what I am trying to understand is, in the volume of growth the change is absolutely very high. The absolute number now, the quantity that we are doing. So, this kind of year-on-year change, do we expect to see in the coming times also?

C. Ramachandra Rao: Yeah. Now I understood your question. the consumption of the feed depends on the culture. Because, what happened was, the last year the culture was down because of the COVID impact. But this year, the climate was good. The culture conditions were good. And good prices were there. Farm gate prices were there. And farmers felt very confident of starting off. And they started early in the February itself, January end – February they started the culture. And although the culture, climate has helped a lot, and growth was very good, our feed also performed very well. It has given very good results. We had not only the... compared to the previous quarters... the previous quarters of course as you know, in the beginning it will not be there. But second

quarter, naturally the peak quarter will be there, normally the consumption is more. This time what has happened is, because compared to last year the area has gone up, the results were good. And a lot of conversions have also taken place because our feeds performed very well. So, these are the reasons we have been able to see a significant growth in two aspects. One is, if you compare the corresponding quarter of the previous year, because of the reason of the COVID impact of last year, we are finding the increase. And as far as the previous quarter is concerned, this quarter naturally the April-May-June quarter is peak season for aquaculture. Added to that we have good conversions and good performance during the quarter that has helped us to record this. And if this kind of trend of consumption continues, we will continue to have our share as it is now.

Ayush Mittal: Ok. Got it. So, sir it also means that the industry because clear cut has grown at a very high rate in this quarter. So, overall industry in India has grown at a very high rate for this season, is that right?

C. Ramachandra Rao: Yes, because... it all depends upon the conditions. The conditions start from good availability of good seed. Then we will have good climatic conditions and then... this good farm gate prices. Good export prices. In a chain all things come in favour, naturally everyone will be enthused to go with a larger area and the... naturally it results in higher consumption and higher production of shrimps.

Ayush Mittal: Got it. Yeah. Sir, second, around the... in the contamination issue that we had in our shrimp processing business, there has been an unfortunate thing and we are trying to bring things back in control. But have you been able to study any other company which has gone through this issue? And how does it impact the volumes going forward for us? Like, are we facing lower volumes from customers for the coming quarters or seasons given this uncertainty that it has brought for the company.

C. Ramachandra Rao: Nikhilesh, can you answer this question, Nikhilesh?

Alluri Nikhilesh: Yeah. I will. So... Hi! I hope you are doing well. So, for the impact, we have been engaging senior food safety consultants including a lot of ex-FDA compliance officers in assisting us to build robust and the most advanced food safety system in the world and I am talking not only India, but the world. We have included people from the Canada Food Safety Association, the USFDA, the Indian counterpart, etc. So, as we discuss with them, the first thing is that it's a food processing industry, major food processors including Thaisons Food, who had the recall of about 9 million pounds of chicken today or Kellogg's, or Joules. These are in the US market; the regulatory environment is continuously increasing. The inspections have increased substantially this year. So, it is a continuing phenomenon. But definitely the FDA and the regulatory authorities work with the facilities to ensure that the food safety system is created. And we are presenting to them the most robust food safety system implementing new equipment, doing the testing the USFDA style using their own ... same equipment they do to have more accurate results as they would.

So, coming to, would it impact the volumes? On the long term – definitely not. Because once we have already got this tremendous result the new system that we have implemented and the corrective action that we have taken. We are in constant communication with our customers about the updates. And they have also in turn been... actually we have tested almost around 40 to 45 containers with FDA and found to be no contamination. So, things are going in the right direction. This is a short-term

impact but definitely as the systems shows it's results, any other long-term impact would be mitigated. I hope that answers that question.

Ayush Mittal: Yeah. Yeah. Once final question from my side. Given the growth the Indian industry that we are seeing after a gap of 2-3 years. Are we planning further CAPEX expansion for both of our segments?

C. Ramachandra Rao: As far as the feed is concerned, we do have plans. We wanted to implement you know, increase the capacity by 1 lakh tons shrimps. And we are also planning to feed fish feed also. We have been planning this, in fact we are delayed as our CMD mentioned in the recent AGM that because of the COVID situation. And the slow.... And proper communication and all with the suppliers of machinery, we are now in touch them. And as soon as things improve, we want to go with that. Most probably once we have quotations... We are getting quotations from them for the machineries and all. We have planned, and may be in the next quarter or so by end of the year we will come out with the details of the plan.

Ayush Mittal: Ok. And processing?

Alluri Nikhilesh: So, on the processing side I would like to say that we have already completed expansion of one of our units. But now the primary focus is to increase the systems. And once these systems show effective performance, because we are talking about a fool-proof system, both in terms of microbiology monitoring, etc. So, once these... also I have said that we have invested in a new testing equipment what the FDA uses. So, the CAPEX is more towards the machinery in the existing facilities. But as of now, no immediate future expansion plan. But once we get more clarity of this regulatory issues, we should be looking to further grow the business. We already have lower capacity utilization. So, we want to build up the utilization to 80-90% to add new product into the product line. Manage them efficiently and then go for volume growth. More volume growth rather than going for volume growth without capacity utilization.

C. Ramachandra Rao: I want to add to what Nikhilesh said. As Nikhilesh said, we did discuss these issues and we are hopeful that all these regulatory issues and... could be resolved may be in 3 months' time. And we do have a plan of you know, modernizing the earlier plants and also go for further expansion of productivity. And we have earmarked about 100 crores for our expansion, recently we were planning strategy and we may... along with that we may come with... maybe once we as Nikhilesh said, we resolve these regulatory issues by end of this year and early next year we should be able to come with some concrete plan on this. But as of now we have earmarked about 100 crores in case of any expansion is required to be done.

Ayush Mittal: Ok. Thank you, sir. Very helpful. Wish you all the best!

Bharti: Next question comes from Nitin Awasthi from Incred Capital. Please go ahead.

Nitin Awasthi: Hello sir! In your opening remarks you mentioned something on the GMO front. And I couldn't catch it clearly. If you could please reiterate what it was? That are we allowed to import it right now? Are we placing orders for GMO crop, soya meal? And are we getting it? Are there still regulatory hurdles?

C. Ramachandra Rao: Yes, you are right. See, now, in India the Government never allowed earlier import of GM products. However, because the prices were going up unabated and uncontrolled because one of the reasons for this steep hike in the soybean price has been the commodity trading.

You know, commodity trading and hedging by these traders resulted in a very steep hike. So, the Government has allowed import of soybean meals. But there are certain regulatory issues, there are four ministries that are involved in this. Recently they have announced that import is permitted. The 15 lakh tons, the Government has permitted the GM soybean meal. But only thing is processing and the system how it should be imported is to be given by the regulatory authorities like DGFT and Customs.

We have placed an order for import of GM soybean meal. Yesterday there was a news that the information has come from the revenue ministry, the Finance Ministry, revenue department, custom saying that we have to take some approvals and it has been directed to the Fisheries Ministry. The Fisheries Ministry is in touch with the Forest and Environment and Climate Change. They have to give this approval under GEAC called Genetic Engineering Approval Authority. This is a body which has to give permission for import of any genetically modified organism. Initially they said that since crushed seed which has no live organism, so that can be imported and it does not fall under GEAC. However, the Customs Department has now raised this saying that no, it requires GEAC approval. So, that has been taken up now. And most probably, on Monday, Tuesday the notification will come from the GEAC approving the product to be imported as well as by the DGFT by policy change. Import-export policy has to be modified accordingly, permitting import of Genetically Modified GM Soybean meal. We are expecting that 2-3 days it will come and we have already placed order for import of soybean meal from Vietnam. So, the expected as on date, the expected shipment is around 10th of September. So, it will reach about 20th September. But this product should come.

And moreover, at that time we are going to get a new crop of soybean meal in India also. Starting with Maharashtra – Sangli and all, the harvest will start in the second half of September. So, I think we will be having the local soybean meal also available, as well as, imported soybean meal. So, with that the pressure on the soybean meal will decrease, will come down and prices are likely to be stabilized. That we are expecting. Softening of prices will happen sometime in mid-September. That's what our expectation is about.

Nitin Awasthi: Noted, sir. And... Yes, sir. Go ahead.

C. Ramachandra Rao: Yeah. See what I am saying is that we can expect softening of Soybean meal prices from mid-September. Later part of September.

Nitin Awasthi: Ok, sir. Got it. Also, sir, the landed cost of orders that you have placed for GMO Soya?

C. Ramachandra Rao: Quantity...

Nitin Awasthi: No, Not quantity. Quantity would be of course subject to a lot of other things. Price. Per kg if you could just give us, you know a rough Price, you know. And there will be of course, a lot of heres and theres. But approximately what is the landed cost you are getting that product for.

C. Ramachandra Rao: Yeah. As of now we are expecting it would be around Rs. 65 to 70 – landed cost.

Nitin Awasthi: Rs. 65 to 70 Ok. And if you import it from anywhere else in the world, let's say the US or Brazil or something like that? Would it still be the same cost?

C. Ramachandra Rao: Yeah, yeah. See, that trading we have not contacted. Only a couple of traders have come forward, because still the policy of the Government is not very clear. They have not yet come with a clear notification under Customs that it can be imported. Under DGFT policy also it's not clear. So, everyone is sitting with fingers crossed. Once the DGFT as well as the customs give a notification that GM soybean meal is permitted to be imported, then more and more suppliers would be willing to supply to India. We have contacted other suppliers also. But they are saying let us know the policy in India. They are waiting for that. Most probably next week some development will take place on this.

Nitin Awasthi: Noted, understood.

Bharti: Next question comes from Ashwini Agarwal from Ashmore Investment Management India. Please go ahead.

Ashwini Agarwal: Hi! Good afternoon! I just wanted some comments on, you know, how you see the industry evolving. Because right now we are seeing several headwinds all at the same time. We are seeing the cost of raw-material in the whole, you know, shrimp growing, business going up. We have seen shipping cost going up a lot. You are going obviously face more costs on compliance as you going for new equipment and conduct new tests. Packaging material costs have also gone up. At the same time China as a buyer of frozen shrimps from India has more or less disappeared. So, looking at this industry scenario, how do you see the scope to expand your revenues exports to other countries? Or does this mean that you know, we may be in for a tough industry scenario for the next 12 to 18 months.

C. Ramachandra Rao: Ok. Let me answer first the... your question of sustenance of the industry and let me answer about the feed first.

The feed is directly connected to the production. The production is again on the basis of the demand for exports. And the demand for export depends on the consumption. So, we do not foresee any reduction of fall in the demand for consumption of shrimps globally in near future. There is only increase in the demand but not the decrease.

Whatever has happened in the last couple of years is something because of the COVID-19. This is only I would say an aberration, it is not a continuous process or it is not perpetual. It is only a very short time impact.

Coming to the feeds division, the raw-material price, again I would put it that the impact of COVID to some extent and some of the policies that we are taking. Maybe if you look at the Governmental policy, one time they encouraged the export of soya, so there is a big export of soya to other countries. When the Brazilian crop, the American crop failed, so there was a lot of export of soybean. The soya-processors were getting much higher prices than the local prices so they resorted. And there is a shortage in India. Again, it

could have been monitored by the Government and stakeholders to reduce this situation and control the situation.

Now, the second this why did these soya prices go up? It is because we allowed the commodity trading. Commodity trading is nothing but some sort of hedging the futures. And expecting and going on increasing one sided without actually transactions taking place. With the results that the forward prices looking at the future prices, there was lot of hoarding was there. Looking at the future prices, hoarding started. So, this again this is again what a man-made situation. So, under this situation, it is nothing, it is our own regulatory mechanism is not in properly managed. So, once we do it, definitely soybean price would have been controlled. On one side Government generally goes on increasing MSP price in the interest of the farmers that is good. But at the same time if you allow the forward trading, then naturally the traders will come into play. They have no business; they will buy and sell on paper. Nothing happens. So, that is creating an artificial demand for the product. We have made several representations to the Government to ban the forward trading, the commodity trading in soya because it is an essential product, food product, edible. Soya-oil or soybean meal, a food man's protein. So, we made so many representations and it is under consideration. So, that is one reason

As far as the fish meal is concerned, what is created is the demand for, the price for soybean meal went up to Rs 105 – 110. It is more than fish meal price. From Rs 46 it went to 100 rupees – soybean meal. Whereas it is Rs 95 to 100. So, poultry and all, one is on the shortage and the second is the move to fish meal. So, the fish meal demand went up. So, they were getting, they were getting some export good prices, they started exporting. So, these are all what the some sort of our own created problems. And we hope that things are slowly settling down.

The Government is also kind enough to understand the difficulties of the industry, farmers and aquaculture farmers and all. Several representations, they have started giving results. One such is the permission for import of soybean meal, and the second one comes on the other side fish meal. Catches will improve. There was a ban. So, from 1st August the ban has been lifted. So, we will have more fish meal. And all these things will settle down. if you allow 15 lakh ton of soybean meal and as it stands today, basis of the sowing of soya in India, it is almost like more than 100 lakh tons which is much... almost same as last year. It was a good crop. But for the other reasons, the prices ... the product as such the availability was there. Current year also, with this and availability of soya abundantly in India, we see that the prices should stabilize in next one year. And definitely it is going to positively have a positive impact on the industry, sir.

Ashwini Agarwal: Is there room to increase the prices or realization, especially looking at the freight cost and what a big impact that it has? Or raising these prices is simply not possible?

C. Ramachandra Rao: Yeah, let me, I think... Let me answer the feeds pricing and Nikhilesh will answer the export prices.

The feed prices, we have taken in explain in my initial remark we have taken three times – price hike. Latest being Rs. 4.25 in August. I think once the raw-material prices stabilize from next month onwards, the things will be much better, the performance. We are expecting more but we cannot increase prices as we like because we have to look at

the feasibility, workability of the aquaculture activity as such for the farmers. There should always be a reasonable return on this investment. That is farm gate prices and cost of production of shrimp for the farmer. We always keep in because we are in both the processing as well as the feeds. We always look at the feasibility of the guiding activity. And as we have more and more farmers undertaking shrimp culture, more and more of business in the production also. We took that into consideration. And we have also certain regulatory issues by the State Governments and all regarding the prices. All these things are taken into consideration and we resort to price hike of the feed only as and when it is absolutely necessary. And it is acceptable to the farmers and regulatory authorities.

I think as far as the freight and the export prices, Nikhilesh, would you like to take this question?

Nikhilesh: Yes, sir. So, on the pricing, we can see that already the price of the commodity, the shrimp commodity has increased this year because of the higher freight prices, higher cost, higher fuels and all other even higher manpower cost. So, the price has been going higher for the commodities. But we need to see how much more higher it can push at the moment. Because not only looking at the purchase price from the farm level but also higher overheads which are eventually going to be passed on to the customer because it's not related to one facility but its across the world, across India.

I think we also, I mean, just to add into this conversation on another topic. I was talking to a couple of buyers earlier today and yesterday. And there is a higher cost for everything today. Because consumers are essentially staying at, working from home, higher savings per person. Whereas, the factories etc, people are still turning up to work. So, there will be an increase in the commodity price but it will be governed by the market. As such, one facility or one country cannot govern it because it's more from the consumer level it has to increase.

Ashwini Agarwal: Ok. Thank you!

Bharti: Thank you, sir! Ladies and gentlemen, due to time constraint that will be the last question for the day. Now I hand over the floor to Mr. Sherwin Fernandez for closing comments. Over to you, sir.

Sherwin Fernandez: Thank you, Bharti! On behalf of K-FIN Tech, we would like to thank the entire team of Avanti Feeds for giving us the opportunity to host this call and we appreciate the interest from the investors and analysts for the participation. Thank you and have a nice day!

Bharti: Thank you ma'am, thank you, sir! Ladies and gentlemen, this concludes your conference call 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 pleasant evening.

Note:

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

E. Ramesh Chandra W

