

February 19, 2024

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: Earnings Audio Call Transcript for the quarter ended December 31, 2023.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we enclose herewith the transcript of earnings Audio Conference Call held on February 14, 2024 in relation to the unaudited financial results (Standalone and Consolidated) of the Company for the quarter and nine months ended December 31, 2023

The said earnings call transcript is 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**

C. Ramachandra Rao
Joint Managing Director,
Company Secretary,
Compliance Officer & CFO
DIN: 00026010



Avanti Feeds Limited Q3 FY24 Results Conference Call

February 14, 2024, at 16:00 hrs. (IST) for a duration of 56 mins 34 secs

CORPORATE PARTICIPANTS:

Mr. C. Ramachandra Rao

Joint Managing Director, CS & CFO

Mr. A. Venkata Sanjeev

Executive Director

Mr. A. Nikhilesh

Executive Director - Avanti Frozen Foods Private Limited

Mrs. Santhi Latha

General Manager - Finance and Accounts

Mr. D.V.S. Satyanarayana

CFO - Avanti Frozen Foods Private Limited

Ms. Lakshmi Sharma

Senior Manager - Corporate Affairs

Moderator

Good evening, ladies, and gentlemen. I am Sowmya, moderator for the conference call. Welcome to Avanti Feeds Limited Q3 and 9M FY24 Earnings 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 of Avanti Frozen Foods Private Limited; Mrs. Santhi Latha, GM of Finance and Accounts, Ms. Lakshmi Sharma, Senior Manager and Mr. D.V.S Satyanarayana, CFO of 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, Sowmya. Good evening, ladies, and gentlemen. I am pleased to extend a warm welcome to all of you for this investors conference call to review the unaudited financial results for the Q3 FY24. Along with me here are Mr. A. Venkata Sanjeev, Executive Director and Mr. A. Nikhilesh, Executive Director of Avanti Frozen Foods Pvt Ltd, joining through call; and Mrs. Santhi Latha, GM of Finance and Accounts; and Mr. D.V.S Satyanarayana, CFO of Avanti Frozen Foods Pvt Ltd; and Ms. Lakshmi Sharma.

To begin with, Mrs. Santhi Latha will present highlights of the financial results of the Q3 FY24 and 9Months ended 31st December 2023 of Feed Division, and also consolidated financials of the company for the same period. Thereafter, Mr. D.V.S Satyanarayana will present the financial highlights of shrimp processing and export division. After presentation by both of them we will take up questions and answers. Okay. So now I request Santhi Latha to take over.

Santhi Latha

Thank you, sir. I will take you through the financial performance highlights of Feed division.

CONSOLIDATED FINANCIAL RESULTS FOR Q3FY24 & 9MFY24:

(A) Q3FY24 RESULTS

So, Q3 FY24 consolidated results, the comparative performance of Q3 FY24 with that of Q2 FY24 and Q3 FY23 have been given in the presentation already circulated. Gross income in Q3 FY24 is INR 1,287 crores as compared to INR 1,312 crores in the previous quarter Q2 FY24, a decrease of INR 25 crores, marginal decrease by 1.9%. Compared to Q3 FY23, gross income of INR 1,132 crores there is an increase of INR 155 crores by 13.7%. The PBT is INR 116 crores in the current quarter, that is Q3 FY24 as compared to INR 113 crores in Q2 FY24, an increase of INR 3 crores and compared to Q3 FY23 PBT of INR 96 crores there is an increase of INR 20 crores by 21%.

B) COMPARISON OF PERFORMANCE FOR 9 MONTHS ENDED DECEMBER 31, 2023 WITH 9-MONTH PERIOD ENDED DECEMBER 31, 2022.

In 9M FY24, the total income increased to INR 4,185 crores from INR 4,062 crores in 9M FY23. The PBT increased to INR 386 crores from INR 287 crores in the corresponding period of the previous year. Almost an INR 99 crores increase mainly due to increase in revenue and decrease in raw material cost and better overhead absorption.

The consolidated results indicate net impact of several factors of both frozen and feeds especially increase or decrease in income, expenditure and any other exceptional items.

STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISIONS

A. FEED DIVISION:

Q3FY24 RESULTS

The gross income for the Q3 FY24 is INR 958 crores as compared to INR 1,064 crores in the previous quarter, a decrease of INR 106 crores, mainly due to a decrease in the quantity of Feed sales due to seasonal changes. The gross income of Q3 FY24 increased to INR 958 crores from INR 878 crores in the corresponding quarter, an increase by INR 80 crores representing 9% due to an increase in sales quantity by 9,968 mt.

The PBT for the Q3 FY24 is INR 76 crores as compared to INR 86 crores in Q2 FY24, a decrease of INR 10 crores mainly due to a decrease in sales volume due to seasonal changes. The Feed sales decreased to 1,16,318 metric tons from 1,27,864 metric tons in Q2 FY24. The PBT in Q3 FY24 has increased by INR 6 crores from INR 70 crores in Q3 FY23 representing 9%.

As you know, the cost of raw material constitutes a major share of cost of Feed production particularly three raw materials which are fish meal, soyabean meal and wheat flour. The average raw material cost in terms of percentage over Feed sale price was 84.83% in Q3 FY24 as compared to 85.53% in Q2 FY24 and 83.6% in Q3 FY23.

Increase or decrease in raw material consumption is mainly because of the prices. The prices stabilized in the current quarter when compared with Q2 FY24, but are on a higher side when compared with Q3 FY23.

The average cost takes into consideration, volatility of the major raw materials like fish meal, soyabean meal and wheat flour. Sometimes they increase and sometimes decrease during their respective quarters. The Q3 FY24 rates of fish meal, soyabean meal and wheat flour are INR 129 per kg, INR 53 per kg and INR 30 per kg respectively. The present market prices of fish meal is around INR 125 per kg, soyabean meal is INR 52 per kg, and wheat flour is around INR 30 per kg.

The fish meal price continues to be on the higher side due to export demand. The soyabean price has come down marginally due to the arrival of fresh soya and is expected to remain stable at least in the next few months. So, the average soyabean meal price has come down to about INR 52 per kg. In the case of wheat flour, the price has come down due to arrival of good crop in 2023 with the price being INR 30 per kg from INR 33 per kg in earlier 2023.

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 have direct impact on the raw material cost of the feed which is beyond the control of the company.

COMPARISON OF PERFORMANCE FOR 9 MONTHS ENDED DECEMBER 31, 2023 WITH 9 MONTH PERIOD ENDED DECEMBER 31, 2022.

In 9M FY24, the total income of Feed division increased to INR 3,373 crores from INR 3,229 crores in the previous year. The increase is due to an increase in feed sales and other income. The PBT 9M FY24 increased to INR 288 crores from INR 200 crores in the corresponding period of the previous year mainly due to an increase in sales, other income and decrease in raw material cost and also better overhead absorption.

SHRIMP PRODUCTION AND FEED CONSUMPTION IN FY23 AND COMPANY PLANS FOR FY24:

SHRIMP FEED CONSUMPTION:

So, on the basis of estimated shrimp production in CY23, the estimated feed consumption is about 10.5-11 lakh metric tons.

The company's feed sales during the previous financial year is about 4,97,000 metric tons as compared to 5,25,000 metric tons we are expecting in FY24.

The company's sale of shrimp feed in the CY23 is about 5.13 lakhs metric tons, a decrease of 2% when compared with previous year. When the total Indian feed consumption is down by 15%, the company's revenue is down by only 2% when compared with that.

SHRIMP PROCESSING AND EXPORT DIVISION

The company's vannamei shrimp exports in terms of value declined in FY23 compared to FY22 by 8.11%, from \$5,234 million to \$4,008.9 million.

The country's overall export of frozen shrimps in quantitative terms 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 exports during FY23 were about 12,497 metric tons as compared to 12,836 metric tons in FY22, a decrease by 339 metric tons. It is estimated that exports during FY24 would be around 12,500 metric tons.

Now, I would like to hand over to Mr. D.V.S. Satyanarayana to present highlights of Shrimp Processing and Export Division.

D.V.S. Satyanarayana

Thank you, madam.

Now I would like to take you through the financial highlights of Shrimp Processing and Export division.

B. SHRIMP PROCESSING DIVISION: Q3FY24 RESULTS

- The gross income for Q3 FY24 is INR 329 crores as compared to INR 253 crores in Q2 FY24, an increase by INR 76 crores which is representing 30% mainly due to an increase in sales quantity by 35%.

- The gross income in Q3 FY24 increased to INR 329 crores from INR 255 crore during Q3 FY23, an increase of INR 74 crores representing 29% YoY growth. The sales volume during Q3 FY24 increased to 3,990 metric tons from 2,865 metric tons in Q3 FY23, an increase by 1,125 metric tons.
- The PBT before exceptional item for the Q3 FY24 is INR 40 crores as compared to INR 32 crores in Q2 FY24, increased by INR 8 crores, the PBT is increased mainly due to increase in sales quantity by 1040 metric tons during Q3 FY24.
- The PBT in Q3 FY24 is INR 40 crores, increased from INR 30 crores in the corresponding quarter that is Q3 FY23 as there is an increase in sales quantity by 1,125 metric tons.

COMPARISON OF PERFORMANCE FOR 9 MONTHS ENDED DECEMBER 31, 2023 WITH 9 MONTHS ENDED DECEMBER 31, 2022

The gross income for 9M during FY24 was INR 820 crores as compared to INR 838 crores in the corresponding 9M period of previous year, that is FY23. The decrease of INR 18 crores in the gross income during 9M FY24 is mainly due to decrease in average sales price realization.

The PBT in 9 months FY24 is INR 104 crores as compared to INR 98 crores in 9M FY23, an increase in PBT by INR 6 crores is mainly due to decrease in ocean freight rates during the current period.

PROVISION FOR RECALL EXPENSES IN THE FINANCIAL STATEMENTS.

The company has not made any additional provision for recall expenses in Q3 FY24 since, full provision has been made in the financial statements till 31st December 2022, against the total claims received from the buyers. So, the current status of product recall is as follows.

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 31.12.2023	INR 0.99 Cr

As regards the product liability claims for bodily injury caused by consuming company's contaminated product under the recall, the surveyor has submitted the final survey report to insurance company and it is under review by insurance company. As per information provided by broking firm, the claim will be settled in early March 2024. Since the liability has been covered under the commercial general liability insurance policy, there is no need of provision and hence we have not made any provision in the financial statements.

So, here I will just update on the new shrimp processing plant.

1.	New Processing Plant and Cold Storage unit in Krishnapuram, Kakinada District with a capacity of 7,000 MT p.a.	1. Plant & Machinery installations are completed. Commissioning will start from Feb 20, 2024 2. Trial production is underway and Commercial Production scheduled to commence from Mar'24.
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As you are aware, the company has been selected under two incentive schemes of Government of India.

- Sales-based incentives under **Production Linked Incentive scheme**; and
- Grant-in-Aid under **Operations Green long term intervention**.

PRODUCTION LINKED INCENTIVE SCHEME

The company is eligible for incentive of 6% on raw products and 10% for value-added products on incremental sales over a period of 6 years from 2021 - 2022 to 2026 -

2027 financial years' subject to a maximum incentive of INR 79.44 crores with minimum CAGR of 5% in sales.

The company has received an incentive of INR 6.85 crores pertaining to FY22. Incentive claim application for the FY23 was filed in December 2023.

OPERATION GREEN SCHEME

Approval from Government of India for Grant-in-Aid for the proposed investment in new shrimp processing plant at Krishnapuram is received in December 2022. Maximum Grant-in-Aid under the scheme is INR 10 crores. The first installment of Grant-in-Aid is due from the Ministry. The company has submitted all the relevant documents in this regard.

Now, I request the JMD sir for sharing future outlook of the industry.

C. Ramachandra Rao

Thank you, Satyanarayana. Having reviewed the financials of Q3 FY24 and comparison of 9M performance ending 31st December 2023. I would like to share with you the present status and outlook for the year 2024 of this aquaculture industry.

In line with global forecast of moderate recovery of fishery sector in 2024 over 2023, the stocking of feed for first crop of shrimp culture in India commenced during the second half of January 2024 with an increase of about 10-15% over the corresponding period of the previous year. As the shrimp farmers are confident of stable farm gate prices during this year, the same trend of increased stocking is expected during the rest of the first crop period. Considering the present trend, an increase of 10-15% over 2023 in feed consumption seemed to be certain to increase to about 12.5-13 lakhs metric tons in the current year. Our company targets to achieve about 6 lakh metric tons feeds sales in the year.

The processing and export for shrimp division is also expected to increase exports to about 15,000 metric tons during the current year, considering the

commencement of commercial production by the new processing plant at Krishnapuram in Andhra Pradesh before 31st March 2024. The company is focusing on increasing the processing and export of value-added products during the current year. The company while strengthening the exports to US and Canada markets also exploring other markets like Japan and Korea where the company is receiving very positive response from them.

The Government of India has also been focusing and encouraging aquaculture sector by extending promotional schemes like PLI scheme, Operational Greens et cetera, which the company is availing. It is heartening to know, note that in budget for 2024-2025 presented by the Hon'ble Finance Minister on 1st February 2024, announced Pradhan Mantri Matsya Sampada Yojana (PMMSY), is being stepped up to enhance aquaculture productivity from existing 3-5 ton per hectare, doubling the exports to 1,00,000 crore and generate 55 lakhs employment opportunities along with big infrastructural changes of establishing 5 integrated aqua parks. Further details of the scheme expected to be notified after the general elections while presenting the regular union budget.

To conclude, the stakeholders of the industry look forward for a bright future for the aquaculture industry in 2024 and thereafter, unless any unforeseen developments in climatic conditions or changes in the global market scenario impacts the industry.

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

You may be aware that the company has incorporated a subsidiary company with the name Avanti Pet Care Private Limited as a special purpose vehicle for the manufacture 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, transfer of technical know-how

agreement, and joint venture agreements have been entered into with the joint venture partners.

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 in demand in India. Further details of the project will be reported to you in due course.

FISH FEED

As reported earlier, a senior executive has been appointed to 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. Now, the survey is in progress and the report is being expected in a couple of months.

FROZEN SHRIMPS AND FISH DOMESTIC MARKET

The company has made the strategic decision to venture into domestic market, a move that the management believe will enhance our business prospects and create new opportunities for value creation within the country. The company is in the process of structuring the marketing strategy by taking on senior marketing professionals and it is expected that the sales in the domestic market may be grounded in a couple of months.

I think with this I conclude the introduction part, the brief, the future for the aquaculture industry. And now we will take up questions and answers from you.

Thank you, ladies, and gentlemen.

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 any questions, please press * and 1 on your telephone keypad. Our first question comes from Gunit Singh from Counter Cyclical Investment PMS. Please go ahead, sir.

Gunit Singh

In terms of exports of seafood. So, I mean, can you share more light on that and how can we capitalize on this opportunity?

C. Ramachandra Rao

Nikhilesh?

Alluri Nikhilesh

Hi, could you repeat your question?

Gunit Singh

So, recently there have been reports of some difficulty or problems that the seafood industry, seafood exports from Ecuador are facing. So, I mean, I want to hear your thoughts on that and how the company can capitalize on this, because in the recent past we've seen that Ecuador has taken up some market share of Indian exports to the US. So, I mean, how does the outlook look going forward and currently for us in the US market?

Alluri Nikhilesh

Thank you. So, right now there is a lot of political and social instability in Ecuador. So that would be a short-term problem for the country, because simply like a lot of

buyers can't even go to the country right now. I know several of them who have canceled their trips to Ecuador, in light of the situation. So, we might benefit out of in the short term, but long term, I think I feel India is still in a good area for exports, mainly because we focus more on higher value products compared to Ecuador. Ecuador's population is about 17-18 million, compared to our 1.4 billion. So, they're not able to process as much as India can in the value-added space. So that way it's healthy for us in the US market in the long term. I hope that answers your question.

Gunit Singh

Yes, that does. So basically, in the value-added segment, we have an edge, but I mean, in the non-value-added segment, is there a number that you can give in terms of the landed cost of exports from Ecuador versus from India?

Alluri Nikhilesh

So, Ecuador does very low value items like the lowest that you can go to. It's like just the plain shrimp or the shrimp without the head. So, they're much more competitive than us over there, because they don't have any other overhead like you're grading, high-end grading machines or even cookers, et cetera. So, there's no landed cost as such, but I would say those products, just to provide raw material, they would be about 10% lower than what India can provide. Also add to it that we Avanti as such doesn't focus on those products. They account for less than 5% of our total sales or even 2% of our total sales. The product that Ecuador does, we don't overlap with them.

C. Ramachandra Rao

I may add to what Nikhilesh said that, see, we are focusing more on the value-added products, export of value-added products, which will have, as stated it will have an edge, and more and more we want to go for value-added and a new factory is equipped with advanced equipment to make value-added products, and that is the area where really the companies, the profitability or the volumes with exactly they

lies. So, we are going on that. In that perspective, Ecuador may not be that big competitor for us on that.

Gunit Singh

Okay, got it. I want to understand this in the perspective of the shrimp feed consumption, because if our export of even low value exports to US, they lose in competition to Ecuador, then the shrimp feed consumption may also go down. So, I was coming from that sheet, but I got it. And I want to understand what percentage of our raw material cost is in wheat, fish and soya, in terms of percentage?

A. Venkata Sanjeev

Totally it would be 85% all three together.

Gunit Singh

And breakdown of individually?

A. Venkata Sanjeev

Sorry?

Gunit Singh

Individual breakdown of wheat, soya and fish?

C. Ramachandra Rao

I can just add to what Mr. Venkata Sanjeev said. See, this is a formula depending upon the kind of feed we are making, whether it is a starter or grower or finisher, the combination changes between the raw materials like the fish meal, soyabean meal and the wheat flour. Moreover, pricing also will have an impact. So, we make an adjustment in the overall the raw material composition of each variety of products. So, it is very difficult and not possible to give the individual breakup of soyabean meal, fish meal and wheat flour. So, I think it's, overall, we say that this

is about 85%. It depends upon the product. So, it may range from 70-85%. It may range with these three products.

Gunit Singh

All right, sir. Got it. And my last question would be what is the outlook for FY25 in terms of top line and bottom line, and what kind of steady state margins are we looking at in FY25 considering the push by government and situation getting better.

C. Ramachandra Rao

See now, as I told in my earlier presentation, that 2024 as such appears to be still a challenging year for aquaculture sector. But still, compared to 2023, we expect that 2024 would be a better year. So, in the sense that there is a marginal increase in exports as well as feed consumption, culture itself by about 10-15%. So, this is still a beginning of the season. So, it started the mid of January and it continues, and the first crop goes on till almost July, August. So, as we go forward, we expect that the production will go up as a result the production, the consumption of feed also goes up, and of course, exports also do go up.

So, for 2024 it is fine. And 2025, as you said, the impact of the government schemes, what we told you earlier, like Pradhan Mantri Matsya Sampada Yojna, et cetera. See, the governments have to come, we are going to have the general elections and after that the new government comes and they formulate the procedures where we stand, how we take advantage of this, the government schemes for increasing the aquaculture, the exports of seafood, it all depends because 2024 year, once we cross it comfortably, which we expect that it will be more or less on the 2022 year, 2023 had actually decreased the performance and we hope to get back to 2022 level and if possible even to cross that.

That is what we are looking at this point of time. So, as we go, maybe in time next quarters, we'd be able to give you the exact progress of the industry.

Gunit Singh

All right, sir. Got it. That's all from my side. Thank you. All the best.

C. Ramachandra Rao

Thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. I request the participants to restrict with one question in the initial round and join back the queue for more questions. Our next question comes from Apoorva Mithada from Purnartha Investment Advisors.

Please go ahead.

Apoorva Mithada

Thank you for giving me the opportunity. So, in Q3, I've seen that the EBITDA margins have not gone up, even though in this quarter the shrimp processing has been higher and there has been stable raw material prices. So, have we increased the discount that is given to the dealers? And could you just give a breakup of per ton, what would be the discount this quarter and the last two quarters?

C. Ramachandra Rao

Yes, see, the discount structure, it depends upon the market and the dealers also. We start with the general discount to incremental discount to turnover discount, the single fee discount. There are varieties of discounts which we give depending upon the performance of the dealer. Generally, the COD is the standard one, which gives, once the dealer achieves a slab in which he falls, that percentage is given. It may be 1.5%, 2.5%, that is one discount that we give it. The second discount is the incremental discount that we take the previous year's performance and we fix the current year's performance, and for increments we have a slab, and as they achieve the incremental volumes, we get a certain additional discount.

The third one is the single fee discount. We give the single fee discount to such of the dealers who deal with Avanti Feed exclusively. For them, we give 1% discount. Like that new area discount, supposing the areas which were not there earlier, we are going to come for the first time, that is a one-time discount we give it. Like that the discounts vary from different dealers and different parts of the country and the performance of the dealer. So, it is very difficult to say generalize the discount. Maybe the 7-8% in an average, we may give a discount for the total. It ranges between 6-8%.

Apoorva Mithada

Okay. And just the first part of the question is why EBITDA margins have not gone up? Like, could you give an insight? Because shrimp processing revenue has gone up this quarter and raw material prices haven't fluctuated that much.

C. Ramachandra Rao

Yes, I think the question has two parts. One is about the feed and one is about the processing and exports. Just to brief you about the feed, in our investors call, we are seeing that the raw material prices are continuously increasing. There has never been a case where we have seen decrease in raw materials prices in spite of the new crops, good crops, whatever it may be, it is not coming down. One of the reasons could be because main, like wheat, soya, there is MSP, Minimum Support Price, the government announces, and the government keeps announcing very often, particularly when the elections are around, then they invariably announce support to the farmers. So that way the prices have not been coming down at all.

And on the other hand, we cannot increase the price of the feed also because too much increase in the feed price will discourage the farmer to undertake the shrimp culture. So that again is a very limited scope that we have to increase the price of the feed. So therefore, the feed prices for profitability does not increase suddenly. It only keeps around, if we can do around 6-8%, if you can keep stable 6-8%, really

the prices of raw material come it may go up to 9%, 10%. I think that is what we have been seeing for the past almost 5- 6 years. That has been the trend of the field as far as the processing is concerned. I think. Nikhilesh, can you explain please?

Alluri Nikhilesh

Hi. The processing, I think there's been a good recovery in the volume. But the EBITDA, as you said, is pretty much flat because of weaker market conditions in the US primarily, and I would say also the rest of the world also been primarily weak market conditions. We are however trying to push up the EBITDA margins this financial year because the shipments what we're sending now, start going into the next financial year. So, by adding more value-added categories, also trying to put up the price with our customers. Thank you.

Moderator

Sorry to interrupt you, Apoorva sir. Could you please come back in the queue for further questions sir?

Apoorva Mithada

Okay.

Moderator

Thank you, sir. Our next question comes from Nitin Awasthi from Incred Equities. Please go ahead.

Nitin Awasthi

Hello sir. My question was around the fish meal part. I just missed the figures exactly. I was a little confused when I heard it. What was the fish meal cost during the quarter and what is it currently? I believe you gave those figures in the opening statement. However, there was some mix up so I couldn't understand the correct prices.

C. Ramachandra Rao

Yes. Just please hold on.

Santhi Latha

The price in the quarter was INR 129 and right now it is around the same INR 125 to INR 127. It is in the same range.

C. Ramachandra Rao

See the fish meal price, just to give explanation. The fish meal price keeps fluctuating depending upon the catches, fish catches, and also to the export demand. As we are seeing for the last almost 3 - 4 years, there has been a big demand for Indian fish meal in countries like Taiwan, Thailand, Indonesia, Korea and all they are importing fish meal from India because that is found to be cheaper than the fish meal imported from Chile and Peru. So, the quality and all is good. But that is making a big difference for the fish meal what it was earlier and now.

So, if there is not much of export orders, the fish meal manufacturers are preferring to supply in the domestic market at a marginally lesser price. So, it is ranging between INR 120 and INR 130 between that. We expect that if the good catches happen in the next year maybe it will be around INR 115, INR 120. But as it stands today it is only INR 125. I don't think in the near future it will come down unless we get good catches and there are no export orders.

Nitin Awasthi

Understood sir. But just wanted to clarify one thing. As per my understanding in the export market front for fish meal, prices seem to have crossed INR 150 which is probably all-time high which an Indian fish meal exporter was getting, because of the total collapse in Peru exports and demand even from China now having to be fulfilled from India. Do you see those circumstances actually playing about? Have you made forward contracts or anything of that sort like quantities guaranteed at

around INR 130 anything of that sort or will be going to the market every month or so?

C. Ramachandra Rao

Actually our SOP for purchase of fish meal is that we have vendors evaluated and we have about 13-14 suppliers, but among them there are only 4 or 5 big suppliers. But all of them prefer export market because they are not only getting the dollar conversion advantage, on that they are getting duty drawback, on that they're getting RODTEP. So, these are the incentives given by the government that makes that very attractive for them than to surprise. For India indeed. On the other hand, in India we have to pay GST. So, these are the disadvantages we are having. Coming to answer your question regarding the forward contracts, this trade, this business doesn't have the practice of forward contract.

It is because even to get supposing we want to buy say 2000 tons of fish meal at a time, it is very difficult to get it. They only give 500 tons or 200 tons like that. 1000 tons and above, it's very difficult to book on the spot deal also, even if you have forward contracts, none of them is prepared to take that kind of way, because no one knows how much catches they are going to get, what is going to be the export order. So, they are all very assured businessmen. So, they will not enter into any forward contract. That happens only when is a big fluctuation only they take some positions for forward contracts. But in this stage it is not happening like that. They are getting advantage on exports, so they would not like to take any forward contract commitments with the Indian buyers.

Nitin Awasthi

Understood sir. Thank you.

Moderator

Thank you, sir. Our next question comes from Pradeep Jain from Solidarity Investment Managers. Please go ahead, sir.

Pradeep Jain

Hi. Thanks for the opportunity. So, my question is more on the long-term perspective. If you see sometimes it's Ecuador, sometimes it's India in this shrimp industry who is leading the position, right? So how do you see India over next 10 years in this industry? And what is the fair growth rate you think that Indian shrimp industry can do over a decade?

C. Ramachandra Rao

Yes, see the 10 years seem to be quite long period Mr. Pradeep Jain. At the most we can see for next couple of years because it is very difficult to predict for the next 10 years. Let me tell you the components of this trait. One is that raw materials which are mostly dependent on nature like soyabean meal or wheat flour or the fish meal. All these products, they keep fluctuating. The prices are fluctuating. We cannot take any decision or planning for this in future.

Number 2, the export prices of the shrimps are also very difficult to plan for more than a couple of years. But 2 years itself is very difficult in this industry to forecast. So, in spite of all that, definitely we have a plan. The Government of India is also looking at a INR 1 lakh crore exports through aquaculture industry. And we do have our plans how we go about the feed. And the other thing is that, the feed consumption increases as the area of the culture increases or by the more farmers take up this they can take up only when there is a profitable culture. And again they should get a good farm grade price and from again the exporter will do it only if he gets a higher export price.

So, these are all the chain that is the supply chain that is operating. So, with all that we reasonably, we expect if we can get a 5-10% growth in the next couple of years, we consider that it is a really good improvement. And we'll have to see, because so many raw materials are becoming scarce day-by-day, year-after-year we are finding it's very difficult to get the raw material sources. So, there is a need for a lot of R&D to take place. They find substitutes for raw materials so that while

keeping the composition, the protein contents, et cetera, the quality of the feed intact and reducing the cost of inputs.

Similarly, the aquaculture also becoming expensive, how we can do it. There are so many methods that we are thinking of doing the aquaculture. And the export process is like what we are discussing about value-added products which gives the more benefit advantage for us. So overall I would say that it would be around 2 years what that could be done. I think, Nikhilesh or Venkata Sanjeev, do you want to add anything to this?

Alluri Nikhilesh

Yes, I just want to add to this. So, talking about a food product, which has almost become a staple item now the demand will be stable and as the disposable incomes increase, the affordability of this protein which is considered a premium protein will become higher. There's a lot of effort from industry also to promote shrimp pretty much like avocado or eggs are promoted to eat because of their health benefits, sustainability, et cetera. Countries like India are opening up. China is now the largest importer of shrimp in the world. As people can afford this more, the demand will increase.

As for India, compared to Ecuador or any other country like you had said, it's a cycle, but India has been consistently producing a good amount of shrimp for the past 20 - 30 years. So, there is no short-term disruption that can be seen. But even in the long term, like Mr. Rao said, 10 years is a long time. But on the macro side, the demand of the shrimp is growing slowly and so it should be benefiting Avanti as a whole. Thank you.

Moderator

Pradeep sir, so sorry to interrupt you sir. Could you please join back the queue for more questions, sir?

Pradeep Jain

Sure, sure.

Moderator

Thank you. Thank you so much sir. Dear participants, I kindly request you to restrict with one question in the initial round and join back the queue for more questions. Our next question comes from Varun Arora from Safe Enterprise. Please go ahead, sir.

Varun Arora

Hi. Thanks for the opportunity. I may be repeating the question, so sorry for that. My question is regarding the environment that you are seeing with respect to passing of the raw material prices. So, if you could explain for both the feed business and process shrimps, how's the environment in terms of passing the raw material prices?

C. Ramachandra Rao

Yes. Let me first explain the feed, then Mr. Nikhilesh will explain about the processing and export. See the raw materials as we said like fish meal, soyabean meal and wheat flour are the major raw materials that we consume for manufacture of the feed. See the cost of production of these products are increasing day-by-day and the soyabean meal again depends upon the natural climatic conditions. One year you get a good crop where then you can see the prices not going much. But in the next year there will be either drought or no rains and all, then their prices will shoot up because of the shortage in production.

So, it also depends on the soyabean production in other countries, if in other countries it affects the production of soyabean meal, so naturally the prices, if there is a shortage, the prices go up. So, this is one thing which makes these raw materials continuously going up. Coming to the production, naturally, the raw material cost component is about 70-85%. So naturally, the cost of production of feed also goes

up invariably. The question that you made was whether it can be passed on to the farmer. See, the farmer also sustainable culture year-after-year, if we increase the price and it works out, it doesn't work out profitable to the farmer.

Farmer will not undertake shrimp culture, rather he would go to fish or any other product. They will not do this shrimp culture. So, we have to keep in mind the cost of manufacturing the producing the shrimp also, so that he will make some margins, while the farm gate prices are kept in a reasonably good rate, so that he makes some money. So, makes profit out of this activity. So, these are the reasons that we cannot straightaway pass on the increase in the price of the feed to the farmer. Moreover, we have the government regulations in states like Andhra Pradesh, where it is in the interest of the farmers the governments are also working.

They say that they come on the feed manufacturers to reduce the price, because the farmers are not able to make any benefit out of this activity. So, this is one area where the feed price cannot be 100% passed on to the farmer. Nevertheless, what we do is, we take all aspect into consideration and we make a moderate increase whenever there is a raw material price increase and make some share is taken by the company and some is passed on to the farmer. As far as the processing is concerned, I think I'll request Nikhilesh to explain the operation of the processing unit.

Alluri Nikhilesh

So currently, the price puts or the price recovery of the increased expenses from the customers is very tough, because the industry is facing an oversupply situation, right. So right now it's very difficult, but usually, because all our contracts are not very long term, they're usually spot buys or the maximum is few contracts we enter into long term contracts. So usually, if not one year, the second year, we're able to pass on the prices, because as the processor, we're just pretty much taking the farm gate prices, adding our overhead and giving it to the end customer. But right now, with the oversupply situation, it's a little bit difficult. But as things stabilize, it should be fairly easy.

Varun Arora

So, just to follow up on the processed shrimps. Would you say that given the situation in Ecuador you see better prospects than what you saw in last 12 months in terms of taking the realization increase?

Alluri Nikhilesh

I would say yes, in the short term, because I don't know, several reports of instability, harassments to the shrimp farmers, threats to the factories. So, on the short-term, definitely there is, I wouldn't say advantage, but I think a preference towards buyers sourcing from more stable supply chain just because it's easier for them to navigate with in the short-term, yes, but in the long-term, we need to see. I mean, the hope is the country does stabilize that very quickly. Right!

Varun Arora

Sure. Thanks a lot. Thank you.

Moderator

Thank you, sir. That's the last question for the day. Now I hand over the floor to the management for closing comments.

C. Ramachandra Rao

Yes. Thank you, Sowmya. Thank you, ladies, and gentlemen, for sparing your valuable time for having discussion with that the interesting questions. Because every investor will have this kind of questions that they would like to know about the industry. And one thing we can assure you from the management part of it. We take every effort to see that the operations are profitable and investors are benefited by this. At the same time, the most important thing is the reputation of the company is maintained and in fact it should grow YoY. So, that's what our objective is. With this, I thank you for your participation in the conference call. Thank you.

Moderator

Thank you so much, sir. 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. Thank you and have a good day.

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