

**March 02, 2022**

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: Transcript of Audio Conference Call for Investors held on February 21, 2022.**

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Further to our letter dated February 17, 2022, we enclose herewith the transcript of Audio Conference Call for Investors conducted on February 21, 2022 in connection with Un-Audited Financial Results for the Quarter and nine months ended December 31, 2021, and the same is being uploaded on the website of the Company at **www.avantifeeds.com**

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 Q3 FY22 Earnings Conference Call

21<sup>st</sup> February 2022, 04:00 PM IST for a duration of 59 mins 31 secs

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### CORPORATE PARTICIPANTS:

Mr. A. Indra Kumar	-	Chairman and Managing Director
Mr. C. Ramachandra Rao	-	Joint Managing Director, CS & CFO
Mr. A. Venkata Sanjeev	-	Executive Director
Mr. Alluri Nikhilesh	-	ED Avanti Frozen Foods Private Limited
Mrs. Shantilata	-	General Manager - Finance and Accounts
Ms. Lakshmi Sharma	-	Manager- Corporate Affairs

*C. Ramachandra Rao*



**Moderator**

Good evening, ladies and gentlemen, I am Moumita, moderator for the conference call. Welcome to Q3 and 9M FY22 Post Earnings Conference Call of Avanti Feeds Ltd, hosted by K-FIN Technologies. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* and 0 on your touch-tone telephone.

I would now like to hand over the floor to Mr. Sherwin Fernandes of K-FIN Technologies. Thank you and over to you, sir.

**Sherwin Fernandes**

Thank you, Moumita. Good evening everyone. Welcome to the Avanti Feeds Q3FY22 Post Results Earnings Conference Call. On behalf of Avanti and K-FIN Technologies, we'd like to wish each participant and their near and dear ones a very warm 2022, and we wish them good health and prosperity.

From the management, we have with us Mr. A. Indra Kumar, Chairman and Managing Director, Mr. C. Ramachandra Rao, Joint Managing Director, CS & CFO, Mr. A. Venkata Sanjeev, Executive Director, Mr. Alluri Nikhilesh, Executive Director of Avanti Frozen Foods Private Limited, Ms. Shantilata, General Manager-Finance and Accounts, and Ms. Lakshmi Sharma, Manager Corporate Affairs.

I now request the management to take over the call. Thank you and over to you.

**C. Ramachandra Rao**

Thank you, Mr. Sherwin. Good evening ladies and gentlemen. I'm C.R Rao, Joint Managing Director to start the proceedings. On behalf of the board, on behalf of the company, I extend a warm welcome for all of you for this Investors Conference calls to review the unaudited financial results for Q3FY22. Along with me here are Mr. Nikhilesh, Mr. Venkata Sanjeev, Mr. Indra Kumar is also around, he will be joining in a short while and Mrs. Shantilata, GM Finance, Ms. Lakshmi, Manager-Corporate Affairs and other team members. The results of Q3FY22 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 Q3 FY22:**

### **Q3 FY22 RESULTS:**

First, we'll take up the consolidated financial results for Q3 FY22. The comparative performance of Q3 FY22 with that of Q2 FY22 and Q3 FY21 have been given in the presentation already circulated. Gross income in Q3 FY22 is Rs. 1,088 crores as compared to Rs. 1,252 crores in the previous quarter Q2 FY22, a decrease of Rs.164 crores down by about 13%. Compared to Q3 FY21 gross income of Rs. 944 crores there is a decrease of Rs. 144 crores by 15%. The PBT is 66 crores in Q3 FY22 as compared to Rs. 38 crores in Q2FY22, an increase of Rs. 28 crores by 74%, and compared to Q3 FY21, PBT of Rs. 108 crores, there is a decrease of Rs. 42 crores by 39%. The consolidated results indicate net impact of several factors such as increase, decrease in income, expenditure and exceptional items related to feed as well as frozen foods division, which have been discussed in the following divisional performance of this units.

## **STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISIONS**

### **A. FEED DIVISION:**

#### **Q3 FY22 RESULTS**

Let me first discuss about feed division, the gross income for Q3 FY22 is Rs. 819 crores as compared to Rs. 982 crores in the previous quarter Q2 FY22, decreased by 163 crores and down by 17% mainly deduction in feed sales due to lean season for the aquaculture. The gross income in Q3 FY22 increased to Rs. 819 crores from Rs. 697 crores in the corresponding quarter of Q3 FY21 increased by Rs. 122 crores by 18% mainly due to increase in sales volume and sales price.

However, the 9 Months FY22 registered a gross income of Rs. 3,058 crores as compared to Rs. 2407 crores in corresponding 9M FY21, an increase by 27%. Increase is on account of increase in sales volume by 63,367 metric tons, but which is represents about 18.41% an increase in sale price. The PBT for the Q3 FY22 is Rs. 50 crores as compared to Rs. 20 crores in Q2 FY22, an increase of Rs. 30 crores, by 150%.

The PBT in Q3 FY22 is reduced to Rs. 50 crores from 78 crores in the previous quarter Q3 FY21 of the corresponding quarter, Q3FY21 decreased by 36%.





You may observe that in spite of increase in gross income due to increase in volume of feed sales and feed price, the PBT has come down by 36% compared to the corresponding quarter Q3 FY21 due to steep increase in raw material prices.

As you know, there are three (3) major raw materials - Fish Meal, Soyabean Meal, Wheat Flour, which significantly impact the raw material cost of feed. While Wheat Flour prices were less volatile at Rs. 21 to Rs. 24 per kg during the FY21 and first 3 quarters of FY22, the other two raw materials, Fish Meal and Soyabean Meal have been highly volatile, leaning towards higher prices.

During FY20, the fish meal average price was Rs. 89 per kg, went up to Rs 94 per kg, which further went up during the first three quarters of FY22 to the extent of Rs. 102. The main reason appears to be shortage in fish catches, coupled with large export demand, and pushed up the prices. It's hoped that that fish catches improve and demand for export reduces, which is expected in a short time, maybe about 15-20 days, the prices would help the stabilization of fish meal prices in due course.

Similarly, the prices of soya bean meal also increasing steeply in the past nine months of FY22 compared to FY21 and FY20. In spite of several steps initiated by the government, such as permitting import of soya bean meal for a short span to check the unabated increase of soya, suspending trading of soya in NCDEX even with a good crop, the prices are not coming under control. The average soya bean meal price has been Rs 70 per kg during the first 3 quarters of FY22 compared to about Rs. 43 Rupees in the FY21.

However, it is hoped that the steps taken by the government will yield results in due course and soya bean meal price will stabilize. Recently, the government in order to control hoarding, issued order prohibiting stocks of soya bean meal beyond the 200 metric ton by traders.

#### **Increase in Sale price of Feed:**

Increase in sale prices of feed is one of the ways by which they maintain the margins.

However, in spite of increasing the average feed price realization by about Rs. 8.07 in the 9 months, 3 times increased, Rs. 2 once, Rs 3.15 paise, and Rs 4.25 paise, the third time due to steep increase in raw material prices, the raw material costs increased by about Rs 10.48 per kg leaving a difference of Rs 2.41 paise unabsorbed.



However, with soybean meal and fishmeal prices likely to come down gradually, expected to stabilize the cost of raw material price in near future and margins are likely to improve.

In this context, it is relevant to mention that a cautious approach has to be taken before considering any price increase due to governmental regulatory constraints and recent budget decision to bring back customs duty on feed import to 5% or 15% which was increased to 15% in Jul'21, very recently. However, the government took the decision to bring it back down to 5% again in the recent budget. Representations have already been made to the government to restore the 15% import duty in the interests of the domestic industry because large domestic industries are suffering because of the competition from the imported feed.

## **B. SHRIMP PROCESSING DIVISION:**

### **Q3 FY22 Results**

The gross income for Q3 FY22 is Rs. 270 Crores as compared to Rs. 273 Crores in Q2 FY22, registering a degrowth of Rs. 3 Crores at 1%. The gross income in Q3 FY22 increased to Rs. 270 crores from Rs. 242 crores compared to corresponding quarter in Q3 FY21, an increase by 12% mainly due to increase in sales volume by 499 metric tons.

However, for the 9 months ended December 31, 2021, gross income registered an increase of 7% to Rs. 718 Crores as compared to Rs. 670 Crores in corresponding 9 months of the previous year. The increase is mainly due to increase in sales volume by 701 metric tons from 8,576 metric tons, 9277 metric tons and price realization remained at almost the same level.

The PBT (before the exceptional item) for Q3 FY22 is Rs. 26 Crores as compared to Rs. 41 Crores in Q2 FY22, a decrease by 15 crores represents 36% mainly due to inclusion of MEIS benefit of Rs. 14.14 crores pertaining to FY21 received during Q2 FY22. Excluding impact of MEIS, the Q2 FY22, the PBT is Rs. 27 crores as compared to Rs. 26 crores in Q3 FY22 which is almost the same level. The PBT in Q3 FY22 is Rs. 26 Crores, a decrease from Rs. 32 crores in the corresponding quarter, Q3 FY21, a decrease by 19% mainly due to increase in ocean freights by around US\$ 5,097 per container.

However, for nine months ended December 31, 2021 registered a PBT before the exceptional item of Rs. 79 crores as compared to Rs. 107 crores the previous year, nine months, a decrease by 26% mainly due to increase in ocean freights by around US\$ 3,681 per container.



The average freight rates during 9M FY22 is Rs. 5.41 lakhs per container as compared to 2.67 lakhs per container during the corresponding period of FY21.

#### **RoDTEP:**

The Government of India had announced a new incentive scheme, Remission of Duties and Taxes on Export Products 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 scripts to the extent of Rs. 18.48 Crores from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021, for which no provision has been made, and will be accounted for as and when it is received.

#### **STATUS OF RECALLED PRODUCTS BY AFFPL:**

As you are aware, the company had to recall some of the consignments of cooked shrimp products found to be with Salmonella contamination by USFDA and CDC in the recalled products. The recall had to be made twice in Jun'21 initial and Aug'21 (Expanded). 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 import customers for recalled products and related expenses of destruction charges, etc., to the extent of the product returned and destroyed. The company is also liable for reimbursement of medical and related expenses to the consumers who fell sick and underwent treatment after consuming the recalled products.

#### **INSURANCE COVERAGE:**

The company has product liability insurance coverage, the medical and related expenditures mentioned above; however, there is no insurance coverage in respect of reimbursement of products returned and destroyed, and also other related expenses such as product destruction, call center management, storage expenses, etc. These costs had to be met by the company.

#### **PROVISION IN THE FINANCIAL STATEMENTS:**

In the financial statements, the provision has been made for the 9 months, a sum of Rs 27.50 crores. Q3 FY22, a provision of Rs 6.25, Q2 FY22, Rs. 17.15 crores, and Q1 FY22, Rs. 4.10 Crores has been made a provision as an exceptional item towards value of returned destroyed product and other related expenses on actual basis and as and when received. A provision is being made on a quarterly basis. Out of the set provision, an amount of Rs 6.11 crores has been returned to the customers.





The provision in the financial statement has been made on the basis of the returned and destroyed value of the products together with the related expenditure as stated above is Rs 27.50 crores.

As regard to the claims for bodily injury caused by consuming company's contaminated products under recall, the company's insurer New India Assurance Company has appointed a surveyor recently for processing the claims. So far, the company has received 16 claims towards bodily injury, which have been forwarded to the insurance surveyor for processing. Since the liability has been covered under the Commercial General Liability Insurance Policy, no provision has been made in the financial statements.

**PRESENT STATUS OF TERMINATION OF RECALL AND REINSTATING GREEN LIST STATUS:**

The Company received communication from USFDA, stating that all the information, documentation required from the Company has been received by them, and it will take some time to terminate the recall which will be informed in an automated email.

The Company has shipped out five containers of cooked shrimp on clearance by USFDA, these containers, the green list will be restored, lifting red alert which is expected to happen about in 45 days. Once the red alert is lifted, the company will be in a position to accelerate exports of cooked shrimps.

**PLI SCHEME APPLICATION MADE BY THE COMPANY:**

On November 29, 2021, the Ministry of Food Processing published the list of qualified applicants based on fulfilment of basic criteria, and also the applicants eligible for the PLI scheme on the basis of ranks assigned and allocation of funds earmarked by the Government of India Rs. 993 crores in all 11 (eleven) seafood processing units, including the company have been qualified and are selected for PLI scheme by earmarking funds of Rs. 79.44 crores to each of the applicants in fulfilling the achieving certain criteria.

The company has completed necessary documentation, including providing bank guarantee to the department to comply with the conditions of PLI sanction.





## **INDUSTRY OVER VIEW – FUTURE OUTLOOK:**

As the world gradually recovering from COVID-19 impact, you may notice that the performance in calendar year 2021 was much better than calendar year 2020, and it's expected to be still better in 2022.

At the start of this year, the environment for shrimp culture in the country is highly favorable and a promising year appears certain. The total production of shrimps is expected to increase as the farm gate prices are at all-time high and remunerative and climatic conditions are favorable. The Company estimates that India would be able to produce about 8 lakhs metric tons of shrimps with an estimated consumption of about 12 to 13 lakhs metric tons of shrimp feed.

## **SHRIMP PRODUCTION AND FEED CONSUMPTION IN 2021 AND COMPANY PLANS:**

### **Shrimp Feed Consumption:**

The Shrimp Feed consumption in India declined to about 9.55 lakhs tons in the calendar year 2020; however, as the demand for shrimps increase in calendar 2021 due to return of normalcy and favorable shrimp culture conditions, the shrimp feed consumption grew by 10% to 15% over the previous year, with consumption of shrimp feed around 11 lakhs tons.

The company's feed sales during the calendar year 2021 was about 5.36 lakhs metric tons and expected to be around 6 to 6.5 lakhs metric tons in calendar year 22, an increase by about 15% to 20%. The company is expected to maintain its market share of about 48% to 50%.

As the demand for shrimp feed is expected to increase, then company is in the process of expanding the shrimp feed capacity by setting up a new plant with the annual installed capacity of 1,75,000 metric tons with an estimated CapEx of Rs 125 Crores and expected to commence commercial production by June 2022.

### **Shrimp Processing & Export:**

The production and exports from India in calendar year 2021 was around 6.5 lakhs metric tons; however, during the current year January 2022, the production and exports of shrimp feed is estimated to be around 7.5 to 8 lakhs metric tons, a growth of about 10% to 15% over the previous year. The company's shrimp exports in calendar year 2021 is about 219 metric tons. The estimated export in calendar year 2022 is about 13,500 metric tons, a growth of about 10% to 12% over the previous year.



The company envisages to invest Rs. 81.32 Crores towards CapEx for setting up preprocessing, processing new units with an estimated capacity of 7,000 metric tons per annum.

With this, I would like to conclude with a positive note that Aquaculture industry is poised for a relatively improved performance in 2022 compared to 2021. Thank you. Now we'll take up the questions.

**Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* (star) and 1 (one) 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 \* (star) and 1 (one) again. Participants are requested to restrict to one question per person in the initial round and may join the queue back for further questions. Thank you.

First question from Depesh Kashyap from Equirus Securities. Please go ahead, sir.

**Depesh Kashyap**

Good evening, and thanks for taking my questions. Sir, given the current price of soya meal and the fish meal, in my view, you will need another four Rupees per kg price hike to restore your profits to historical level. Sir, is that assumption correct and secondly, given the farm gate and the International Shrimp prices high, they look very favorable. So, do you think you will be able to take the price hike in coming months?

**A. Indra Kumar**

Good evening Mr. Depesh. Definitely, we would be able to take the price hike because the shrimp price are high and also the situation is, the raw material prices are rising, and we are looking into it.

**Depesh Kashyap**

Sir, by when do you think? Because I think this February is already over, so do you think in the coming weeks.

**A. Indra Kumar**

By this month end first week.



**Depesh Kashyap**

Oh great. And also given the inventory, just want to sense, how are the inventory levels in US because last year the US demand was very strong, so do you think it can be sustained this year also?

**A. Indra Kumar**

The inventory levels in US, I believe by end of December, it was the Christmas season and the New Year, the consumptions were good, and the demand is there.

**Depesh Kashyap**

Okay, great. Sir, price rise that you said, just a follow up on this, please.

**Moderator**

If you could come back, Mr. Kashyap?

**Depesh Kashyap**

Okay, thank you.

**Moderator**

Thank you, sir. The next question from Mr. Ashwini Agarwal from Ashmore. Please go ahead, sir.

**Ashwini Agarwal**

Good afternoon. You spoke about the import duty protection of 15% going down to 5% being an issue, but my question is that if the raw material prices such as fish meal and soymeal are driving up your costs, those would be more or less global events, right or is there anything specific that's hurting you more than it's hurting other producers?

**A. Indra Kumar**

No, see in global pricing there is a demand and supply across the globe. In fact, the prices of fish meal and soymeal have been going up across the world.

**C. Ramachandra Rao**

Yeah. Ashwini, another thing, which I may add to what CMD said, is that these companies which are exporting to India has certain advantages over our Indian conditions, because some of the raw materials in soya bean meal, which is GMO seed, they will be getting at a slightly lesser price than what we are procuring locally. Our prices are little bit higher and similarly because of the ocean price and all the transportation charges for fish meal if we import it would be more, but the





local price there is a lot of demand for export of fish meal from India. So, these two couple of advantages that the foreign companies are getting is apart from the local duties are also less, number two the soybean prices are less, and added to that they are getting this 10% advantage.

So, they are passing on that advantage to the local dealers. So, that is what it is happening, but the CMD has met the senior officials in Delhi and told them that because there is lot of representation, they have increased it to 15% only in July 21, and again because of this budget this year, now they have increased to 15%, we are now again given representation to bring back to 15% increased 5% to 15%. The government will understand the situation because a lot of inbuilt installed capacity is available in India for feed manufacture, definitely to protect the domestic industry, and also the Prime Minister's the policy of Made in India, and this will be a value addition definitely. I think the government will take a positive look at it.

**A. Indra Kumar**

Yeah, maybe we are representing to the Government of India regarding the duty for the imported shrimp. We are working on that and also the ocean price for the imported price has gone up very high. See, they have advantage of duty, the GMO soya, but also when they export the container costs have gone up very high. See, we should work with the government and say that the 15% is retained. We are working on that.

**Ashwini Agarwal**

Sir, one quick question.

**Moderator**

Mr. Agarwal.

**Ashwini Agarwal**

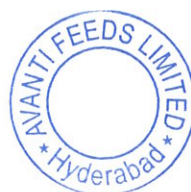
Madam, is the same question. Please give me a second. Just connecting this to what the previous caller had asked, assuming the duties remain where they are, do you have the room to take a 4 Rupee price increase?

**A. Indra Kumar**

Yes, definitely.

**Ashwini Agarwal**

Okay, thank you so much.





**Moderator**

Thank you, sir. Next question from Mr. Nitin Awasthi from Incred Equities. Please go ahead, sir.

**Nitin Awasthi**

Sir, thank you for the opportunity. One question, very straightforward on the PLI scheme. As we read from the details, what it says is, on value added marine products, you get an incentive of 10%, add the RoDTEP incentive to that, add the duties drawback to that, so you're looking at 15% definite incentives. Is there any notification, any review from the government that one of these incentives will not be allowed if you take the PLI incentive or..

**A. Indra Kumar**

There is nothing like that Mr Awasthi.

**Nitin Awasthi**

Oh, Got it. I'll just follow up on that. If you are going for that, wouldn't it be prudent to start and produce as much shrimp as possible to get the PLI incentive and if you do that, how much is allotted to the company for the PLI scheme?

**A. Indra Kumar**

What is it? I didn't get you.

**Nitin Awasthi**

No, if you're going to get incentives close to 15%, it should be the company's best interest to produce as much as processed shrimp as possible, and if it does that, how much is the money allocated specifically to the company or the sector in which how much is to the company or is it like competitive that this much money has been allocated to the sector and whichever company maximize it, can get the maximum benefit in it?

**A. Indra Kumar**

This is 933 crores which has been allocated to the sector. And for the company it has been around 80 crores approximately.

**Nitin Awasthi**

Okay, approximately 80 crores benefit. Okay, got it sir.

**A. Indra Kumar**

The PLI scheme for you to understand, it is more than what we do this year, next year how much we do, we get only for that, incremental.



**Moderator**

Thank you, sir. Will request Mr. Awasthi to come back in the queue again. We'll take the next question, sir. It comes from Mr. Dipak Saha from Savart SEBI registered. Please go ahead, sir.

**Dipak Saha**

Thanks for taking my question, sir. If you can emphasize a little bit on the price hike path, because the realization currently stand at 75 whereas it should have been around as for the previous announcement close to 78, so why exactly we have not taken the price hike in this particular quarter and when we are planning to take this going forward?

**A. Indra Kumar**

As we said, we are going to take the *price hike sometime in the first week of next month*.

**Dipak Saha**

Okay. And, it would be in the same alignment, sir, the announcement that we made earlier?

**A. Indra Kumar**

Pardon me.

**Dipak Saha**

The range of the price hike, could be that of 4 Rupees range or we can further expand it?

**A. Indra Kumar**

We are working out on that.

**Dipak Saha**

Okay. And sir, regarding this product recall. If you could kindly allow me this question, because this is.

**Moderator**

Sorry, sir, if you could come back in the queue, please.

**Dipak Saha**

Okay, thank you.

**Moderator**

Thank you so much, sir. The next question from Mr. Yogansh Jeswani from Mittal Analytics. Please go ahead, sir.



**Yogansh Jeswani**

Yeah. Thanks for the opportunity, sir. My question is on the proposal that we have put forward in our board meeting the other day regarding the salary hike that management is seeking. So, given the kind of cash flows that we have and investors' concern for last several years of the usage of cash, isn't a better way to reward promoters as well as the shareholders is to go the way of buyback or something, or a higher dividend instead of increasing managerial remuneration? Your thoughts on that, sir.

**A. Indra Kumar**

Sir, we are giving dividend, good dividends and we are rewarding the investors on the good dividend, and I think if the performance is good, we may go higher dividend also.

**C. Ramachandra Rao**

Our GM Finance will explain the reason for hike. Please explain Ms. Shanti.

**Shantilata**

Hello, good afternoon. Mr. Dipak, see, our whole-time director's remuneration is a combination of fixed portion and a percentage of profits. So, and with it within the of overall limit of the Companies Act and the Companies Act, the limits was fixed long time back. I think at the inception of the Companies Act. So, the fixed portion is expected to cover the increase in the cost of living and other inflation year on year. So, when we are taking the overall commission and this together, it would be exceeding the overall limit fixed by the Companies Act. Now, the Companies Act is allowing you to take more percentage, so that is why we are going for an increase.

**C. Ramachandra Rao**

Shanti, let me tell you, one thing. First, these remunerations are fixed. It is not that we cannot increase the remuneration, but there are certain conditions which were prescribed and if you look at the table in the schedule in the Companies Act, the fixed salaries given in a specified manner. We cannot exceed that. A simple logic if you apply, let us say in the 5% if your salary itself, the salary and others which are essential, and which in an over a period of time, even in normal an employee gets a 10% increase in his salary over the years. If you take last 10 years, the schedule has not altered, in fact it was prescribed much earlier. If you take even the 10% annual increment it would be much more than 100% increase that is needed to be made in order to make the salary itself, the fixed percentage, the fixed a component of the remuneration.



See, once you increase it to 10%, what is happening is, your overall remuneration, the percentage of commission on the profit is getting drastically reduced. It is based on the performance of the company, and moreover, the performance of the companies again dependent on several other factors, for example, in our own company, we are seeing that the raw material prices have gone up, the share price realizations have come down. So, the margins are reducing. So, even if you put percentage commission, it won't really make but that is not the criteria which is contemplated under the Act.

The Whole-time Directors work in the interest of the company and the investors. So, these are the reasons by which, we consider, because we have not acted the terms of fixing the remuneration, salary particularly. We have not gone through it till now. Because of this specific reason, we have done it and rather now the shareholders have the power to give them whatever the relief that they consider that the management deserves, we should give it. That's the reason why we have gone into that.

**Moderator**

Thank you, sir. The next question from Mr. Aman Madrecha from Augmenta Research. Please go ahead, sir.

**Aman Madrecha**

Sir, actually, I wanted to ask, like given that there is raw material inflationary scenario going on, so how are we looking at the demand side, like are we seeing a robust demand or is there some reduction, and also can you just explain me why Q3 is the weak quarter?

**A. Indra Kumar**

Pardon me, your voice is not there, sir. We are not able to understand.

**Aman Madrecha**

Hello, is it audible now?

**A. Indra Kumar**

We can hear you, but voice is not clear.

**Moderator**

Mr. Madrecha, there is slight echo in the voice, if you're using a headset if you could remove that.

**Aman Madrecha**

Okay. Now it's audible?





**A. Indra Kumar**

Yes.

**Aman Madrecha**

So, I wanted to ask, given that the raw material inflationary scenario, so how are we looking at the demand side, like are we seeing any robust demand or is there is some reduction. And, can you just explain why Q3 is a seasonally weak quarter for us?

**A. Indra Kumar**

Pardon me.

**Aman Madrecha**

Like in Q3, generally capacity utilization comes to around 65% to 70%, against like 85% to 90% every quarter.

**A. Indra Kumar**

Sir, this is seasonal industry. See, shrimp culture is seasonal industry. This is two crops, I think following the shrimp industry, it is the seasonal industry. Actually, the crop starts, the farmer seeds around from the mid of January to almost first week of April, and he starts harvesting from end of April to July. And the second crop he starts around June. This is how the culture goes on. At the end of the year they harvest, so this is a seasonal industry. If you take the sales of every third quarter, you can see it is same every year.

**Aman Madrecha**

Okay and sir, also on the first part of the question.

**Moderator**

Mr. Madrecha!

**Aman Madrecha**

No, I just want because the first part of the question that how is the demand.

**Moderator**

You come back in the queue please.

**A. Indra Kumar**

That the demand for the sea food is going up and the culture is going up, and that's why we are expanding, and we are expecting our sales would go up.



**Moderator**

Thank you, sir. We request Mr. Madrecha to come back in the queue please. Thank you. We have a follow up question from Mr. Nitin Awasthi from Incred Equities. Please go ahead, sir.

**Nitin Awasthi**

Hello, sir, thank you for the follow up. I would like to ask why, was there a company incorporated the Thai Unions, the state. It was specifically, not mentioning what part that Thai Union has contracted with the promoters in the Avanti to form a separate company for some business of Thai Union in India, why is that being kept out of the purview of Avanti Feeds?

**A. Indra Kumar**

The business which Thai Union, it is the business of RBF, RBF is a food ingredient company which is more of a seasoning business, and which is much related to poultry meat industry and also part of sea food industry. Since it is a trading activity where Avanti Feeds is a major production company of producing shrimp feed and into aquaculture related activities where we it is a trading activity between and also it is only 51% is held by the RBF. It is a minority share, so, it is not of much activity what we had, and since it is a trading business, Avanti has been more of a manufacturing and direct customer related.

**C. Ramachandra Rao**

I would like to add that, as CMD said, the 51% is held by RBF and the 19% is held by Thai Union, so together 70% is held by the foreign company, and they want to trade their own products under their brand and we are putting only 30%, the management is by them only. Also, it is not much connected with our regular business.

As he is rightly said that we are not manufacturing, and we are not responsible for the products inside and all these things are taken by them. We are only because being in India and one of the large groups with reliable reputation here, as a group they've considered us as a partner. That is the criteria they have adopted. You know as a matter of policy, we want to focus more on our quality of the product, expanding our activity, focus on this industry, manufacturing and feed, and processing and expand. We are going for expansion. We are going for processing plant also. We are going for expansion. We want to keep our focus more on these products rather than getting into the altogether a new business which we don't have at all experience in that at this point of time. The management is theirs. Because this is their company. The holding company is the RBF, they are into the ingredients manufacturing and distribution. They want to do their import and do their trading activity here.



**Nitin Awasthi**

Understood, sir.

**C. Ramachandra Rao**

It also not in a significant way, it is much less business, maybe 5-10 crores. It will not be more than that. So, we do not want to get into that. That's the reason why we have kept it different from the Avanti Feeds.

**A. Indra Kumar**

See it's a trading business and the management is not in our hands and the brands as Mr. Rao said, is not our brands and it's the RBF brands, so anything would be not to be in the interest of the company.

**Nitin Awasthi**

Understood, sir. And, on the feeds that the company is actually expanding on like the fish feed segment, if you could shed some light on the concrete plans to go ahead, like to mention from the aqua shrimp segment that we are actually seeing very, very good demand, how is the demand and how do we foresee the demand there for your produce, because you had mentioned species like Sea bass which actually still need a lot of support to be domesticated in India.

**A. Indra Kumar**

Yeah, it takes some time. Actually, it takes some time and we are working seriously on that and the process is on.

**Nitin Awasthi**

By when can we expect concrete results, sir or at least concrete plan?

**A. Indra Kumar**

It may take another six months to one year.

**Nitin Awasthi**

Got it, sir.

**Moderator**

Thank you, sir.

**Nitin Awasthi**

Thank you.



**Moderator**

The next question from Mr. Akhil Hazari from Robo Capital. Please go ahead, sir.

**Akhil Hazari**

Hello, good evening, am I audible?

**A. Indra Kumar**

Yes.

**Akhil Hazari**

Sir, I just wanted to know, could you give us any revenue guidance of FY23 and FY24 and you know, as the raw material prices stabilize, going forward, what are the margins that you're targeting?

**A. Indra Kumar**

We are targeting around 10%.

**Akhil Hazari**

EBITDA margin?

**A. Indra Kumar**

10-12%

**Akhil Hazari**

EBITDA margins, right?

**A. Indra Kumar**

Yes.

**Akhil Hazari**

Okay, fine. And revenue guidance?

**A. Indra Kumar**

See, I think revenue should grow another 15%.

**Akhil Hazari**

Fifteen percent for both, so FY23 and FY24?

**C. Ramachandra Rao**

FY21, we may go by about 10% to 15%, we will go. *We are targeting.* See it's a seasonal business, at this point of time, in the beginning of the season, we are expecting it to be very good. If things





go well without any problems in the process, we should be able to easily achieve about 10% to 15% increase in the revenue growth, and margins it all again depends on the raw material prices, how much price hike we can really take it. All these things put together, we are targeting you know, now it is around 6%, we are targeting about 10%. One is on the raw material prices hoping to be stabilized. Similarly, we are hoping to get some price hike also, put together we should be able to achieve about 10% EBITDA.

**Akhil Hazari**

Okay, fine. That's it from my end. Thank you.

**Moderator**

Thank you, sir. The next question from Mr. Puneet Mittal from Global Core Capital. Please go ahead, sir.

**Puneet Mittal**

Hi, thank you for the opportunity. Can you hear me fine?

**A. Indra Kumar**

Yes.

**Puneet Mittal**

Yeah, thank you. I have been following this company for many years and I think this is more of a suggestion than a question. As Mr. Rao just said, for last few years there has been constant challenges in the business and even after that many shareholders have stood with the company to thick and thin. However, the biggest wealth for both the shareholders and the management will be created through the right valuation, which is discovered in the market. I think the current steps that the management has taken has created a lot of red flags which is including the cash that is kept on the book, the increase in remunerations, having businesses outside the purview of the core business and everything.

Now, I know you have defended some of those things, which is fair, but this will only create more red flags for the company and that is very much visible with a valuation of the company, which has been very stagnant for last few years. So, I think I just expect, and I just would like the management to consider this that why is the market valuation of the company has been stagnant and has not been rising, and if we continue to add more red flags, it may create further devaluation of the company. Thank you so, much.



### **C. Ramachandra Rao**

See, let me just address the first couple of questions which you had the red flags which you consider, but, we at the management level, we do not consider as red flags because, number one, you talked about keeping the funds, because in a very tight financial market situation, it is always to be a cash comfortable position, where you would be able to maintain your cash flows intact. See, maybe a little bit more than what is required maybe there, but certainly that would only help in case of need.

Let me tell you that, if you go to a bank, supposing, we have 700 crores of stocks, we have maintained in the last 3 to 4 months to maintain because the price hike of all these raw materials. Abnormal increase in price where the prices have gone up to the roof, but we have been able to maintain to reasonably extended by 5.5% to 5% less compared to the market increases, how it could happen? It could happen because of our policies of you know, giving cash and carry basis, we purchase raw materials.

We get better terms and these cash if not available, we would have gone to the bank for borrowing. So, the borrowing cost what it is compared to the what we are getting in the markets now, for our investments either mutual fund or any other, definitely it is much costlier to borrow the fund. And moreover, as you know that the banks are very tight, they are not giving a liberal attitude. Under these situations the markets, there are a lot of apprehensions by the banks to extend a credit because of the market situation. In these circumstances and the tough time is going on, it is always better to be with cash in hand so that we do better. We have been able to maintain this performance levels in fact the growth because of these constraints. See if we have financial constraints, definitely it is very difficult to maintain this level of performance, that is number one. I think I've addressed the first question.

Coming to the second question of managerial remuneration, see apart from that I did not mentioned earlier that our income tax structure is that, we are paying 43% income tax. So, you tell me how much income tax has gone up. When you get 100 Rupees you pay 43 Rupees, the income tax. Is not a constraint for the anyone who gets the income? It does impact, is it not? And also, as I told you the reasons, which I've already mentioned that the efforts that are being made and there has been a very stagnant structural remuneration payment to the managerial person over the years which is completely controlled by the government, and these are the constraints under which the management is working with lot of pressure. I think they deserve. The



management, the shareholders as an investor, you should appreciate this and cooperate. This is what we expect because we are taking care of our investors.

**Moderator**

Thank you, sir.

**Puneet Mittal**

Okay, thank you.

**Moderator**

The next question from Mr. Pranav Parekh, he is an individual investor. Please go ahead, sir

**Pranav Parekh**

Thanks. My questions have already been answered.

**Moderator**

Thank you, Mr. Parekh. We have a follow up question from Mr. Dipak Saha from Savart SEBI registered. Please go ahead.

**Dipak Saha**

Thank you for that. Sir, for the product, in the exceptional part, we've again recorded 6 crores of adjustments, so is this associated with the products that we record in the second and first quarter or there is any fresh incidence that has taken place?

**C. Ramachandra Rao**

It's all late product recall only. What we are doing is, every quarter we are reviewing the situation. We are providing in the financial statements depending upon the claims that have been received during that quarter. So that 6 crores which you are referring is for this quarter.

**A. Indra Kumar**

It's old recall only.

**C. Ramachandra Rao**

Old recall only for this quarter, claims received. The recall is the only one recall, the recalls which were made earlier. There is no fresh recall.





**Puneet Mittal**

Okay, so there is no fresh recall. Thank you, sir

**Moderator**

Thank you. The question comes from Mr. Yogansh Jeswani from Mittal Analytics.

**Yogansh Jeswani**

Hi, thanks for the opportunity again. Sir, my question to you is that you mentioned in your opening remarks that we are putting up another capacity for process shrimps and similarly, there are several other players in the industry who are also putting up....

**A. Indra Kumar**

Your voice is not clear, sir.

**Yogansh Jeswani**

Is it better now?

**A. Indra Kumar**

Yeah.

**Yogansh Jeswani**

Yeah. So, I'm saying, you mentioned in your opening remarks that we are expanding our process shrimp capacity and similarly, the other players who are also putting up significant size capacity out there, so if you could share your thoughts on how do you see the industry utilizing this increased capacity that's coming on stream, given that the growth has been slower for past few years and only of late, we are seeing some better growth. So, if you could share, how do you expect the industry to fare out with the increase capacity?

**Alluri Nikhilesh**

Sir, Good Afternoon. This is Nikhilesh. So, the growth rate for the company has slowed down due to COVID. There were restrictions as you know, it is a manpower intensive industry with the whole COVID situation in the last two years, we were having reduced manpower footfall in the factory due to social distancing activity, and on the increase capacity as you know, there are only about seven to eight companies which have been selected for the PLI scheme who would probably go for capacity expansion, but we are confident that it will increase. We will continue to increase our growth as we continue to explore new products by setting up new production lines, which there is demand for in the market, and our existing customers are also do have appetite to take in more



production and also, we look towards increasing our capacity utilization and reducing our overhead going forward. So, I hope that answers your question.

**Yogansh Jeswani**

Sure. And, sorry sir, I missed in your remarks, what is the timeline for commencement of the increase capacity?

**Alluri Nikhilesh**

We are in the process of land acquisition, so in other one year we should be able to start commercial production.

**Yogansh Jeswani**

Okay.

**Alluri Nikhilesh**

There was already a capacity expansion around August-September last year. We can see that in our old unit in Gopalapuram, which we already see that they have increased the production by about 12% for the nine months in question.

**C. Ramachandra Rao**

I can add what Nikhilesh said that this particular pre-processing facility has been completed and we're awaiting certain approvals. We are waiting for the approvals with the trial runs, they have been completed and ready for takeoff. This will definitely help in increasing our capacity utilization and when the new plant comes, we'll be able to increase the capacity further.

**Moderator**

Thank you, sir. The next question from Mr. Chokalingam Narayanan from BNP Paribas Mutual Fund. Please go ahead, sir.

**Chokalingam Narayanan**

Hi, thanks for the opportunity. So, with regard to, you talked about the industry that are likely to be 12 ½ to 13 lakh tons in terms of shrimp feed. Is it suffice to say that we would be looking to maintain market share and that could actually portend volume growth slightly under 5,00,000 tons to 6, 25,000 to 6,50,000 per year in terms of shrimp feed. That's one. Second is with regard to processing business, you mentioned about the green list and this one. So, there if we had a free run and if we had the green thing how much would our volumes have been, you know, in the processing side?



**C. Ramachandra Rao**

Let me first address that first question, then Nikhilesh will answer the second one. The first one, see, as you know that we have already 6,00,000 tons capacity and we are now adding 1,75,000 capacity, which will go into streamline by end of May or early June. So, we will have a total capacity of 7,75,000, and we are targeting about 6 to 6.5 lakhs tons of feed sales, which is almost like about 50% of the market. So, I think comfortably we can achieve this target without any difficulty because with all our infrastructure, with marketing, with quality control, with our technical assistance and all these things, we should be able to comfortably achieve this target. Okay, now, Nikhilesh will answer the second question with regard to red alert and green List.

**Alluri Nikhilesh**

We have already made an application to the FDA around June last year to which they have responded with additional query. On those queries, we have engaged an international food consulting team who have come in and also evaluated our manufacturing processes and we have created along with them a response to the FDA, which we are putting our petition again, which should be approved in the next 45 to 60 days. There is no timeline guidance given by the FDA, but we are assuming that it will take that much time on previous experiences.

Coming on the green ticket, so around about 25% to 30% of our sales were usually into the cook products historically, but that should not be an issue in terms of volume. We are going to focus on doing existing products and adding new products, which we are not in red alert for. So if there was no red alert, the volume would be up about 10%-15%, but we are focusing on covering up that volume in our existing products itself.

**Chokalingam Narayanan**

Thank you. And one last question from my end is the taxation to PBT on the Avanti Frozen side was on the higher end, if you could help clarify on that.

**Shantilata**

Hi, this is Shanti, good evening. The income tax in AFFPL is variant since due to timing difference in product recall and MAT credit in deferred tax. Otherwise, if you compare 9 months to 9 months, it will be almost same.

**Chokalingam Narayanan**

Thank you, ma'am, so that should be normalized level and that you should take.





**Shantilata**

Yes, you should take the nine months, which would be the normalized level.

**Chokalingam Narayanan**

Thank you.

**Moderator**

Thank you. As there are no further questions, I would now like to hand over the floor to the management for closing comments.

**C. Ramachandra Rao**

Sorry, I was just thinking something else about the question. Anyway, thank you very much for the call that we had, very interesting and good questions. And also, I think we could able to answer most of them but definitely there will be certain questions which remains still not fully satisfied. But still, things keep going and we assure that the company will be able to achieve much better performance in 2022 which we are looking ahead for it. Thank you very much.

**Moderator**

Thank you, sir.

**Sherwin Fernandes**

Moumita, on behalf of K-FIN Tech and the entire team of Avanti Feeds, we'd like to thank them for giving us the opportunity to host the call, and we also appreciate the interest from investors and the analysts of the participation. Thank you and have a good day.

**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.

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

*C. Ramachandra Rao*

