

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

14.12.2020

The Deputy General Manager
BSE Limited
1st Floor, New Trading Ring
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 24th November, 2020 – Outcome - Reg.

Ref: Our letter dt: AFL/BSE & NSE/2020-21 dated 19.11.2020

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Further to our letter cited, we enclose herewith the transcript of Audio Conference Call for Investors conducted on 24th November, 2020 in connection with Un-audited Financial Results for the Quarter ended 30th September, 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 : 24th November 2020, 04:00 PM IST
 Event Duration : 1 hour 1 min 43 sec

Presentation Session

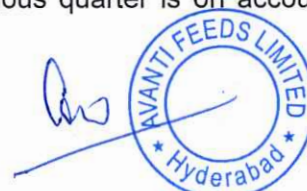
Moderator: Good evening ladies and gentlemen. I am Pavithra, moderator for the conference call. Welcome to the Avanti Feeds Limited Q2 FY21 results conference call hosted by KFin Technologies Private Limited. At this moment, all participants are in the listen-only mode. Later, we will conduct a question 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 hand over the floor to Mr. Sherwin Fernandes from KFin Technologies. Thank you and over to you, sir.

Sherwin Fernandes: Thank you Pavithra. Good evening to everyone present on the call. I welcome you all to the Avanti Feeds Q2 FY21 results concall. From the management, on behalf of Avanti Feeds and KFin Technologies, we would like to send out our festive and best wishes to each one of you. 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 Private Limited, Mrs. Santhi Latha, GM – Finance and Accounts and Ms. Lakshmi Sharma, Company Secretary. I now hand over the call to Mr. C. Ramachandra Rao. Thank you and over to you, sir.

C. Ramachandra Rao: Thank you Mr. Sherwin. Good evening ladies and gentlemen. We extend a warm welcome to all of you for this investor's conference call today, to review the unaudited financial results of Q2 FY2021. Along with me here are Mrs. Santhi Latha, GM – Finance and Accounts and other team members, Mr. Venkata Sanjeev, Executive Director and Mr. Nikhilesh Chowdary, Executive Director, joining on line from factory and Ms. Lakshmi Sharma, Company Secretary.

The results of Q2FY2021 are already with you for some time now. And we are sure that you would have already gone through them. Here are some of the key indicators from the financial results in Q2 FY2020-2021. The consolidated financial results for Q2FY21, the comparative performance of Q2FY21 with that of Q2FY20 and Q1FY21 have been given in the presentation already circulated.

Gross income in Q2FY21 is Rs.1,150 crores, as compared to Rs.982.76 crores in Q1FY2021, an increase of Rs.167.60 crores, at 17.05% and with Rs.1,085.28 crores in Q2FY2020, an increase of Rs.65.08 crores at 6%, when compared with the Q1 FY2021 is observed. The PBT is Rs.162.22 crores in Q2FY21 as compared to Rs.147.01 crores in Q1FY21, an increase by 10.35% and Rs.140.54 crores in Q2 FY20, an increase by 15.43%. Increase in PBT when compared with the previous quarter is on account of increase in revenue and gross margins.



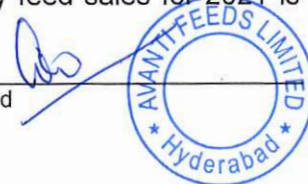
Standalone results of feeds and processing division are separately discussed. First, we take up the feeds financial results, the gross income for Q2 FY21 is Rs.914.81 crores, as compared to Rs.849.82 crores in the corresponding quarter of Q2FY20, registering a growth of Rs.64.99 crores at 7.65%. The PBT for the Q2 FY21 is Rs.123.05 crores, as compared to Rs.116.26 crores in the corresponding quarter of Q2 FY20, an increase of Rs.6.79 crores at 5.84%. Processing financial results, the gross income for Q2 FY2021 is Rs.238.16 crores as compared to Rs.235.83 crores in the corresponding quarter of Q2FY20, registering a growth of Rs.2.33 crores at 1%. The PBT for Q2FY21 is Rs.40.41 crores, as compared to Rs.23.65 crores in the corresponding quarter of Q2 FY20, an increase of Rs.16.76 crores at 70.87%.

Implementation of shrimp hatchery, the long awaited first phase of shrimp hatchery has been completed and commenced commercial production, commercial operations from 13th November 2020. The capacity of the shrimp hatchery now is 400 million seeds per annum, of which about 50% utilization in the first season of 2021 is estimated, fetching a revenue of about Rs.7 crores. Of course, this again depends on the situation of shrimp culture during the first crop.

The overall industry review, though the severity in spreading of COVID-19 reduced to some extent in the past three or four months' world over, including India, it appears it is showing its aggressiveness once again in the form of the second wave. In India also, some of the Northern Indian States are experiencing rapid increase in the Corona positive cases. At a time when the global economy appears to be on the path of recovery, the impact of second wave is seen as a threat looming large. However, the news that quite a few vaccines for Corona are in the advanced stages of clinical trials and a vaccine is likely to be available early 2021 for vaccinating a larger population gives a big boost to the confidence of the people, which in turn helps recovery of ailing economies including aquaculture sector.

As far as the aquaculture sector is concerned, about 25% to 30% fall is anticipated globally in this year due to the impact of COVID-19. In India it is about 22%-25% fall. The shrimp culture in India has started belated in this year due to shortage of feed on account of the COVID-19 in the beginning and during the period of culture also, the effect of white spot disease was seen overall on and off, reducing the overall production of the shrimp. However, as the farm gate prices are encouraging, the shrimp culture is continuing with fresh stocking even now. However, the estimated production of shrimp this year is about 6 lakhs to 6.5 lakhs tons.

The shrimp production in the peak consumption in 2021: The shrimp production in India has registered a growth of about 10% to 12% at 8 lakhs tons in 2019, as compared to 6.85 tons in 2018. Shrimp feed consumption has registered a growth of about 10% at 11,50,000 tons in 2019 as compared to 10,20,000 tons in 2018. However, in view of the COVID-19 factors, the global demand and production is expected to come down by about 25% to 30% in FY21 as compared to FY20. Basing on the present shrimp culture situation in India, a decrease in shrimp production is estimated by about 20% to 25% during FY21 and if the impact of COVID aggravates further in the country, particularly in the States where shrimp culture is undertaken extensively. Presently, notwithstanding the winter season, the farmers have undertaken stocking of seeds, which is about fifty to sixty days old and is expected to go into even December and January also. The harvest is expected in January and is again the caution is that some unforeseen development takes place because of this COVID-19. However, the company feed sales for 2021 is



expected to be maintained at the same level of 2019-2020. As you know, Avanti has not only been keeping its farmers' space intact, it is also adding new farmers and new areas through sales network year after year. During FY2021, the company is also expecting to maintain its market share of about 46% to 48%.

Coming to the processing division, the shrimp production and exports from India in 2019 was around 8 lakhs tons and it is expected to be around 6 to 6.5 lakh tons in 2021. The demand for shrimp and stock globally by about 25% to 30% as an immediate reaction of COVID, due to closure of restaurants, malls and public eating spaces like food courts. It is gradually picking up and due to increase in demand from retail sector, it is hoped that in a year or so, the stability will be restored, once a vaccine is developed successfully. Our continued focus on export of value added products and exploring opportunities in new markets has been the main objective of the company.

The apprehensions of the industry in India, recently the Government of India has capped the MEIS, an export incentive for shrimp to 2 crores for four months' period from 1st September 2020 to 31st December 2020, which has been 5% of FOB value earlier. Further, with effect from 1st January 2021, the MEIS will totally be discontinued. This would be a significant negative factor for the exports, which is likely to have a cascading effects on the farm gate prices. However, the Government is proposing to introduce Remission of Duties or Taxes on Exported Product scheme (RoDTEP), by which some incentive maybe given to the exporters to compensate to some extent of withdrawal of MEIS. The details of this scheme are yet to come. The Government has recently announced PMMSY scheme to food processing industry to the extent of Rs.10,900 crores, in which the shrimp industry is also included, fisheries sector is also included. Again, the details are yet to come. It is hoped that the stimulus packages and incentive schemes announced by the Government earlier and now, the Government would take practical, these schemes would take practical shape and help in the revival of the industry and support sustainability as soon as possible.

I think with this brief background, we will now take up the questions and answers from the investors.

Question and Answer Session

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have any questions, 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. I repeat, 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 join back the queue, if the time permits.

We have the first question from Mr. Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Hello sir. Thank you for the opportunity. I just had couple of questions, starting with the feed side. Could you shed some light on how the raw material prices are shaping up and whether, what is the pricing of the feed going ahead,



the selling price I mean and the prices of the raw materials, all the three major raw materials, how are they shaping up?

C. Ramachandra Rao: Let me first explain to you about the raw material situation. The raw material prices as far as the fish meal is concerned, it is stable. As we expected, the catches as of now is good. And the prices are almost on the same level as it was there in the November 2019. It is around Rs.89 or so, which has come down from Rs.91-Rs.92, to Rs.89, it is the price which is now there. And we expect that this will continue for some time. However, immediately there is some cyclone that is now there, but for this short disruption in the fish catches, by and large the fish availability is seen to be alright. And we expect that the fish meal prices will be below 90. It should be around Rs.88-Rs.90, that is what we expect in the next couple of months. Coming to the soya, initially we thought that the soya crop being very good this year and we thought that there will be a substantial advantage in the pricing of the soya bean meal. But, however due to the global situation, because particularly in the US, the crop was a failure, the soya crop was a failure and in Brazil also it was delayed. So, with this the non-GMO seed is not available. So, the demand for Indian soya has gone up significantly. And so, even in the Europe also, the preference for non-GMO seed is actually adding to the demand for the Indian soya bean meal. So, the result is that the expected fall steep reduce in the soya bean meal did not take place and it continues to be at the higher level as of now. And we expect that over a period of time, the rate will stabilize. It is around Rs.45 or Rs.44.50, the one which we use and if Rs.43 to Rs.45 is the range that we are expecting to continue. And initially we thought it would be around Rs.41-Rs.42, but it did not take place as of now. So, coming to the third most important raw material is the wheat flour, it has come down by about Rs.2. So, Rs.2 to Rs.2.5 it has come down. So overall it appears that if the soya production being good, if some stability takes place in the next maybe one month or so, the prices more or less will remain the same. Overall raw material cost, because these three raw materials contribute to majority of the cost of production. So, it will be more or less on the same line as it was there in the corresponding quarter of the previous year. That is what our expectation is. So, that is the situation as far as the raw material is concerned. As far as the prices of the feed is concerned, now it is stable. The prices are, we don't foresee any upside or downside of the feed price, because we have to keep this price, which we have reduced recently, that will be continued and we are not going to, we don't have any plans to reduce further nor increase, that is what is the status of the feed price.

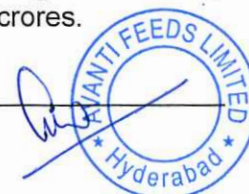
Nitin Awasthi: Okay sir, got it. Sir, secondly on the exports incentives, if you could give us the absolute number of the export incentives booked, in which I would like the break up between duty drawback and MEIS booked in this quarter and the corresponding quarter last time?

C. Ramachandra Rao: Yeah, my colleague will just explain to you, Mr. Muthyam Reddy will explain to you the exact numbers.

Muthyam Reddy: In this quarter MEIS, we have recognized around Rs.10 crores and duty drawback of around Rs.6 crores.

Nitin Awasthi: And the same period last year?

Muthyam Reddy: Last year, I don't have exactly the figures right now. But, total export incentives of last year for the same period is around Rs.28 crores.



Nitin Awasthi: Okay. And so, out of this Rs.10 crores MEIS that you have booked this time around, how much of it was booked in September.

Muthyam Reddy: In the month of September we have not recognized anything and the sales of September we have not recognized. Since the Government has put a cap of Rs.2 crores and they have put an overall limit of Rs. 5,000 crores, with a clause of downward revision in the case if the total MEIS claimed by all the exporters exceeds. So, we are not sure that how much we are going to get. So, for that month we have not recognized, for the month of September we have not recognized any MEIS.

Nitin Awasthi: Got it sir. And going forward for the rest of the quarter, sorry, for the next quarter are you going to recognize any MEIS?

Muthyam Reddy: Based on the receipt, to the extent of Rs.2 crores.

C. Ramachandra Rao: We have recognized Rs.2 crores. There is a cap, though Rs.2 crores we will recognize in the next, Q3.

Nitin Awasthi: Okay sir, got it. Okay sir, I will join back in the queue. Thank you for answering the questions.

Moderator: Thank you, sir. 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 join back the queue for further questions.

We have the next question from Mr. Ashish Thakkar from MOSL. Please go ahead.

Ashish Thakkar: Thanks for the opportunity. Sir, specifically in the US, now since the elections are over and now we have two events coming in, Thanksgiving Day and the New Year, so any comments you would like to make on how the shrimp demand is panning out?

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

Alluri Nikhilesh: Yeah. So, right now all the shipments that are supposed to be for Thanksgiving and Christmas have already been shipped or are already in the water. So, as of now, there is no indication about how the Thanksgiving sales are as yet, because Thanksgiving is on the 26th of November, so we will only get the data after the holidays and everything. So, right now there is no data on how the pull is, but we know that the stores are stocked up with products and also, there is news of surge in the number of cases of Corona virus in the US and restaurants being shut down for the second phase of lockdown. But, so we need to see how the demand changes from the food service segment to the retail segments. Over the last two-three months, the food service segment again picked up with restaurants opening takeaways and everything. But, with again some of the areas shutting down the restaurants, we need to see how the data comes out. So, right now it is too early to predict the Thanksgiving and Christmas sales.



Ashish Thakkar: Okay. And a related question was, obviously what is happening between Ecuador and China, so now Ecuador is exporting more to the US, is the economy again changing companies, again overall broadly are the Indian companies losing market share in the US?

Alluri Nikhilesh: So, Ecuador is definitely shipping out more to the US, but if you see the amount, the quantity is still low, the base value is very low. The main reason for the export of Ecuadorian shrimp to the US is because of the ban of certain factories and also like, almost the Chinese lockdown on Ecuadorian shrimp imports. So, the factories still need to export to some markets and America being the closest, there are reports of products being dumped into the US, especially the headless shell on products which Ecuador specializes in. But, as a competition to peeled shrimp and value added shrimp compared to India, the volume is very low. Only we need to see how things come out. If you see, there are also reports of Ecuadorian shrimp prices being at all-time low, which is not favorable for the shrimp cultivation in the country. So, we need to see how it pans out. How the Chinese market reopens to importing shrimps? How the Ecuadorian factories evolve to being a value added producer? So, these are the things that we need to see. It is a more macro factor right now, so we need to wait and see how it pans out. But, definitely they are moving more products into the US market, because they are not able to move it into the Chinese market.

Ashish Thakkar: Okay. But, do we get the feeling that as and when China restarts, Ecuador would prefer supplying to China or they would keep on dumping in the US?

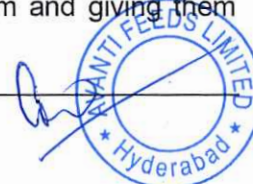
Alluri Nikhilesh: my opinion is that they would continue to work towards the Chinese markets, because the Ecuadorian shrimp enjoys certain premium in the Chinese market. There more the factories are built and they operate in a way for which, Chinese market product as compared to the value added products in the US. So, if and when the Chinese market opens, I firmly believe that the product will again start moving to China.

Ashish Thakkar: Okay, thanks. Thank you so much.

Moderator: Thank you, sir. We have the next question from Mr. Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Hi sir, thanks for the opportunity. Sir, you mentioned about the de-growth that you expect in the overall shrimp production and consumption of say, 20%-25%. However, so far what we have seen in Avanti's results is that in both Q1 and Q2, we have been able to maintain our volumes and the revenues, both on the feed as well as the processing segment. Now, given that Avanti from India's standpoint is a market leader by a huge margin, so in a situation wherein we expect the industry to de-grow by say, 20%, yet we are seeing that Avanti in its commentary is consistently saying that we would be able to at least maintain our performance. So, can you just elaborate more on how are we working on ensuring such performance for both feed and processing segment sir?

C. Ramachandra Rao: As far as the feed is concerned, we have been maintaining the quality, the performance and we have been able to really stand out in performance of the feeds and constantly following up with the farmers, guiding them and giving them



technical assistance. And these are the factors which are in favor of Avanti's products. So, we keep getting conversions also from the others and that is the main reason why we have been able to continuously increase our market share almost consistently year after year and also with the pure performance and also with the technical assistance that we are giving to them, it is the main reason we have been able to, as far as the profitability is concerned, it all depends upon the, number one is the raw material prices and also the productivity and all. In all these aspects we have been able to maintain the consistency in our performance and this is the reason why we have been able to maintain this market share and this performance quarter on quarter. As far as the processing is concerned, as Mr. Nikhilesh explained, it is why we are focusing more on value added products and all, we have been able to get this thing. I think Nikhilesh can explain more about the performance of the processing unit. Nikhilesh?

Alluri Nikhilesh: So, this quarter, a number of our contracts have clicked in into the US, the basically the products that were supposed to be, the contract that we had informed earlier, those have kicked in and the shipments and the realizations and the payments have started kicking in the last quarter and this quarter. Overall, it is the same story as what we have been focusing on over the last two-three years that we want to focus more on value added products, higher value products and also the right customer and the right market. So, this is what we are going to keep concentrating on doing, increasing our capacity utilization, getting into higher value products than what we are doing today and also maintaining our good relationships and high quality with the customer. So, that is our focus for the next few years itself.

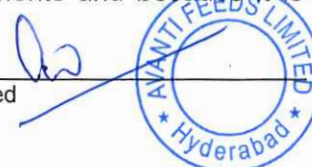
C. Ramachandra Rao: And I may add to what Mr. Nikhilesh said, that we are more and more focusing on getting the orders from the regular suppliers on a consistent basis. That also adds to less prone to any fluctuations in our market, because we have got very good customer base, so we have been able to get regular orders from them. That also helps us to keep our performance growing quarter after quarter.

Yogansh Jeswani: Right. That is fantastic to hear sir. So, just a follow up on that sir, are we also seeing any stress in terms of other industry players, because of this situation that we are able to get some more market share out of them and be able to maintain our volumes, is that also aiding us to maintain these volumes of previous years, despite the de-growth, is that a factor?

C. Ramachandra Rao: As far as the feed is concerned, we do not foresee any real challenge from the competitors, because in all terms, whether it is in the quality or performance or in the pricing or the consistency in our quality maintenance, we don't have any challenge from any of these competitors, and we don't foresee any threat from them. We will continue to perform like this and we are very confident of this.

Yogansh Jeswani: sorry to interrupt you sir. What I meant to ask was, are we seeing any stress in our competitors that they are not able to deliver those kind of volumes, because of the stress situation that the industry is facing and that is helping Avanti to get those volumes? Are we able to pick up the volumes that they are losing, because of the overall stress in the industry? That is what I was trying to get a sense of.

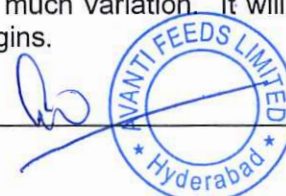
C. Ramachandra Rao: Let me tell you, the stress in the sense is when some of the competitors are giving more and more credit to the dealers or farmers and there is a possibility that there is stress on their working capital requirements and because it is



very difficult under the stress situation to recover if you go on giving on credit. That is one of the major reason. In order to get some of the competitors extended, lot of credit is given to farmers and dealers and the recovery from that, it is going to be a big challenge. Again, it is some sort of a cascading effect, on the one crop credit has to get adjusted at least in the next crop. If they don't get adjusted, then there is problem for the company to extend further, to get the working capital funds that they require. That kind of a situation is seen more nowadays and that is what we are observing that the competitors are finding this, so that is the stress that they are undergoing. I think that is one of the reasons why they have not been, apart from of course the quality etc., that being always the advantage of Avanti. So the other players though they have reduced the price and all those things, in spite of that giving more and more credit in some sort of stressed situation not able to book the sales and all that is one of the reasons for this. We don't foresee any such things happening in Avanti's case. We continue to have the complete control of the situation.

Yogansh Jeswani: Great, that's really helpful sir. My second question is on the margin side. Now that during the volume de-growth, again I am mentioning about the volume de-growth that is expected and then the MEIS benefit going away. So do we see any significant impact on our operating margins for these processing segments and also for the shrimp feed segments? Secondly, another part related to shrimp processing segment is that recently we saw that in this quarter we reported almost 16% operating margins which is one of the highest that we have reported in the processing segment. Like you mentioned its more to do because of the increased value added products. So going forward can we expect this 14%, 15%, 16% kind of margin as a sustainable margin for processing segment or do we see any impact going forward because of the industry scenario or MEIS benefits going away?

C. Ramachandra Rao: The first thing is about the feeds. As I explained to you the feed, the major portion, the major contributing factor is the raw material and as we have seen because as far as the performance is concerned the volume of sales is concerned; it is more or less, we have been able to maintain year after year with small 5% variance, we have been able to maintain the quality. The price is also almost fixed with the determining factor for the margins, is mainly the raw material cost. The raw material cost as I explained to you earlier, we do not foresee, a big surprise before the end of this year. The soya bean meal going up further around Rs.44/- -Rs.45/- range and also the fish meal being that. So we don't foresee a big raw material cost jump up to reduce the margin. That's what we are expecting as of now as far as the feed is concerned. As far as the processing is concerned, it is always a kind of a balancing factor between the raw material and the export price. Though, the raw material prices have been going up proportionately more than what the export prices are, but this is part of the business that it keeps going. Now, there is a little shortage of material because the culture is on. So we are going to get more production in the coming months...say January. Then the prices may stabilize and the margins may really improve. At this point of time it may be less but one month later if the prices do take positions, if stability sets in, then the profit margins also is set. But one thing is, we cannot assure that it is going to be 16%. It is always the demand and supply in the market situation as Mr. Nikhilesh said rightly, we have to wait, we have to see, how the so called second wave is going to really impact on the total demand supply both from the Indian side and the export market side. We have to see both things and watch. We cannot say exactly whether we will be able to maintain the 16% as of now. We do hope that there will not be much variation. It will definitely not be 16%, but definitely it will be reasonably good margins.



Yogansh Jeswani: Right, understood. I will get back in the queue sir and thanks for the clarification.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. We have the next question from Mr. Punit Mittal from Global Core Capital. Please go ahead.

Punit Mittal: Hi, thank you for the opportunity. My first question is related to the shrimp processing. Can you just tell us briefly what is the market size for the value added products, not the raw shrimps which is being exported from India and what is Avanti's share in that and how do you see that growing over the next two to five years?

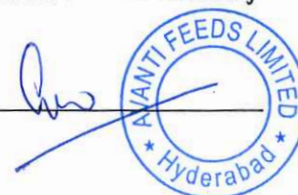
Alluri Nikhilesh: So right now, I cannot give you exact numbers on the market size, but I can give you a perspective because the data when we export the HS code is the same for the whole shrimp as such. So when coming to the perspective of exporting value added products India still is a commodity supplier. We do large volumes of commodity product to the US market, EU market and also China. As compared to much more advanced countries like Vietnam and Thailand where they do high value products; a lot of them are still not introduced into India. So one, the target of the company is to develop such products in India and export them. Coming to the value of the export itself, Avanti's market share in the export of shrimp itself is very low; lesser than double digit number of the total exports. There is both scope to grow in terms of market share and also to develop high value added products in India which have not been developed.

Punit Mittal: Okay. That's great. The second question is on the feed side. If you can give us...we understand that the recent crop was harvested early because of the various reasons and the farm gate prices have gone up. How is the next season looking up? How is the stocking going on and what do you see on the ground in terms of the upcoming season?

C. Ramachandra Rao: I did not understand your question, can you please come back?

Punit Mittal: I am just asking how is the next season coming up in terms of the stocking and everything because the previous season it was an early harvest because of various reasons, but how is the new season shaping up?

C. Ramachandra Rao: The next season we are hoping...because the situation now is farm gate prices are very good, very encouraging and farmers are really looking for a good season first crop ahead and we expect that unless some unforeseen event like COVID-19 aggravating and all these things happens, it should have a very good first crop next year. It will start sometime in February – March. Almost every hatchery is getting started, and getting ready for the next season and also the news that the vaccine is coming around by January, February we are going to have vaccines; it has given again a good boost to everyone. So I think with this, the prices are good and climate is also looking good and we are looking for a very good first crop next year. We have to wait and see because we still have two months' time, December and January...because already the culture is going on now. It is in progress and we expect that around January



there will be harvesting and again they will give a small gap and in February end they will start stocking. We are looking for a good first season in 20-21.

Punit Mittal: Okay understood, thank you. I have one comment/suggestion however you may take it...I have not asked a question on what's your plan with the cash because various shareholders have asked in the previous calls and the answer has been pretty much standard, but the cash part has been going up dramatically now. Of course you do want to save for a rainy day and you want to make sure that for the expansion you don't have to incur debt and all but given the level of cash that's there on the books there is no way that on a lateral expansion that you will need that kind of cash. Also at the same time the stock prices and the valuation of the company is cheap in terms of what the company is really doing and the potential of the company. So I think there is a very strong case for the board to consider a buyback given the fact where the prices are as well as the cash on the book...even the best companies in India the blue-chip companies like TCS, Infosys and global companies like Apple and Berkshire they all use their cash to buy back at the right time and there is a very good reason for that. I think the board really needs to now look at that because the cash is quite large in the books and we will continue to generate decent operating cash flows going forward as well. So I would really suggest that if someone can take this to the board of directors that this has been a consistent question and seen by the shareholders and analysts. Thank you so much.

C. Ramachandra Rao: Thank you. Your suggestion will be placed before the Board; we will definitely do that, thank you.

Moderator: Thank you sir. We have the next question from Mr. P. Narayanan from BNP Paribas Mutual Fund. Please go ahead.

P. Narayanan: Thanks for the opportunity and I think in line with the previous participant's question, I also kind of echo his comments on captive allocation if you can kind of articulate what's the plan because in a single first half you kind of generated an operating cash flow of about Rs.470 crores. So for expansion one is not sure whether we are going to need so much cash requirement. So coming on to my first question, if you can kind of also spell out what's been the progress in some of the initiatives we took as far as the fish side of the business is concerned and also the Indonesia JV along with the foreign partner Thai Union?

C. Ramachandra Rao: See the Indonesian project is actually the Thai Union Project. We don't have much, we only have a small investment in that. But as far as the further investments further are concerned, the previous investor asked this question the cash which is available in the reserve, that has been already in the notice of the Board. The situations we have to see, very cautious in taking a decision with regard to the investment and also it should be safe, secure good returns should come and there should be value for that investments that we make in any project that we select. So definitely, sometime back our CMD also said regarding the fish feed, we are looking but still the time is not right to take the final decision about that. The issue is before the Board, how to go about it and all. We will definitely take it to the Board's notice about the concerns about the reserves that we are holding. We will definitely do that.

P. Narayanan: On the fish feed aspect sir?



C. Ramachandra Rao: Fish feed project, we are working on that. As I told you the time is not right. We have all the technology installed, everything is available but the only thing is, we are looking for the right opportune time to see that we plan this project as soon as possible provided the situation is conducive to take a decision. But as of now, you know with this COVID-19 the entire situation is very dicey and we have not been able to go ahead with any of these plans for expansion.

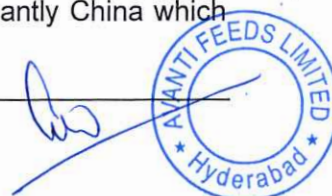
P. Narayanan: Sure sir, if at all do you believe as far as the PLI scheme is concerned, could there be a big project that could entail this kind of a capex? If you can also kind of articulate if there is any capex intensive part of the value chain which could come up as far as the PLI scheme is concerned? If you could give your thoughts on that?

C. Ramachandra Rao: See the PLI scheme which the government has announced doesn't appear to be very lucrative as of now, because the details have to come; what are the objectives because they have put so many industries and how much they are going to allocate to the fisheries sector is also a question and what kind of incentives they are going to give; if it is for production alone or whether it is for infrastructure? What the government is thinking we do not know. We are waiting for that. As you rightly said we've got so many other things that we can consider in this particular sector. Fisheries sector being in the light of the government's emphasis on this sector, we have to see how the government is going to frame their policies for incentives or the opportunities for investment, going forward. We have to wait and see, nothing is clear, everything is dicey. We've not been able to work on anything; we are just keeping our fingers crossed waiting for the policies of the government. Once it comes, I think we will be able to...and apart from that our own studies is also required. We have to find the right time, appropriate time to take a decision for investment. Already as I told you earlier, it is in the notice of the board and we will take a decision at the appropriate time.

P. Narayanan: Sure sir and with regards to the businesses both in feeds and processing, one with our feeds, I think the dichotomy most people are trying to understand, at least I am trying to understand is, one, you are talking about the industry kind of going on but you are wanting to maintain your volumes but market share you are saying will stabilize between 45 to 48 but somewhere either the market share number has to be higher or the industry has to grow higher. What's the piece that one has to see or are you just playing conservative?

C. Ramachandra Rao: If you look at last year, not much of growth is seen in the industry as such. But we have been able to increase because we have been able to perform well and we have been able to get conversions from the farmers using other competitor's feeds. The consistency that we have been maintaining has helped us a lot in these times of stress and we have been able to keep that growth. As I told you, this year and 2021. There is a lot of potential for this industry but only because of these unforeseen developments like COVID impact and all those things, this industry did not grow as it was expected. We do hope that in the next year 2021 there would be a complete change in the sector's performance with the economy stabilizing and we should be able to see the real growth....further growth in 2021-22, that's what we expect.

P. Narayanan: Sure sir. Lastly on this processing business, we have seen a 10% drop in volumes but when we look at the mix, there has been a considerable shift at least versus sequential basis; Asia which I am assuming is predominantly China which



used to be one fourth of the volumes in the first quarter has kind of dropped to about 3%. Was there any reason that we could not supply that incremental volumes in China because our capacity is definitely a lot underutilized, so your thoughts on that aspect sir?

Alluri Nikhilesh: Coming to the market share, if you take the last quarter, the immediate preceding quarter, our volume to China, I mean the Asian market was significantly very high and most of the buying for China was done during that period. As advised in the last investor call if you average out these two quarters it would be more normalized. This quarter we did not export as much to China because we have already exported the required volumes in the previous quarter. That is the main reason and also going forward the Chinese market, the numbers and statistics say that the imports of shrimps are lower; not only from India but from worldwide. This is due to a number of factors including the Chinese government policy on testing for the corona virus and their internal crop and also the consumption of sea food especially shrimp in China. So indicators are showing that they are importing lesser shrimp which is mainly driven by the policy of the Chinese government.

P. Narayanan: I am sorry but one last thing which I forgot to ask; as regards to the working capital release during this quarter; there is a substantial release as far as the working capital is also concerned. In the entire value chain, do you see that inventory in the system is kind of low and if you were to kind of restart, would there be a restarting cycle within and more for us in terms of would there be slightly more best of the working capital management in terms of that is already behind us? These two aspects as far as the working capital and the re-stocking aspect is concerned?

C. Ramachandra Rao: The working capital requirement as far as the feed is concerned...see it is a continuous process and we do not see much change in our working capital requirement because as usual we are taking the raw material inventory as far as 15 days to one month in case of the normal locally available raw materials like soya, wheat flour and all; one to two months depending upon the season in the case of fishmeal. So this is a routine ongoing exercise and we do not foresee much change in our working capital requirements. We continue to have it. Only the advantage that we are enjoying is that because of the comfortable funds position, we are not going for any bank borrowing assuming we are making in this process. As far as the processing is concerned, there also we are comfortably placed because our realizations are prompt and we are very prompt in the payment of raw materials so we don't have working capital chain as far as both the feed as well as processing divisions are concerned, both are in very comfortable position and we do not foresee any requirement for increased working capital requirements in both the units.

P. Narayanan: Sure sir. Thanks a lot and all the best.

Moderator: Thank you sir. Next we have a question from Deepesh Kashyap from Equirus Securities, please go ahead.

Deepesh Kashyap: Hi, thank you for taking my questions. Sir in the presentation you had mentioned that you are targeting a similar feed volumes for FY21. So I just want to understand what is the guidance for the processing volume sir?

C. Ramachandra Rao: Processing volume or feed volume?



Deepesh Kashyap: Feed volume you have already given so I wanted to understand what is the target for the processing volume for the end of the year. Last year I think we did 13,400 tons.

Alluri Nikhilesh: It would be around the same volume.

Deepesh Kashyap: Okay first half we have seen a decline of about 10% so you are saying that the whole year we will complete at a similar kind of volumes?

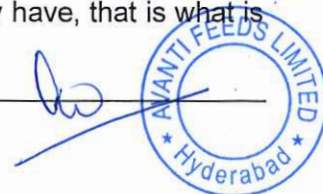
Alluri Nikhilesh: Deepesh to answer on that, it depends on the market orientation. If you see what I have answered in the previous question, we are not doing as much volume to China as we were doing. If you see sequentially, our volume has decreased and our profitability has increased. So as we continue to go onto higher value product, the volumes will decrease because the cost to price per unit selling price increases per product and we are targeting that. So the volumes may slightly decrease but we are also looking at doing more volume in the value added products itself. We are working on that so there are a lot of factors we are looking for coming to the first half of next year which is basically how when the market opens, will the product pull-in the Thanksgiving and Christmas season really be good. Those are important factors also. But otherwise if everything remains constant, we should be around the same volume or a little bit lower.

Deepesh Kashyap: Okay great. Nikhilesh in the last call you also talked about that you were thinking of expanding the processing capacities but due to COVID you kind of halted. So now is there any clarity that you want to expand the capacity and by how much?

Alluri Nikhilesh: It's not the capacity; we wanted to increase the utilization. Basically there is no great capex or new factory or anything that's coming up but just increase the utilization. As you know most of the processing business is a highly manpower induced business; so when COVID kicked in, the number of worker footfall in the factory had reduced and now it is normalized. So we are again going back to our increase in capacity utilizations; we are using the provisions that have been given that were made during the construction of the new facility, so that is the target. That's why I had said that the volumes will almost remain the same even though in a highly commodity business like China. So that is the reason which will get us back to the same volume levels if everything goes well, we still need to see how this COVID effect comes in for the next one year. So if everything is okay we should be showing high utilizations from the first half of next year.

Deepesh Kashyap: Great. Thank you Nikhilesh. Rao sir, I have a question. One of our competitors highlighted that the fishmeal segment is facing a lot of traction post this launch of Pradhan Mantri Matsya Sampada Yojna in some states like Punjab, Haryana etc. where generally the shrimp culture does not happen, so I just wanted your assessment, do you also see a similar kind of fish feed potential that can come up in some of the states where otherwise there was nothing before?

C. Ramachandra Rao: Punjab and Haryana, this Pradhan Mantri scheme they are giving but we are yet to see if the schemes really work out for the farmers, in Punjab they are more in the startup company there, they are introducing new areas of fish culture or shrimp culture there; utilizing the water bodies which they have, that is what is



happening there; but the real impact of the Pradhan Mantri scheme is yet to come. Particularly in places like Andhra, Gujarat, Orissa and Bengal where they are already in the advanced stage of fish culture or shrimp culture we are yet to see that. Those are the areas which they have identified as potential for this that's what there is some sort of news that it is going to help a lot. But here we have to really see what exactly the Pradhan Mantri scheme is going to help. As of now we have not seen any big advantage coming up. The schemes have not been really put into practice, they have been saying so many things but nothing is grounded, none of the schemes have been grounded so far. So for that we have to wait and see Deepesh.

Deepesh Kashyap: Okay sir. Also is there any update on the vannamei introduction in Bangladesh? I think last time you spoke about that. Has vannamei been introduced in Bangladesh or do you think of expanding into that country as well?

C. Ramachandra Rao: I really do not have an update on that. It is still with the government; no decision has been taken. We will come back on that because I don't know right now what is the status of the introduction of vannamei in Bangladesh.

Deepesh Kashyap: Understood sir. Lastly, any clarity on the new aquaculture bill that has been passed by the AP government? Any difference you are seeing on the ground in terms of more regulatory interference or anything like that?

C. Ramachandra Rao: It is an ongoing process, they keep asking for information, we keep giving it. That has become a law now so we have to follow that. After the act they have introduced the rules which actually the entire implementation of the provisions of the act are in the form of rules, so now the fresh licenses and all are yet to start. Some quality controls they have started but the real procedure for giving the licenses and all is yet to start.

Deepesh Kashyap: Yeah sir, the law just mentions about the penalty and the procedures but is there any risk that they might control the price of feed or shrimps in any manner?

C. Ramachandra Rao: It is too premature. First thing is settling down and they have to get the grip of the business. So many things are happening, it is a very dynamic situation, suddenly the material is not available, the government itself is working on that; they are doing a lot of work on that but still they don't seem to have come to the grip of the total situation to implement it by the letter of the law. They are working to see how best they can use the law in implementation. That's what it appears to be but we also have to get ready with the compliance of the Act.

Moderator: Thank you sir, due to time constraint that would be the last question for the day. Now I had over the floor to Mr. Sherwin Fernandes for closing, over to you sir.

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

C. Ramachandra Rao: Thank you Sherwin.



Alluri Nikhilesh: Thank you Pavithra.

Sherwin Fernandes: Thank you sir.

Moderator: Thank you sir. Ladies and gentlemen, on behalf of KFin Technologies Private Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

Note:

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



E. Ramesh Chandra

