



Sharat Industries Ltd

India's Oldest Integrated
Aquaculture Company

Hatchery | Farm | Feed Mill | Processing Plant

Investor Presentation

Q1FY2024



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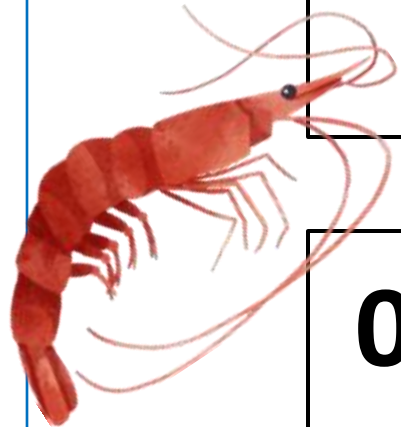
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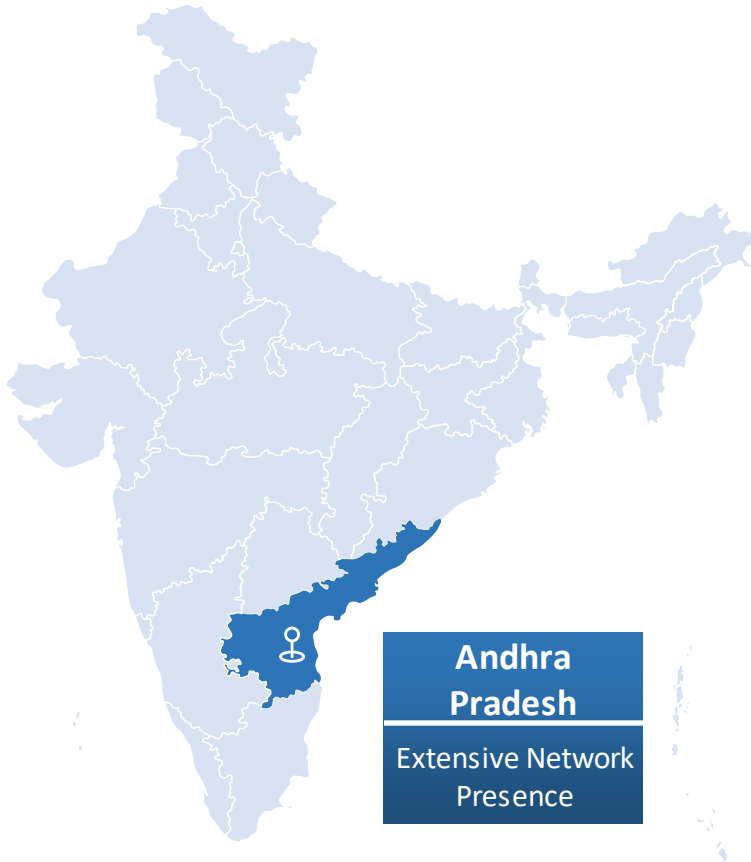
Industry Overview

- Global Industry
- Indian Industry





Strategically located



Andhra Pradesh
Extensive Network Presence

1990
Year of Establishment

25+
Export Customer Base

30+
Domestic Customer Base

10+
Export Countries

500
Acres Land

A pioneer in introducing Vannamei (white shrimp) breeding and culture in India which was instrumental in the revival of aquaculture industry in India in 2009.

Sharat Industries' business divisions and their offerings

Business divisions	Capacity (Per year)	Offerings
Hatchery	500 million seedlings	<ul style="list-style-type: none"> Produces Vannamei seedlings (First hatchery in the country to have introduced and nativised this species) Long-term association with SIS, Florida Uses only specific pathogen free (SPF) brood-stock to ensure stringent quality and disease resistant seedlings
Farm	2000 tonnes Shrimp	<ul style="list-style-type: none"> 500 acre farm located on the coast of the Bay of Bengal Proximity to sea enables the use of sea water for the farming operations. Significant investment in infrastructure to mitigate risk and increase output at farm level.
Feed Mill	22,500 tonnes	<ul style="list-style-type: none"> Produces high quality and nutritional shrimp feed marketed under VANNASTAR brand and widely accepted by farmers
Processing Plant	7,500 tonnes frozen Shrimp	<ul style="list-style-type: none"> Plant with state-of-the-art infrastructure and ultra modern processing equipment Ensures processed products are antibiotic free and high quality



Integrated Operations



Hatchery



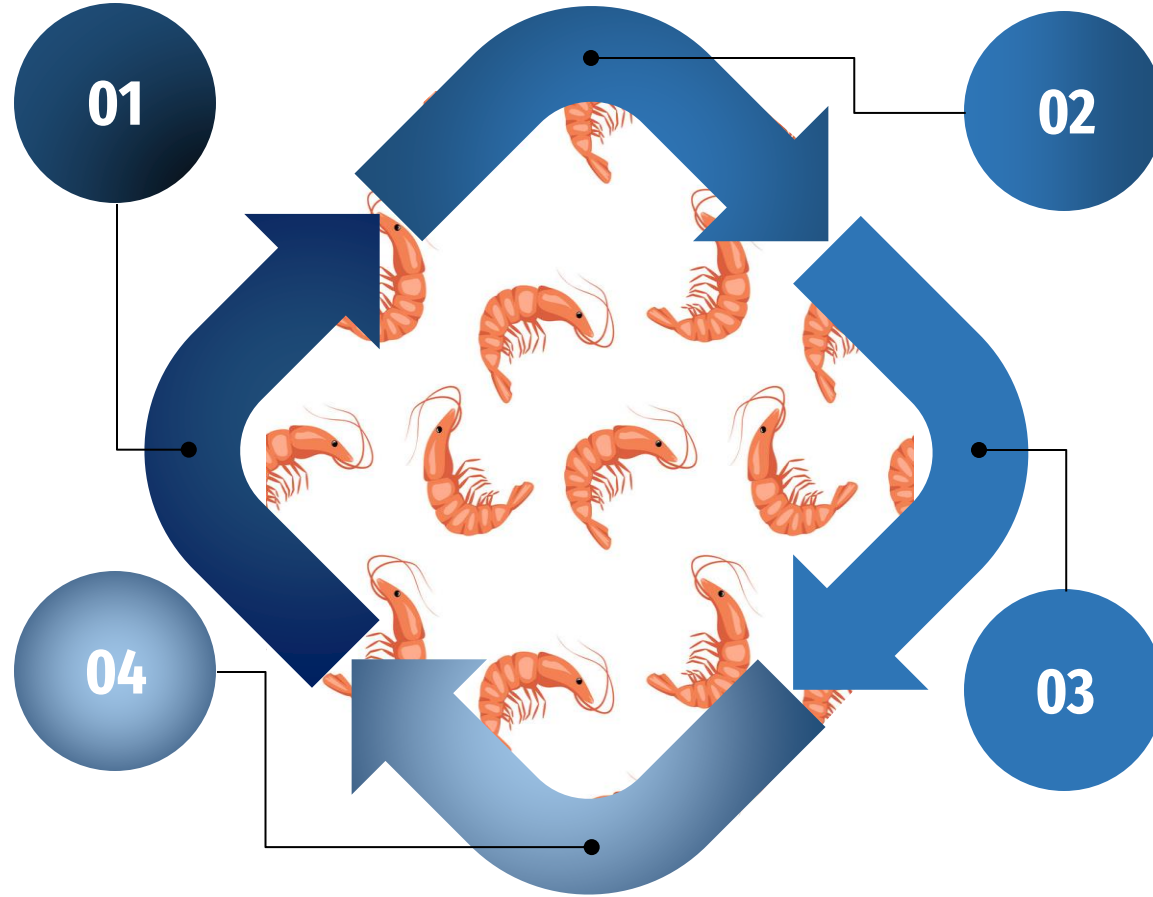
Feed Mill



Processing Plant



Farms



Our Journey



1990-1994

1990: Sharat Sea Foods registered

1991: Land procured and farm operations started (Black Tiger)

1994: Hatchery operations started and IPO issued : 8 times over subscribed. Rs. 22 crores share capital received.

1998-2004

1998-99: WSSV disease threat and industry slump. Share trading stopped. Feed plant operations began with International tie-up

2001: Processing Plant operations started

2000-2004: Scampi production and industry revival. Trials for Vannamei in progress.

2004-2020

2004-05: Pilot Project of Vannamei at advanced stage

2007-09: Vannamei a commercial success, previous losses erased. Upward trend in company performance

2009: Govt. permits Vannamei

2011: Commercial feed operations commenced. EU exports stabilization

2020: Despite prevalence of COVID and related factors, company exhibits 25% growth

2021-2023

2021: Company posts steady performance amidst difficult operational conditions in domestic and global markets

2022: Looking to widen product offerings





Mr S Prasad Reddy
Managing Director

Qualification:

- Post-graduate in Sociology from Jamia Millia Islamia (University in Delhi)

Professional work experience:

- A first-generation entrepreneur with nearly 4 decades of experience, he is considered as a visionary in the seafood sector and was instrumental in conceptualizing and setting up Sharat Industries Ltd as an integrated aquaculture company.
- He is widely regarded as a pioneer in the sector owing to his efforts in introducing the Vannamei Species of Shrimp in India, spurring a revolution in the aquaculture industry.



Mr S Sharat Reddy
Executive Director

Qualification:

- Bachelor's Degree in Mechanical Engineering from College of Engineering, Guindy
- Master's degree in Industrial Engineering and Operations Research from: Pennsylvania State University (USA)

Professional work experience:

- Sharat has been involved with operations at SIL since the last 10 years.
- He is currently responsible for creating the roadmap for the future of SIL, driving strategy, and implementing operational priorities aligned with the overall organizational growth.
- Sharat has a holistic understanding of finance, management, operations, and sales/marketing and has played a key role in the growth of the company over the last 5 years.
- He is focused on innovation and leveraging technology for higher efficiency in the business.



Quarterly Financials

Quarterly Performance Highlights



8.8%
YoY



27.2%
QoQ

Income from Operations

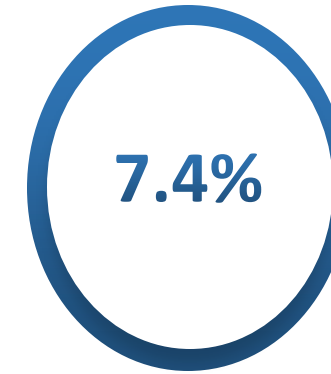


5.1%
YoY



46%
QoQ

EBIDTA



+29 bps
YoY



+96 bps
QoQ

EBIDTA Margin



33.4%
YoY



448%
QoQ

Net Profit



33.4%
YoY



448%
QoQ

Earnings Per Share

Summary of Quarterly Financials

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Industry Overview



Rs crore

Particulars (INR Crore)	Q1FY24	Q4FY23	Q1FY23	YoY%	QoQ%	FY23	FY22	YoY%
Revenue from Operations	79.9	62.6	86.4	-7.5	27.6	332.5	247.0	34.6
Other Income	0.2	0.4	1.4	-88.1	-52.4	3.5	1.1	225.0
Total Income	80.1	63.0	87.8	-8.8	27.2	336.0	248.1	35.4
Total Expenditure	74.1	58.9	81.5	-9.1	25.9	314.1	233.6	34.5
EBITDA	5.9	4.1	6.3	-5.1	46.0	21.9	14.5	51.0
EBITDA Margin (%)	7.4%	6.5%	7.1%	29 bps	96 bps	6.5%	5.8%	67 bps
Depreciation	1.2	1.1	1.0	18.6	1.6	4.2	3.9	9.8
Profit Before Interest & Tax	4.8	2.9	5.3	-9.4	63.1	17.7	10.6	66.0
Interest	2.3	2.5	1.6	47.9	-6.4	8.6	6.1	39.8
Profit Before Tax	2.5	0.5	3.7	-33.4	424.7	9.1	4.5	101.7
Tax	0.7	0.1	1.0	-33.4	372.2	2.5	1.0	143.0
Profit After Tax	1.8	0.3	2.7	-33.4	448.3	6.5	3.5	89.2
PAT Margin (%)	2.3%	0.5%	3.1%	-83 bps	172 bps	1.9%	1.4%	55 bps
EPS (Rs) (calculated on PAT)	0.75	0.14	1.13	-33.4	448.3	2.74	1.53	78.9

Note: EBITDA is before Other Income and is the Core Operating Income



Value Proposition & Growth Drivers



Competitive advantage

- Three decades of experience.
- Strong brand recall.
- Strategically located aquaculture farm and processing plant ensuring freshest quality shrimp for processing.
- Well-integrated farmer network to ensure product traceability and the procurement of healthy, antibiotic-free shrimp.
- Vertically integrated to ensure quality of the product at every stage.

Operational highlights

- The export division contributes to roughly two thirds of the overall revenue.
- Feed division contributes to approximately 25% of the overall revenue. Farm and hatchery contribute to the rest.
- Exports Sales to grow at 15-20% CAGR over the next 5 years.
- Company constantly focusses on R&D to improve operational efficiency of divisions and overall product quality.

Product portfolio & certifications

- A range of 10 raw and 3 Cooked White-Shrimp products, as per customer's specifications.
- 4 broad varieties of Shrimp feed.
- Unwavering focus on quality with following certifications – EIC, HACCP, ISO 22000 : 2005, BRC - A Grade, FDA, BSCI, BAP 4 Star, EU approved.
- FSSAI approval for the process plant lays a platform for future sales of frozen shrimp in the domestic market.

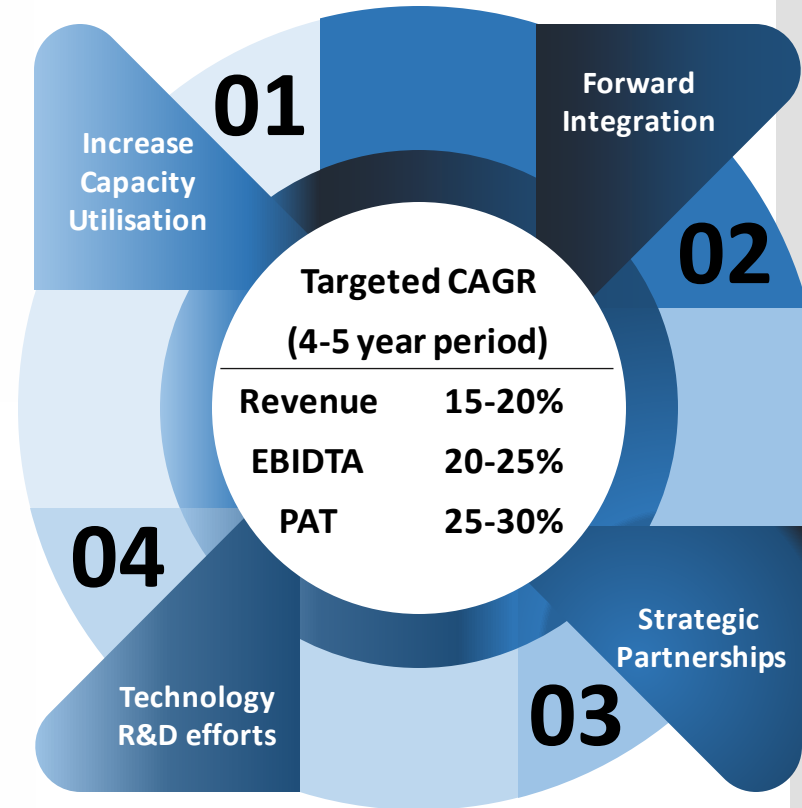


Increase Capacity Utilisation

- ❑ Forward integration and strategic partnerships will help increase capacity utilisation to 90% over the next 3-5 years
- ❑ Will create significant operating leverage in the business
- ❑ Improve overall margins by 200 bps over the next 3-5 years

Technology; R&D efforts

- ❑ Technology based interface for operations
- ❑ Improve supply chain & end traceability for products
- ❑ Pilot farming with UAL Biotech for improved output despite extreme weather.
- ❑ Collaborate to setup a RAS farm (Recirculating aquaculture System) which will help cater up to 50% of overall demand at its processing systems.
- ❑ Taken measures to improve biosecurity thereby reducing risk of disease & shrimp mortality



Forward integration

- ❑ Higher value added products
- ❑ Invested Rs 4.5 cr to upgrade cooking line / machinery
- ❑ Opportunity to enhance exports
- ❑ Opportunity to target premium customers
- ❑ Improve overall margins by 200 bps over the next 3-5 years

Strategic partnerships

- ❑ Technical collaboration with global / international players to increase capacity utilisation of farm operations
- ❑ Contract farming
- ❑ JV with strategic players / large corporate farmers
- ❑ Improve overall margins by 150 bps over the next 3-5 years

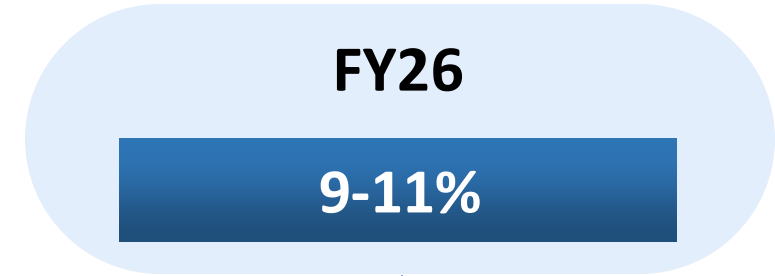


Key factors that will drive EBITDA Margin

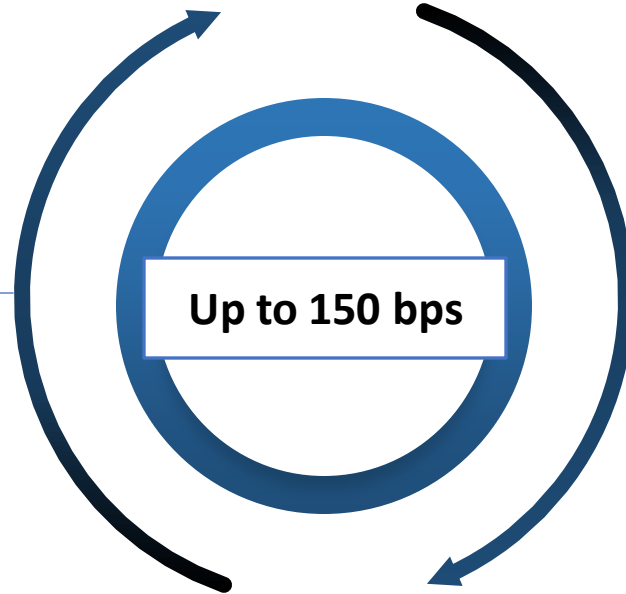


- Forward integration into higher value-added shrimp products
- Invested Rs. 4.5 Cr in upgrading its cooking line/ machinery.
- This will play a key role in increasing export revenue and profitability in the coming years.
- Enable SIL to access premium customers (such as retail chains, restaurants, etc.)

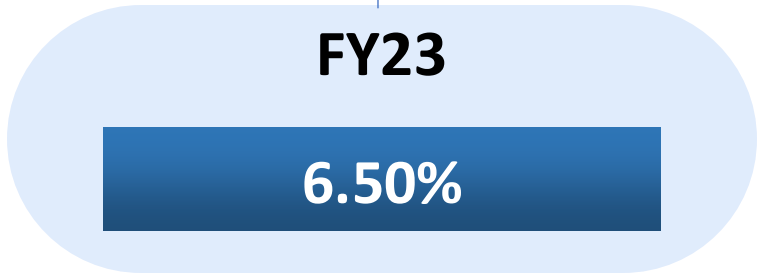
- Technical collaboration with foreign company / technology partner



Up to 200 bps



Up to 200 bps



Forward integration

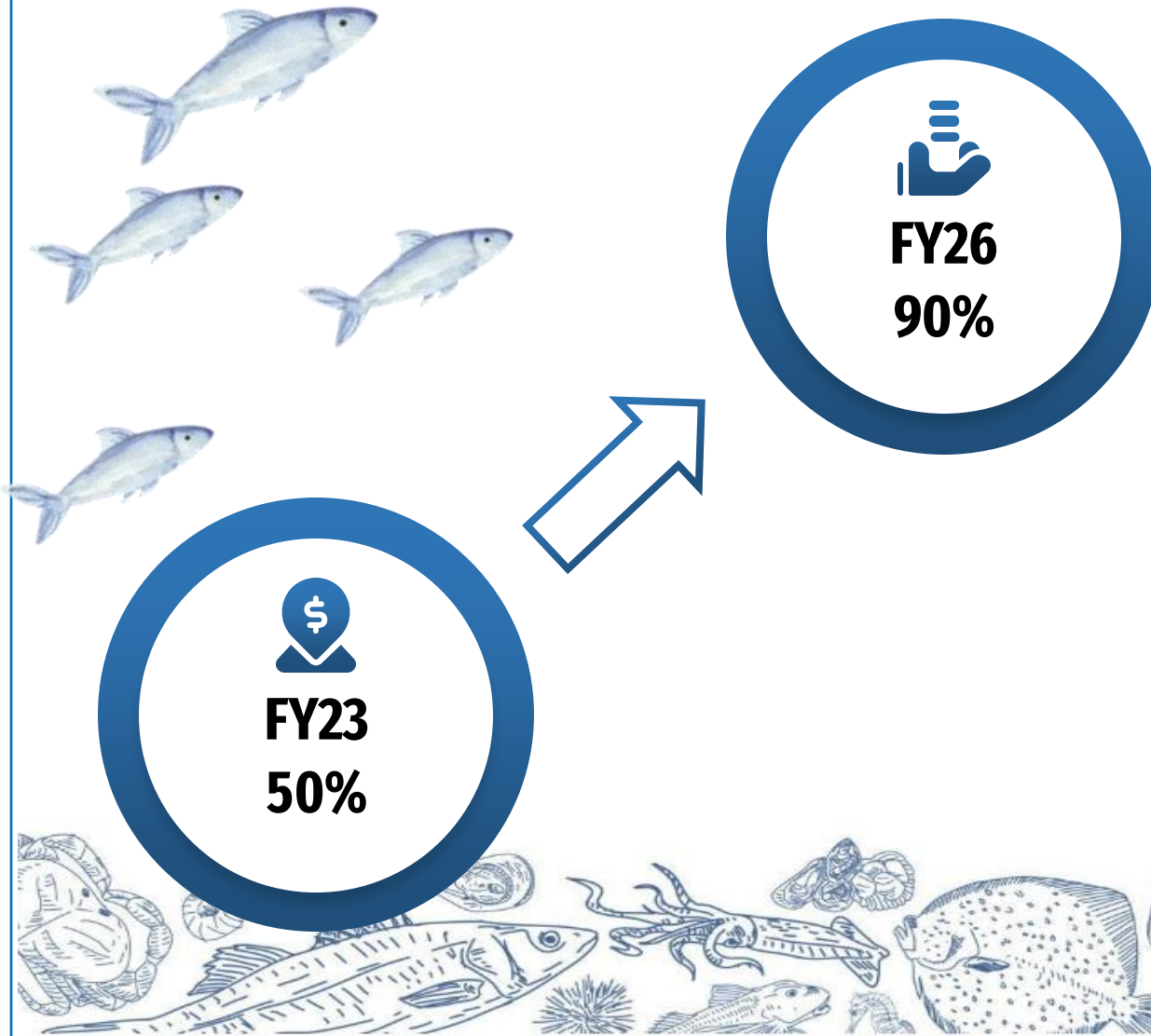
- Currently establishing a joint venture with a technology partner to increase the contribution from farm operations .
- Contract farming, JV association with strategic players , large/corporate farmers

Strategic Partnerships

- Increase Effective capacity utilization
- Indicated strategies and technology will enable SIL to boost its overall capacity utilisation from roughly 45% presently to about 90% over the next 3-5 years.
- This will reduce the impact of high fixed costs on operations and bring about more consistency in operations, leading to better profitability

Increase capacity utilisation

Key factors driving Capacity Utilisation



- ✓ Higher share of value-added products
- ✓ Target premium customers
- ✓ Partner with foreign players & technology partners to increase the contribution from farm operations
- ✓ Contract farming
- ✓ Contract manufacturing
- ✓ Partner with large corporate farmers
- ✓ Investments in technology



01

Combining Technology & Innovation

By leveraging technology, SIL aims to improve the operational efficiency across the various divisions of its supply chain.

02

End to End Traceability

For its processed products through software & a series of IOT devices. Use of blockchain technology will improve data transparency in both domestic & exports market

03

Renewable Energy

To run existing operations, thereby taking significant steps towards macro-level sustainability. With sufficient captive consumption capacities / requirement and vast extent of land available, the company is likely to adopt these measures during the next 2 financial years.

04

Boost in R&D

SIL will collaborate with UAL to setup a RAS project in its premises. This will enable SIL to rapidly expand its shrimp production in the near future to cater to up to 50% of its overall demand at the processing division.



Strengths

- ❑ Robust farmer network ensures accurate product traceability and the procurement of healthy, antibiotic-free shrimp.
- ❑ Strategically located in Andhra Pradesh.
- ❑ 500 acres of land with 94% dedicated to farm.
- ❑ 3 decades of experience.
- ❑ Strong relationships with supply chain partners.
- ❑ Company has one of the largest shrimp farms in India that has the capacity to farm over 2000 tonnes of shrimp annually.

Opportunities

- ❑ Increased export offerings.
- ❑ Strategic partnerships for improved operational efficiency in the shrimp farming & seafood processing sectors.
- ❑ Enhanced productivity & profitability with the help of technological advances coming through at the farm level.
- ❑ Product development at the seafood processing division to delve further into value-added production to augment profitability in the export and domestic markets.



Weaknesses

- ❑ Disruptions in supply chains restricts the movement of goods, which, in turn hinders the distribution and manufacturing of various seafood products.
- ❑ Lower capacity utilization.
- ❑ Scope to improve use of technology to improve productivity.
- ❑ Lower margin profile versus peers.

Threats

- ❑ Sharp Jump in production from Ecuador, which was lower in production vs India, but is now higher in production in the current year, threatens to keep pricing under pressure thereby impacting overall margins.
- ❑ Cyclones or other weather conditions impacting productivity and output from our farms.
- ❑ An unprecedented increase in international ocean freight, with a dearth of liners, which can adversely affect freight cost
- ❑ Increase in pricing of certain critical commodities can lead to increase of feed manufacturing costs.





Annual Financials

Summary of Annual Income Statement

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Rs crore

Particulars	FY19	FY20	FY21	FY22	FY23
Income from Operations	195.65	201.7	252.8	248.1	336.0
EBIDTA	12.42	13.3	13.08	14.51	21.91
EBIDTA Margin (%)	6.3%	6.6%	5.2%	5.8%	6.5%
Profit After Tax	2.89	1.8	2.61	3.46	6.54
PAT Margin (%)	1.5%	0.9%	1.0%	1.4%	1.9%
Earnings Per Share (Rs)	1.32	0.82	1.19	1.53	2.74

Summary of Annual Balance Sheet

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Rs crore

Particulars (INR Crore)	FY21	FY22	FY23
Equity and Liabilities			
Equity			
Equity Share Capital	22.0	23.9	23.9
Other Equity	35.4	46.4	54.8
Total Equity	57.4	70.4	78.7
Non-Current Liabilities			
Financial Liabilities			
- Borrowings	17.0	12.3	10.5
- Other Financial Liabilities	5.6	4.8	5.0
- Trade Payables	1.8	0.8	0.2
Provisions	0.1	0.1	0.3
Deferred Tax Liabilities (Net)	1.1	1.4	2.3
Total Non-Current Liabilities	25.6	19.5	18.3
Current Liabilities			
Financial Liabilities			
- Borrowings	64.7	76.9	78.8
- Trade Payables	26.7	12.6	16.0
- Other Financial Liabilities	0.0	0.0	0.1
Other Current Liabilities	0.1	1.0	0.2
Provisions	6.4	5.8	5.7
Total Current Liabilities	98.0	96.3	100.8
Total Equity and Liabilities	181.0	186.2	197.8

Particulars (INR Crore)	FY21	FY22	FY23
Assets			
Non-Current Assets			
Property, Plant & Equipment	42.3	45.9	49.3
Capital Work-In-Progress	2.1	2.5	1.4
Intangible Assets	0.0	0.0	-
Intangible Assets under development	-	-	-
Financial Assets	-	-	0.0
Deferred Tax Assets	-	-	-
Other Non-Current Assets	2.5	2.5	2.5
Trade Receivables	4.8	5.2	4.4
Total Non-Current Assets	51.7	56.1	57.6
Current Assets			
Inventories	65.3	54.9	55.1
Financial Assets			
- Investments	-	-	-
- Trade Receivables	41.8	56.6	56.0
- Cash & Cash Equivalents	1.5	4.6	8.5
- Bank Balances other than cash	2.9	1.0	3.5
- Others	8.7	3.9	4.7
Other Current Assets	9.0	9.0	12.3
Total Current Assets	129.3	130.0	140.2
Total Assets	181.0	186.2	197.8



Seafood

Industry Assessment



Global Seafood Industry



Seafood market to grow at a CAGR of 2.9% during 2022-30

Seafood products are classified as:

- Capture fisheries - aquatic species from natural water bodies
 - such as the sea, lakes, ponds, etc.
 - Aquaculture - species cultivated in aquaculture farms under controlled conditions in marine, fresh or brackish water
- The global seafood market size was valued at USD 163.1 billion in 2021 and is projected to surpass around USD 210.4 billion by 2030 with a notable CAGR of 2.87% from 2022 to 2030.
- The highest contributor to the market was the fish segment with \$101.5 Billion in 2019, and is projected to reach \$125.9 Billion by 2030, at a CAGR of 2.7% during the forecast period.
- It's demand is rising because of rising population and incomes, availability of a variety of fish, rising awareness of health benefit from high protein content, and improving infrastructure of supply channels (cold chain).

Source: [Seafood Market Size to Surpass Around USD 210.4 Billion by \(globenewswire.com\)](https://www.globenewswire.com)

Indian Seafood Industry

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- India's share in global seafood trade is set to rise from 4.1% to 6.7% by 2030 supported by the Blue Revolution.
- The industry had attained an all-time record of US\$ 7.76 billion worth Seafood Exports during the Financial Year 2021-22.
- Andhra Pradesh accounted for 60% of this export basket.
- USA and China major export destinations. EU market likely to see a rise in demand in upcoming years. Domestic market demand for processed seafood set to increase during the next 7-8 years.

4th largest
Exporter in the Global
Market

70%
Of exports are
shrimps

USD 7 Bn+
Expected Shrimp
exports in the
upcoming years

43% : USA
15% : China
& Europe
% of Exports of
Indian Seafood

2x
Exports by FY25
(compared to
FY22 exports)

1.2 Mn+
Hectares for Shrimp
Farming
(14% utilized for
farming)

8,118 Km
Of extensive
coastline across:
9 States &
4 Union
Territories

40 Mn+
People employed in
the Seafood Industry

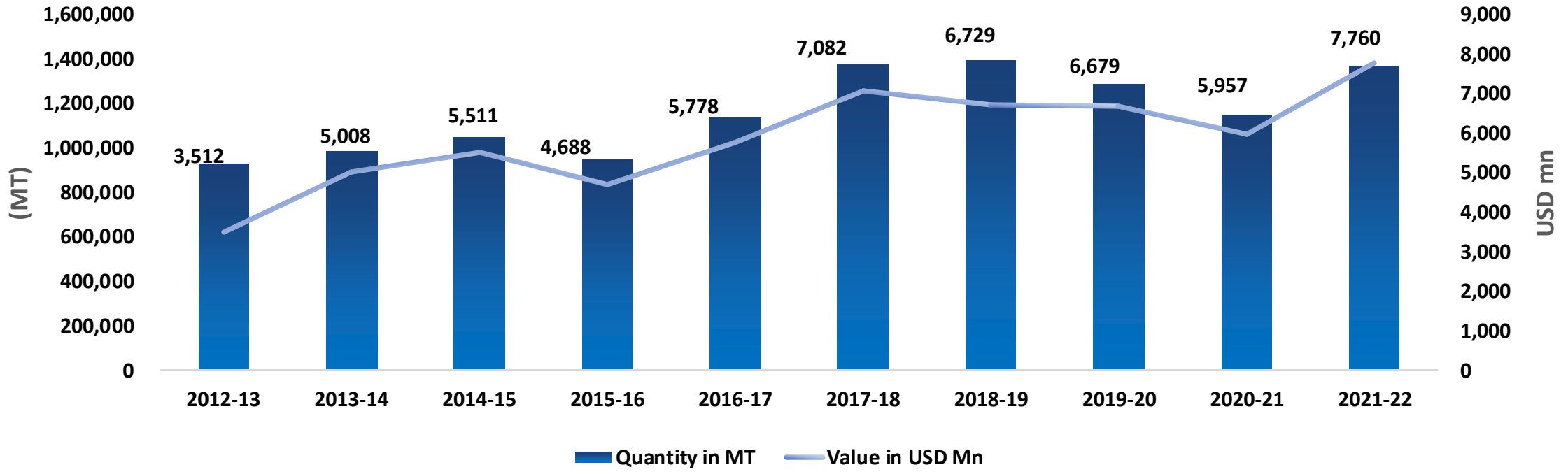


Source: <https://economictimes.indiatimes.com/news/economy/foreign-trade/indias-seafood-exports-rise-15-to-1-99-billion-in-june-quarter-official/articleshow/93526442.cms?from=mdr>

Source : Indian Seafood Industry – 23rd India International Seafood Show 2023 (indianseafoodexpo.com)

Source: India's shrimp industry adapts to COVID-19 restrictions – Responsible Seafood Advocate (globalseafood.org)

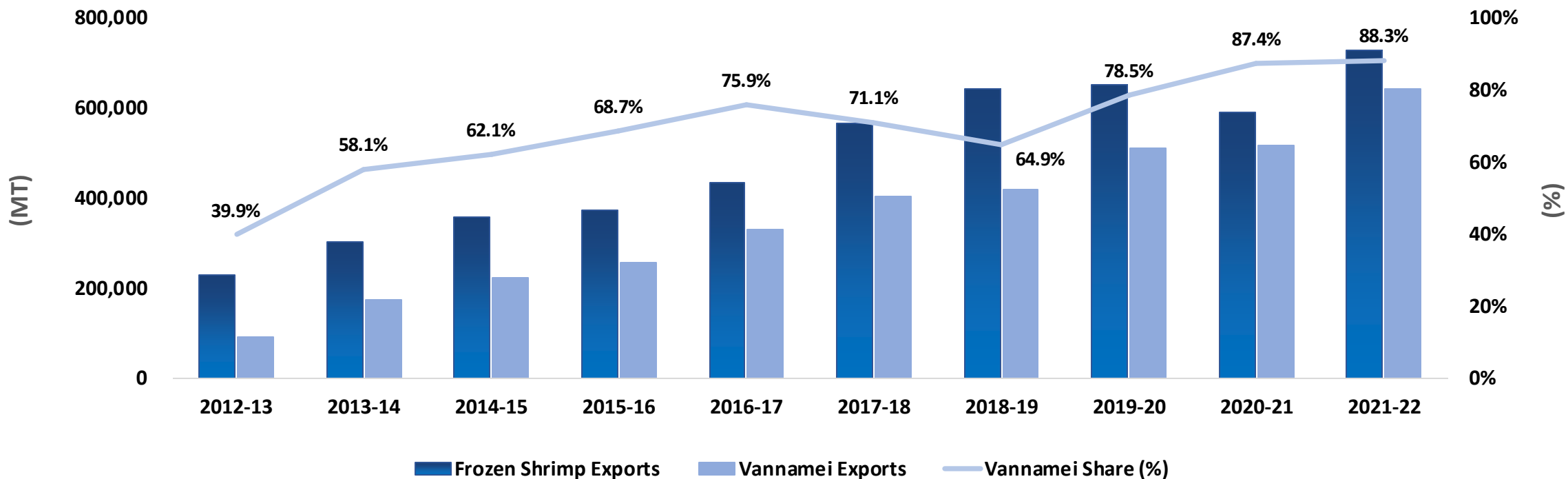
Indian Seafood Exports



Period	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Quantity in Tons	928,215	983,756	1,051,243	945,892	1,134,948	1,377,244	1,392,559	1,289,651	1,149,510	1,369,264
<i>Growth (%)</i>		5.98%	6.86%	-10.02%	19.99%	21.35%	1.11%	-7.39%	-10.87%	19.12%
USD in Million	3,512	5,008	5,511	4,688	5,778	7,082	6,729	6,679	5,957	7,760

Source: MPEDA

Indian Vannamei Exports



Period	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Frozen Shrimp Exports Quantity (MT)	228,620	301,435	357,505	373,866	434,484	565,980	644,145	652,253	590,275	728,123
Vannamei Exports Quantity (MT)	91,171	175,071	222,176	256,699	329,766	402,374	418,128	512,204	515,907	643,037
Vannamei Share (%)	39.9%	58.1%	62.1%	68.7%	75.9%	71.1%	64.9%	78.5%	87.4%	88.3%

Source: MPEDA

Thank You

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