

Ref: AFL/BSE & NSE/Call/2021-22/

24.11.2021

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 Symbol: **AVANTIFEED**

Dear Sir/Madam,

Sub: AVANTI FEEDS LIMITED –Transcript of Audio Conference Call for Investors on 18th
November, 2021 - Outcome

Ref: AFL/BSE & NSE/call/2021-22/ dated 15.11.2021.

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Further to our letter cited, we enclose herewith the transcript of Audio Conference Call for
Investors conducted on 18th November, 2021 in connection with Un-audited Financial Results
for the Quarter and half year ended September 30, 2021.

This is for your information and record.

Thanking you,

Yours faithfully,
for Avanti Feeds Limited



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



Encl: As above

Avanti Feeds Limited Q2 FY22 Earnings Conference Call

18th November 2021, 04:00 PM IST for a duration of 58 mins 42 secs

C. Ramachandra Rao: Good Evening Ladies and Gentlemen,

We extend a warm welcome for this Investors Conference Call, to review the Un-Audited financial results for Q2FY22.

Along with me here, are Sri A. Indra Kumar, CMD, Mr. A Venkat Sanjeev, Executive Director, Mrs. Santhilatha, G.M. (Finance & Accounts) and other team members.

Mr. Nikhilesh Chowdary, Executive Director, Avanti Frozen Foods Private Limited (Subsidiary) have joined through conference call.

The Results of Q2FY22 are already with you for some time now and we are sure that you would have gone through them.

However, I would like to share with you some of the key indicators relevant for our discussion today.

CONSOLIDATED FINANCIAL RESULTS FOR Q2FY22:

(A) Q2FY22 RESULTS

The comparative performance of Q2FY22 with that of Q1FY22 and Q2FY21 have been given in the presentation already circulated. Gross Income in Q2FY22 is Rs.1,252 crores as compared to ₹ 1,430 crores in the previous quarter Q1FY22, a decrease of ₹178 crores down by 12.45%. Compared to Q2FY21 gross income of ₹1,150 crores, there is an increase of ₹ 102 crores by 8.87%. The PBT is ₹ 38 crores in Q2FY22 as compared to ₹ 99 Crores in Q1FY22 a decrease of ₹ 61 Crores by 62% and compared to Q2FY21 PBT of ₹ 162 crores, there is a decrease of ₹ 124 Crores by 77%. Decrease in PBT is because of steep increase of RM prices in Feed Division, especially Soyabean Meal and Fishmeal.



C. Ramachandra Rao

STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISIONS

A. FEED DIVISION:

Q2FY22 RESULTS

The gross income for the Q2FY22 is ₹ 982 crores as compared to ₹ 915 crores in the corresponding quarter of Q2FY21, registering an increase of ₹ 67 crores by 7%. The gross income in Q2FY22 reduced to ₹ 982 crores from ₹ 1,257 crores in the previous quarter Q1FY22 down by 21.88%.

However, the 1st half year ending September 30, 21 registered a gross income of ₹ 2,239 crores as compared to ₹ 1,710 crores in corresponding half year of the previous year, an increase by 30.94%.

The PBT for the Q2FY22 is ₹ 20 crores as compared to ₹ 93 crores in Q1FY22, a decrease of ₹ 73 crores by 78%. The PBT in Q2FY22 is reduced to ₹ 20 crores from ₹ 123 crores in the previous quarter Q2FY21 decreased by 84%.

You may observe that in spite of increase in gross income, the PBT has come down by 84% compared to corresponding quarter i.e., Q2FY21, due to steep increase in RM prices.

Increase in raw material prices:

As in the earlier quarter, continued un-controlled steep increase in raw material prices, particularly, Soyabean meal and Fishmeal and their products such as Soya Lecithin and Fish oil have been the major contributing factors for drastic fall in the margins, in spite of increase in sale price of feed.

The Fish Meal price has gone up to ₹ 105/- per Kg in Q2FY22 as compared to ₹ 95/- per Kg in Q1FY22 and now it is at ₹ 95/- per Kg. The Soyabean meal price which was at ₹ 65/- per Kg in Q1FY22 shot up to ₹ 110/- per Kg in Q2FY22.

The prices of Soyabean meal went up so un-controlled that at the request and persuasion of Poultry and Aqua Feed Manufacturers, the Govt. of India had to intervene to permit import of Soyabean meal to control the price increase. 12 lakh tons of Soyabean meal has been permitted to import to stabilize the domestic prices of Soyabean meal.

Now, since the new crop of Soyabean started coming into the market, the prices are showing downward trend gradually. Though, initially, Soyabean meal price went down to ₹ 48/- per KG, but did not last long and went up again and now it is at ₹ 56/- per Kg.

In case of Fish Meal, the price decreased marginally from ₹ 105/- per Kg to ₹ 95/- per Kg for some reason or the other such as slow arrivals of fish from fishing, climatic conditions



such as cyclones etc., export demand, deterioration in the quality fish such as low fat and oil content.

With new Soyabean crop coming into the market, it is hoped that prices of Soyabean meal will stabilize gradually. The prices of other inputs such as Vitamin and Mineral Premixes, Packing Material etc., have also been increasing, pushing up the cost of production of Feed.

Increase in Sale price of Feed:

In spite of increase in the average Feed price realization by ₹ 7.16 ps, in the first half year (3 times increase: ₹ 2.00 ps + ₹ 3.15 ps + ₹ 4.25 ps), due to steep increase in prices, the raw material cost increased by ₹ 14.75 ps per Kg, leaving a difference of ₹ 7.59 ps un-absorbed.

However, with Soyabean meal and Fish Meal prices coming down gradually, it is hoped that the gap gets reduced gradually.

B. SHRIMP PROCESSING DIVISION:

Q2FY22 RESULTS

- The gross income for Q2FY22 is ₹ 273 crores as compared to ₹ 238 crores in Q2FY21, registering a growth by ₹ 35 crores at 14.71%. The gross income in Q2FY22 increased to ₹ 273 crores from ₹ 175 crores in the previous quarter Q1FY22 increased by 56%.

However, the first half year ended September 30, 2021, registered a gross income of ₹ 448 crores as compared to ₹ 427 crores in corresponding half year of previous year, an increase of 5%.

- The PBT (Before Exceptional item) for the Q2FY22 is ₹ 41 crores as compared to ₹ 40 crores in Q2FY21, a marginal increase. The PBT in Q2FY22 is ₹ 41 crores increased from ₹ 12 crores in the previous quarter Q1FY22, an increase by 242%.

However, the first half year ended September 30, 2021, registered a PBT (Before Exceptional Item) of ₹ 53 crores as compared to ₹ 75 crores in the corresponding half year of previous year, a decrease by 29%.

- Increase in Ocean Freight rates:

As in the earlier quarters, the container freight rates have been steeply increasing without any control resulting in significant decrease in margins. In spite of several representations to the Government of India, EIA, the freight rates are not coming down.



• **Reduction in Export Incentives:**

As you know, the Govt. of India had discontinued MEIS Incentive Scheme w.e.f. 01/01/2021 and also had put a cap on MEIS at ₹ 2 crores for the period from 01/09/2020 to 31/12/2020. However, the Government was not releasing the eligible MEIS for a long time for which no provision was made in the accounts or reversed partial provision made.

Now, during the quarter, the Company has received MEIS Income of ₹ 14.14 Crores pertaining to FY21, which has been accounted for now.

RODTEP:

The Government of India had announced a new incentive scheme "Remission of Duties and Taxes on Export Products (RODTEP)" would be introduced effective from January 01, 2021, in the place of MEIS. As per the Scheme announced by the Government, the Company is eligible for RODTEP scrips to the extent of ₹ 13.55 crores from January 01, 2021 to September 30, 2021, for which no provision has been made and will be accounted for as and when received.

Status of Recall of Products by AFFPL:

As you are aware, the Company had to recall cooked shrimp products found potential for Salmonella contamination by USFDA and CDC in the recalled products. The recall had to be made twice in June' 21 and August' 21. The recalled products are not allowed to be brought back to India and they have to be destroyed in US itself.

As a result, the Company is liable to compensate its customers for recalled products and related expenses of destruction charges etc., to the extent of the products returned and destroyed. The Company is also liable for re-imbursement of medical & related expenses to the consumers who fell sick and underwent treatment after consuming the recalled products.

Insurance Coverage:

The Company has Product Liability Insurance covering the Medical and related expenditure mentioned above. However, there is no insurance coverage in respect of re-imbursement of products returned and destroyed and also other related expenses such as Product Destruction, Call center, Storage expenses etc., This cost has to be met by the Company.

Provision in the Financial Statements:



In the first half of FY22, a sum of ₹ 21.25 crores (Q2FY22 ₹ 17.15 crore and Q1FY22 ₹ 4.10 crore) has been charged off, as an exceptional item towards value of returned/destroyed product and other related expenses.

The provision in the Financial Statement has been made on the basis of the returned and destroyed value of the products together with related expenditure as stated above, ₹ 21.25 crores.

Since the recall of Products is made more than 4 1/2 months ago in case of initial recall and 3 months ago in case of expanded Recall, further returns of the unsold/unconsumed recalled product is not expected in a significant way. Further claims, if any, will be charged off as and when received.

As regards insurance claim, the Company is following up with the Insurance Company for settlement of claim. So far, 14 claims for bodily injuries, sickness, have been reported, without indicating any financial claim which will be obtained in the course of processing of claims by the Insurance Company.

INDUSTRY OVER VIEW – FUTURE OUTLOOK AND PLANS OF THE COMPANY

The global economic growth trends and forecasts indicate a bright future ahead after undergoing the trauma of COVID-19 First and Second waves. Though, a Third wave is anticipated, the impact is not seen as serious as most of the world population would have had vaccination. In India too robust economic growth is expected in coming years. The first crop of Shrimp Culture in the country has been more than previous year and appears promising in the second half also as the farm gate prices and the climatic conditions are stable for Shrimp culture coupled with stable export price and sustained growth of exports.

SHRIMP PRODUCTION AND FEED CONSUMPTION IN 2021

SHRIMP FEED CONSUMPTION:

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

The Company's feed sales during 2020 was about 4.55 lakh Mts and expected to be around 5.25 lakhs Mts in 2021 an increase by over 15%. The Company is expected to maintain its market share at 48% - 50%.

CAPEX plan for Shrimp Feed Plant:



It is encouraging to note that in the adverse conditions of COVID-19, the Company has been able, not only to keep intact its farmers base but also significantly succeeded in getting the farmers of competitors feed converted to Company's feed. Moreover, with stabilized export prices and congenial climatic conditions, the area under shrimp farming is also likely to increase resulting in increase in demand for Feed.

To cater to the increasing demand for Company's Feed, it has been decided to expand Shrimp Feed Manufacturing Capacity from existing 6,00,000 MT PA to 7,75,000 MT PA by setting up a new Shrimp Feed Plant at Bandapuram with a capacity of 1,75,000 MT PA, at an estimated CAPEX ₹ 125 crore. The construction and commissioning scheduled to be completed and commence commercial production from June 2022.

SHRIMP PROCESSING & EXPORT:

Shrimp production and exports from India was 5.75 lakhs Mts in 2020, however during the current year 2021, the production and exports of shrimp is estimated at around 6.50 Lakh Mts, a growth of about 10%- 15% over the previous year.

The Company's Shrimp exports in 2020 is about 12,192 mts. The estimated exports in 2021 is about 12,700 mts, maintaining almost same level as in 2020.

I would like to conclude with a positive note that the Aquaculture Industry is poised for a relatively improved performance in 2021 compared to 2020.

Thank you.

Question and Answer Session

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Participants are requested to restrict to two questions per person in the initial round and may join the queue for further questions.

Our first question is from Mr. Depesh Kashyap from Equirus Capital. Please go-ahead sir.

Depesh Kashyap: Hi sir, thanks for taking my questions. Sir, on the RM prices, as in soya meal has corrected very sharply again. Just wanted your thoughts, is there any pressure on the Andhra Pradesh Government to roll back the price hikes that you have taken?

Alluri Indra Kumar: Good evening, Depesh. Yes, the Government has asked us to reduce the prices, because the farmers were requesting further price reduction. But we explained to the Government and the prices have not really come down. And in general,



overall situation, the costs of all the raw materials and even the electricity and all have gone up. So, we said we have to wait and see on the situation of the raw material how it is going to move. And what all we have explained to them, that we have imported the soya meal from the other countries, because the Government has given one time permission, that we have stocks and now we cannot reduce the prices. But we have to sit down with the Government and again discuss with them and tell the practical situations of the industry.

Depesh Kashyap: Right now, you have not decreased the prices, you are still

Alluri Indra Kumar: No, we have not decreased the prices yet.

Depesh Kashyap: Understood sir. And sir, how many days of soya meal inventory are you holding and what is the cost of that inventory sir?

Alluri Indra Kumar: Actually, we have covered the soya meal, till now we have imported some soya meal and we have also bought soya meal and we have almost around 12000 tons of soya meal with us.

C. Ramachandra Rao: The average price Depesh, as of now it would be around ₹ 60, we are expecting, but, very, very highly volatile situation what we are seeing in the market as far as the soya is concerned. So, we thought that it is coming down, but again it is going up. And today also it has gone up. The thing is that until it stabilizes, the new crop comes, I think the raw material prices we have to keep our fingers crossed.

Alluri Indra Kumar: Basically, the soya crop is very good. The crop is really you can say bumper crop. But unfortunately, since it is in the commodity exchange, more than the physical stock movement, it is going, in commodity exchange, the prices are being artificially raised up by some traders.

C. Ramachandra Rao: Futured they are always going for premiums. This was the problem.

Depesh Kashyap: Got it sir. Second question sir is on the feed sale. The feed sale seemed to have slowed down in this quarter. So, any reasons why it happened and what happened? And is there any shortage of supply for your processing plant that you are seeing in this? And also, you have announced the CAPEX increase. So, what kind of demand visibility you have for the next year sir?

Alluri Indra Kumar: Basically, you have to look at, this is a seasonal this thing. Now, already winter has clocked in. So, actually it is the time to harvest. People harvest and get ready for the next crop, which they will be ready for the next crop by January, January-February. So, it is a general trend.



C. Ramachandra Rao: Depesh, I can add to what CMD said that what you are referring to is the quarter two, Q2, is it not? So, if you take actually Q1 and Q2 together, compare with the earlier year, the first half year there is a significant increase in the volume of sales. Please observe that. This indicates that we have been able to really keep our farmers base intact. And moreover, we have been able to get conversions from other feeds also very much in the first half year of this financial year. So basically, as our CMD said, it is a seasonal factor. So, what happens is, if you compare with the last year corresponding quarter, the feed sale is more. And the Q1FY21 was more and Q1FY22 was less. And that is reversed in the second quarter. It means, the first season spillover from Q1 to Q2 takes place according to the culture situation. So, overall if you look at the entire six months period, we have registered significant increase in our volume of sales.

Depesh Kashyap: Got it sir. Sir, I was just asking, just a continuation to that question please, if I can continue. Sir, I was just asking the other listed entities, they just announced in the conference call that there was some disease related risk and the early harvesting happened. So, you don't see any such kind of thing, which led to a slowdown?

Alluri Indra Kumar: No, no, actually in the second half we had three-four mild cyclones. Farmers were afraid of any damage. They harvested in a very premature harvest.

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

Moderator: The next question comes from Mr. Nitin Awasthi from InCred Equities. Please go ahead, sir.

Nitin Awasthi: Hello sir. Thank you for the opportunity. My first question would be that Thai Union Feedmill had just recently got listed. And in their listing, they have recently released a press release, post listing, in which Avanti was also mentioned as a partner in the future investments that they will do. So, has the relationship now changed or how much is the royalty that we will now continue to pay to Thai Union Feedmill instead of Thai Union? And what are the opportunities that this brings out, the separate entity Thai Union Feedmill?

Alluri Indra Kumar: Thai Union Feedmill is a technical collaborator with the Avanti Feeds Limited. The royalty is being paid from beginning to Thai Union Feedmill.

Nitin Awasthi: Okay. And that will continue at the same rate?

Alluri Indra Kumar: Yes.

Nitin Awasthi: And no new royalties will be incurred to be paid to the Thai Union Feedmill, is that correct?



Alluri Indra Kumar: Yes, correct.

Nitin Awasthi: Okay. And they also spoke about opportunities in fish feed and in India. So, is the company collaborating with them for fish feed?

Alluri Indra Kumar: Yes.

Nitin Awasthi: Is this particular species or generic fish feed?

Alluri Indra Kumar: No, this is specific species. Like in earlier meetings or conference call or investors call, we were talking about sea bass. In sea bass feed, Thai Union is the leader in the world. Therefore, India also the culture of sea bass is going up. We are working out on the sea bass feed and other feeds like tilapia and other feeds.

Nitin Awasthi: And tilapia you mentioned?

Alluri Indra Kumar: Tilapia also, there is culture of tilapia in India, but that also we would catch up.

Nitin Awasthi: Noted sir. And the second question would be, there is a Gujarat based entity which got permission for SPF black tiger and they have clubbed their product very well. They have clubbed their SPF black tiger feed along with their shrimp feed for black tiger. And they have got a substantial market, at least that is what the news indicates that lot of farmers started to do black tiger using their feed. So, did this impact us in any manner, specifically in Gujarat?

Alluri Indra Kumar: No, no, the feed is being supplied by them, but the feed is being used by Avanti Feeds. Their feed has not been successful, as far as the market information, what we got from the market information.

Nitin Awasthi: Okay, noted sir. Sir, lastly from my side, has all the price increase been reflected into the current price? Because, what I am getting which I calculate the current price of feed is the realization is ₹ 75.36 and the price increase is little more than that. So, could I see more realization increase in the coming quarters?

Alluri Indra Kumar: Yes, actually we have not increased the price off late. We have increased the price in August. We have increased the price in August that is we have increased in three phases; around ₹ 11.55 we have increased.

Nitin Awasthi: Yes, but it is not completely captured in the current quarter's realization?

Alluri Indra Kumar: Total what raw material prices have increased, we have not captured entire increase of raw material, because for soya bean meal, it was a



fluctuating market. Actually, unless it is removed from the commodity exchange, people were playing in the exchange.

Nitin Awasthi: Noted sir, but what I was asking was the realization. So, should the realization go up to 78?

C. Ramachandra Rao: Yeah, Mr. Nitin, what you said is correct, because since we have taken the increase in price in three phases that particular quarter will not completely take the realization. Actually, you will get the full impact in the current quarter.

Nitin Awasthi: Got it sir, noted sir. Thank you so much for answering my questions. I will get back in the queue.

Our next question comes from Mr. Nisarg Vakharia from Lucky Investments. Please go ahead, sir.

Nisarg Vakharia: Good evening gentlemen. I have one question. That one question is that, what is the effective price increase of feed for the farmer after the raw material price inflation and the price hikes that we have taken on the feed? And secondly, since you mentioned about fish feed on sea bass, sea bass is a very premium commodity, very premium fish. Is there any cultivation of sea bass that happens today in India or is this something which Avanti will take the lead with the new set up of fish feed, if you could give some insights on this? Thank you so much.

Alluri Indra Kumar: Yes. I would answer the fish feed, the sea bass culture has started in India in a slow way, slowly started in India and culture is being done. The feed now is being imported from Australia and other countries. And there is not much feed in India for the sea bass. And definitely Avanti is going to encourage the sea bass culture, because India has a vast fish culture to convert it to sea bass, because the farmer makes higher profit and also the sea bass is a premium variety.

C. Ramachandra Rao: Answering your other question, what is the price increase for the farmer, the feed price. It would be around ₹ 7 to ₹ 7.50 is the increase of the feed. But whereas our cost is about ₹16, where the difference is being met by the company. The farmer gets only an increase of somewhere between ₹ 6 to ₹ 8, that is the range.

Nisarg Vakharia: How much does it hurt the farmer when he has to pay ₹ 7 more and how relevant is the cost price or the cost of feed in the overall cost of production? And does India, also enjoy favorable conditions for keeping and cultivating feed bass like we enjoy for tiger shrimp?

Alluri Indra Kumar: No, actually the feed cost is around 49 % to 50%. It remains the same, because the prices of the shrimp also have gone up. The farm gate price of the shrimp has also gone up.



Nisarg Vakharia: Okay. But there is no Government price control on this, right?

Alluri Indra Kumar: The Government requests the companies to take care of the farmers.

Nisarg Vakharia: Okay. And sir, I have asked one more question that does India enjoy also climatic advantage to cultivate sea bass like we enjoy tiger shrimps?

Alluri Indra Kumar: Yes, yes.

Nisarg Vakharia: Okay. Thank you so much sir and all the very best to you.

Alluri Indra Kumar: Thank you

Moderator: Thank you. The next question comes from Mr. Aman Madracha from Augmenta Research. Please go ahead.

Aman Madracha: Sir, my question was, currently we are operating under shrimp feed business, we are operating at almost zero percent margins. So, how are you seeing this situation? Will it persist or how long it will persist or when it will go away? And the other question was, I just wanted to understand, why can't we raise the feed prices, despite of being a market leader in feeds?

Alluri Indra Kumar: Yes, see, the raw material prices have gone up, it is a seasonal, it depends on the catches in the ocean, the fish meal catches, fish catch in the ocean and also the crop situation of soya bean and wheat in the country. Since after COVID all these costs have gone up almost 30% to 35% and since there was shortage of soya bean meal and fish meal, the prices have gone up.

Now, as I told earlier, the soya bean crops this year is a bumper crop. But, as long as it is in the exchange, commodity exchange, the physical transaction is much less. The prices should come down. And fish meal arrival also, fish arrival is also good, compared to the previous year. And I think we are expecting the prices to come down. But definitely if the prices are not going to come down, we have to increase the feed price.

Aman Madracha: And sir, can you just give me the capacity utilization for this quarter and previous quarter?

Alluri Indra Kumar: Capacity utilization for the previous quarter we were almost more than 115% to 120%.

Aman Madracha: Currently we are at 85%, right?

Alluri Indra Kumar: Yes, 85%.



Aman Madracha: Okay, got it.

Moderator: Thank you sir. The next question comes from Mr. Dipak Saha from Savart. Please go ahead, sir.

Dipak Saha: Hi, good evening, everyone. Thank you for taking my question. My question is regarding the shrimp feed part. So, on half yearly basis we have seen significant increase in that overall sales volume. So, is the demand trend really looking good? And if the demand trend is looking good, then is it sustainable for the second half of the year? And my second question is regarding the margin pressure that we are seeing on the shrimp feed part. So, we have not taken the price hikes to a significant extent, so that is why the rise in commodity prices and the end prices of our product is kind of disproportionate. So, are we planning any kind of price hike in the second half of this particular year? This is my first question.

Alluri Indra Kumar: To answer your question, shrimp culture and the aquaculture is a seasonal business like agriculture. The first half is the peak season and when the harvest takes place, it slows down. So, you have to take it as seasonal business. Basically, it is a seasonal business. And regarding the feed prices, as you said, we were anticipating the feed price to come down, this raw material price to come down. But unfortunately, it didn't come down. So, the Government of India has allowed us to import soya bean meal. So, the prices have stabilized and the new crop has come, which is a good crop. And if the raw material price goes up, we will definitely increase the price.

Dipak Saha: And sir, as we had not increased the prices in that extent, in this particular quarter, has it benefited us in gaining any market share compared with the competitors?

Alluri Indra Kumar: We have gained the market share and you can see from the results the sales have gone up. Our sales have gone up, but we have gained the market share and we are running almost full capacity of the plant. And since we are not able to supply to the requirement, we are expanding. As you said, because these are commodities, we expect the markets to come down or go up. Unfortunately, the raw material prices have gone up. But we could not increase the price, because we have to see the farmer. Now, since the shrimp prices are up and the feed prices, raw material prices are coming down, we don't find any necessity now to think of any increase. And if the raw material prices go up, we will definitely do it.

Dipak Saha: Okay. And sir, my second question is regarding the products that we have recalled due to the quality issues. Sir, what is the exact compensation amount that we have incurred in this particular quarter? And what are the measurement that we are taking, because we believe this is the second time, we have done this activity and it might also weigh heavily on your brand image? So, what are the mitigatory



measurement that we are taking, so that this kind of thing does not happen in the future? And what is the exact compensation that we have incurred in this particular quarter?

C. Ramachandra Rao: To answer your first question of the compensation, we have made provision of ₹ 21.25 crores on the basis of the products, recalled products which have been returned and destroyed and also, the related expenditures like storage, like destruction cost and all, which is the basic liability of the company. So, we have taken care of that, because that is the liability of the company. As far as the insurance coverage for the bodily injuries is concerned, we have received about fourteen claims, but none of these claims have really given the amount of compensation they are anticipating or expecting, but still under process. The insurance company sought some information from the claimants that what is the incident, when did you consume, when did you fall ill, whether there are any doctor's report and all. All these things when we get, we will be able to exactly know what the claim amount is. We do not expect that much more than around ₹ 21 crore to ₹22 crore will be the total liability as far as the, both the recalls are concerned. As far as the image is concerned, we do not foresee any big impact of this, because we have taken all steps. I think Nikhilesh would be able to explain the steps that we have taken to improve the systems, procedures in accordance with the FDA regulations and engage the services of some experts. And I think he will be able to explain. Nikhilesh, can you explain this?

Alluri Nikhilesh: Yes sir. So, good evening. So, in terms of what we are doing to ensure that it doesn't occur; we have done multiple food safety audit; we have rerun the whole master plant. We have re-visited, strengthened it further to ensure that such incident does not occur again. And we have increased the testing at the factory. And we have increased the number of microbiologists at the factory and installed one of the most advanced food safety systems in the world, in the facility. And we are thoroughly looking at it every day. And the results have been very good actually.

All loads now with FDA have tested and passed. So, we can see that the system is working. On the brand image, we have been in the business for a very long time, over two decades now. So, our customers are confident about the product. And they have been, we have explained what are the new initiatives we have taken in the factory to arrest the reoccurrence of such a problem and they are convinced and they are supportive. So, I don't think in the long term there is any significant impact on the brand image or customer base.

Dipak Saha: Thank you. That is all from my end. And all the best for the second half of the year. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Chockalingam Narayanan from BNP Mutual Fund. Please go ahead, sir.



Chockalingam N: Hi sir. This is with regards to PLI scheme, any progress there and what are we expecting in terms of, what plans do we have with regards to that scheme?

C. Ramachandra Rao: We have made the application to the Government PLI scheme. That is under process still. We have to get the clearance from them, because it has got three-four levels. We have answered all their queries and it is under process. I think it is premature to give any specific idea about how much we are going to get and all but, we are awaiting the processing by the Government of India, commerce department.

Chockalingam N: But, not about the sort of incentives, but more about the quantum of investment that you are envisaging under this and what sort of end products are you looking at? And with regards to fish also, along with fish feed, would you have to put in money or set up a capacity towards fish processing as well?

Alluri Indra Kumar: No, no, fish processing is not there. The fish is sold domestically. Fish processing is right away not on the cards. But, definitely the investment for the processing expansion is around ₹ 82 crores what we have submitted,

Chockalingam N: Understood sir. And with regards to the...

Moderator: Mr. Narayanan, if you don't mind coming back in the queue for more questions?

Chockalingam N: Sure, just one question if I can ask. With regards to the raw material cost versus the quarter that has gone by, how much has it reduced, if you can probably index it and if you can give a commentary, at spot level, how much has it come down to, that would be helpful?

Alluri Indra Kumar: Mr. JMD has already informed. The fish meal has gone up to ₹105 and now it has come down to ₹ 95. And the soya has gone up to ₹ 110 and now it is around ₹ 60.

Chockalingam Narayanan: Sure. These are the averages that you are talking about sir or those were the range that you were talking about, that is what was not clear and hence the question?

Alluri Indra Kumar: Yeah, it is the range.

C. Ramachandra Rao: See, it keeps changing almost every day, almost every hour. It is very difficult to exactly index it, saying that average is so much. What we do is that, we keep monitoring the prices of the soya bean meal from time and time and on the day-to-day basis, we book orders depending upon our stock levels and also as our consumption. So, it is very difficult, because nowadays the last one year, six months to eight months, it has been undergoing a very, very severe volatility, this soya bean meal.



So, what you might have definitely observed this, what is happening in the market of soya. So, it is very difficult to tell. As I mentioned in my initial address, I said that it was ₹ 48- ₹ 50, it has gone up. It came down and again it went up. Now, it is ₹ 60. We don't know what is going to be the rate tomorrow morning.

We are really surprised, which never happened. So, every year what happens is, when the new crop comes, in the month of October, gradually it comes down. And because the fresh crop is available in the market, the prices come down. And it is almost like, another six months, the prices are very stable. This is what has been happening for so many years. But last three-four years, the phenomena have completely undergone a change.

Maybe as our CMD said, it is because of NCDEX coming in the way. Because, they keep some sort of futures booking in anticipation of prices going up, coming down and that gives the farmers, today the situation is that, though crop has come into the market, it is available, but it is not being released for sale, because they are anticipating the prices are going up. Because, future prices, trading, they are indicating the prices will go up. So, they are not selling. They are just holding it. It is not coming into the mandi. That is the situation now.

Moderator: Thank you sir. The next question comes from Mr. Punit Mittal from Global Core Capital. Please go ahead.

Punit Mittal: Thank you for the opportunity. I have just two or three simple questions. One is that the feed expansion that you are taking next year, is it under the PLI scheme? Two, the sea bass import of feed that you mentioned, do you have, can you give us some color on what that quantum in terms of volume and the value that you may be importing today? And three is regarding the cash pile up. As you may be aware that investors are wary of the situation, because many companies in India after such a large cash pile up has gone into diversification or related party diversion. Now given Avanti's historical reputation, it does not look like that may be the case. But the cash is piling up.

Alluri Indra Kumar: Your voice is not clear.

Punit Mittal: Is it clear now?

Alluri Indra Kumar: Yes.

Punit Mittal: Yeah. So, my third thing was about the cash pile up.

Alluri Indra Kumar: What was the second question?

Moderator: Mr. Mittal?



Punit Mittal: Did you get all my questions?

Alluri Indra Kumar: No, second question, we couldn't. It was not clear.

Punit Mittal: Okay. My second question was regarding the sea bass import of the feed that you mentioned about. Can you just give us the volume and the value that India is importing currently?

Alluri Indra Kumar: No, we don't have exact value of the feed, because the sea bass culture has just started. It is just starting. And the small quantity of feed is being imported from Australia and Vietnam. And most of the sea bass, they are using the crude method of peeling the raw fish.

Punit Mittal: Okay. And the feed expansion you are undertaking, is it under the PLI scheme?

Alluri Indra Kumar: Feed is not under PLI, only for processing is the PLI.

Punit Mittal: Okay. And my last question was regarding the cash pile up.

Alluri Indra Kumar: We are expanding. Right now, we are expanding the shrimp feed.

Punit Mittal: Yes, I got that.

Alluri Indra Kumar: And we are going for fish feed in the second stage. And right now, your question of sea bass feed, the exact quantity we don't have right away. And most of the farmers are using crude method of peeling it, traditional method of feeding it.

Punit Mittal: Thank you sir. I got that. My last question was regarding the cash pile up in the balance sheet. I was asking, because the cash is piling up and naturally investors are wary of this kind of situation of cash piling up on the balance sheet. So, if you can give us what the plan of the company is regarding that?

Alluri Indra Kumar: As you know we are going in for an expansion using our own funds. For shrimp feed, we are going with ₹ 125 crores and the fish feed is going to cost us. And we are going to use the working capital requirements. The working capital requirements will go up much higher. Since this is seasonal business, we require much more working capital and we don't want to get into the situation of raw material purchasing, when the raw material price is low, we have to purchase at much higher quantity and to keep inventory.

Punit Mittal: Understood. Thank you so much.



Moderator: Thank you sir. The next question comes from Mr. Omkar Ghugardare from Shree Consultants. Please go ahead, sir.

Omkar Ghugardare: Hello? Is my voice reaching you?

Alluri Indra Kumar: Yeah.

Omkar Ghugardare: My question was more to do with the expansion which you have done, so what kind of sales you are expecting, asset turn you are expecting from this expansion?

Alluri Indra Kumar: Sir, actually it is a seasonal business and we are utilizing the capacity almost at 125% to 130% in the peak season and in the non-season we are utilizing up to 80% of the capacity. We are not able to catch up with our customers demand what we have. Now, we are expecting this year around 5,25,000 tons. We are expecting another 1,00,000 to 1,50,000 in the coming years.

C. Ramachandra Rao: So, I may add to say that, the peak season starts in the month, starts from March and April, May, June, that is the peak season. Every year we are facing severe shortage in supply, because of higher demand. And also, to mitigate the risk, supposing we are able to get some machinery problem and there is a stoppage of processing in one unit or one line, then it gives a real problem in the peak season. So, what we were earlier doing is, we used to pile up the stocks of finished goods by the end of February, March, so that it can be distributed in the subsequent year. But, we do not want to expose to any other such unknown situations and we want to see that we are comfortably, all our farmers, all our dealers and farmers get the feed on time, without any disturbance in our supplies. That is one of the major reasons which we want to go for expansion. Added to that, as we are expecting the increase in demand also, but what we have seen in the last six months is that, number of new farmers getting converted into our feed, because of our quality of feed and our services and we expect that our demand may go up even more than 50% of the market. So, to cater to that also, we are keeping in mind, we are expanding the capacity.

Omkar Ghugardare: Okay. So, as far as the competitive scenario in the market is concerned, what is the total tonnage, the yearly it is going on, for the current year you are expecting and what it will be like....?

Alluri Indra Kumar: 10,50,000 tons to 11,00,000 tons.

Omkar Ghugardare: Okay. And what would be the capacity utilization, approximately on that?

Alluri Indra Kumar: Pardon me?



Omkar Ghugardare: What would be the capacity utilization company would be working on? How much is actually sold in the system?

C. Ramachandra Rao: As we have been telling that this is a seasonal industry. In the season, if you ask me the capacity utilization, it has to be average or a particular month. In the month of May if you ask, it will be 140% capacity utilization. If you ask in December, it will be 6%. So, what we consider is an ideal capacity, on an average it should be around 80%-85% and take the average capacity utilization.

If we can achieve that it is good, is it not? The total installed capacity, with average, if you look at 7 lakh tons, let us say 7 lakh tons is the installed capacity, if you look at 80%, it is about 5,40,000 tons. That is how it works.

Alluri Indra Kumar: In the peak season, we are operating, as earlier you said, 1,25,000 to 1,30,000, it is 130%.

Omkar Ghugardare: Right. So, the last question of mine is that, as you can see from the last three-four years, the return on equity and the return on capital employed, because of the cash pile which is going on and the capital allocation being done by the company is automatically going down, so now it is in single digit. So, what exactly is the plan? Last time you said that around 400 crores to 500 crores you would be requiring for the working capital and now you are saying that, on top of that 125 crores for capacity expansion and around 8200 crores for the other things. So, still you have sufficient amount of cash on your balance sheet.

Alluri Indra Kumar: With the increased capacity, working capital will also go up.

Omkar Ghugardare: Yeah, correct. But still, it won't go up that much, right?

Alluri Indra Kumar: It will go up. Now, the situation, we have seen this year situation. We have to keep the inventory at a much higher stock.

Omkar Ghugardare: Yeah. But, apart from that still you will be having lots of cash on the balance sheet and you will be generating a lot of cash, because of the higher production you will be generating, right? So, higher revenue, higher the profits and higher the cash flows.

Alluri Indra Kumar: We have been giving good dividends also.

Moderator: Thank you sir. I would now like to hand over the floor to Mr. Sherwin Fernandes for closing comments.

Sherwin Fernandes: We would like to thank the management of Avanti Feeds for giving us the opportunity to host the call. And I would like to thank the investors and the



participants for taking their time out to participate on the call. Thank you and have a nice day.

C. Ramachandra Rao: Thank you Sherwin.

Moderator: Ladies and gentlemen, with this, we conclude our conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good evening everyone.

Note:

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



C. Ramachandra Rao