

Ref: AFL/BSE & NSE/2019-20/

6th August, 2019

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Dear Sir,

Sub: AVANTI FEEDS LIMITED – Audio Conference Call for Investors conducted on 25th July, 2019 - Transcript of the Audio Conference Call – Reg.

Ref: 1. Our letter Ref: AFL/BSE & NSE/2019-20 dated: 23.07.2019
2. Regulation 30 of SEBI (LODR) Regulations 2015.

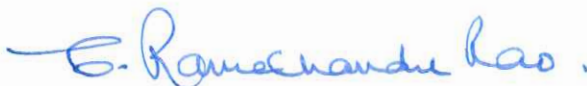
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Further to our letter first cited, we enclose herewith the transcript of the Audio Conference Call for Investors conducted on 25th July, 2019 regarding the Un-audited Financial Results of the Company, for the Quarter Ended 30.06.2019.

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 Ltd. Q1FY20 Post Results Discussion

Event Date / Time : 25th July 2019, 16:00 PM IST
 Event Duration : 1 hour 12 minutes 36 secs

Presentation Session

Moderator: Good evening, Ladies and gentlemen. I am Pavitra, moderator for the conference call. Welcome to Avanti Feeds Ltd. Q1FY20 Post Results Discussion conference call hosted by Karvy Fintech Private Ltd. 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 hand over the floor to Mr. Sherwin Fernandes from Karvy Fintech Private Ltd. Over to you, sir.

Sherwin Fernandes: Thank you, Pavitra. Good afternoon and good evening to all the friends and the participants in the call. I would like to thank you for participating in the Q1FY20 post results earnings call. The call will be initiated by the management with remarks from the quarter followed by which we can bridge the gap with the Q&A. The management team is represented by Mr. C. Ramachandra Rao, the Joint Managing Director; Mr. Alluri Nikhilesh, Executive Director, Avanti Frozen Foods Private Limited, Mr. M. Venkateswara Rao, GM, Corporate Affairs, and Mr. K. Paidi Raju, GM, Finance & Accounts. I will now hand this call over 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 Conference Call today, to review the un-audited financial results of Q1 FY 2019-20. Along with me here, are Mr. Nikhilesh, Executing Director, Mr. K. Paidi Raju, GM (Finance & Accounts) & Mr. M.V. Rao – G.M - Corporate Affairs.

The Results of Q1 FY 2019-20 are already with you for some time now and we are sure that you would have gone through them. Before, we take up the questions and answers, I would like to share with you some of the key indicators from the results.

Consolidated Financial Results of Q1 FY 2019-20 as compared to Q1 FY 2018-19

The consolidated gross income from operations during Q1 FY 2019-20 was Rs.1111.52 crores compared to Rs.1049.03 crores during Q1 of FY 2018-19 registering a growth of 5.96%. Profit before tax during Q1 FY 2019-20 Rs.145.27 crores as compared to Rs.136.56 crores during Q1 FY 2018-19 and percentage of profit on sales increased from 12.02% in Q1 FY 2018-19 to 13.07% in Q1 FY 2019-20.

The comparative table has been given, which will be displayed in the website.



COMPARISON OF FEED BUSINESS PERFORMANCE IN Q1 FY 2019-20 WITH Q1 FY 2018-19 & Q4 FY 2018-19:

Q1 FY 2019-20 COMPARED TO Q1 FY 2018-19:

During Q1 FY 2019-20 the feed turnover was Rs.907.22 crores as compared to Rs.915.51 crores in Q1 FY 2018-19 with a marginal decrease of 0.91%. In terms of quantity, Q1 FY 2019-20 the feed sales is 1,39,625 MT as compared to 1,40,123 MT in Q1 FY 2018-19 with a marginal decrease of 0.36%. It is pertinent to note that though there is a de-growth by about 10-12% in total feed consumption in the country in Q1 FY 2019-20 as compared to Q1 FY 2018-19, our company share has increased by 5%.

PBT in Q1 FY 2019-20 is Rs.121.56 crores as compared to Rs.117.24 crores (before exceptional item) in Q1 FY 2018-19. During Q1 FY 2019-20 PBT on sales is 13.40% as compared to 12.81% on sales during Q1 FY 2018-19.

Q1 FY 2019-20 COMPARED TO Q4 FY 2018-19:

The feed sales in Q1 FY 2019-20 was Rs.907.22 Crores as compared to Rs.662.25 Crores in Q4 FY 2018-19 with an increase by about 37% in value terms. In case of quantity, Q1 FY 2019-20 the feed sales in quantity is 1,39,625 MT as compared to 1,02,748 MT in Q4 FY 2018-19 with a registered growth of 36%.

PBT in Q1 FY 2019-20 is Rs.121.56 crores as compared to Rs.80.39 crores in Q4 FY 2018-19. During Q1 FY 2019-20 PBT on sales is 13.40% as compared to 12.14% on sales during Q4 FY 2018-19 registering marginal increase of 1.26% of profit on sales is due to stabilization of RM prices.

COMPARISON OF PERFORMANCE OF SHRIMP PROCESSING & EXPORT BUSINESS IN Q1 FY 2019-20 WITH Q1 FY 2018-19 & Q4 FY 2018-19:

Q1 FY 2019-20 COMPARED TO Q1 FY 2018-19:

As regards Shrimp processing and exports, the revenue for Q1 FY 2019-20 stood at Rs.187.58 crores as against Rs.126.83 crores in Q1 FY 2018-19, a growth of 48%. In volume terms exports increased to 2799 MT in Q1 FY 2019-20 from 1529 MT in Q1 FY 2018-19 with an increase of 83%.

PBT in Q1 FY 2019-20 is Rs.23.58 crores as compared to Rs.14.42 crores in Q1 FY 2018-19. During Q1 FY 2019-20 PBT on sales is 12.57% as compared to 11.37% on sales during Q1 FY 2018-19.

Q1 FY 2019-20 COMPARED TO Q4 FY 2018-19:

The revenue for Q1 FY 2019-20 stood at Rs.187.58 crores as against Rs.195.49 crores in Q4 FY 2018-19 with a marginal decrease of 4%. In volume terms exports decreased to 2799 MT in Q1 FY 2019-20 from 2850 MT in Q4 FY 2018-19 with a marginal decrease by 2%.

PBT in Q1 FY 2019-20 is Rs.23.58 crores as compared to Rs.22.23 crores in Q4 FY 2018-19. During Q1 FY 2019-20 PBT on sales is 12.57% as compared to 11.37% on sales during Q4 FY 2018-19 with an increase of 1.21% on turnover during Q1 FY 2019-20.



INDUSTRY OVER VIEW:

Now let me share with you the current status of the shrimp culture industry in India.

Having experienced subdued shrimp culture activity in FY 18, this year it is on the path of recovery with export prices stabilizing and farm gate prices also improving to re-instate confidence in farmers to resume shrimp culture more vigorously. In 2018, the shrimp culture area was less as quite a number of farmers did not undertake shrimp culture. It is estimated that overall shrimp culture this year will be better than last year. Though, during first half of this year, there was 10-12% reduction in feed consumption, due to slow pick up of the shrimp culture in the first half of the year. It is estimated that in the second half the culture will pick up and the consumption of feed will increase.

In the Q1 FY 2019-20 shrimp culture showed a fall by 10% to 15% as compared to Q1 FY 2018-19 due to delay in stocking in Feb & March 2019. It is expected that the culture will pick up in the second crop, as I stated earlier.

FEED CONSUMPTION:

As mentioned by me earlier, during first half of this year 2019 there was de-growth in feed consumption by 10% to 12% compared to corresponding period of the previous year. However, the culture is expected to pick up in 2nd crop to maintain consumption at the same level as in 2018, hoping climatic conditions and export prices remain stable, the company's share is expected to be around 48%.

SHRIMP PROCESSING & EXPORT:

The export prices of shrimps improved, though marginally, during the Q1 FY 2019-20 as compared to corresponding quarter i.e. Q1 FY 2018-19, providing much needed confidence to the farmers to confidently start the shrimp culture Q1 FY 2019-20. The exports to US have increased from 55% in Q1 FY 2018-19 to 79% in Q1 FY 2019-20 in volume terms indicating that the exports to US have improved significantly during Q1 FY 2019-20.

International shrimp prices for bigger shrimp sizes have improved while smaller size remained stable in Q1 FY 2019-20 when compared to prices of Q1 FY 2018-19 and are expected to continue improving.

The combined capacity utilization of both the plants in Q1 FY 2019-20 is 60% with 51% capacity utilization in Yerravaram and 78% capacity utilization in Gopalapuram. The overall exports have increased by 48% over Q1 FY 2018-19 in value terms.

Continued focus on export of value added products is bearing results, which accounted for around 29% of total exports in Q1 FY 2019-20 as against 14% in Q1 FY 2018-19.

GOVERNMENT'S SUPPORT:

An year ago, the Government of India created a separate Ministry for Animal Husbandry, Dairying and Fisheries from Agricultural Ministry to lay emphasis on this sector. The Government also announced several measures to promote fisheries, recognizing it as a potential growth sector for employment creation and exports. Some of the measures proposed are extending concessional finance to farmers for infrastructure development, subsidies on inputs and market development assistance etc. The detailed modalities of



implementing these benefits are yet to be formulated. We look forward for effective measures by the Government for implementation of these measures in future. Permitting private sector for setting up Brood Stock Multiplication Facility is also under active consideration of the Government, which is expected to make domestic seed available to the farmer at a cheaper price compared to imported Brood Stock Seed. These initiatives by the Government go a long way in sustained development of this sector.

I think with this, the background and numbers, I request Mr. Nikhilesh to take your questions and provide the facts. Okay, you can start the question now, Mr. Sherwin.

Moderator: Thank you sir.

Question and Answer Session

Moderator: 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.

First question comes from Dipesh Kashyap from Equitas Security.

Dipesh Kashyap: Yeah, hi sir thanks for the opportunity. Sir, can you please let us know the price of soya meal, fish meal, and wheat in the last quarter, and what are the prices currently, please?

C. Ramachandra Rao: Fish meal prices till now have been more or less stable at Rs.90- Rs.91, that is the range which we are getting. The major supplier is from the west coast. Now it is under ban. We will have to wait... from 1st August, 2019 the ban is being lifted and we will have to see how the catches are going to be and it depends upon the catches, the pricing, and the quality of the fish. As regards the soya, we have been maintaining around 40, 41 for the high quality soya bean meal, which we are using, but recently the Government has announced a Minimum Support Price (MSP) of Rs.3000 per ton, very recently about two weeks back. So, we will have to see how it is going to impact on that...the balancing between the MSP and the market price, we will have to wait and see, that is one thing. As regards the wheat flour, we have found that the last one week, 10-15 days, there has been a steep increase because of the floods in Assam, that the prices have gone up by about Rs.2 per kg, from around Rs.24.50, to around Rs.26.50, Rs.27. We hope that this will stabilize in course of time. So, these are the rates of major raw material.

Dipesh Kashyap: Sir, what was the wheat price in the last quarter? It was Rs.20, Rs.21, right?

C. Ramachandra Rao: No, it was around Rs.22.

Dipesh Kashyap: And now it is around Rs.25 you are saying.

C. Ramachandra Rao: Yeah, the last 15 days only the prices have gone up.

Dipesh Kashyap: Okay, understood sir. secondly...



C. Ramachandra Rao: I think the Government should take some measures, because this a popular Government, and wheat being the staple food, particularly for North Indians, wheat is the maximum consumption there, so I think, some measures would be taken to stabilize these prices, that is what we are expecting.

Dipesh Kashyap: Sir, now that the culture is improving, like, you were giving a positive commentary about the second crop, so can we increase the feed price, given that the raw material prices are going to inflate in the near future?

C. Ramachandra Rao: Deepesh, this is again a question you have to wait for some time, because though we intend...the cost of inputs is going up, but we are at the same time we are more concerned about the sustenance of the industry as such, particularly the farmers. As long as...if correspondingly the export prices go up, and for example, today, 30 count price is around Rs.400, see very good price, whereas around Rs.300 is the cost of production, he is making a big margin out of that. So, if this type of prices continues, definitely we can increase the price, provided the farmer is happy with the price, that is very important...sustaining the shrimp culture is the primary importance for us.

Dipesh Kashyap: Okay. Sir, lastly, last year we basically sold 4.2 lakh tons of feed and 11000 tons of exports. So, what kind of volumes do you think we can do in FY20 in both feed and processing business?

C. Ramachandra Rao: I can come back Dipesh on this...

C. Ramachandra Rao: Just let me correct it, this 40 count price was 370, 30 count is 470, that is the price actually. Okay?

Dipesh Kashyap: Okay, right. So, sir, I was asking that last year we sold 4.2 lakh tons of feed, so what can be our target for FY20 sir?

C. Ramachandra Rao: See, we are hoping that another 10% increase would be there, somewhere around 10% to 15% we are expecting.

Alluri Nikhilesh: So, Dipesh, just to add to this, the stocking just are happening right now, this is the stocking season. Right now we cannot tell what is the crop output but the confidence in the farming community is very high. We expect a good and stable second crop, so we can expect about, like Mr. Rao said, about 5 to 10% increase if the crop remains...if this is the momentum in the market.

Dipesh Kashyap: Sure. And Nikhilesh, what about the persistent target, like, last year we sold around 11000 tons, so can we do around 14, 15000 this year?

Alluri Nikhilesh: I don't want to put a number, but then it will be higher than last year.

Dipesh Kashyap: Higher than last year...we are already on 48% growth in this first quarter, so can we like do 25%, 30% for the full year?



Alluri Nikhilesh: Hopefully, yes.

Dipesh Kashyap: Okay, thank you. That's all.

Moderator: Thank you sir. Next question comes from Praveen Sahay from Edelweiss. Please go ahead sir.

Praveen Sahay: Thank you sir for taking my question. My query is related to the statement you had mentioned that still the culture is around 10% - 15% crores and down in the country, so, are you expecting these numbers to cover up later in the year? Like... this culture to be stabilized as compared to the past year.

Alluri Nikhilesh: Hi, I am Nikhilesh. To answer your question, for the second crop, as I was saying at the first question to Dipesh, we expect a higher second crop, because, like what we have been saying over the past calls and meetings that the prices have come up compared to last year, so that gives the farmer confidence to come out and do more stocking, feeding, whatever you call it. So, the second crop should be better than last year's second crop as of today. But it is very premature to give an output, but it looks much better than last year.

C. Ramachandra Rao: I can add this one more...if you compare the last year's first half, the consumption this year for stock is less, so what we expect that there was a delay in stocking as Nikhilesh said, but the farmers are now more confident because the prices are appearing very stable. The second crop stocking has started in most of the Andhra area, so we expect that whatever the shortfall in the first half would be easily picked up and maybe another 5% to 10% may go up further, because of the conducive environment now.

Praveen Sahay: Okay. And, how are you all finding the international prices, like, in the US how is the prices moving, it is upward trend or still stabilized at a certain number?

Alluri Nikhilesh: From the way that I see it, in the US market, the pricing has picked up considerably over the past, I would say, 8 to 10 weeks, and primarily on the larger sizes, sizes 30 and the 40 count. And, going forward, I mean, over the past eight to 12 weeks, there has been strong demand from the US market, which is predominantly supplied by Indian shrimps, about 35% of the US market is supplied by India. So, with the lower output in the first crop, there is a strong demand for our product right now. So, if this trend, I think for the next 8 to 10 weeks going from here, there would be still strong demand. Until the second crop comes, then people would reevaluate their positions on stocks and sales.

Praveen Sahay: Okay. And, last question from my side. Is there any demand, as India whole is seeing apart from the US, like China, Japan and Europe? Are we seeing some demand coming from there as well?

Alluri Nikhilesh: Every year the market scenario changes. I think, last year Europe was very...it was in a better position than the US pricing, but this year US is comparatively a little better than the Europe market. China, there is strong demand, but we have to see is the relationship and also the company that we are dealing with, because the bank, think about the bank transfers, issues of transparency with dealing



with the customer from China. It is just developing now. But there is definitely strong demand, a lot of Chinese enquiries, much more than the past several years. It looks like a very promising market, like, we have had before. And, also, other markets have also this good response for Indian products, other markets also are very promising.

Praveen Sahay: Okay, fine, thank you Sir. Thank you for taking my questions.

Moderator: Thank you sir. Next question comes from Nitesh Jain from Birla Mutual Fund. Please go ahead.

Nitesh Jain: Hi Mr. Rao, Hi Nikhilesh. Sir, I have couple of questions. Firstly, If your expectation of the culture for the remainder of the year, say, H2, played out in a similar fashion, I mean, the improvement compared to H1, then given this slight increase in raw material prices, wheat you mentioned there is an increase, then would you be able to pass on this cost increases by way of raising the feed price or the company has to bear the lower profit margins?

C. Ramachandra Rao: We are just watching the situation Mr. Nitesh. Because, we have to see ...over a period of time... see, the fish meal...just take the example for fish meal price. If the catches are good, more or less the price remains the same level, then we will be able to sustain that. In case of wheat flour, wheat also, wheat prices have gone up for certain reasons. I think, in the course of time, if that also stabilizes, I think, we need not worry very much, but in case there is an abnormal increase for whatever the reason, then we will have to think...that depends upon, again, as I told you earlier, that the match between the export prices and farmers, the sustenance levels, the minimum profits that they expect for carrying on the culture, and then depending on that what decision has to be taken...it depends on that. That we will work out as we progress in second half, but it is difficult to tell as of now whether we are going to increase or not increasing the price.

Nitesh Jain: No problem sir. And Secondly, can you talk about the export opportunities for the feed business, I mean, can Avanti Feeds Limited looking to export from India to neighboring countries, like, say Indonesia or some of the South Eastern countries.

C. Ramachandra Rao: Yeah, we are working on that. We have started already the exports to some of the neighboring countries. So, definitely, in the course of time in the rest of the year we are working on some other markets also. We will share that at the appropriate time. We have started already. But it picks up, it will this ting, then we will share the complete details and what is the potential of this market and all, we will do that.

Nitesh Jain: Alright sir. Then, lastly, Nikhilesh, can you please share or some quantification of this shrimp price increase for the higher count, say 40-count. Like, when you mentioned in last few weeks they have gone up meaningfully, so can you share, like, say compared to the same period last year, how much it is higher...is it flat, higher by some percentage point?

Alluri Nikhilesh: As of now, right now in my hands I don't have that information, but the information that I have is the movement of the pricing over the last



few weeks, I think, seven weeks to be exact. I think larger sizes, from 8/12 to 16/20, and even 21/25 have picked up at an average of 7%.

Nitesh Jain: 7% over what period. Sorry.

Alluri Nikhilesh: I think, for the period 7 weeks prior to that.

Nitesh Jain: Okay, okay. And, now, compared to last year, will it be the same price, flat price, like the current.....

Alluri Nikhilesh: No, higher than last...see, I think, the larger counts...I mean, just to give you from the top of it...see, on the average raw material price, price last year for 30-count was about Rs.360 as of today's price and last year the same period, it was about Rs.487 or 490...I mean, this year is 490, last year it was Rs.360, so about a Rs.130 increase. And also, even in the sales price, I think, last year at this period, we were selling at about Rs.460, 465, and today we are selling at about...much higher, like Rs.550.

Nitesh Jain: Okay. So, that's quite a meaningful improvement actually.

Alluri Nikhilesh: These are just, like, I am giving you a very brief thing

Nitesh Jain: It depends on the life of the product and all...

Alluri Nikhilesh: Yeah.

Nitesh Jain: Okay, yeah, got it. Alright, thank you very much.

Moderator: Thank you sir. Next question comes from Abhijit Dey from BNP Paribas. Please go ahead.

Abhijit Dey: Good evening everyone. Is there any increase in export prices, which you have seen over the last month, month-and-a-half?

Alluri Nikhilesh: Like I just answered the previous question, the export price for the larger sizes have increased about 7% in the last eight weeks and medium sizes have increased about, 3% to 4%.

Abhijit Dey: Okay. And the farmgate prices would have increased much more, right, that's what, I think, you mentioned earlier.

Alluri Nikhilesh: Yeah.

Abhijit Dey: Right, thank you very much.

Moderator: Thank you sir. Next question comes from Ayush Mittal from Mittal and Company. Please go ahead.

Ayush Mittal: Good afternoon sir.

C. Ramachandra Rao: Good afternoon.



Ayush Mittal: Congratulations on maintaining a good performance in a challenging environment. My question is, basically there was one article in Undercurrent magazine, wherein they had highlighted that this upcoming season, and there have been several other articles in the media also, wherein they are saying that the upcoming season will be very, very weak, the stocking is down 30%, 40% in some of the areas. While, what you are saying is totally different, so what can be the reason for this?

Alluri Nikhilesh: So, I know exactly the article that you are speaking about. I know the guy who wrote the article as well. So, this was written a couple of weeks ago, it more indicates a sentiment from the first crop, where the pricing was lower, but over the past several weeks the pricing has come up, and right now the farmers who have completed their first crop, they are very much confident of the second crop. It all depends on the pricing of the raw materials. Yes, if you see the first crop, like what we have given in our outlook or our expectation that the shrimp output or the shrimp production would be lower, and but fortunately, the prices have increased, so there is a better confidence in the farming community to come out for the second crop. So, that is as much as it shows about reality, but it doesn't show the sentiment as of today.

Ayush Mittal: At the same time, the concern when we speak to industry was around the rains, I think that in the southern parts of Andhra and Tamil Nadu and all those areas, the rains have been very weak, that is one major problem that farmers are facing.

Alluri Nikhilesh: Yes, I think, especially in the south of Andhra, the rains have not been that good, but however, I would say that it is not the rains, it is not drought per se, so the rains would not have a big impact on the shrimp output.

C. Ramachandra Rao: I can add to what Mr. Nikhilesh said. normally the rainy season is not yet over. Because actually North India, it is delayed, and in South India also throughout the country, the monsoons were delayed by about 10 to 15 days, and slowly it is picking up. We hope that in Andhra and other parts of Kerala and Tamil Nadu also it will pick up. But, I think, it is too early to predict. Today I saw in the paper that it is going to pick up in the next 15 to 20 days. IMD has predicted that the monsoon will pick up. And, of course, rightly Mr. Nikhilesh said that south of Andhra, definitely the rainfall has not been much below the normal. However, we hope that the rains do come there also, and there will be an improvement in the shrimp culture compared to the earlier period.

Ayush Mittal: Okay. But as the season has started, you have seen signs of pickup, is that right?

C. Ramachandra Rao: See, some of the areas, like Andhra, East Godavari and West Godavari, this thing has already picked up. The stockings are going on vigorously there. It is there already, it is happening. The other parts of the state will also pick up as the rains are expected to come, so it will pick up, then it will pick up even in Tamil Nadu also. See, Tamil Nadu has got some other...they need water, the Cauvery waters have to be released and they have to get...the more the water availability, then more the culture. So, that's why, slowly it picks up. We will have to wait and see for Tamil Nadu also.



Ayush Mittal: And sir, anything about the over dependence on the export to US, is that thing changing for the industry in some way or the other?

Alluri Nikhilesh: Yes, it has been changing in the sense that everybody is exporting to other markets today. I think everybody is focusing on, I don't know about everybody, but at least we are focusing on diversifying the market. We are doing more into EU, we want to do more into Asia; we want to do more into the Middle East. We are looking at that, but this year, I think, if you look at our market diversity, again, we have become exporting a lot to the US only because some of the projects that we have been working over the last years have come into effect and that has taken most of our shipments into the US. But, our focus and our resources...we are increasing our resources into other markets as well. So, we cannot see it immediately, because the relationships we have in the US are over next 20 years, so, we have built up our sales to our existing customers, and we are also looking at other markets that will slowly develop, you can see it in the next few quarters.

Ayush Mittal: Is there anything on utilization of the cash surplus or something, on that sense?

C. Ramachandra Rao: See, let me tell you, whatever the cash reserves are there, most of this part of the reserves are utilized as working capital during the peak season. So, what we are doing is, we are able to utilize these funds instead of paying interest on borrowing of about 10% on CC, instead of that we can use this funds and during the peak season when we require stocks of fish meal, soya and wheat flour. It is a saving of the cost and under the challenging conditions; it is necessary that we keep sufficient reserves and use these funds without going for borrowing. You know that today how the banks are? It is very tough to get the limits sanctioned or increased from the banks. So, this is how we have been able to use that...it is coming very handy, these reserves. Whatever reserves that are...plus we are keeping...in the short term we are keeping in the mutual funds and we are getting. Coming to how you take the investment...when we make an investment decision, there are two important factors; it gives a good return on investment as well as value to the investors for that. See, these two are the primary considerations for making any investment decision. So, the management is very clear about these views and they are working on certain projects and investment areas, where it is good for the investment from the point of view of the stakeholders and the investors. I think, we will have to wait for that.

Ayush Mittal: Okay sir, thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. Next question comes from Puneet Mittal from Global Core Capital. Please go ahead sir.

Puneet Mittal: Thank you all, my questions have been answered. Thank you so much.

Moderator: Thank you, sir. Next question comes from Shekhar Singh from Excelsyor Advisors. Please go ahead, sir.



Shekhar Singh: Sir, just wanted to know, with the sort of scenarios, which is getting built up, shrimp feed production for the year, what will be the target? Can we do around 450,000?

C. Ramachandra Rao: Yeah, it could be around 450 to 460, what we are expecting.

Shekhar Singh: Okay. And, for shrimp production, what will be the target?

Alluri Nikhilesh: About 13000- 14000.

Shekhar Singh: Okay. And in terms of margins, are you expecting your overall margins for the year to actually go up significantly as compared to last year. Last year was quite a weak year as such.

Alluri Nikhilesh: I think, already in the first quarter you can see a good improvement in our margins over the last... year-on-year, and that's what we are focusing on, but a lot depends on the international market and also the raw material prices, so again it is very premature to give out an outlook, because we are just discussing about it over the question that we are looking at what are the range for the raw materials, how the market is going to react at the second crop. So, as of today, it looks good.

Shekhar Singh: And, any Capex plans for your company?

C. Ramachandra Rao: No Capex as of now. We expect a hatchery where we have now spent almost Rs.14 crores we have spent, another about Rs.10 crores we expect that we should be able to complete the project and start implementing production from probably during first week of November,2019.

Shekhar Singh: Okay, thanks a lot sir.

Moderator: Thank you sir. Next question comes from Falguni Dutta from Jet Age Securities. Please go ahead.

Falguni Dutta: Hello? Yeah, good evening sir. I just have two questions. I just missed on that number of yours where you mentioned the current soya bean minimum support price is 3400/quintal, so as against that what was the price for us in Q1FY20?

C. Ramachandra Rao: See, Q1FY20, it is around Rs.40000, that is high quality is about Rs. 40,500 per ton. And the Minimum Support Price they have announced is Rs.3000 per ton on soya.

Falguni Dutta: Okay, but the one, which we see on the...posted on the Government thing, which shows soya bean Rs.3399 versus Rs.3050, so this is some different type or is it...

C. Ramachandra Rao: See, madam, there are three or four varieties of soya bean meal, which is...the lowest, what you are seeing, what is given is the standard soya, which is mostly used for poultry. So, what we use is a high protein soya bean meal, specially made for us. So, this is a different yield and the cost of producing this kind of



soya bean meal is higher compared to the standard poultry grade soya bean meal, which you are seeing.

Falguni Dutta: Okay. Sir, given that they are already higher than the minimum support price, the prices in Q1, so there isn't any scope for them to go up, right from 40,500 level?

C. Ramachandra Rao: See, it depends upon the market situation, because what is happening is, this Minimum Support Price which the Government is announcing, whether it is reaching the farmer or not is the concern of the Government. So, they want to see that this ultimately goes to the farmer. So, by increasing the MSP, the middlemen are getting benefited, they want to rationalize that, and in the course what we see is, that there will be a sign of rationalization between the MSP and the market price.

Falguni Dutta: Okay. And, sir, my second question is...

C. Ramachandra Rao: You will have to wait and see how this is going to impact. And, you have got...sowing is going on, now because in Madhya Pradesh and all, where the soya is grown mostly, rains have delayed, and now the sowing is going on. They are expecting reasonably good crop this year, and provided the rains also come intermittently during the course of the soya bean production. So, we will have to see how the prices behave in the next couple of months.

Falguni Dutta: Okay. And sir, my second question is; what is the percentage of wheat, soya bean, and fish meal in our total raw material cost?

Alluri Nikhilesh: That's a formula, so we cannot really disclose...

Falguni Dutta: If you could just say in terms of weightage, order it in one, two, and three, even that will do. I mean, which one is the highest...

C. Ramachandra Rao: You can say all one-third, one-third, one-third.

Falguni Dutta: Okay. Okay fine sir, that's all from my side. Thank you.

Moderator: Thank you ma'am. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. Next question comes from Omkar Kulkarni, an individual investor. Please go ahead.

Omkar Kulkarni: Yeah, hello?

Alluri Nikhilesh: Hi, good afternoon.

Omkar Kulkarni: Hi, good afternoon. My question was basically regarding the market share. Last year you ended up with 48%, I guess, right?

C. Ramachandra Rao: Yeah.

Omkar Kulkarni: And you mentioned that this quarter you have gained a market share of 5%, if I am not wrong.



C. Ramachandra Rao: Please complete your question.

Omkar Kulkarni: Yeah. So, just basically want to know, at what level you will be confident of the current...like, your market share, that's the first question.

C. Ramachandra Rao: See, the market share, it depends upon the total consumption in the market and our share. Anywhere between 45% to 48% it keeps varying from quarter to quarter. So, what we have to take into consideration is, overall. Supposing in the last quarter we have say 46% or 48%, next quarter also we will maintain the same, is what we mean by that. We maintain an average of 48%, that's what we are saying. Our endeavor is that to increase it to 50%, but we don't want to say that... 50% is definitely a very challenging thing, but still we work for that.

Alluri Nikhilesh: Mr. Omkar, I just want to also just add to Mr. Rao. Even though having a market share to 48% to 50% is actually a very high market share in any industry, but as of this is performance of our feed in the market, the performance is much, much better than our competitors. So, if you see our track record over the past few quarters or the past several years, our market share is continuously increasing, and we continue to grow and add new customers to our supply, and also we are able to capture new markets, we are focusing on newer markets as well. So, the scope is 100%, but as of today, we are at 48%.

C. Ramachandra Rao: We have to keep in mind that overall consumption is also very important. It is almost like last year, this year is going to be flat, the growth rate is not...almost insignificant, so under those circumstances, increasing the market share is a big achievement, will be a challenge also.

Omkar Kulkarni: In fact, I would like to appreciate the fact that in such a difficult environment you are able to hold on to such a high market share, and in fact increase it a little. That's a very big thing.

C. Ramachandra Rao: As Mr. Nikhilesh said rightly the quality, performance, and the technical support that we give to farmers, these are the considerations where how we are able to sustain it.

Alluri Nikhilesh: But, we feel, whatever you said about the company is right, like, the market has shrunk, but we have grown our space, we have got more market share from our competitors. So, that's a very positive sign.

Omkar Kulkarni: Yeah. And, in fact, I guess, in the coming years when the situations improve, that would be beneficial for the company as well, as you have already gained the market share from those competitors.

Alluri Nikhilesh: Correct, that's correct.

Omkar Kulkarni: Yeah. The second question was regarding the shrimp exports, you had mentioned that it is around Rs.450, Rs.460, and cost of production is Rs.300, right?



Alluri Nikhilesh: The cost of production for the farmer, it depends from farmer to farmer, zone to zone. But, by and large, you can say about an average of about Rs.300, Rs.320, yeah.

Omkar Kulkarni: Okay. What were the worst level you saw in this current period, like last six to nine months, and what was the highest in that period, I mean, when it was at the peak?

Alluri Nikhilesh: The lowest that we have seen, I can say, in one-year period. So, last year it was about Rs.360, the highest that I have seen is probably in March, it was around Rs.495.

Omkar Kulkarni: That you are talking about the prices, right?

Alluri Nikhilesh: Yes.

Omkar Kulkarni: And what was the cost of production...

Alluri Nikhilesh: Ballpark figures, yeah.

Omkar Kulkarni: Yeah, that's correct, that's okay. And what would be the cost of production at that time? Highest and the lowest?

Alluri Nikhilesh: It will be more or less the same, yeah, not much difference because the cost of our feed has not increased much, so we haven't increased it, so 90% of the input is feed itself and electricity, I mean, I just want to add, it is an important thing, the new Government, Mr. Jagan Mohan Reddy has given a concession on the power front, he has made it about Rs.1.5 per unit, so that's very helpful for the farmer. I was actually with a farmer yesterday; he was very happy with it. So, the cost of production is more or less stable, unless these factors change.

Omkar Kulkarni: Okay. Another question was regarding the new product addition, which you were thinking about, like, bassa fish and all that, so what's the update on that?

Alluri Nikhilesh: Very, very early stages, no update, we are working on the research in it.

Omkar Kulkarni: I mean, right now it is only shrimp feed and shrimp processing, that's it, right?

Alluri Nikhilesh: We have shrimp processing, we have shrimp exports, and we have our shrimp hatchery, which is coming into play, and some farms, but that's not at all...it is only for our research and our internal use.

Omkar Kulkarni: Okay. Mr. Rao mentioned that when the season is high what would be the maximum level of working capital which you will require?

C. Ramachandra Rao: That depends upon particularly in the peak season what happens is that the raw material requirement and also finished goods stock we should keep some stocks when the demand goes up in the month of say, May, June and July.



So what we do is about 50% of that say, about 400 crores, is about the requirement we need for keeping the working capital.

Omkar Kulkarni: So approximately the working capital that we need is about 400 Cr?

C. Ramachandra Rao: Rs.400 to Rs.500 crores yeah.

Omkar Kulkarni: Okay and what is the current cash on the balance sheet?

C. Ramachandra Rao: It is about Rs.700 crores.

Omkar Kulkarni: That's as on 31st March right?

C. Ramachandra Rao: Yes.

Omkar Kulkarni: Okay. Another question was regarding the opportunity of shrimp in the way you are doing exporting, what is the opportunity in India itself? I mean it is a big market actually, right?

Alluri Nikhilesh: Yeah, definitely in India we have a lot of people about 1.3, 1.4 billion people.... a lot of consumers as such and the opportunity is big but the affordability for shrimp is not there as yet. But as income levels grow, then we can see the opportunities. This is what we have seen in China. They were a net exporter, now they are a net importer. Soon I think that would be the case of India as well.

Omkar Kulkarni: Can mostly your competitor in terms of country is Indonesia I guess right apart from.... that's the second largest...?

Alluri Nikhilesh: Yeah the main shrimp producing countries are India, Indonesia, Vietnam, Thailand....and Ecuador. These are the top five suppliers.

Omkar Kulkarni: Okay and you mentioned last time that our Thai Union has no plans to reduce the stake below 22%, 25%. Does that carry on because we have seen a couple of number of shares being sold by them.

Alluri Nikhilesh: They do not intend to sell continuously. As and when they require moving out some....

C. Ramachandra Rao: When did you see sale by them last? I think it was sometime in March. But after that they have not sold anything.

Omkar Kulkarni: Okay so we remain at that around 22%, 25% right?

C. Ramachandra Rao: Yeah they maintain. They don't intent to sell it all.

Alluri Nikhilesh: They have just given that bracket, just to give an advice so it doesn't come out as a surprise.

Omkar Kulkarni: Right, thank you, thanks a lot. All the best.



Moderator: Thank you sir. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. Next question comes from Puneet Mittal from Global Core Capital; please go ahead.

Puneet Mittal: Hi thank you for the opportunity. Just a clarification; at the start of the call what was the PBT you mentioned at the start of the business?

Alluri Nikhilesh: About Rs.23 crores, i.e. about 63% higher year-on-year. That's about....12.3% margin.

Puneet Mittal: The reason I am asking is because on the financials that you have declared, as far as I can see, the EBIT on the processed shrimp is Rs.20.24 crores....in the segment wise results that you have declared. The segment result for processed shrimp is Rs.20.24 crores.....

Alluri Nikhilesh: We are just checking it right now.

Alluri Nikhilesh: Just give us a second, we are just looking at....

Puneet Mittal: Sure.

Alluri Nikhilesh: We can just come back to this question. We will go to the next question but we will answer this in the meantime. Do you have any other questions?

Puneet Mittal: Yes. The next question is what are the normalized margins for the processing business?

Alluri Nikhilesh: I am sorry can I get your name again?

Puneet Mittal: Puneet Mittal.

Alluri Nikhilesh: Hi Puneet, I cannot give you a ballpark range of what it can be but you can say that these levels will be maintained between 10% to 15% for the processing type.

Puneet Mittal: So the follow up on that is, for the feed business we understand that the margins fluctuate based on the raw material prices, how does your margin fluctuate in the processing business...in the sense that would you see years where you have really awful margins and years where you have really high margins or are the margins pretty much in a range in the processing business?

Alluri Nikhilesh: I think they would always be in a certain range because we are collecting the farmers' produce, we are processing it, we are making it into items the final market requires and we take the farmers' costs and add it on to our cost and sell it to the international markets. So there wouldn't be a large variance in our margins in the long term.

Puneet Mittal: Your contracts with your customers are on cost plus basis?



Alluri Nikhilesh: Sorry what

Puneet Mittal: Your contracts or your selling to the customers on a cost plus basis is that correct?

Alluri Nikhilesh: In a general idea, right? I buy it from the farmer and I put in my cost and everything and sell it to the customer.

Puneet Mittal: Okay got it.

Alluri Nikhilesh: Where did you get the EBITDA numbers?

Puneet Mittal: Not EBITDA but EBIT. If you see in the segment wise results that you have given, you have given the revenue and EBIT for the processing business right? The revenue is Rs.188 crores....Rs.187.57 crores and the processing shrimp EBIT result is Rs.20.24 crores.

C. Ramachandra Rao: Yes, Rs.20.24 crores is the result yes.

Puneet Mittal: So how is your PBT higher than your EBIT? In the segment wise results, you basically have given the revenue for the feed, for the shrimp processing and for the power and then you have given the EBIT for the processing and the shrimp feed and the power.

C. Ramachandra Rao: When you are talking about EBIT you don't add this one.

Puneet Mittal: Okay so there is other income in the processing business also?

Alluri Nikhilesh: Yes, yes. Mainly our exchange gain as well as pitch for investment gain.

Puneet Mittal: Okay now it is clear, thank you so much.

Moderator: Thank you sir. The next question comes from R.K. Laddha from Yash Investments. Please go ahead.

R. K. Laddha: Thank you sir for giving me the opportunity. My query has been answered, now no query from me. Thank you.

Moderator: Thank you sir. The next question comes from Ajay Pokia from Avanti Feeds. Please go ahead.

Ajay Pokia: Yeah sir, I am an individual investor, my name is Ajay Pokia. My question is, the management's predictions were regarding the expansions through shrimp processing and exports. I am asking where you find how much percentage increase you are expecting in the coming years and what will be the 11% exports to India for Avanti and where is the target in the next few years?

Alluri Nikhilesh: I think what we are looking at and what we are working on right now is to achieve 100% utilization of our processing unit. That's where all our



efforts are being put in. We are slowly scaling up, quarter by quarter; I would say even month by month, we are putting targets to achieve higher utilization. So eventually I am particularly very confident at achieving optimal level of utilization, I would say about 85% to 90% at least.

Ajay Pokia: But what percentage wise increase in the export market that you are targeting for Avanti. In India suppose you are at 10% or 15% of export as of now, are we targeting to gain the market of 25% to 30% that you are looking for or further expansion in that line?

Alluri Nikhilesh: In the whole market, there is no number that we have put a target as to be honest, we are working on our existing capacity to fulfill it and then we will look at the next project and then we can put in the numbers. But as of now, it's very hard to put in that number. Usually I think any....in exporting in Thailand, probably the largest company has about 10% to 20%. In India, the largest exporter in India doesn't have more than 7% to 8% or maximum 10% of the exports. So we don't look at it in that way.

Ajay Pokia: Okay. One more question.... with me Mr. Prateek Shah is there and he will be asking that question.

Prateek Shah: Yeah good evening. Your raw material cost.... the raw material cost is the major variable which is affecting the profitability. So is there any plan to diversify on the raw material itself so that you have a complete organization having the raw material control in your hand?

Alluri Nikhilesh: What you said, definitely makes sense. But from what we have done to reduce our reliability on highly fluctuating or low available raw material is we have tried to move away from using much fish meal consumption that way has reduced over time. So we continue to substitute materials which are not much available with more sustainable raw material sources.

C. Ramachandra Rao: If I may add to what Mr. Nikhilesh said, that every product, fish meal, soya or wheat flour.... every product has by-products and joint products also. So the price of these depends on.... because these features exclusively the entire production is coming as a captive consumption what you said is correct. But in the case of - let us take the fish meal. In fish meal what happens is that the fish meal there is a great by product called fish oil which is very high value. So when we take up the backward integration, we have to take the market of fish oil also and then do it. That will be a very....we will be going out of our purview to get into the oil business. Similarly, what happens in the case of soya also, you get soya bye product; joint product in soya, soya oil comes. That also is a big competitive market, so we have to concentrate on soya oil. So these are the major joint products and by-products. Wheat flour also, while we use the main wheat flour which has got the highest percentage of gluten, we have got others like bran and other products come and we have to find market for them. Then only the entire project will be viable. Otherwise if you take only one product for our captive consumption and rest of the thing we leave it, then we will end up losing on the proposition of backward integration which is the reason why we have done some work on that earlier and we thought this is a specialized area and it is not viable to go for this backward integration projects. That is the reason why we are not doing it.



Prateek Shah: Yeah, it is very well explained. Thank you sir. I think you should concentrate on your core business and do completely and closely monitor the price movements of the raw material. All the best.

Ajay Pokia: Thank you sir, very well answered. 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 Akshay Saxena, an individual investor. Please go ahead.

Akshay Saxena: Hi sir, because cash has now become a big investment for you guys, I just want to ask, are there any measures being taken to ensure that the funds in which your excess cash is invested is in good hands? I mean are you just randomly picking up funds or are you going through a process of some sort?

C. Ramachandra Rao: Basically what you said is correct. Cash is a big investment asset now for us. So what we are doing is, we have got certain principles on which we are investing in various mutual funds or NCDs or Fixed Deposits. The first and basic principle is, the security of the principal. The second criteria is the liquidity; the third criteria is the return. You know the way in which the market mutual funds are behaving and how they are fluctuating particularly from the point of view of the security. So what we have done is, we have got a policy. We allocate total funds into three or four different types of investments depending upon our fund requirement for working capital as well as of course not much in Capex now but by and large whatever the capex is required. First thing is we prefer to have most of the investment in less than one year period or 6 months period, fully secured mutual funds or arbitrage funds, NCDs and Fixed Deposits. Like that we divide it and we monitor like that and we get the average yields without much risk. We don't invest in any risky investment compromising on the liquidity and security, as a principle.

Akshay Saxena: Understood. So I was going through the annual report and I didn't see any equity based mutual funds so that adheres to your principles.... however, I did see some credit funds there. I am a little bit concerned, but I am sure you guys would have done your homework well. But I am a little bit concerned regarding the credit fund investment because of the current tax situation in the country as we are seeing defaults every single day. So....just keep an eye on this, that's what I wanted to communicate.

C. Ramachandra Rao: Thank you for the input, we will definitely see that. We will try to rationalize on these things. See what we do is as and when the surplus is generated we keep it in the ultra short-term funds and once in a month, we take the yields and securities of all the liquidities of all the funds where we have invested and on that we take a decision and move the investments from one portfolio to another. That's what we are doing now. On a monthly basis we do that.

Akshay Saxena: Okay great. It is good to know that you are keeping an active tab on that. Thanks a lot, that's all I had. Thanks.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. Next we have a follow up question from Mr. Omkar Kulkarni, an individual investor. Please go ahead sir.



Omkar Kulkarni: The question is regarding addition of capacities in the industry. As I know that Nutreco was coming with 1 lakh metric ton of capacity in 2020. So do you have any idea about what is the capacity addition or it has been impacted because of the situation we have been facing for the last one year or so?

C. Ramachandra Rao: At the present situation we don't think any investor....any feed mill is really workable at this point of time. Nevertheless, as you rightly said, there are some companies which are coming with feed but they are also going on the slow path we got the information but we don't have the precise information as to their plans.

Alluri Nikhilesh: There are some companies that have come into production now around this financial year or late last financial year and as you were saying Nutreco is coming up in the west coast, but no new announcements or no new updates about additional capacity coming in. With that I also would like to add thatthe industry is with high overcapacity....a lot of overcapacity, double than what is required; but only the people with the best performing feeds will survive. A lot of people come, try but only the best survive.

Omkar Kulkarni: Okay so what has been the utilization at Avanti then at the industry level.... a ballpark number?

C. Ramachandra Rao: I didn't get your question properly; can you please repeat?

Omkar Kulkarni: The utilization level at Avanti's level I am asking.... utilization level of the industry.....a ballpark number; not a precise number, but sort of a ballpark number.

Alluri Nikhilesh: If I restate your question, are you saying that what is Avanti's level of utilization compared to the average of the industries?

Omkar Kulkarni: Yeah, correct.

Alluri Nikhilesh: We are at 90% and if you see generally the industry is at 50% or 40%.

Omkar Kulkarni: Oh, that much of overcapacity in the industry? Okay.

Alluri Nikhilesh: A lot of the feed business, I think a majority of them, about 90% or 95%.... actually 98% of the companies would sell on credit. We don't do that.

Omkar Kulkarni: Okay, so it is basically two or three very big companies who are surviving...?

Alluri Nikhilesh: One or two. There are two big companies.

Moderator: Thank you sir.



Moderator: There are no further questions sir. Now I hand over the floor to Mr. Sherwin Fernandez for closing the call.

Sherwin Fernandez: Thank you to the entire team of Avanti Feeds Limited for giving us the opportunity to host the call. I also thank the investors and analysts for being a part and taking time to attend this call. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of Karvy Fintech Limited, that concludes this conference call. Thank you for joining us.

Note:

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

