Avanti
Feeds Limited

Aiding Sustainability & Reliability to Aquaculture

June 11, 2025

To
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Mumbai – 400001
Maharashtra, India

BSE Code: **512573**

To
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra (East),
Mumbai – 400051
Maharashtra, India

NSE Symbol: **AVANTIFEED**

Dear Sir/Madam,

Sub: Transcript of post earnings Audio Conference Call for the quarter and Year ended March 31, 2025.

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Further to our letter dated June 07, 2025, we enclose herewith the transcript of post earnings Audio Conference Call for Investors/Analyst held on June 07, 2025 in connection with Audited financial results (Standalone and Consolidated) of the Company for the quarter and Year ended March 31, 2025 and the same will also be available on the website of the Company at **https://avantifeeds.com/corporate-announcement/#Investor-Analyst-Corner**

This is for your information and record.

Thanking you,

Yours faithfully,
For **Avanti Feeds Limited**
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Digitally signed by RAMACHANDRA RAO CUDDAPAH
Date: 2025.06.11 14:57:01 +05'30'
C. Ramachandra Rao
Joint Managing Director,
Company Secretary,
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DIN: 00026010

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Avanti Feeds Limited
Q4FY25 Earnings Conference call

Event Date / Time: 07/06/2025, 16:00 Hrs.
Event Duration: 01 Hrs. 02 mins 38 secs

CORPORATE PARTICIPANTS:

Mr. C Ramachandra Rao
Joint Managing Director

Mr. A. Venkata Sanjeev
Executive Director

Mr. Alluri Nikhilesh
Director of Avanti Feeds and Executive Director – Avanti Frozen Foods Pvt Ltd

Mrs. Santhi Latha
GM (Finance & Accounts)

Ms. Lakshmi Sharma
Sr. Manager – (Corp Affairs)

Mr. DVS Satyanarayan
CFO, Avanti Frozen Foods Pvt Ltd

Mr. K.S. Reddy
CFO, Avanti Pet Care Pvt Ltd

Q & A Participants list:

1	Shivam Sahu	: Individual Investor
2	Balaji	: Avanti Feeds
3	Ronak Shah	: Equirus Securities
4	Gopi Krishna	: JP Morgan
5	Nitin Awasthi	: InCred Equities
6	Reena Gattani	: Paul Asset Consultant Pvt Ltd

Moderator:

Good evening, ladies and gentlemen. I am Pelsia, moderator for the conference call. Welcome to Avanti Feeds Limited Q4 and FY25 Earnings Conference Call.

We have with us today, Mr. C. Ramachandra Rao, Joint Managing Director, Mr. A. Venkata Sanjeev, Executive Director, Mr. Alluri Nikhilesh, Director of Avanti Feeds and Executive Director of Avanti Frozen Food Private Limited, Mrs. Santhi Latha, GM - Finance and Accounts, Mrs. Lakshmi Sharma, Sr. Manager - Corporate Affairs, Mr. DVS Satyanarayana, CFO of Avanti Frozen Foods Private Limited and Mr. K.S. Reddy, CFO of Avanti Pet Care Private Limited

As a reminder, all participants 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 star and then zero on your touchtone telephone. Please note that this conference is being 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.

Mr. C. Ramachandra Rao:

Thank you, Pelsia. Good evening, ladies and gentlemen. I'm pleased to extend a warm welcome to all of you for this investor's conference call to review the audited financial results for Q4 FY'25 and for the year ended 31st March '25. Mr. Nikhilesh, Director of Avanti Feeds Ltd. and Executive Director of Avanti Frozen Foods, Pvt. Ltd. is joining from the factory at Kovvur .

Along with me are Mr. Venkata Sanjeev, Executive Director of Avanti Feeds Ltd., Mrs. Santhi Latha, GM - Finance and Accounts of Avanti Feeds Ltd., Mr. DVS Satyanarayana, CFO of Avanti Frozen Foods Private Ltd and Mr. K.S. Reddy, CFO of Avanti Pet Care Private Limited.

To begin with, Mrs. Santhi Latha, GM - Finance and Accounts, Avanti Feed Ltd. will present highlights of financial results for the period and year ended 31st March '25 of feed division and also consolidated financials of the company for the same period.

Thereafter, Mr. Satyanarayana will present the financial highlights of shrimp processing and export division. After that, Mr. Srinivasa Reddy will present the status of pet care projects.

After presentation by all of them with a brief sum up, we will take up the question-and-answer session.

Mrs. Santhi Latha:

Thank you, sir. Good evening, everyone. I will take you through the consolidated and standalone financial performance highlights for the quarter and year ended 31st March 2025. First, we will go through the consolidated financial results for the quarter ended Q4 FY ‘25. The comparative performance of Q4 FY’25 with that of Q3 FY’25 and Q4 FY’24 has been given in the presentation, which has been already circulated.

Gross income in Q4 FY’25 is INR 1435 crores as compared to INR 1405 crores in the previous quarter, Q3 FY’25, an increase of INR 30 crores. Compared to Q4 FY '24 gross income of INR 1320 crores, there is an increase of INR 115 crores by about 8.7%. The PBT is INR 211 crores in Q4 FY '25 as compared to INR 184 crores in Q3 FY '25, an increase of INR 27 crores by 15% and compared to Q4 FY '24, PBT of INR 151 crores, there is an increase of INR 60 crores by about 40% increase.

Comparison of financial year '25 with that of financial year '24 four performance, in FY ’25, the total income increased to INR 5778 crores from INR 5505 crores in FY ’24. The PBT in FY ‘25 increased to INR 737 crores from INR 537 crores in previous year mainly due to increase in revenue and decrease in raw material costs and better overhead absorption.

The consolidate results indicate net impact of several factors such as increase or decrease in income and expenditure etc., relating to Feed and Frozen Food divisions . Now we will discuss the individual performance of these units.

STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISION:

The Q4 FY’25 results, the gross income for Q4 FY’25 is INR 1070 crores as compared to INR 1077 crores in the previous quarter of Q3 FY ‘25, a decrease of INR 7 crores due to decrease of quantity sold by 2338 metric tons. The gross income in Q4 FY’25 increased to INR 1070 from INR 1022 crores in the corresponding quarter of Q4 ‘24, an increase by INR 48 crores due to increase in sales quantity by INR 7432 crores. The PBT for the Q4 FY ’25 is INR 194 crores as compared to INR 167 crores in Q3 FY’25, an increase of INR 27 crores by about 16% mainly due to decrease in raw material cost and better overhead absorption.

The PBT in FY'24 has increased by INR 75 crores from INR 119 crores in Q4 FY '24 represented by 63%. The feed sales decreased by 2338 MT to 129,711 MT in Q4 FY '25 as compared to 132,049 MT in Q3 FY '25, an increase by 7433 MT from 122,278 MT when compared to Q4 FY'24.

COMPARISON OF PERFORMANCE OF FEED DIVISION, FY'24 WITH FY'25.

In FY'25, the total income increased to INR 4,563 crores from INR 4,395 crores in FY'24 due to increase in feed sales and other income. The PBT in FY'25 increased to INR 659 crores from INR 407 crores in the corresponding period mainly due to increase in sales, other income and decrease in raw material cost and better overhead absorption.

The major raw materials are fishmeal, soyabean meal, and wheat flour. The noticeable development in this year and quarter is softening of two major raw materials, i.e., fishmeal and soyabean meal, resulting in improvement in profitability.

The prices of these raw materials keep fluctuating since their production is based on fish catches from the ocean and agriculture. The prices of fish meal decrease in Q4 FY'25 to INR 91 per kg from INR 93 per kg in Q3 FY'25 and from INR 119 per kg in Q4 FY'24. In case of soya bean meal, their prices reduced to INR 43 per kg in Q4 FY'25 from INR 46 per kg in Q3 FY'25 and INR 52 in Q4 FY'24.

However, the wheat flour price increased to INR 36 per kg in Q4 FY'25 from INR 35 per kg in Q3 FY'25 and INR 30 per kg in Q3 FY'24. While on one hand, the raw material prices are instrumental in determining the margin, on the other hand the status of aquaculture activity, conditions such as climate changes, diseases, etc. determine the consumption of feed in terms of volume which will have an impact on the overall performance of the company.

To sum up, in general FY'24-25 is a challenging year for the aquaculture industry both in respect of shrimp production as well as global demand for shrimp export. In spite of the challenging years, your company had a better capacity utilization. Now, I will talk about shrimp production and feed consumption in FY'25.

SHRIMP FEED CONSUMPTION:

The estimated shrimp production for 2024 is 10.5 lakhs to 11 lakhs metric tons and the feed consumption is estimated to be about same levels. The company feed sales during FY'25 is 5,55,247 MT against 5,31,967 MT in FY'24. In case of shrimp processing and exports, India's seafood exports touched 17,81,602 MT, an all-time high in volume during FY23-24.

Frozen shrimp remained the major export item in quantity and value accounting for a share of 40% in quantity and 66% of the total dollar earnings. The company's shrimp exports during FY'25 was 14,149 MT as compared to 13,444 MT in FY'24, an increase by 705 MT. It is estimated that the exports during FY'26 would be around 17,000 MT.

UPDATE ON FISH FEED:

As reported in earlier con-call, the company has imported fish feed from Thai Union Feed Mill Company Limited and is conducting trails under Indian conditions. Once the product performance is approved, the production will be taken up for domestic sale. Now I will hand over to Mr. DVS Satyanarayana to present highlights of shrimp processing and export division.

Mr. DVS Satyanarayana:

Thank you, Madam. Good evening, everyone. So now I would like to take you through the financial highlights of shrimp processing and export division.

So, I will start with quarter results, that is Q4 FY'25. The gross income for Q4 FY'25 is INR 364 crores as compared to INR 328 crores in Q3 FY'25, an increase by INR 36 crores representing 11% mainly due to increase in sales quantity by 256 metric ton which represents 7%.

The gross income in Q4 FY'25 increased to INR 364 crores from INR 297 crores during Q4 FY'24, an increase of INR 67 crores representing 22% year over year growth. The sales volume during Q4 FY'25 increased to 4100 MT from 3846 MT in the last year same quarter, i.e. Q4 FY'24.

So, there is an increase of 254 MT when compared to the last year same quarter. Higher sales in Q4 FY'25 were driven by volume growth, an increase in average selling price realization, and favorable foreign exchange rates. The PBT before exceptional item for Q4 FY25 stood at INR18 crores unchanged from Q3 FY'25.

Despite higher sales during the quarter, PBT remained flat primarily due to the full period impact of countervailing duty (CVD) in Q4 FY'25. The PBT in Q4 FY'25 is INR 18 crores, a decrease from INR 32 crores in the corresponding quarter Q4 FY'24 primarily due to the impact of countervailing duty and increase in raw material prices.

COMPARISON OF PERFORMANCE FOR THE YEAR ENDED 31ST MARCH 2025 WITH 31ST MARCH 2024:

The gross income for the year ended 31st March '25 was INR 1219 crores as compared to INR 1118 crores in the previous year, i.e., financial 24. An increase of INR 101 crores in the gross income during FY'25 is mainly due to increase in sales quantity by 682 MT representing 5%. Higher sales in FY'25 were driven mainly by volume growth, an increase in average selling price realization, and also favorable foreign exchange rates.

The PBT in FY'25 is INR 86 crores as compared to INR 136 crores in the previous year, i.e. FY'24. A decrease in PBT by INR 50 crores is mainly on account of countervailing duty, higher ocean freight rate and depreciation from Krishnapuram new plant. Now I handover to Mr. K. Srinivas Reddy to update the status of pet food project.

Mr. K.S. Reddy:

Thank you, Mr. DVS Satyanarayana. Now I would like to present an update on the status of Avanti Pet Care Pvt Ltd., a subsidiary of the company, set up for a pet care product in India. As you know, company has formed a joint venture with Bluefalo Company Ltd., Thailand, a well-known pet food and pet care product manufacturing company in Thailand, for a setting up joint venture company in India with the equity investment by them along with the transfer of technology. The company is in the final stage of acquisition of land and planning to commence construction from September or October '25, after obtaining a government clearance for setting up of facilities. In the meantime, company with the objective of establishing brand of the company's product has successfully commenced trading in cat foods from January 2025. In the company's first product range, under its own brand, presently the company is getting the product manufactured by the collaboration facility in Thailand and importing for trading.

The brand name of the company's product is 'Avant Furst'. The product launched is in cat food - ocean fish flavor. In Q4 FY'24-'25, i.e., January '25 to March '25, recorded a sales of INR 25.79 lakhs, which is within the expectations for the initial stage. At present, company is marketing products in nine key markets, i.e., Mumbai, Pune, Chennai, Bangalore, Hyderabad, Solapur, Nagpur, Jaipur and Ahmedabad.

Further planning to expand to more cities and build a presence in e-commerce and q-commerce in the coming quarter. The company is also building a strong brand visibility through the digital marketing, advertisement on Instagram and Facebook (@avantfrust). The company is planning to introduce other flavors in cat food in the coming months. The company is also planning to launch a dog food product in August 2025. It is pertinent to mention that dog food constitutes a major portion of pet food sales, which is about 80% and cat food is 20%. Now, I hand over to JMD sir for closing remarks.

Mr. C. Ramachandra Rao:

Thank you, At this stage, I would like to share with you some of the developments that have taken place during the course of the year, reflecting on performance of feed and processing and export business of the company.

In respect of feed business, the relieving factor was more stable raw material prices and also feed sales yielding an increased profitability in the year compared to the previous year.

The shrimp culture activity has also been stable except for some instances of disease and premature harvest. The farm gate prices of the shrimps were stable, resulting in maintaining the shim production levels. The export of processed shims registered a growth due to increase in export quantities and also increase in average selling price realization.

The favorable U.S. dollar conversion rates also helped to enhance the profitability of the shrimp processing division. As stated by my colleagues, the company is focusing on increasing the production and export of value-added products, yielding better margins and less competition. The company is also focusing on developing other markets like Japan, EU, etc. to reduce dependence on U.S. market. As you are aware, the U.S. announced a new reciprocal tariff on April 2, 2025. The U.S. imposed reciprocal tariffs on exports from all countries trading with it.

A baseline tariff of 10% on all countries came into effect from April 5, 2025. The country-specific reciprocal tariff is scheduled to begin on 9th April. Various duties are like this: India: Anti-dumping duty, i.e., ADD 1.35, countervailing duty 5.77, reciprocal tariffs 26%. Total tariffs 33.12% Thailand: 0 anti-dumping duty, 0 countervailing duty, reciprocal tariffs 36%. Vietnam: Anti-dumping duty 0, countervailing duty 2.8, and reciprocal tariffs 46%.

Total 48.8%. Indonesia: 3.9% Anti-dumping duty, countervailing duty is nil, and 32% is reciprocal tariffs and total tariff is 35.9%. Ecuador: Anti-dumping duty is nil and countervailing duty is 3.8%, and the reciprocal tariff is 10% and total tariff is 13.8%. No tariff applies to container ships before April 5, 2025 if they arrive at the U.S. port before May 27, 2025.

This is some sort of an arrangement for transition period for applicability of the reciprocal tariff. A baseline tariff applies to shipments dispatched between April 5, 2025 and April 8, 2025. On April 9, 2025, the U.S. announced a 90-day suspension of country-specific reciprocal tariffs for all countries except China.

The country specific tariffs which I read out just now. Shipment from April 9, 2025 till a period of 90 days will continue to incur only 10% percent baseline tariff. We will have to see what is going to be the future rate after 9th depending upon the announcement and the policy decision taken by the Trump's government. The company proactively informed all U.S. customers about the tariff changes, and most of the customers have responded positively to the overall 10% price increase.

Production was increased and shipments to the U.S. were expedited, with most orders dispatched before May 21, 2025. Indian and U.S. officials are engaged in high-level discussions continuously, aiming to finalize an interim trade deal with the U.S. In fact, even the U.S. President Trump also announced very recently, a couple of days back, that the negotiations with Indian government for a trade agreement in advanced stage and it may come any moment. An announcement is expected later this month, potentially before President Trump's July 9th deadline.

India, encouraged by recent trade agreements, is carefully considering U.S. demands, balancing economic opportunities with potential domestic impact. In addition to the tariff, the levy of CVD, which is at 5.77%, presently is always an additional burden to the export of shrimps to the U.S., which is a major export market for the company. In this context, the Seafood Exporters Association of India, with support of Government of India, pursuing U.S. Department of Commerce, with a request to review and reconsider the levy of CVD, which represents only remission of duties and taxes levied by the government.

Keeping this factor in view, the endeavor of the company is to expand its global market to other destinations like Japan, Korea, EU and Middle East.

To sum up, notwithstanding levy of duties such as ADD, CVD and the reciprocal tariff by U.S., the company is confident that in the course of business, the market correction, balancing demand and supply and price determination do take place ensuring sustainability of agriculture industry in the long run. With this observation, I would like to keep the floor open for questions and answers. Thank you.

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 on a 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 any question, please press * and 1 on the telephone pad. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. First question comes from Shivam Sahu, an individual investor. Please go ahead.

Shivam Sahu:

Hello?

Moderator:

Please go-ahead sir.

Shivam Sahu:

Hello? Ma'am. Why has stock price has been decreased day by day, around 15 to 16% decrease in the last four days.

Mr. C. Ramachandra Rao:

Can you please come back. Your question is not clear.

Moderator:

Sir you withdraw this question sir. Next question comes from Balaji from Avanti Feeds. Please go ahead.

Balaji:

Good morning, ma'am.

Mr. C. Ramachandra Rao:

Good morning.

Balaji:

Sir, thank you for connecting to me. My question is regarding that raw material, like what is the percentage of share of each raw material ingredients? The consumption pattern of the raw material used?

Mrs. Santhi Latha:

Sir, raw material ingredients. Is that what you're asking? The percentage of raw material ingredients?

Balaji:

Yes, ma'am. Percentage of raw material ingredients --

Mrs. Santhi Latha:

Sir, that is our formula. We cannot disclose that.

Mr. C. Ramachandra Rao:

And also, I think what our general manager says is that the combination or composition formulation depends upon different grades of products that we are making. And it is a sort of confidential information which we cannot share with anyone. Because depending upon the circumstances, region, necessity, climatic conditions, the formulas keep changing. There is no consistent standard product mix that we are giving you.

Balaji:

Yes, sir. But now, what is the cost of the raw materials sir. Are there any increase in price of the raw material and will this trend to remain same or is there any increase in raw material further

Mr. C. Ramachandra Rao:

The raw material cost is clear from the financial statements given. You can see that what is the raw material cost is given separately there. The raw material consumed is given. You can arrive at the cost of raw materials from the financial statements.

Balaji:

Yes. Sir, I'm asking, what is the present trend? Is it increasing trend or is it stable.

Mr. C. Ramachandra Rao:

See, it is fluctuating. Let me tell you, you know, recently the government had increased the MSP of wheat, soya and all these things. I think just a week back. So, immediately the prices have gone up.
So, it is very difficult to say. Based on the day-to-day market situation, the prices fluctuate. See, after the announcement of MSP, the soybean meal prices have gone up and also wheat product prices have gone up.

Second thing is that, you know, when we get the harvest, the prices decrease marginally and immediately goes up. The soya bean meal crop comes from the September end, October, and the wheat harvest comes in from March. So, it is fluctuating market. The prices of the raw materials keep fluctuating. So, we normally take an annual average, we take the price.

Mrs. Santhi Latha:

Your voice is breaking. It's not clear. Her voice is breaking. It's not clear.

Balaji:

Sir, if the Trump's tariff has remained same, what is the impact on the exports of the Company.

Mr. C. Ramachandra Rao:

Nikhilesh, are u there Nikhilesh?

Mr. Alluri Nikhilesh:

Could you repeat the question, please?

Balaji:

Sorry, if the Trump -- tariff has remained same at the high end, how shrimp feed will be affected sir.

Mr. Alluri Nikhilesh:

10% or 26%. Alright.

Balaji:

26%

Mr. Alluri Nikhilesh:

The higher end is 26 percent. So, then the tariff would be as follows. Ecuador would be 10%, India would be 26%.,. Indonesia would be, I think, about 32% or 35 something, and Vietnam would be over 40%.

So, I think, generally, we'll be number two. We will lose competitiveness over Ecuador, but we'll gain competitiveness again shrimp farming countries in Asia. So, I think overall, it'd be, like, average, not too bad, not too good.

Balaji, Avanti Feeds:

Thank you, sir.

Moderator:

Thank you. The next question comes from Rota Shah from Equirus Securities. Please go ahead.

Ronak Shah:

Yes. So, I have a couple of questions. So, my first question is regarding what is the current given scenario for the shrimp feed into the market?

Mr. C. Ramachandra Rao:

Yeah. It would be around 12 lakhs MTs.

Mrs. Santhi Latha:

Same like last like last year.

Mr. C. Ramachandra Rao:

Almost same like last year. It could be around 12 lakh tons per annum.

Ronak Shah:

Yeah. So, from the Avanti Feeds perspective, how we are projecting our FY'26 feed consumption, can it be in the range of 5.5 lakh metric tons?

Mr. C. Ramachandra Rao:

Yeah.

Mrs. Santhi Latha:

Yes.

Mr. C. Ramachandra Rao:

Just marginally, it is more than actually 5 lakhs. It should be able to make around 5 lakhs to 5.10 tons.

Mrs. Santhi Latha:

5.50 to 5.60 tons. Maybe we'll be around the same like last year.

Mr. C. Ramachandra Rao:

Our sales would be on the same line as last year -- previous year.

Ronak Shah:

Okay. Second question is regarding the competitive pricing. And sir highlighted that there are the various tariffs and CVD which is going on. So how is the Indian shrimp render cost is compared to the Ecuador vis-a-vis other Asian countries?

Mr. C. Ramachandra Rao:

Nikhilesh, can you take please?

Mr. Alluri Nikhilesh:

Yeah. Could you repeat the question again, please?

Ronak Shah:

So, Nikhilesh, what is the rendered price competitiveness, which India is having compared to the Ecuador and Asian countries, specifically for the USA considering current CVDs and the tariffs.

Mr. Alluri Nikhilesh:

See, that's a good question. So, I would say with the current duty structure, India currently has a lot of duty onto a country with CVD and ADD as like two duties which we have higher compared to the other countries. But if you see the reciprocal tariff, it's much lower than what the other countries in Asia have like Indonesia, Thailand, and Vietnam. Ecuador, on the other hand, again, has lower duty on that.

So, generally, I would say on a whole bucket of tariffs including the reciprocal tariff, I think we fared pretty much equal to the other Asian producing countries, but much higher on duty compared to Ecuador. That being said, our competitive advantage against Ecuador will be reduced. But however, the only silver line is that Ecuador doesn't produce a lot of the products that we do. We do a lot of value addition, not high value, but like medium value products like a cooked or a raw or a shrimp ring, tail-on and tail off products, pin-deveined. So, these things that Ecuador can't do as much as us because just because of the population that we have in the country and the way that our companies are structured, etc. So that way, you know, I would say on a whole tariff bucket where Ecuador has an advantage, but we all have our own niches in the game. So, we need to wait and see what happens in the future. So, there are also for the tariffs, I wouldn't say that these tariffs are permanent. Right?

These are reviewed periodically year on year. So, these keep fluctuating, and we're quite positive that things our association of seafood members and the Indian government are working positively to ensure that the duties are reduced.

Ronak Shah:

Yeah. And lastly, just a follow-up on this Nikhilesh. So, in last few years, when you see Avanti is continuously focusing on capacity expansion. And on top of that, we are saying that we are going to have 16000 to 17000 metric ton kind of the export sales from the processing, but when we look at to the actual numbers in last three, four quarters, we always fall short of the guidance. On top of that, we are having also a planned capacity expansion. So how we are seeing all these parameters looking considering the -- one side, we are saying that we are having competitive edge over the Ecuador in terms of the processed product and the niche product. However, we are not seeing exponential or the substantial growth into the processing division. So, my first question is how you are seeing this or in terms of the growth terms? And secondly, considering the CVD and anti-dumping duty, our profitability goes to the toss. So, when earlier the feed division used to have lower margin, processing used to have better margin profitability, which should be the normal case, which has reversed up significantly. So how overall management is seeing these two-business profitability going ahead? Yeah. That's it for my side.

Mr. Alluri Nikhilesh:

Okay. That's a good question. See, on the capacity addition, I think there's no more additional capacity that's being added right now. Whatever had to be added is completed and we needed it for multiple different reasons because during season -- see it's a seasonal business, right? There's no shrimp during the monsoon season because if it rains, the shrimp comes out of the pond. Of course, there is a little volume that comes in, but we call it the off-season.

So, even if we want to process at full capacity, we will not be able to. So, this is something where we're trying to process during season and trying to export as much as product as we can. And as you know, we had two facilities.

We added a third one because the first one was built in 1997 -- not built, I'm sorry, acquired in 1997. So, it's a very old factory. It's over 30 years. So, we want to shut it down for renovation. There's no room for expansion.

So, we needed another facility with state-of-the-art equipment, a cook line, a value-added line, etc. So that is the reason for capacity addition. And also, if you see about exponential, you asked about exponential growth. I think in the last quarter, the revenue increased by 22%, which is quite a good revenue increase if you see on a year-on-year basis. On a full-year basis also, it's about 9%. In a quite -- I would say, it's been quite a weak market generally with oversupply. So that's still a good revenue growth. If you see for the last quarter, it's been really good. And year-on-year also about 9%, which is also, I wouldn't say, like a poor performance in terms of revenue growth.

In terms of the margins, see, that's the best part of being an investor at Avanti. If the feed business is not doing well because of raw material prices or any competitive pressures, we also have the frozen business, which is in the same industry, which will give an alternate revenue source and kind of diversify revenues and profit margins. Similarly, like you pointed out, in the past, the feed wasn't doing well, the processing was doing well. Today, the feed is doing really well. The processing margins have fallen down due to, I would say the reason is purely non-operational. Like you mentioned, these are from duties coming from countervailing and anti-dumping. But if you see the revenue growth and the business itself, fundamentally, we have been really robustly growing it. Our value-added products are really increasing.

The company's processing division has become one of the top export houses in India. So, generally, things are healthy if you take out the non-operational factors. And the last point I'd like to add is I had mentioned to the previous question that these duties are not permanent. These are reviewed periodically. The U.S. government gives the opportunity to kind of, like, make changes to what they're concerned about, a lot of work with the government, etc. on how certain tax refunds are structured, etc. So, like I said on the previous question, we are working along with the Indian Seafood Association and also the government to address these concerns and try to roll back some certain parts of the duty.

Ronak Shah:

Yeah Okay. Okay. So just lastly, so is it just --

Moderator:

Mr. Ronak can you join back the queue.

Ronak Shah:

Okay.

Moderator:

Thank you. I request the participants to restrict with two questions on the initial round and join back the queue for more questions. The next question comes from Gopi Krishna from JP Morgan.

Please go ahead.

Gopi Krishna:

Yeah. Hi. We traditionally see that June quarter, like, the Q1 is the strongest for Avanti Feeds because that is where we make lot of business, right, traditionally, if you see our accounts. And I also see that in the Q3 and Q4, the margins are pretty much impressive. Now what is the expectation of Q1? Do you still see that the margins will further expand?

Mr. C. Ramachandra Rao:

See, for this quarter, there are press and minus also. As you said, the raw material prices keep stable. And on that trend, we do not see a big additional burden. But as far as the sales is concerned, we already told you that we are going to be in the same levels as we were in the last year, but however, recently we have reduced the price of feed. Immediately after the announcement of reciprocal tariff by U.S., there was a lot of concern by the farmers, the government, the state government, and all they came and we had a series of discussions with them. And to accommodate and to see that the aquaculture continues, the sustainability is maintained, we have to take a price cut by decreasing the price by 3 rupees per kg. So that will have an impact -- full impact also will be there in this quarter.

And hopefully the raw material prices stabilize and they should be able to maintain same level of profitability in Q1 of FY'25-26. That should be because normally Q1 and Q2 are the good two quarters which we make. The aquaculture is very active and even now the culture is going on very well. So, we expect that the performance for this year also in the same lines as in the last year. And profitability also by and large it should same, assuming that these prices of raw materials remain stable as they are today. So, I think that we will be able to maintain the profitability for first quarter, Q1.

Gopi Krishna:

And my second question is, we see like the 75% of the business what feed business is coming to North America. Like, if there are, like, the tariff is coming in place, then Ecuador has a clear edge over India. So, are we trying to expand it to other countries? That's one.

And we see that when there is a tariff issues, there was a lot of concern raised from the farmers of Andhra Pradesh. Was this issue being highlighted to state government? Are there any incentives? Are there any kind of tax relief which we got is what is my last week?

Mr. C. Ramachandra Rao:

Nikhilesh, will you be able to take the first question. Also, of course, generally the tariff is in the public domain whenever there is a tax and the incentives also. As of now, there is no such thing announced by the government. But I think as far as the first question is concerned, I think – Nikhilesh, could you take the question?

Mr. Alluri Nikhilesh:

Yeah, I can say that, yes, the U.S. market particularly has been extremely volatile over the last one year. We've had different types of duties, a completely new duty, like CVD came in, and then we have reciprocal tariff, which was 26% and changed to 10, and we still have no clarity. It's not only for Shimp, I guess, it's for all industries. So, it has been volatile, so we are actively looking at other markets. Definitely, if you look at our share, like PPT sent by you for the financial year FY'25, the US market share has come down to about 70% from 83% the year before. And the last were also -- so if you see that PPT, it says about seventy percent, but that also includes Canada. But our US Market share has come down to the lowest that we've had at least in the last four quarters, if I'm not wrong. So, we are actively looking into other markets. We just classify the markets as North America, Europe and Asia just to make it simple. But yes, we are diversifying from the U.S. market actively just to escape this kind of volatility that's happening in the country right now. Thank you.

Gopi Krishna:

Thank you.

Moderator:

Thank you. Can you move to the next question, sir?

Mr. C. Ramachandra Rao:

Yes.

Moderator:

Thank you, sir. The next question comes from Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi:

Hello, sir. Just a few technical things I just want to understand. Firstly, on the non-(Inaudible) tariffs which are the older tariffs, the ADD and CVD. These are supposed to be periodically reviewed and we were supposed to have a CVD review in mid of this year. Is that happening or because of the whole tariff situation, it's kind of on pause?

Mr. Alluri Nikhilesh:

No. The review is still happening right now.

Nitin Awasthi:

Okay. Okay. Got it. So probably in another month or two or by the next quarter, we'll have whatever representatives and everything, at least the statements from the committee will be out. Is that correct?

Mr. Alluri Nikhilesh:

Yes. The final determination will be out in the next few weeks.

Nitin Awasthi:

Understood, sir. And this implication will be from April itself. Right?

Mr. Alluri Nikhilesh:

It will be from 2023 February if I'm not wrong.

Mr. Alluri Nikhilesh:

Yeah. It's retrospective. So, the period of evaluation is not this year, but the previous year, what they're evaluating.

Nitin Awasthi:

No, the part where I was asking from, because this duty, like you said, is the evaluation period is of course the older period, but from when will it be applicable? The applicability will of course be a few months before today and that's what I'm trying to get at. Because then that could be a swing that comes in. Either most likely what the industry is expecting is that CBD will be cut, then you have a positive swing for the refund.

Mr. Alluri Nikhilesh:

Okay. I'm following up question, Nitin, but I'm not able to get it completely? See, there are two different things. Right? The ADD is under review right now. The CVD is closed, and they'll open the review later. The ADD, which is under review. The final determination should come out in the next, I think, like you said, two months or so. And the duty would be paid for the year, the entries into the US from February ‘23 to March ‘24.

Nitin Awasthi:

Understood, and any particular time frame when the CVD hearings would reopen?

Mr. Alluri Nikhilesh:

Not that I know of at the moment because they're not the respondents also, so there is no direct communication apart from industry news. I can tell you that things are moving in a good direction, In a sense that the government is actively working to provide our workings to the US government, which we did not the last time. So, it's going in a good direction compared to what had happened the last time.

Nitin Awasthi:

Yes, sir. Because that was what there was a worry about because last time what had happened was very unfortunate, and it was a sudden surprise to the street. And of course, the industry is involved in this business like your good service because we were not expecting that CVD rate would be that high.

Mr. Alluri Nikhilesh:

Yes. It was quite unfortunate. It was election years everyone was busy, but now everyone's actively working to ensure that it's kind of rolled back.

Nitin Awasthi:

Got it, sir. The second question was relating to the new business of pet care. The pet care division is in an association with JV. So, the balance sheet impact and the P &L of said JV would just be a line item of profit from associates or loss from associates. Is that understanding, correct?

Mr. C. Ramachandra Rao:

It's a line item.

Mrs. Santhi Latha:

It's a line item. Line by line consolidation. It is a subsidiary of Avanti Feed.

Nitin Awasthi:

Okay. So, it's a subsidiary of Avanti Feed, not a JV?

Mrs. Santhi Latha:

Not a JV.

Nitin Awasthi:

By the accounting framework was what I've meant?

Mr. C. Ramachandra Rao:

Yes. This is a separate company, SPV (Special Purpose Vehicle), for implementation of this project. And in which the substantial investments of Avanti Feeds are there. So, the consolidation, line by line consolidation takes place in Avanti Feeds accounts.

Nitin Awasthi:

Understood. Understood, sir. So lastly on this one. The pet care business, which is currently a trading business, if I understand it correctly. Right now, we're just trying to bump up our sales. So, there would only be few costs that we will be incurring per sale that we make, and only post manufacturing will profitability kick in. Is that understanding, correct?

Mr. C. Ramachandra Rao:

You are right. Because, see, it is the initial period. Normally, the expenditure on brand promotion and establishing the market and all these expenses would be more in the initial stages, which will give results in later part. So, as you rightly mentioned, the first quarter is that when we do the trading, definitely, the trading may not result in as much profitability as we anticipated. But nevertheless, it gives a lot of mileage to us because these products are in the market under Avanti brand. So, the mileage and this brand establishment will be very, very helpful when we start production. So immediately, we'll have a ready-made market for our products, and then the profitability will be certainly much better than the trading profit that we are making, and expenditure is also high in the initial stages. Say about two, three years, there will be heavy expenditure on various promotional measures, advertisements, distribution costs, all these things have to be stabilized and brought to a level of, you know, profitable sales levels, then we'll be able to make profit. Okay?

Nitin Awasthi:

Understood, sir. So lastly, from my side, what is the target for, on the sales side, the volume side, which we have for this year for pet feed division?

Mr. C. Ramachandra Rao:

Pet care division?

Nitin Awasthi:

Yeah.

Mr. C. Ramachandra Rao:

See, the thing is that there are two feeds that we are now producing. One is the cat food, which we have launched in January 25, and we plan to launch the dog food, which is really the 80% market of pet care would be dog food.

The dog food will be launched in the month of August and cat food is only 20%. So, the major portion of our sales will reflect in the third and fourth quarter and Q1 of next year. That's how they we are planning. So initially, the acceptance by the market is also very important. We are entering lot of expenditure and promotional things that we're giving free samples. Venkat Sanjeev would give more about the pet care products --

Mr. Alluri Venkata Sanjeev:

So, the acceptance, as of now, we've launched a cat food and we're planning to launch a second flavor by end of this month. The dog food, which is the major portion of the pet food industry, it would be launching in August.

So, it would take some time for the market to catch up to the brand, but this year we're expecting INR 10 crores revenue. That's what our target is.

Mr. C. Ramachandra Rao:

I may add that the good news for the investors is that our cat food is being accepted very well by the market. That is a very, very significant event for us because the market is treating this as a good product, which is received instantaneously by all the pet parents. They say that the pets are really enjoying this feed compared to others. That's the good news for the investors. And we expect that dog food also will be having the same reception because our quality, as you know, Avanti always maintains the best quality products, so we maintain that also. That's what we can tell from our side.

Nitin Awasthi:

Understood, sir. Thank you for answering my question. Best of luck for the future ventures. And also, I have also seen the cat food brand catching craze around parts of Mumbai. The last cat event, also you guys were present. So, yeah, that is a good thing for the whole community and congratulations on that, and best of luck going ahead.

Mr. C. Ramachandra Rao, Joint Managing Director:

Thank you.

Moderator:

Thank you. The next question comes from Rahul Rati from Purnatha. Please go ahead.

Rahul Rati:

Yes, good afternoon. Congratulations on a great year. You know, it's lots of uncertainty and the delivery has been fantastic. So, my two questions, so I'll start with the first one. If I look at your five-year return on capital employed, the lowest has been 13% and this year has been 23%. And if I look at the last 10 years, 13% has been the lowest. So, we are in you know, somewhere in the early 20s, how do you all think about return on capital employed? Is there a thought process around what you all want? How do you decide capital allocation decisions or the business side of things?

Mr. C. Ramachandra Rao:

Yeah, if you look at the analysis, definitely our profitability has been very good over the years and we are able to maintain that consistency. And as you know that it is something which is completely, you know, based on the nature and also market conditions. So, what we think is that the profitability that we are getting, we keep to maintain the same levels of profitability as far as the operations are concerned, particularly as a group, we have frozen foods, which is now in the mode to really expand in the means the market, not to the production, but it is to the diverting the market from the U.S. to other countries. And also, the pet care project also is going to come. So, these are the things.

And we consider that the return on capital should be at the same level on an average around, 13%- 14%. If you can get around 15%, that we would consider as a very reasonable and good return on investment.

Rahul Rati:

You are at 23%.

Mr. C. Ramachandra Rao:

Of course. I would put it that is one of the best years that we cannot expect that every year is going to be like this year. This year, fortunately, we got the raw materials prices coming down. But you know what happened, after some time, suddenly reciprocal tariff and we have to reduce the feed price by 3 rupees. So, it directly impacted on the profitability. Three rupees price. So, like that, the unforeseen events do take place.

Rahul Rati:

No. No. I’m not worried about unforeseen. I'm just worried about management. So, let's say if I take next three, five years. So next year and three years, will you have above 20% return on capital employed or you're looking at a lower return.

Mr. C. Ramachandra Rao:

We cannot give 20% assurance.

Rahul Rati:

Assurance, expectation?

Mr. C. Ramachandra Rao:

I'm not looking for. See, if we can maintain 15%, we consider it as ideal.

Rahul Rati:

Okay. The second point is given that you're expecting a return on capital of 15%, you know if I look at the last five years, you've almost added 1,000 crores plus as investments plus cash on the balance sheet from what is there and it's not been used over the last, if we look at your 10-year history, you've always added to cash on the balance sheet in terms of investments and cash. Any thought processes around, you know, what you plan to do with, because it'll be a drag on your return on capital and it'll also inflate your balance sheet. So, any thoughts on capital allocation?

Mr. C. Ramachandra Rao:

I mean, I would like to look at this differently, if you see the balance sheet, we don't have any borrowings. Totally no borrowings, zero borrowings. Do you know what is the rate of working capital interest today? If you look at the balance sheet and P&L account, how we are able to maintain the inventory levels. Because the money that is generated is going into that. Most portion of that, particularly in the seasonal industry, we need money when the season starts. For example, in soybean meal, the season starts in October. So, we buy soybean meal in large quantities and keep it to maintain the price. Next time it will go up. See these are all the costs, which are not seen in the balance sheet.

Rahul Rati:

You are saying you require about INR 1,900 crores cash.

Mr. C. Ramachandra Rao:

We always believe that, the management of the cash that we have should be safe and it should be giving good value to the investors. If we put some industry, okay, we have money, we start some industry and if we don't get returns on that, what will happen? What is the return that we can expect today on any investment? You can't get big returns on investment and so many risks are involved in any new industry.

So, what we believe, the Board of Directors believe that at the appropriate time, we should be able to take the decisions, which will be in the interest of the investors. See earlier, we were thinking that this surplus should be used only for capital but what we see practically is that when we use it for working capital, we are able to make about 15% percent to 20% saving on the interest alone i.e., financial cost. You don't see it in our payroll account.

Rahul Rati:

Are you able to see that?

Mr. C. Ramachandra Rao:

No, sir. That's what I'm trying to say. And your money is safe. Whatever is there, we are always concerned for you. We don't believe in high yielding commercial papers as far as our surplus funds is concerned. We always go for triple rated companies, secured, and at the same time, we try to maintain 7% to 8% pre-tax return and whatever the amount that is available after utilizing for the working capital requirements.

Rahul Rati:

Thank you very much. Thank you.

Moderator:

Thank you. That will be the last question for the day. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now.

Note:

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