

AVANTI FEEDS LIMITED
21ST ANNUAL GENERAL MEETING OF THE COMPANY
HELD ON 2ND AUGUST, 2014.

ADDRESS BY CHAIRMAN & MANAGING DIRECTOR, SRI. A. INDRA KUMAR

Dear Shareholders,

I have immense pleasure in extending warm welcome to all of you to this 21st Annual General Meeting of your Company.

Industry Overview :

The successful adaptation of Vannamei shrimp culture in India, replacing traditional Black Tiger shrimp culture proved to be a boon to the Indian shrimp culture industry.

As the aquaculture farmer is finding Vannamei shrimp culture more profitable than Black Tiger, conversion took place at a rapid pace from traditional Black Tiger to Vannamei shrimp culture in 2013-14 also. Moreover, the area under aquaculture is also increasing which was dormant till 3 years back due to unviable shrimp farming. As a result, the shrimp production in India has been recording phenomenal growth year after year.

Indian marine product exports during 2013-14 crossed USD 5 billion, recording major jump of 60% in value terms as compared to 2012-13. The exports were Rs.30,213 crores as against Rs.18,856 crores in 2012-13.

Shrimp exports accounted for 64% of the total exports in US Dollar value terms. In the current year the shrimp exports are Rs.19,175 crores as compared to Rs.9,608 crores in the year 2012-13 recording an increase of 100%. In volume terms the shrimp exports grew by 33% from 2.26 lakh MT in 2012-13 to 3.02 lakh MT in 2013-14. The export of Vannamei has shown tremendous growth to 1.75 lakh MTs from 0.91 lakh MT and USD 1994.27 Mn from USD 731.01 Mn compared to 2012-13. Exports to USA accounted for 44.59% of total Vannamei shrimp, followed by 17.07% to EU, 16.54% to South East Asian countries and 4.01% to Japan in US Dollar terms.

The Nodal agencies like Coastal Aquaculture Authority (CAA), Marine Products Export Development Authority (MPEDA), Export Inspection Agency (EIA) etc., have been strictly implementing regulatory measures in import of good quality brood stock, monitoring of hatchery operations, certification of the shrimp at the time of export etc., This will go a long way in ensuring sustained growth of shrimp culture in India.

Now, I would like to present to you the performance of your company in 2013-14.

The Annual Report for the year 2013-14 is already in your hands and I am sure that you will feel happy to see that your company crossed two landmarks, Rs.1000 crore turnover and Rs.100 crores PBT.

FEED DIVISION:

The feed sales in 2013-14 are 50% higher than that of the previous year at 1,49,891 MT mainly because of large scale conversion to Vannamei culture coupled with increase in acreage of shrimp cultivation and better performance of the feed of your company compared to other competitor feeds. As a cumulative effect, the performance of your company has been exceedingly good for the successive fourth year.

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In the last year's AGM, I had informed that your Company is planning to set up a new feed plant with annual capacity of 50,000 MT near the existing plant at Kovvur. I am extremely happy to announce that this new shrimp feed plant completed and started commercial production from March'14. I had also informed you in the last year's AGM, that there is plan to double the capacity of the feed plant in Gujarat . This expansion work is also completed. Now, your Company has a total installed capacity of 2,10,000 tons per annum for shrimp feed manufacturing.

In the current year, all the feed manufacturing units are operating at 100% capacity utilization.

SHRIMP PROCESSING & EXPORT DIVISION :

In tune with increase in shrimp production and need for processing of higher volume of shrimps, your Company has modernized its processing plant by replacing old block freezing machines with new ones and also adding another 5MT per day capacity IQF Machine to the existing IQF machine of 15 MT capacity.

The exports during the year 2013-14 was 3,289 MT as against 2551 MT in the year 2012-13 registering an increase of 29%.

WIND MILLS :

Your company has 4 wind mills of 0.80 MW each at Chitradurg, Karnataka with a total installed capacity of 3.2 MW. The Wind Mill operations during 2013-14 reported a net profit of Rs.126.08 lakh. The performance has been fairly stable during the year under consideration.

POWER PROJECTS :

1. **Srivathsa Power Projects Ltd.**, a 17.2 MW gas based independent power project in Andhra Pradesh, wherein your company has 50% holding, has generated 398.58 lakh units yielding a gross sales income of Rs.1321.12 lakh and net profit of Rs.95.14 lakh for the year 2013-14, after charging of interest, depreciation & tax.

This gas based power plant continues to suffer because of drastic cut of gas supply to power plants by GAIL from February, 2012. Now, GAIL is supplying 28,869 SCMD of gas to our power plant as against 65,000 SCMD gas on firm allotment basis and additional 35,000 SCMD on fall back basis aggregating to 1,00,000 SCMD. As a result of steep reduction in gas supply, the power generation has also fallen to 398.58 lakh units in 2013-14 as against 1026.99 lakhs units in 2011-12.

In order to supplement the gas supply, this Gas Based Power Plant has successfully secured allotment of 10500 SCMD of gas from ONGC through an open bidding process. The supply of this gas is being made through GAIL Grid to the Plant. The power plant started drawing this additional sanction of gas from 17th June, 2014. This will increase power generation marginally in the current year.

2. **Patikari Power Private Ltd.**, a 16 MW Hydel Power Project in Himachal Pradesh, wherein your company has 26% holding has generated 756 lakh units in 2013-14 which is highest annual generation since commissioning of the plant. This is because of copious rains in the area and higher water flows in the river. The company made a profit of Rs. 53.36 lakhs in 2013-14 after charging of interest, depreciation & tax.

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EXPANSION PLANS IN NEAR FUTURE :

A. NEW SHRIMP HATCHERY AT GUDIVADA IN VISAKHAPATNAM DISTRICT:

I have been reporting to you that your Company has plans to set up a state-of-the-art Vannamei shrimp hatchery to cater to the increasing demand of good quality Vannamei seed. However, due to unforeseen hassle in acquiring a suitable land, the project was getting delayed. Now that we have purchased land in Gudivada Village, near Tuni in Vizag dist of Andhra Pradesh for setting up the hatchery, the work would be speeded up to implement the project in an year's time. The detailed project report is under preparation.

B. EXPANSION OF SHRIMP FEED PLANT :

As mentioned by me earlier, the shrimp feed of your company has gained high reputation for its quality and the demand has been increasing year after year. Moreover, the shrimp culture activity is also poised for a growth at the rate of 15% annually, in future. Considering the future demand, it is considered advantageous for your company to undertake further expansion of feed capacity. In this direction, plans are being drawn up to expand feed capacity by 75,000 MT per annum in near future.

C. NEW / EXPANSION OF PROCESSING FACILITY :

Along with the increase in production of shrimps in India, the demand for increase in the processing facility also goes up. Considering the estimated increase in the volume of shrimp production in the coming years, the processing facilities of international standards operating in India at present are inadequate. Therefore, setting-up of the processing facility of global standards with value added products will go a long way in further strengthening your Company's position in global market.

In this direction, plans are afoot to study the feasibility of setting up a state-of-the-art shrimp processing facility with the association of THAI UNION in the near future.

Having placed before you, the performance of your company during 2013-14 and some of the future plans, I would like to share with you my views on the future of this industry in India, vis-à-vis global trends and long term outlook of your company. Even after levy of Anti Dumping Duty by USA on our exports, USA continues to be a major export destination for Indian shrimps.

The Indian shrimp industry is stabilized as all the stakeholders have become aware of do's and don'ts and strictly adhere to it. The various regulatory agencies like Coastal Aquaculture Authority (CAA) and Marine Products Export Development Authority (MPEDA) have also put in place systems to regulate the industry assuring sustainable growth. Therefore, the future of this industry is attuned to grow at a steady pace of 10-15% and stay for a long time to come.

ACKNOWLEDGEMENT:

I would like to acknowledge and place on record the unstinted support and cooperation extended by the State, Central and other Governmental Agencies, Shareholders, Banks, Suppliers, Dealers, Farmers and Staff of the Company.

I thank you and wish you all a **HAPPY FESTIVAL SEASON** ahead.
