

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

26.03.2021

The Deputy General Manager
BSE Limited
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Rotunda Building, P.J. Towers
Dalal Street, Mumbai – 400 001

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

BSE Code: 512573

NSE Code: AVANTIFEED

Dear Sir,

Sub: AVANTI FEEDS LIMITED – Transcript of Audio Conference Call for Investors on 13th February, 2021 – Outcome - Reg.

Ref: Our letter dt: AFL/BSE & NSE/2020-21 dated 10.02.2021

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Further to our letter cited, we enclose herewith the transcript of Audio Conference Call for Investors conducted on 13th February, 2021 in connection with Un-audited Financial Results for the Quarter and nine months ended 31st December, 2020.

This is for your information and record.

Thanking you,

Yours faithfully,
for Avanti Feeds Limited



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



Encl: As above

Transcript

Conference Call of Avanti Feeds Limited

Event Date / Time : 13th February 2021, 04:00 PM IST
 Event Duration : 49 min 40 sec

Presentation Session

Moderator: Good evening ladies and gentlemen. I am Bharathi, moderator for the conference call. Welcome to Avanti Feeds Limited Q3 FY2021 results conference call, hosted by KFin Technologies Private Limited. At this moment, all participants are in listen-only mode. Later we will conduct a question and answer session. At that time, if you have a question please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Mr. Sherwin Fernandes from KFin Technologies. Thank you and over to you sir.

Sherwin Fernandes: Thank you Bharathi. Good evening to everyone present on the call. I welcome you all to the Avanti Feeds Q3 FY2021 results concall. On behalf of Avanti Feeds and KFinTech, we would like to send out our best wishes of the New Year to each one of you. From the management we have with us, Mr. A. Indra Kumar, Chairman and Managing Director, Mr. A. Venkata Sanjeev, Executive Director, Mr. Alluri Nikhilesh, Executive Director, Avanti Frozen Foods Private Limited, Mrs. Santhi Latha, GM – Finance and Accounts and Ms. Lakshmi Sharma – Company Secretary, Avanti Frozen Foods Private Limited. Now, I hand over the call to Mr. Indra Kumar sir. Thank you and over to you sir.

A. Indra Kumar: Good evening ladies and gentlemen. We extend a warm welcome to you for this investor conference call today to review the unaudited financial results of Q3FY21. Along with me, here are Mr. Venkata Sanjeev, Mr. Nikhilesh and Mrs. Santhi Latha, GM – Finance and Accounts and my other team members. The results of Q3 FY21 are already with you for some time. And now we are sure that you would have already gone through them. Here are some of the key indicators from the financial results of Q3 FY21.

The comparative performance of Q3FY21 with that of Q3FY20 and Q2FY21 have been given in the presentation already circulated. Gross income in Q3FY21 is Rs.944 crores as compared to Rs.1,050 crores in Q2FY21, a decrease by Rs.206 crores at 18%, as compared to Rs.942 crores in Q3FY20. There is a marginal increase of Rs.2 crores. The PBT is around Rs.108 crores in Q3FY21 as compared to Rs.162 crores in Q2FY21, a decrease by 33%. As compared to Rs.73 crores in Q3FY20, there is an increase by 48%. Increase in PBT when compared to the corresponding quarter Q3FY20 is on account of increase in sales realization and gross margin.

Standalone financial results of feeds and processing division. Feed division's Q3FY21 results. The gross income for the Q3FY21 is Rs.697 crores, as compared to Rs.674 crores in the corresponding quarter of Q3FY20, registering a growth of Rs.23 crores at



3%. The PBT of Q3 FY2021 is Rs.78 crores as compared to Rs.43 crores in the corresponding quarter of Q3 FY2020, an increase of Rs.35 crores, at 81%.

Shrimp processing division's Q3FY21 results. The gross income of the Q3 FY21 is Rs.233 crores, as compared to Rs.265 crores, in the corresponding quarter of Q3 FY20, registering a de-growth by Rs.32 crores at 12%. The PBT for Q3 FY21 is Rs.32 crores, as compared to 30 crores in the corresponding quarter of Q3 FY20, a marginal increase of Rs.2 crores.

Industry overview and future forecasts:

The aquaculture industry like any other industry breathed a sigh of relief on the significant decline of fresh COVID-19 cases during the last 2 months coupled with giving COVID vaccine to frontline workers like doctors, nurses, paramedical staff in the first phase during the past one month and continuing vaccinations to other sanitary workers, police and other administration staff with promise to extend to above fifty years age group from the first half of March 2021. Administration of vaccine to a large population in a large scale is the first of its kind in the world on being implemented very effectively. Even globally, COVID vaccines are being administered in a phased manner and except some sporadic instances, the fresh cases of COVID-19 is by and large decreasing, giving confidence to global economy to stage a comeback. These two factors have given immense confidence to the people in the industry and the Government alike to bounce back with a rejuvenated energy and work for the growth and prosperity.

The year 2021 started with promising significant improvement in the overall performance of the aquaculture industry compared to the bygone year 2020. The severe setbacks experienced in the first half of 2020 due to COVID-19 lockdown etc. are not there now. The State Governments are confident of resumption of activities on par with the pre-COVID period during the current year globally. As a result, industry performance is expected to improve significantly in this year. In India, the main season of shrimp culture started in January with a positive note of stable farmgate prices of shrimps and export prices, good rainfall in the previous year, availability of good quality seed. The farmers were very hopeful of continued favorable conditions of shrimp culture this year, particularly the main season during the first half of this year.

Shrimp production and feed consumption in 2020:

As per GOAL survey, the global shrimp production in 2020 is estimated to be about 3.5 million tons compared to 4 million tons in 2019, a decline by about 10%. However, the forecast, a production of 3.8 million tons in 2021, a growth by 8.5%. In India, the estimated production of shrimps in 2020 is about 6 lakhs to 6.5 lakhs metric tons as compared to 8 lakhs metric tons in 2019, a decrease by around 19%. During the current year 2021, the production is expected to grow by 10% to 15%, with an average estimated production of 7.5 lakhs metric tons. Shrimp feed consumption in India declined to about 9.55 lakhs tons in 2020, compared to 12 lakhs tons in 2019, down by about 20%. However, during 2021 the feed consumption is expected to grow by 10% to 15% with an average estimated consumption of around 10.5 lakhs metric tons. The company feed sales during 2020 is about 4.55 lakhs metric tons and expected to be around 5 lakh metric tons in 2021. The company is expected to maintain its market share of 46% to 48%.



Shrimp processing and export:

Shrimp production and exports from India in 2020 is estimated around 6 lakhs metric tons to 6.5 lakhs metric tons as compared to 8 lakh metric tons in 2019, a decline by 19%. During the current year 2021, the production and export of shrimp is estimated at around 7.5 lakhs metric tons, a growth of 10% to 15% over the previous year. The company's shrimp exports in 2020 is about 12192 metric tons. The estimated exports in 2021 is about 12500 metric tons. As the global markets are gradually recovering from the impact of COVID-19 and the economies are showing signs of improvement, the demand for shrimp consumption is also expected to pick up as customer turnout in restaurants, malls and public eating places is increasing. The company continues to focus on export of value-added products and exploring new markets.

Favourable and Un-favourable Policies of the Government and impact on the Industry:

The Government, in the recent Budget for 2021-22, has increased Concessional Customs Duty on import of Shrimp Feed and Fish Feed to 15% from earlier 5% to regulate import of feed at Concessional Customs Duty, encouraging large scale imports detrimental to the domestic Feed Industry. This is a long awaited welcome decision by the Government which has been achieved by consistent persuasion with the Government. The Govt. of India is working on providing Production Linked Incentive to the Industry to promote export of global quality shrimps at a competitive price in the global market. This is a positive move and the details are yet to be formulated and announced by the Government. The Central Govt. approved a financial out lay of Rs.10,900 crores to Ministry of Foods Processing Industries over 5 years for Foods Processing Sector which includes Marine Foods Processing.

As all of you know, the Government has totally discontinued MEIS incentive on the export of shrimps with effect from 1st January 2021, which was capped at 2 crores for the last four months, that is from 1st September to 31st December, which was 5% on our FOB earlier. The abolition of MEIS has significant impact on financial performance of the export industry. However, the Government is in the process of introducing alternative incentive scheme known as RoDTEP, Remission of Duty and Taxes on Exported Products. The State Government of Andhra Pradesh has enacted three legislations for regulating aquaculture sector in AP State, Andhra Pradesh State Aquaculture Development Authority Act, Fish Feed Quality Control Act and Aquaculture Seed Quality Control Act. No doubts such regulatory measures are required for the sustainable growth of the industry. But enormous compliance requirements and intensive interference by the officials in pursuit of implementation of these acts may cause unavoidable hardships to the smooth operations of the industry.

I would like to conclude with a positive note that the aquaculture industry is poised for a growth in 2021. Thanking you. And now we can take up the questions and answers.

Question and Answer Session

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 a question, please press * and 1 on your telephone keypad. Participants are kindly requested to restrict with two questions in the initial round and may join the queue for more questions.

The first question comes from Mr. Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Hello sir. Thank you for the opportunity. Just to understand the basic questions first. Could you just share the trend of fishmeal prices and soya bean prices, what they were during the previous quarter and how they are shaping up right now?

A. Indra Kumar: The fishmeal and soya bean prices have been stable for quite some time. Now, they are increasing both fishmeal and soya meal prices, are slightly increasing, in slightly increasing trend.

Nitin Awasthi: Okay. Could you quantify sir what they were during the previous quarter and what they are right now?

A. Indra Kumar: The previous quarter, in the first quarter it was, the fishmeal was around, average price was around Rs.94.25 and the second quarter it was Rs.92.74. And now again it is around Rs.94.8. And the soya was around Rs.42.17 first quarter and Rs.40.84 in quarter two. And now it is Rs.43.

Nitin Awasthi: Sir, continue sir. Wheat?

A. Indra Kumar: Wheat has reduced slightly, yeah.

Nitin Awasthi: Okay sir. On the budgetary announcement, how much market share was with the foreign players who were directly importing feed and not manufacturing it in the country over whom this new law will affect?

A. Indra Kumar: Earlier the feed was allowed to be imported by concessional duty of 5%. Now, in this budget they have made it, they increased another 10%, which made it 15%. Total imports were around 10% to 15%. In the year 2020 around 1 lakh to 1,15,000 tons were imported. Out of the total 9,50,000, 1 lakh to 1,15,000 was imported. And now because it was being imported from China and Vietnam at much lower prices and because they were getting some export benefits and the duty was a concessional duty, what India was imposing on that. Now, with the increase of that, those will get affected. They will be stopped.

Nitin Awasthi: Got it sir. Sir lastly, given that the industry is under some stress at this point of time and your balance sheet is so strong, would you look to spread your wings into by acquiring companies or getting into different fields? And if I may continue with this question, is there any conflict of interest into entering into certain segments, because of promoter entities?

A. Indra Kumar: Pardon me, can you repeat again?

Nitin Awasthi: Yes sir. Given that the industry is under some stress as of now and Avanti has such a strong balance sheet and such a strong business model, will



it look to spread its wings into different geographies or different products within the industry? And if not, is there a conflict of interest between the promoter or holding entities of the Avanti Group or company, because of which it is not doing so? Because, every other play is doing so in the industry, who has a strong balance sheet.

A. Indra Kumar: We are looking at expanding our this thing, earlier we had already informed you and informed in our AGM and this thing....we are looking at fish feed and other feeds. And we are entering into fish feeds and other feeds and also bringing in the new species, because last year was a difficult year because of COVID and all, we couldn't really progress on that. But, our plans are there and this year we are taking it up.

Nitin Awasthi: Could you specify when you say other feeds, you mean other animal cattle feeds apart from fish feeds?

A. Indra Kumar: I said fish feed and maybe we are looking at some pet foods.

Nitin Awasthi: Pet foods, okay. And you are bringing in new species when you say, new species of shrimp or fish?

A. Indra Kumar: New species of fish. Fish.

Nitin Awasthi: Fish. Got it sir. Thank you so much for answering the questions. That is all from my side.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question please press * and 1 on your telephone keypad. And participants are kindly requested to restrict with two questions in the initial round.

The next question comes from Mr. Punit Mittal from Global Core Capital. Please go ahead.

Punit Mittal: Hi, thank you for the opportunity. And congratulations for a good set of numbers in these difficult times. I only have one question which I think I have raised previously in the previous conference calls as well is, given the strong balance sheet and the large cash that the company is holding and good generation of operational cash flow situations, would the company....why is the company not looking at buybacks, given the valuation of the company is also not properly reflected in the market?

A. Indra Kumar: At the right moment we will take a decision. We have, most of the funds we are using for the working capital and we are looking for a good opportunity for organic and inorganic growth. And we will definitely, we are looking at different options here.

Punit Mittal: Would the management be able to take any decisions any time soon, because with due respect sir, it has been the same thing for the last many quarters. And naturally we are just highlighting shareholders, because we do think that the company is not rightly valued by the market and the company has strong cash on its balance sheet.



A. Indra Kumar: We have some expansion programs on mind and we are working on it. And we require diversification or acquisitions, we are looking for the opportunities. When opportunity comes, we have to take it. Then we have to have right cash at the moment, when the opportunity comes.

Punit Mittal: Okay, understood. Thank you so much.

Moderator: Thank you sir. Next question comes from Mr. Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Hi Indra Kumar sir. Good evening and very good to have you on the call. Sir, just wanted to understand what kind of problems or let me put it like, changes you are seeing on the ground, because of the AP Government regulatory framework? And are you seeing any farmers moving to other States and are you thinking of putting a new plant in other States also?

A. Indra Kumar: No, the Government of Andhra Pradesh putting up regulations and bringing up the Act, Aquaculture Act and Feed Control Act and other Acts, I think it will be more of a promotional activity, because the major activity in Andhra Pradesh today is aquaculture. They don't want any fly-by-night operators to come in they want strong people and safeguard the farmers interests also. The farmers are not moving away from the State. Actually, during the COVID time also, lockdown period, the Government has come up to help them out also. And definitely there may be some hiccups in the beginning of the implementation of the Act, but slowly the regulatory system should help the growth of the industry if we take it in a positive way.

Depesh Kashyap: Understood. Sir, you talked about the fish feed segment in the last question, but historically also you have tried to get into fish feed segment and that has not worked out and you have closed it. So, are you seeing any change in the ground, because of the Government initiatives that you again want to venture into it?

A. Indra Kumar: We have not closed it. In fact, we have not closed it. We can produce one variety of the fish feed, which is sinking feed. But, we need also floating feed, this is the other segment. We didn't want to cater to the low valued fish. Now, there is a lot of interest in culturing high valued fish like grouper, sea bass and other species, which are now being encouraged, in last budget of last year, Prime Minister announced for the fisheries sector and supporting the fisheries. The new fishes are being encouraged in India and we are being developing these fishes, which are high valued, high protein fish. I think then the feed requirement or the processing side, it is more advantageous for the big players like us.

Depesh Kashyap: Great. Lastly sir, one question to Nikhilesh, I just want to ask. Nikhilesh, despite the lockdown and the restaurants not operating at full capacity in the US, the actual shrimp imports if you look at it in the US have increased by 7% in the last calendar year. So, just wanted your view, was it the actual demand of shrimps or they have built up an inventory that may hurt the demand in the next year?

Alluri Nikhilesh: Good afternoon. So, there are two things, the imports have definitely increased up. And if you look very carefully into the numbers, imports from Ecuador have gone significantly up. That is mainly because the Chinese market has closed and Ecuador has put in a lot of products into the US market at very cheap prices.



So, that is one factor. Also retail sales have gone up significantly compensating the closure of the food service segment. There was inventory built-up in December and early January, but then cleared up now. But, frankly speaking any time we talked to buyers, they say that we have a lot of inventory; but then there are lot of indications like the warehouses accepting products and the numbers like our customs broker informing us about the movement of products. Right now it is more smooth, stable, back to normal; but, we need to see how the sales go in this period, February, March, before the new season starts.

Depesh Kashyap: Okay. And are we becoming uncompetitive due to the higher freight rates that we are seeing? India is becoming uncompetitive because of that or customer is ready to take the price hike if we are able to pass on?

Alluri Nikhilesh: So, it is not only India; the freight rates have gone up worldwide. Even if you take Thailand, Vietnam and Indonesia, the freight rates have gone up significantly, like very, very high. Right now, the industry is trying to pass on the cost to the consumer. It is very early, because the freight rates have again increased in January. So, we are waiting. We are quoting higher prices, explaining to the customer about the new freight increases and we are negotiating with them. Right now it is very early, but someone definitely, some of it will be passed on to the consumer.

Depesh Kashyap: Great. Thank you sir. Thank you and all the best.

A. Indra Kumar: Depesh, the freight rates across the world have gone up and there is shortage of containers and the space in the shipping lines. As Nikhilesh has explained, the freights have really gone up and now I think not only India, like other countries also are facing the similar situation. And we are taking it up with the Government of India to come for help in regulating the prices.

Depesh Kashyap: Okay, understood. Thank you sir and all the best.

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

The next question comes from Mr. Ashish Thakkar from Motilal Oswal. Please go ahead.

Ashish Thakkar: Thanks for the opportunity. Sir, the harvest season in India has started in the last month. So, how is the mood among the farmers now?

A. Indra Kumar: Harvest season is over. The seeding season has started. Now, the seeding is going on. The mood of the farmers, it is going on very....the farmers are very active and the seeding is going on actively.

Ashish Thakkar: Okay. Sir, another question would be on this Chinese New Year. Is the relationship between whatever shipments used to happen from Ecuador to China, has that changed or Ecuador continues to supply large part of it to the US itself?

A. Indra Kumar: Nikhilesh?



Alluri Nikhilesh: So, right now the Chinese market is completely closed, because of the Chinese New Year. The Chinese Government has also banned some of the very large Ecuador exporters. So, right now during December and early January, there were some purchases, but it is not in the scale that it used to be before COVID, when Ecuador supplied to a lot of products to China. So, we need to see this as not major change. With the easing of COVID and the vaccine rolling out, hopefully the Chinese Government will slowly take back some of the policies that they have introduced to import seafood.

Ashish Thakkar: Okay. And Nikhilesh, the comment that we had got at the start of the call on a positive outlook for the next financial year, so what gives you the confidence? Is it that the distributors have already had a word with you and with that regard if you could help us understand what gives you the confidence?

A. Indra Kumar: You mean regarding feeds?

Ashish Thakkar: Yeah, regarding feeds and processing, both.

A. Indra Kumar: Regarding feeds, yes. We keep monitoring the seed offtake and the distributors of the feed are getting ready, because they also finance part of the farmers. and the seed, actually we also, as you know the company has also started hatchery. And our seed sales have started. The seed offtake is quite good. It all depends on how the seed is being taken and how the farmers are preparing their farms and we have the staff going around in the market and the farmers are already prepared for the stocking of the seed and they are waiting for the seed. Actually, seed offtake is quite good.

Ashish Thakkar: Okay. Fair enough. This is very helpful sir. Just one last question from my side, on this recent regulatory policy by Andhra Pradesh Government, how far are we behind in terms of quality compliance when we compare ourselves to someone like Vietnam, Ecuador?

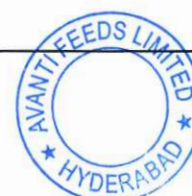
A. Indra Kumar: We are much far ahead than any of the foreign companies, like we are much better. When you compare with the Vietnamese or the Chinese feed which is coming into India, our feed's performance and quality is much better.

Ashish Thakkar: Sir, you believe with this kind of a regulatory framework in place, larger players like us, whoever has a better control on the quality and are more compliant, they could be winners at the end of the day?

A. Indra Kumar: They should be, that is what the Government, they don't want, I can say that they don't want a fly-by-night operator coming in, taking the advantage of the demand and supply and vanishing. They want consistent player and quality to be given to the farmers. This is what the Government's idea is. Definitely when the companies comply to the standards that the Government has prescribed, it will be good for them.

Ashish Thakkar: Okay. This is very helpful. Thank you and all the best.

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



The next question comes from Mr. Ayush Mittal from MAPL Value Investing Fund. Please go ahead.

Ayush Mittal: Good afternoon sir.

A. Indra Kumar: Good afternoon.

Ayush Mittal: Sir, it is really good to see Indra Kumar sir on the call. I hope you would be present in the future calls too. And congratulations to team Avanti for the good performance. Given when we look at the performance of peers, we have done much better in a challenging environment. Sir, my few questions are, first, I see that the international shrimp prices have been hovering lower or they have been stagnant at certain level. While if we see that the export incentives have reduced and the new incentives have not been announced. Similarly, on the feed side we are seeing that the raw material costs are going up. So, it seems like overall there is a squeeze in the margin for the whole value chain of the shrimp industry. So, given this, what is your outlook for the industry going forward? How are you seeing this new season come up? And how will you protect the margins and growth in the seed and the processing segment, both, individually?

A. Indra Kumar: Definitely there was an impact suddenly when the Government has announced withdrawing 5% MEIS. And we are all waiting for the new scheme which was announced from 1st of January, that is the RoDTEP. Definitely, we are looking this scheme will be good. And the Government also is announcing the PLI scheme and that also will encourage the industry. This PLI scheme is for the value-added products. You do more value addition, you will get production incentive. And where the Government has announced recently around 10900 crores for the food processing industry, where the seafood industry is also a part of it. The Government has removed the MEIS and they are coming back with new schemes like increase of value-added products, Make in India and all these things. Earlier, India was supplying head on, shell on shrimps, which were further value addition was done in Vietnam or China. Now, most of the companies like Avanti and few companies are doing it in India. We have started, currently we are more concentrating on those products. Definitely this scheme, PLI should be helpful for us. We want to see, details of it have not yet come out. Recently, around a week back they announced the amounts for the industry. And regarding the shrimp feed prices, they are always up and down. One month, there will be shortage and increase and then automatically the industry corrects itself. The shrimp feed price has been increased last year. And this year, at the end of the year because of COVID, we have given a relief to the farmers on a promotional scheme, which will be adjusted as we go further.

Ayush Mittal: Sir, any change in the feed price as of now, because the raw material prices have moved up quite a lot, I think, both soya has gone up and fishmeal has gone up?

A. Indra Kumar: Yeah, compared to 2018 and 2019, the prices were same as today.

Ayush Mittal: So, no change as of now, okay.



A. Indra Kumar: No change of as now. And they have increased and as I told you we have given some promotional schemes and that will be adjusted.

Ayush Mittal: So, you mean that the promotion discount that you were giving adjustment that will be reduced as the raw material prices have increased now.

A. Indra Kumar: Yes.

Ayush Mittal: Okay. But, this discount also was given because of some Government intervention from what I understand earlier?

A. Indra Kumar: That is only given once. Government has asked us to reduce in a certain way because of the COVID and panic in the market and that was given and later to overcome the imported feed, we had to give some temporary discounts.

Ayush Mittal: Okay. So, as of now there is no intervention or any Government directive, because of which you cannot increase the price?

A. Indra Kumar: No, nothing like that.

Ayush Mittal: So, we should be able to protect the margins of the feed segment going forward, that should not be a problem then?

A. Indra Kumar: Yes.

Ayush Mittal: Okay. Sir, given that if the MEIS, instead of MEIS, the other scheme comes at a lower rate, then also the whole industry margins get affected by 3%-4%. Do you think that is okay and still the industry will grow, what is your outlook for the upcoming season? What kind of a growth or what are you seeing on the ground now?

A. Indra Kumar: The RoDTEP, which the Government is going to announce, we have to wait and see whether it will be down or more. We are not sure it will be more than 5% or less than 5%. If it is more than 5%, what exactly happens is, generally we pass it on to the farmers. Now, passing onto the farmers and adjusting the prices will automatically take place.

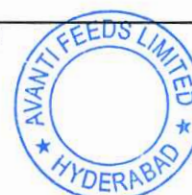
Ayush Mittal: Okay. And sir, what kind of growth are you seeing for the upcoming season, given that you must be seeing the seed sales and interaction with farmers?

A. Indra Kumar: We expect...this year we have done around 4,55,000 tons, but next year I think we can plan around 5 lakhs-5,10,000 tons.

Ayush Mittal: Okay sir. Sir, please go ahead, you were saying something?

A. Indra Kumar: Please go ahead. Go ahead please.

Ayush Mittal: Sir, my second suggestion is more around the, earlier participants have also raised this point and we have also raised this point earlier around the buyback thing. Sir, what I think is that, the dividend payout ratio has been



maintained at 20% for a very long period of time, this was 20%, even when the company was growing at 30%, 40%, 50%. Now, when we have become a matured company and are not experiencing big growth, this dividend payout should be increased and other than dividend, we should do a buyback. So, even if you don't have plans to use cash, which is a very high amount now in balance sheet, because in this industry, the acquisition will also be not more than 100 crores-200 crores, 300 crores at max. So, there is a need to review this policy that we are following of 20% dividend payout and rather increase the dividend payout or buyback, as a combination to at least 50%-60% of annual profits. And then also use the surplus cash we have on balance sheet as a buyback from time to time. This is just my suggestion.

A. Indra Kumar: Ayush, in years we have also given around 25%-26% dividend of the profits, not that we didn't give. And definitely as I said earlier, we are planning for an expansion facilities and also going for new species and all these things, where we require cash. And on the top of that, when we are going for that, we require lot of working capital. When we require a lot of working capital, definitely you need cash and you don't know when you require that cash, if we get an opportunity. We are continuously paying dividend and definitely, we will look at increasing the dividend and also see other options also.

Ayush Mittal: Sure sir, thanks a lot. Are you also planning for expansion on the processing side, given that you talked about the production linked incentive?

A. Indra Kumar: Yes.

Ayush Mittal: Any details on that, because I think you are doing very well when I compare you to other companies. So, also Nikhilesh, if you would like to share something on that front, because our performance has been much better than peers I think, which is really commendable over the last three-four years.

Alluri Nikhilesh: Thank you very much Ayush. So, right now we are increasing our production, like I think you have been following the company for a very long time. So, we are going into, get higher utilization of our production capacity. So, our focus is on that, increasing our feed processing capacity to achieve like higher sales. So, like we explained in the previous quarters and many calls before, like the step-by-step process, we need to train the workers and we need to take another batch of workers, train them up to meet the standards. So, it is a step-by-step process. So, definitely in the next three-four quarters, you can see higher production capacity utilization and higher sales. We are working towards it. So, we will see it in time.

Ayush Mittal: Okay. And anything on expansion plans?

Alluri Nikhilesh: That is what I was saying, right?

Ayush Mittal: Sorry, I meant the new capacity or something or this will be Brownfield? That is what I meant.

Alluri Nikhilesh: We are pumping up the pre-production capacity. So, we are basically, the pre-production involves a lot of workers. So, like I was telling you we can't take too many people, but now we are adding in more people.



Ayush Mittal: Got it. Got it. Thank you.

A. Indra Kumar: We are adding some new value-added lines, we are working on it. And training of the workers as Nikhilesh has said, the training of the workers is more important and we are on that job.

Ayush Mittal: Okay sir. Thanks a lot. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question please press * and 1 on your telephone keypad. And participants are kindly requested to restrict with two questions in the initial round and join back the queue for more question.

Sir, we have a follow up question from Mr. Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Hello sir. There is a little bit of confusion on my side, when it comes to the targeted amount of that the company is, would the market size and what the company is targeting, because when I go through the presentation, okay, let us just take the calendar year 2021, what do you see the market size and calendar year 2020 what was the market size?

A. Indra Kumar: Shrimp?

Nitin Awasthi: Feed.

A. Indra Kumar: Feed. Calendar year 2020 was around 9,50,000.

Nitin Awasthi: And 2021 you expect it to be?

A. Indra Kumar: 10,50,000 approximately.

Nitin Awasthi: 10,50,000?

A. Indra Kumar: Yes.

Nitin Awasthi: Okay. And you wish to take in half of this growth?

A. Indra Kumar: Yes.

Nitin Awasthi: Okay. And this is because you see it normalizing, that is what I believe, that is why you see the big jump coming. You saw a dip and now you see it normalizing, if I am correct?

A. Indra Kumar: Yeah, this is normalizing back. Earlier in 2019, it was 12 lakhs tons. The shrimp feed consumption was 12 lakhs tons. And this year, we have conservatively put around 10.5 lakhs, because this year it was 9.5 lakhs, we have conservatively put around 10.5 lakhs and it should be, if the season goes on well, it will be more than the 10.5 lakhs. It all depends on how, because it also depends on other conditions like climate and other conditions. We are hopeful everything will be good.



Nitin Awasthi: Got it sir. And second question on the processing side, in the previous quarter and the events that took place, there was a panic harvest that took place, because of which the prices of shrimp had crashed and there was even a recent article pointed out whether certain companies like Avanti stepped in to support the farmers and bought shrimps at a lower price, although not at a bottom price, but at a remunerative price, but still lower than what they are today. And we were carrying that inventory for quite some time. Have we exhausted that inventory? Are we still carrying that inventory? Is that the inventory the reason we had the margins that we had in the last quarter?

Alluri Nikhilesh: Hi Nitin. So, like the inventory what we bought during the whole panic situation, we processed it immediately. We don't hold the stock for many months. So right now, all that stock has been exhausted. I think within the first two quarters itself it was exhausted. So, we are not carrying any of that inventory anymore. The margin that you said is not because of any such inventory, but it is mainly because of the product mix and also better contracts that we negotiated.

A. Indra Kumar: Mr. Nitin, during the panic harvest, Avanti was the only company which has stood up to the prices and we have not bought at the throwaway prices. Definitely since after the lockdown period, because of the lockdown situation, there was no activity of the farmers for going in for fresh stocking or it was delayed. Definitely there is a shortage of the crop. And that is why the prices have increased. Otherwise, the prices what we offered during the lockdown period, the panic situation, was very good price.

Alluri Nikhilesh: And also Nitin, just to add to that, actually the raw material prices were at really record high prices during the last quarter. It was really high. And in a pace good for the industry I guess, for the farmers community, because it motivates them to go in with higher optimism.

A. Indra Kumar: The farmers are expanding. The farmers would expand.

Nitin Awasthi: Understood sir. And just lastly one suggestion from my side and just a different one, nothing to do with buybacks or dividend, because a lot of participants have taken that up. On the newer initiatives, once the board approves it, if you could set a timeline and share it with the shareholders, stating that these are the new direction that we are going in and these are the rough timelines that we have and these are the actions that we are taking or things that we are setting up, it would be a just a good and informative and a little more transparent way for the shareholders to be informed. That is all from my side.

A. Indra Kumar: Definitely we will do it. Actually, we have come out of the pandemic situation, we are just coming out of the pandemic situation. And in the board also we have been discussing. As all of us know, it is very difficult to travel out of the country for new projects or the discussions. Till recently we couldn't even travel from one State to another State. In fact, many countries are not even allowing us entry into the countries. Definitely you also have to understand we have the plans and we are working on it. Due to the COVID, we had to slow down. We had to slow down. Now since everything is coming back to normal and we are going on the right path, we are going to work out and the shareholders will be informed periodically.



Nitin Awasthi: Got it sir. Thank you, sir. That is all from my side.

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

Sherwin Fernandes: Thank you Bharathi. Thank you to the entire team of Avanti Feeds for giving us the opportunity to host the call. And we would also like to thank the investors and the analysts for their participation. Thank you and have a nice day.

A. Indra Kumar: Thank you. Thank you everyone.

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 pleasant evening.

Note:

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



G. Ramchandra