



**Avanti Feeds Limited Q2 FY24 Results Conference Call**

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**CORPORATE PARTICIPANTS:**

**Mr. C. Ramachandra Rao**

Joint Managing Director

**Mr. A. Venkata Sanjeev**

Executive Director

**Mr. Alluri Nikhilesh**

Executive Director, Avanti Frozen Foods Pvt. Ltd.

**Mr. D.V.S. Satyanarayana**

Chief Financial Officer, Avanti Frozen Foods Pvt. Ltd.

**Mrs. Shanti Latha**

GM - Finance and Accounts

**Mr. Narender Sharma**

Company Secretary, Avanti Frozen Foods Pvt. Ltd.

## **Moderator**

Good evening, ladies and gentlemen. I am Pelsia, moderator for the conference call. Welcome to Avanti Feeds Limited Q2 FY23-24 Investors Conference Call. We have with us today, Mr. C. Ramachandra Rao, Joint Managing Director; Mr. A Venkata Sanjeev, Executive Director; Mr. Alluri Nikhilesh, Executive Director, Avanti Frozen Foods Private Limited; Mr. D.V.S Satyanarayana, CFO, Avanti Frozen Foods Private Limited; Mrs. Shanti Latha, GM Finance and Accounts; and Mr. Narender Sharma, CS, Avanti Frozen Foods Private Limited.

As a reminder, all participants will be in the 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 then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. C. Ramachandra Rao, Joint Managing Director. Thank you and over to you, sir.

## **C. Ramachandra Rao**

Thank you, Pelsia. Good evening, ladies and gentlemen. I extend a warm welcome to all for this investors' conference call to review the unaudited financial results for Q2 FY24. Along with me are Sri A. Venkata Sanjeev, Executive Director; Sri Alluri Nikhilesh, Executive Director, Avanti Frozen Foods Pvt. Ltd.; Mrs. Shanti Latha, General Manager - Finance and Accounts; Mr. D.V.S Satyanarayana, CFO – Avanti Frozen Foods Pvt Ltd.; Mr. Narender Sharma, Company Secretary – Avanti Frozen Foods Pvt Ltd. The results of Q2 FY24 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 Q2 AND HALF YEAR FY24:**

### **(A) Q2FY24 RESULTS**

The comparative performance of Q2 FY24 with that of Q1 FY24 and Q2 FY23 have been given in the presentations already circulated. Gross income in Q2 FY24 is INR 1,312 crores as compared to INR 1,586 crores in the previous quarter Q1 FY24, a decrease of INR 274 crores which is by 17%. Compared to Q2 FY23, gross income of INR 1,348 crore, there is a decrease of INR 36 crores, representing 2.6%. The PBT is INR 113 crores in Q2 FY24 as compared to INR 157 crores in Q1 FY24, a decrease of INR 44 crores just by 28%, and compared to Q2 FY23 PBT of INR 91 crores, there is an increase of INR 22 crores representing 24%.

**B) Comparison of performance for six months ended 30/09/2023 with six months period ended 30/09/2022.**

In half year FY24, the total income decreased to INR 2,898 crores from INR 2,930 crores in half year FY23. The PBT in half year FY24 increased to INR 270 crores from INR 197 crores in the corresponding period of the previous year, mainly due to decrease in the raw material costs and increase in other income.

The consolidated results indicate the net impact of several factors such as increase/decrease in income, expenditure and exceptional items, et cetera, relating to Feed and Frozen Food divisions, which have been discussed in the following divisional performance of these units individually.

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

**A. FEED DIVISION:**

**Q2FY24 RESULTS**

First, the gross income for the Q2 FY24 is INR 1,064 crores as compared to INR 1,351 crores in the previous quarter of Q1 FY24, a decrease of INR 287 crores, mainly due to decrease in quantity of feed sales due to seasonal changes. The gross income in Q2 FY24 increased to INR 1,064 crores from INR 1,040 crores in the corresponding quarter of Q2 FY23, an increase by INR 24 crores, representing 2% due to increase in sales quantity by 1,830 metric tons and decrease in raw material costs.

The PBT of Q2 FY24 is INR 86 crores as compared to INR 125 crores in Q1 FY24, a decrease of INR 39 crores representing 30%, mainly due to decrease in sales volume due to seasonal changes. The Feed sales decreased to 1,27,800 metric tons in Q2 FY24 as compared to 1,65,507 metric tons in Q1 FY24. The PBT in Q2 FY24 has increased by INR 35 crores from INR 52 crores in Q2 FY23, representing 67%.

As you know, the cost of raw materials constitutes major share of cost of feed production, particularly raw materials like fish meal, soybean meal and wheat flour. The average raw material cost in terms of percentage over feed sale price was 85.72% in Q2 FY24 as compared to 84.75% in Q1 FY24 and 88.11% in Q2 FY23, indicating a marginal increase by about 1% as compared to Q1 FY24 and decrease of 2.5% in Q2 FY23.

The increase in trend is continue so far the current quarter that is Q3 FY24 is concerned. The average cost takes into consideration volatility of the major raw materials like fishmeal, soybean meal and wheat flour, sometimes increase and sometimes decrease during respective quarters. The Q2 FY24 rates of fishmeal,

soyabean meal and wheat flour are INR 127 per kg, INR 54 per kg soyabean meal and INR 29 per kg wheat flour respectively. The prices of fishmeal, soyabean meal and wheat flour were at INR 138 per kg, INR 54 per kg and INR 33 per kg respectively as on date, that is, 18th November 2023.

The fishmeal price continues to be on the higher side due to export demand. The soyabean meal price has been going up and down and thereby the average soyabean meal price has been about INR 54 per kg. It was expected that the soyabean meal price may come down at least marginally due to arrival of fresh crop of soybean from last month. However, so far there has been no such indication. The MSP on soybean meal has also been increased by the government. In the case of wheat flour, the price has been on increasing trend with the price being INR 33 per kg from INR 29 per kg earlier. This wheat also the Government of India has increased the maximum support price.

To sum up, I would like to share with you that the prices of these raw materials along with related products like fish oil, soya lecithin, et cetera, keep changing from time to time depending upon the seasonality, production, global trends, et cetera, which has direct impact on the raw material cost of the Feed beyond the company's control.

Let me compare the six months' performance of the current year with the corresponding period previous year.

#### **Comparison of performance for 6 months ended 30/09/2023 with 6-month period ended 30/09/2022:**

In the HY FY22, the total income increased to INR 2,415 crores from INR 2,352 crores in half-year ended FY23 due to increase in feed sales and other income. The PBT in HY FY22 increased to INR 212 crores from INR 130 crores in the corresponding period of the previous year, mainly due to decrease in raw material costs and increase in other income.

Let me discuss about the processing division.

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

##### **Q2FY24 RESULTS**

The gross income for Q2 FY24 is INR 253 crores as compared to INR 237 crores in Q1 FY24, an increase by INR 16 crores representing 7% mainly due to increase in sales quantity by 11%. The gross income for Q1 FY24 includes sales-based incentive of INR 6.85 crores received under Production Linked Incentive scheme (PLI scheme).

The gross income in Q2 FY24 decreased to INR 253 crores from INR 310 crores during Q2 FY23, a decrease of INR 57 crores, representing 19% YoY. The sales volume during Q2 FY24 decreased to 2,950 metric tons from 3,492 metric tons in Q2 FY23, decreased by 542 metric tons.

The PBT (before exceptional item) for the Q2 FY24 is INR 31.50 crores as compared to INR 32.10 crores in Q1 FY24 decreased by INR 1 crore. The PBT in Q1 FY24 is higher than PBT in Q2 FY24 in spite of increase in sales during the Q2 FY24 due to inclusion of sales-based incentive of INR 6.85 crores received under the Production Linked Incentive scheme in Q1 FY24 relating to earlier financial year 2021-22.

The PBT in Q2 FY24 is INR 31 crores, decreased from INR 39 crores in the corresponding quarter Q2 FY23, there is decrease in sales quantity by 542 metric tons, a decrease in average sales realization by INR 37.70 per kg in Q2 FY24.

Coming to the comparison of performance of six months.

**Comparison of performance for six months ended 30/09/2023 with six month ended 30/09/2022:**

The gross income for six months during FY24 was INR 491 crores as compared to INR 583 crores in corresponding six months' period of the previous year. A decrease of INR 92 crores in the gross income during first six months of the FY24 is mainly decrease in quantity of sales by 1,144 metric tons.

The PBT in six months FY24 is INR 63.60 crores as compared to INR 63.10 crores in the six months ended in FY23. The marginal increase in PBT is due to decrease in cost of raw materials consumed at ocean freight rates.

**Provision for recall expenses in the financial statements.**

The company has not made any additional provision for recall expenses in Q2 FY24 since full provision has already been made in the financial statements till 31st December 2022 against the total claims received from the buyers.

Status of the product recall is:

Value of claims received and charged to Profit & Loss	INR 35.62 Cr
Amount of claims settled up to 31.03.2023	INR 32.57 Cr
Amount of claims settled during Q1FY24	INR 2.06 Cr

Balance claims provision in the book of accounts as at 30.09.2023	INR 0.99 Cr
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As regards the product liability claims for bodily injury caused by consuming company's contaminated product under the recall, the company has submitted a revised claim for the claims received and settled by the company to the insurance company. The surveyor has confirmed that the claim will be processed by insurance company on or before 30th November 2023. Since the liability has been covered under the commercial general liability insurance policy, no provision has been made in the financial statements of the company.

### **SHRIMP PRODUCTION AND FEED CONSUMPTION IN FY22 AND COMPANY'S PLANS FOR FY23.**

#### **SHRIMP FEED CONSUMPTION:**

On the basis of estimated shrimp production in 2023, the estimated feed consumption is about 10.5-11 lakh metric tons.

The company's feed sales during the previous year FY22 was about 5.41 lakh metric tons as compared to 4.73 lakh metric tons in FY21, an increase by 68,000 metric tons. However, the company's estimated shrimp feed sales were 4.97 lakhs metric tons in FY23, down by 44,000 metric tons when compared with FY22.

The company's estimated production in sale of shrimp feed in the calendar year 2023 is about 4.9 lakh metric tons at the same level as in the previous year, when the total Indian feed consumption is down by 15%. The company has been able to maintain its production and sales, though there was overall decrease in the country.

#### **SHRIMP PROCESSING & EXPORT:**

The countries vannamei shrimp exports in terms of value declined in FY23 compared to FY22 by 8.11% from \$5,234.36 million to \$4,809.99 million.

The country's overall exports of frozen shrimp in quantitative tons for FY23 was 7,11,099 metric tons as compared to 7,28,123 metric tons in FY22, a decline of 17,024 metric tons representing 2.34%.

The company's shrimp exports during the FY23 was about 12,497 metric tons as compared to 12,836 metric tons in the FY22, a decrease by 339 metric tons. It is estimated that the export during the FY24 would be around 12,000 metric tons.

The Frozen Foods division is in the process of expanding its capacity as detailed:

1.	New Processing Plant and Cold Storage unit at Krishnapuram, East Godavari District with a capacity of 7,000 MT p.a.	1. 80% of Civil works are completed 2. P&M installations are in progress. About 50% installations are completed 3. Pre-processing trial run has been commenced in Q2FY24. 4. Expecting commercial operations by Mar'2024.
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As you know, the company has been selected under the two incentive schemes of the Government of India.

1. Sales-based incentive under Production Linked Incentive scheme and
2. Grant-in-Aid under Operation Greens Long Term Interventions scheme.

#### **THE PRODUCTION LINKED INCENTIVE SCHEME:**

The company is eligible for incentive of 6%, on value-added products at 10%, on incremental sales over a period of seven years from FY21-22 to FY26-27 subject to a maximum incentive of INR 79.44 crores with a minimum 5% CAGR in sales.

The company has received an incentive of INR 6.84 crores pertaining to FY22. FY23 incentive claim application is being filed on or before 31st December 2023.

#### **Operations Green scheme:**

Approval from Government of India for Grant-in-Aid by the proposed investment in new shrimp processing plant at Krishnapuram is received in December 2022.

Maximum Grant-in-Aid under this scheme is INR 10 crores.

The first instalment of Grant-in-Aid is due from the Ministry. The company has submitted all the relevant documents in this regard.

#### **INDUSTRY AND COMPANY'S FORECAST FOR 2024:**

It may be noticed that during the first half of FY24, the shrimp feed sales of the company increased marginally by 2%, while the processed shrimp exports declined to 5,608 metric tons in half year FY24 as compared to 6,752 metric tons in the corresponding period of the previous year.

However, as per the analysis report published by the Rabo Bank on Food and Agri Business, the global survey results forecast YoY shrimp production growth of 4.8% in 2024, surpassing 2022's peak volumes after expected modest decline of 0.4% in 2023 over 2022. Further, an upturn in the US shrimp import market is beginning to look more real on the basis of the latest update by National Oceanic and Atmospheric Administration of Seafood Trade Database. The upturn is being witnessed for the past three months after a 13 consecutive months YoY decrease. However, the price continues to be down by about 10-15% on the earlier average price.

India continues to lead all source nations sending 28,992 metric tons of shrimps worth \$226.3 million in September 2023, 6% more volume and 5% less revenue than September 2022. However, the average price is down by 11% to \$7.81 per kg from \$8.7 per kg seen earlier. As per the report of the Commerce Ministry, the exports in August 2023 indicated a 17% YoY growth in farm shrimp exports.

In the light of information available and the trends indicate an increase in exports in the future may be expected.

As far as sales of shrimp feed is concerned, as I stated earlier, sales during the first half of FY24 registered a marginal increase over the corresponding period of the previous year. As per the field reports, shrimp culture is being continued and shrimp feed sales of the company during calendar year 2023 is slightly to be at more or less same level as in the previous calendar year 2022.

In spite of anticipated decrease in total shrimp feed sales in India by 10-15% in calendar year 2023 compared to feed sales in calendar year of 2022.

To sum up, the rest of the current year appears optimistic for the shrimp industry.

#### **DIVERSIFICATION OF COMPANY'S PLAN INTO PET FOOD & PET CARE PRODUCTS:**

You may be aware that the company has incorporated a subsidiary with the name Avanti Pet Care Private Limited as a special purpose vehicle for manufacturer of pet food, mainly dogs and cats and other pet care products for catering to the domestic market.

The required technical know-how is being provided by Bluefalo Pet Care Company Limited Thailand, a reputed pet food and pet care products manufacturer in Thailand.

A memorandum of understanding has been entered into with them, which will be followed by transfer of technical know-how agreement and joint venture



agreement in due course, which is expected to be latest by end of this year, that is December 31st. The company will be investing 51% of the equity capital of the joint venture company and the balance will be invested by Bluefalo Pet Care Limited and other investors, the details of which are being worked out.

An agency has been appointed for undertaking market research and survey for demand and supply of pet food and pet care products to evaluate and decide on specific products which are in demand in India. The report is scheduled to be received by end of November 2023, that is end of this month, providing basis for production and sales planning. Further details of the project will be reported to you at the appropriate time.

### **FISH FEED:**

Coming to the fish feed, as reported earlier, a senior executive has been appointed to undertake survey and evaluate the demand and supply of fish feed of various species in India with the objective to set up fish feed manufacturing facility by the company, in respect of such species which has demand in India. In the meantime, the company has entered into transfer of technology agreement with the Thai Union Feedmill by providing technical know-how for manufacture of fish feeds in India. Basing on the outcome of the market research and survey, the fish feed required for India market would be decided to go ahead with the manufacturing of the sale.

Now after giving the brief, the developments in the last quarter, now I would like to take up the question and answer them.

### **Q&A**

#### **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. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad. First question comes from Faisal Hawa from H. G. Hawa and Co. Please go ahead.

#### **Faisal Hawa**

Sir, how much more expansion is now viewed? And what is the kind of CapEx that we'll see in the next one or two years? And how much will it add to our revenues? What is sales for the expansion that will not now lose?

### **C. Ramachandra Rao**

To answer this, the expansion, one is, that which is already we have undertaken for the shrimp processing, which will commence in end of this year or financial year. So, the 7,000 tons capacity. And our endeavour is to make maximum utilization of the capacity and particularly the value-added products. So, that is going to give you the higher sales volume, exports volume. That is one area. And the second area is that, the pet care, but it will take time. We are expecting that it should be completed by end of 2024, it will take about a year and or to complete the project. And from 1st January 2025, we'll be able to commence the sales in the pet care products.

So, coming to the feed, we already have sufficient capacity, and last year we had the slowdown of the shrimp culture because of the unrelative prices and so many other reasons. But now since, the market is picking up particularly in the US, exports to US is increasing. So, we expanded. The culture is also now briefly going on, even though it is not the normal season. But keeping in that, we expect that the coming year 2024, the sales of the feed also will go up to their higher capacity and the value-added products and shrimp exports, these two will form the majority of the export sales and domestic sales in the next year.

### **Faisal Hawa**

So, what is the sales that we expect in FY24-25?

### **C. Ramachandra Rao**

As we know that, particularly this industry, we can't exactly precisely say this is going to be the turnover, the figures we cannot give. But one thing what we can say is that, the things are improving. See, initially, if you remember during our earlier last quarter's call, we were having a very sort of not pessimistic view rather on the entire industry in the next one year and perhaps even in the 24 also. But however, thanks to the improvement in the market, US market pickup and exports and also the culture. So, we are expecting that the things will be much better and more optimistic in the rest of this year and also 2024. So, that is an indication with what we can do at this point of time.

So, once we have the figures for 31st March 2024, that is, this financial year, I mean, the most important thing is how the next season starts. Normally, the shrimp culture season starts in end of January or February, but as it stands today, the field report is that the farmers are enthusiastic about the next year and soon after the harvest of the current crop, they will start, as early as possible they would like to start next year. That is what the indication we give. Perhaps after 31st, that is next quarter and we'll be able to give you an idea about what is the picture that is going to emerge in 2024-25, that is financial year.

## **Faisal Hawa**

And sir, as a market cap you sale, our valuation is at the lowest, it should be over the last one decade or so. And the biggest concern about our stock is how we utilize our cash reserves. So, why do we not undertake a small buyback, open market buyback from the market, really lose our cash also as well as address the valuation issue? This is the best valuation it has been in the last.

## **C. Ramachandra Rao**

I think this question we are getting almost in every con call. And we have been explaining the reason, because the buyback would not result in any advantage to the investors at all, because the money which we are going using it for our working capital is helping us a lot to make whatever the value, the profitability of the company. If you go for bank financing, which is very, very expensive. So, instead of going for bank financing, we are using this particular, the reserves, that funds which we have, we are keeping on using them at optimum level.

So, we are able to get much, much better the prices for the raw materials, as well as from the banks that we don't borrow. If you look at our balance sheet, we don't have any debts to the company and to the banks for working capital limits, that gives a great advantage. And on the other hand, by just giving 1% or 2% or 5% buyback, it is not going to help anybody, neither the company nor the investor. So, it is always advantageous to keep the resources as and when we want. Now, for example, the pet care, we don't have to invest anything.

Neither the collaborators nor the company is interested in borrowing it, because so many conditions attached to date, the interest, all these things would make the project much higher than what it is. So, we have the great advantage of the funds to immediately implement and go ahead with our production as early as possible. So, we need not have to depend upon the bank borrowing. In fact, this is being appreciated by even the collaborators also. So, because they also would not like to go for bank borrowings.

They always prefer only better to use our own resources for any expansions and all. So, as and when we decide, it should be readily available. On the other hand, whatever the surplus that is remained, is we are giving for working capital limits, because seasonality of the industry is one of the, again, major concern because, the seasons keep changing and the aquaculture also keeps changing. So, what is there in the first quarter is not there in the second quarter. So, first quarter spillover comes in the next quarter.

So, we must be ready with the funds so that we can use them for raw material procurement. And particularly, when the prices are low, we are able to keep

higher stocks and take advantage of it. Now, for example, soyabean meal, fresh crop is coming, we are waiting for the price to come down. If they come down, immediately we buy quantities for normal cost, if you keep 15 days, we keep more than one month. So that gives you lots of advantage for us. That is the reason why, this has been several times discussed at the board level. But somehow, the board considers that it is a wise thing to go ahead with this policy.

**Faisal Hawa**

Okay. Thank you, sir.

**Moderator**

Thank you. Next question comes from Nitin Awasthi from Incred Equities. Please go ahead.

**Nitin Awasthi**

Hello, sir. Am I audible?

**C. Ramachandra Rao**

Yes, sir.

**Nitin Awasthi**

Sir, firstly, I would like to recall that, like you mentioned in the opening remarks, that the sales are starting to pick up in the last two months, at least that's what the data is showing, the export from India is picking up. What would you attribute this fact to? Is it that problems in Ecuador where we are finally backing off because of their internal issues or something else?

**C. Ramachandra Rao**

Nikhilesh, can you please take up this question?

**Alluri Nikhilesh**

Hi, Nitin. Am I audible?

**C. Ramachandra Rao**

Yes.

## **Alluri Nikhilesh**

Hi, Nitin. I hope you're well. So, to answer that question, it's not due to any other factor, but the reason being that the first half of the year, the imports have been down as data shows, but in the second half, especially during this period the product for Thanksgiving and Christmas goes in, so that's why you see an uptick in the shipment to the US in particular. I hope that is answer.

## **Nitin Awasthi**

Yes, that fairly answers it. Secondly, because of this uptake, we are seeing an optimistic outlook at least building up for the next year, next harvest, like calendar year harvest. However, the two raw materials that you will use, fish meal and soya. Officially, particularly even now seems to go big, is going buzzer, because I think all the supply from India has been absorbed by China, which we have not seen in many years and it's been abnormal prices that we're seeing. So, profitability seems to be very largely impacted because of that. At least, going forward, we see that prices of 150, it is not very farfetched.

## **C. Ramachandra Rao**

True. What you said is correct. See, the profitability is impacted, but we are making a lot of efforts to convince the government that you make a provision by whatever the procedure you call, whether it is on the imposing a restriction on exports or discouraging by withdrawing export incentives or whatever it is. So, whatever the shrimp meal that is produced in India is first made available to the local industries, because this is a value-added product. What we are doing is, we are producing the shrimps and we are exporting the shrimps and the value-added product is more advantageous to the government. But however, as you know, we have made representations to the government and we are awaiting.

This is a thing which has to be answered by only the government, because we as a consumer, we do not have much choice because if you fish meal exporter, the producer says that when I am getting so much there, why should I give it to you. That's what. At least as Avanti Feeds has got a better relationship with most of the manufacturers, at least when they don't have export orders, they'll first refer to Avanti. So, that we have been able to keep our requirements getting, but the price is something which is very difficult. Only marginally they reduce the price compared to their exports, that is the only thing which we could do at this point of time.

Hopefully, the government would realize the necessity for regulating this exports of shrimp, fish meal to other countries. Most so, what happened is, Southeast Asian countries which they consume the fish meal, the Chile and Peru, the transportation and also off late there has been decrease in the fish catches in

Chile and Peru that is also has contributed to some extent, the shortage of fish meal in those countries. So, they added to that, the cost effective fish meal procured from India, that is the reason why most of the Southeastern countries are importing from India, the fish meal. I think that's what we can do at this point of time, sir.

### **Nitin Awasthi**

Understood sir. But this seems to be a very serious factor, which could actually halt the growth of the industry for no fault of its owns. So, I think action should be taken from the government side, it's good that you are representing. I think the representation should grow because the numbers speaks for itself, one country has plucked out more fish meal from India in this year than I think four-five years combined exports.

### **C. Ramachandra Rao**

Yes, see, in fact, our CMD, Indra Kumar, he represented twice. He went to Delhi, met the Finance Ministry and also the Commerce Ministry and requested them to do something to regulate it. It's not necessary. You're completely banned. But you can always put the parity, you can bring the level playing for Indian consumers also. So, if you make the big difference, that is not going to help the domestic industry. Though, they realize, but it's all the government procedures and all the that they said, when we are getting foreign exchange why should we discourage them. So that is the stand the government always takes, because they are getting foreign exchange. That's a valuable foreign exchange.

So naturally, they say why should we put restrictions. It is what is happening. Anyway, it will not happen, but one day definitely they'll realize that how it is they helps the domestic industry to increase its the same foreign exchange much more multiple number of times you can get it if shrimp is exported. That has to be realized by the various levels with the government and the policy has to be brought whereby they can at least put some quota or something like that or discourage these incentives that is duty drawback, road tap and all these things can be discouraged. So that a portion of the production is given to the Indian consumers.

### **Nitin Awasthi**

Got it, sir. So last question from my side. India Shrimp Tariff Act has been introduced in the Senate in US. Any thoughts on this? Why India being targeted specifically? Because, I think, Ecuador share has also being considerably up in exports to the US. However, they are getting treaties being signed, trade deals being signed by them and tariffs being reduced. And on the other hand, you have

Indian Shrimp Tariff Act which brings, I mean, like that just makes the business unfeasible the tariffs this Act goes through.

**C. Ramachandra Rao**

Nikhilesh, can you take this question, please?

**Alluri Nikhilesh**

Could you repeat what you're saying, Nitin? I'm sorry, I couldn't hear the first part.

**Nitin Awasthi**

No worries. I'll just repeat it. So, there's this Act which is being introduced in Senate in the US, the India Shrimp Tariff Act. And meanwhile, there are also import from the Ecuador, which is our competitor. So, US has been increasing multi-fold, and whereas with Ecuador, US has been signing trade agreements in trade deals, lowering their tariff and they are introducing bills like this, which will actually make business in the shrimp processing industry impossible if bill like this go through. So, what are your thoughts on that?

**Alluri Nikhilesh**

Thank you, Nitin. I would like you to double check on the information. The duty, it's not the Indian shrimp Tariff, it's called the CVD or Countervailing Duty that's being put by the US on shrimp from India, Ecuador, Indonesia, Vietnam, so all the major shrimp processing countries. And in addition to the Countervailing Duty, I see that Indonesia and Ecuador might will be subject to, even Antidumping Duty. So, I feel that this is not to India specific, but it's more towards the general shrimp producing country.

The biggest, in my opinion, the duty which is proposed to be included if everything passes, which also again, there's so many bills introduced. So, it's not all of them go through, right? So, if it does get introduced, it's going to be a country specific duty. So, we need to see how this develops, but it's not India specific. So, it is a big question mark right now, but this is an external factor, which is the US Government governing this. So, we are waiting for the developments and the following and taking the necessary precautions. But again, I just want to assure you this is not India specific.

**Nitin Awasthi**

Understood. So, heartening to hear that. Thank you. That's all from my side.

**Moderator**

Thank you. Next question comes from Jasdeep Walia from Clockvine Capital. Please go ahead.

**Jasdeep Walia**

Hi, sir. Thanks for taking my questions. So, I just wanted your thoughts on, how does cost of production compare between India and Ecuador, first at the raw shrimp level and then at the processed shrimp level?

**C. Ramachandra Rao**

Nikhilesh?

**Alluri Nikhilesh**

I'll take that question. So, the specifics on the cost structure, I'm not 100% aware, because it's not usually clearly disclosed. We just have an information on people giving us information by word-of-mouth. But looking at it, the cost structure, the cost of the farm gate shrimp in Ecuador is lower than India. This is due to a variety of factors, because most of the processors in Ecuador are actually also large farmers, right?

So, they are controlling the farm gate price and doing the vertical integration play, where it's unclear what is the actual cost of production. But on processed shrimp, definitely, Ecuador is very cost competitive. They are the biggest competitor to Indian shrimp today. But again, we play in different, I would say like Avanti, in particular, plays in a different game compared to Ecuador, because Ecuador just focuses on very commodity products like headless shell on or head on, shell on. So, just basically taking the shrimp and selling it there. We focus more on value-added play.

Nevertheless, there is intense competition from Ecuador and the processed shrimp on the commodity products, they're more attractive than India. But again time and again, we've been saying in the last few years, we focus on moving away from commodity to value-added products, which is beneficial for us. I hope I answered your question.

**Jasdeep Walia**

Sir, in your earlier commentary, you used say that on the processed shrimp side India is more competitive because cost of labour is lower in India. So now you said that Ecuador is more competitive. So, can you explain this dichotomy?



**Alluri Nikhilesh**

Yes, I can explain that. So, Ecuador has become the largest producer in the past two years. So, it's not something that we know the last decade. It's come up to be the largest produced in the last two years. So, that is the reason, the commentary has changed today. They have expanded their production from 600 to 1 billion to 1.5 billion now. That is the targeted production for this year. So, we have almost doubled every year for the last two to three years. So, that's the distance that you see, but we are very competitive on certain products which Ecuador does not focus on. Like, I was saying in my previous comment, Ecuador focuses on value, I mean, commodity shrimp where we focus on value-added shrimp.

**Jasdeep Walia**

By value-added shrimp, I understand one category of products is the breaded shrimp or let's say, ready-to-cook kind of shrimps. So, what about basic process shrimp where you just devein the shrimp, clean the shrimp, packet and send it for export? So, there also you're saying, Ecuador is more competitive.

**Alluri Nikhilesh**

No. I would say over there, we would be par-to-par, like you must understand, like on a general basis, you see that India has a population about 1.5 billion people today. For Ecuador if I'm not wrong, is not even a 10th of what we have in terms of manpower. So, we are able to process more cut peel deviation compared to Ecuador, and coming to breaded and ready-to-eat products they are still far away.

**Jasdeep Walia**

Got it. My second question is that; I've been reading that the prices of beef in US have increased significantly. Also, prices of pork in China have increased significantly over the last couple of months. So, in your experience, you would have seen these kind of trends earlier also. What do you think will be the impact of these price changes on the shrimp consumption in US? Does it need to faster clearing of inventory of shrimp or it doesn't mean much?

**Alluri Nikhilesh**

So, it's very difficult to say, because you pinpointed only one factor, which is the price increase in different protein. But you must also, there are so many other factors, like I'm not sure if you came across the Chairman of JPMorgan, who recently said that the disposable income of the US middle class is at all-time low. The savings that they made through the pandemic, et cetera, they're quickly diluting through it. So, there are so many factors that affected. As of now, I would

say, like, there is no change in our forecast for shrimp sales in the next six months.

**Jasdeep Walia**

Got it, sir. Thank you. That's all from my side.

**Moderator**

Thank you. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad. We have a follow-up question from Faisal Hawa from H. G. Hawa and Co. Please go ahead.

**Faisal Hawa**

So sir, since our business is constantly throwing up cash and we are very much debt away. Would it be a right assumption to make that we will keep on making small expansions in different capacity, wherever we see some areas where it can be sold easily and this way we will at least double revenue every four to five years?

**C. Ramachandra Rao**

That has been always the, see, always we look for the expansion provided. It creates value addition for the investors, the investment. So naturally, as you know that we have been trying almost like last five, six years to continuously on lookout for a suitable product for expansion, diversification. Of course, fish feed has being discussed quite often. But there is a reason why we did not take up that fish feed a couple of years ago, because there was not a proper demand for the product. We should be able to make profit out of that business. So, that's why we have been keeping. At the appropriate time, that is the answer which we have been giving in all our earlier calls. This is how we are doing it. See, the expansion we are ready to do provided, it has some advantage to the company and the investors, definitely we'll do that. There is no time limit four or five years like that, but we can always.

**Faisal Hawa**

Sir, in the last five to six years, has there been any expansion where we have fallen behind deadlines and not been able to start the production on time?

**C. Ramachandra Rao**

No, there was no such this thing. Only one occasion that feed at Bandapuram. Because of the post after corona time, shipments did not come. There was about

three to four months' delay. But for that, there was never such a way. We were ready. Only thing is the shipments took time for three to four months, because of the availability of vessels and all those things at that time, this was very, rather, a very complicated issues were there at that time. So that is the only occasion, we did not have any real impact on account of that.

**Faisal Hawa**

And sir, debtor days are up a bit. So, is that a seasonal matter or there is more to it?

**C. Ramachandra Rao**

Seasonal matter. It is purely seasonal.

**Faisal Hawa**

So, we will be always in single-digit debtor days?

**C. Ramachandra Rao**

Yes.

**Faisal Hawa**

Okay sir. Thank you so much.

**Moderator**

Thank you. That will be the last question for the day. Ladies and gentlemen, we would like to come to the end of the conference. We appreciate the interest from the investors and analysts for the participation. Thank you. And if you need any further information, you may connect with Ms. Lakshmi Sharma and Mr. Narender Sharma of Avanti Feeds Limited at [investors@avantifeeds.com](mailto:investors@avantifeeds.com). Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

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