

August 14, 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: Transcript of Q1 FY25 earnings conference call with Analysts/Investors.

Further to our letter dated November 9, 2024 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the Analysts/ Investors call held on August 09, 2024 on Operational and Financial Performance of the Company for Q1 FY25 ended on June 30, 2024.

The same shall also be made 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



Earnings conference call with Analyst/Investors for Q1 FY25

August 09, 2024, at 16:00 hrs. (IST) for a duration of 1 hour 2 minutes

CORPORATE PARTICIPANTS:

Dr. A. Indra Kumar

Chairman and Managing Director

Mr. C. Ramachandra Rao

Joint Managing Director

Mr. A. Venkata Sanjeev

Executive Director

Mr. Alluri Nikhilesh

Executive Director, Avanti Frozen Foods Pvt. Ltd.

Mr. D.V.S. Satyanarayana

Chief Financial Officer, Avanti Frozen Foods Pvt. Ltd.

Mrs. Shanti Latha

GM - Finance and Accounts

Mrs. Lakshmi Sharma

Sr. Manager, Corporate Affairs

Moderator

Good evening, ladies and gentlemen. I'm Pelsia, your moderator for the conference call. Welcome to Avanti Feeds Limited Q1 FY25 Earnings Conference Call. We have with us today Dr. A. Indra Kumar, Chairman and Managing Director; Mr. C. Ramachandra Rao, Joint Managing Director; Mr. A Venkata Sanjeev, Executive Director; Mr. Alluri Niklesh, Executive Director of Avanti Frozen Foods Pvt Ltd; Mrs. Shantilata, GM Finance and Accounts; Mrs. Lakshmi Sharma, Senior Manager - Corporate Affairs and Mr. DVS Satyanarayana, CFO of Avanti Frozen Foods Pvt Ltd. As a reminder, all participants will be in a 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 touchstone telephone.

Please note that this conference is recorded. I would now like to hand over the floor to management for the opening remarks. Thank you and over to you.

C. Ramchandra Rao

Thank you, Pelcia. Good evening, ladies and gentlemen. I am C. Ramchandra Rao, Joint Managing Director, Avanti Feeds Ltd. I am pleased to extend a warm welcome to all of you for this investor conference call to review the unaudited financial results for Q1 FY25. Along with me here are Mr. Alluri Nikhilesh ED, Mrs. Santhilata, Mrs. Lakshmi Sharma and DVS Satyanarayana and Dr. Indra Kumar and Mr. Venkat Sanjeev are joining from the factory at Kovvuru. To begin with Mrs. Shantilatha, GM Finance, Avanti Feeds Ltd will present highlights of financial results for the period ended 30th June 2024 of Feed Division and also consolidated financial of the company for the same period. Thereafter, Mr. DVS Satyanarayana will present the financial highlights of shrimp processing and export division. After the presentation by both of them, we'll take up questions and answer session. Over to Mrs. Shantilata.

Shantilata

Thank you, sir. Good evening, everyone. Now I'll take you through the consolidated and standalone financial results of Feed Division for the quarter ended 30th June 2024.

CONSOLIDATED FINANCIAL RESULTS FOR Q1FY25:

(A) Q1FY25 RESULTS

The comparative performance of Q1 FY25 with that of Q4 FY24 and Q1 FY24 have been given in the presentation already circulated. Gross income in Q1 FY25 is INR 1,541 crores as compared to INR 1,320 crores in the previous quarter that is Q4 FY24, an increase of INR 221 crores by 16.7%. Compared to Q1 FY24 there is a decrease in the gross income of 1,586, there is a decrease of INR 45 crores by 2.84%. The PBT is INR 180 crores in Q1 FY25 as compared to INR 151 crores in Q4 FY24, an increase of INR

29 crores by 19.2% and compared to Q1 FY24 PBT of INR 157 crores, then there is an increase of INR 23 crores by 14.64%.

The consolidated results indicate net impact of several factors such as increase or decrease in income, expenditures and any exceptional items relating to both Feed and Frozen Food divisions, which have been discussed in the following divisional performance of these units individually. First, we will go through the Feed division standalone financial results for Q1 FY25.

STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISIONS

A. FEED DIVISION:

Q1FY25 RESULTS

The gross income of Feed Division for Q1 FY25 is INR 1,298 crores as compared to INR 1,022 crores in the previous quarter of Q4 FY24, an increase of INR 276 crores mainly due to increase in quantity of feed sold by 36,313 MT, and this is the main season for the shrimp culture. The gross income in Q1 FY24 decreased to INR 1,298 crores from INR 1,351 crores in the corresponding quarter of Q1 FY24. A decrease by INR 53 crores representing 4% due to decrease in sales quantity by 6,916 MT.

The PBT for Q1 FY25 is INR 153 crores as compared to INR 118 crores in Q4 FY24, an increase of INR 35 crores by 29.67% mainly due to increase in sales volume and better overhead absorption. The feed sales increased to 1,58,591 MTs in Q1 FY25 as compared to 1,22,278 MT in Q4 FY24. The PBT in Q1 FY25 has increased by INR 28 crores from INR 125 crores in Q1 FY24, represented by 24.4%. As you know, the cost of raw materials consumed constitutes the major share of cost of wheat production. The major raw materials are fish meal, soya bean meal and wheat flour. The prices of these raw materials keep fluctuating since their production is based on agriculture and fish catches from the ocean.

The prices of fish meal increased in Q1 FY25 to INR 117 per kg from INR 111 per kg in Q1 FY24, whereas there was a marginal decrease from INR 119 per kg in Q4 FY24 to INR 117 per kg in Q1 FY25. In case of soya bean meal, there was a marginal decrease to INR 51 per kg in Q1 FY25 compared to INR 52 per kg, and it was INR 54 in Q1 FY24. The wheat floor price decreased to INR 28 per kg in Q1 FY25 from INR 29 in Q4 FY24 and INR 27 in Q1 FY24. The present price of wheat flour is INR 32 per kg, which again is a steep hike when compared with Q1 FY25. It is pertinent to note that the prices of the raw materials keep continuously fluctuating throughout the year.

Sometimes the prices are incomparable. While on one hand, the raw material prices are instrumental in determining the margin, on the other hand, the status of aquaculture activity determines the consumption of feed in terms of volume. In case of successful

culture for full crop, the feed consumption will be higher compared to shortened crop period due to unforeseen situations like floods, disease outbreak, etc beyond the control of the farmer. For instance, in Q1 FY 25, the initial period of about 45 days, that is till mid-May, the shrimp culture was going on smoothly. However, from latter part of May, June and July, there were floods, outbreak of diseases resulting in loss and premature harvest. Moreover, the quality of the feed was also not up to the standard resulting in lower survival of the shrimp.

Therefore, in spite of best aquaculture practices adopted by the farmers, these natural calamities do play a vital role in determining the success of shrimp culture. Having faced some challenges during first crop, the farmers have now commenced talking again as the farm gate prices are showing an improvement with an expectation that the prices remain stable during the rest of the financial year and also the climatic condition remains favorable. To sum up, in general, FY 2024-25 is expected to be a challenging year for the aquaculture industry both in respect of shrimp production as well as global demand for shrimp exports.

Now we'll talk about the company plans, shrimp production and feed consumption in FY24 and FY25.

SHRIMP PRODUCTION AND FEED CONSUMPTION IN FY24 AND COMPANY PLANS FOR FY25:

SHRIMP FEED CONSUMPTION:

On the basis of estimated shrimp production of about 10.5-11 lakh metric tons in 2024, the feed consumption is estimated to be about same level. The company's feed sales during the year 2024 was about 5.31 lakh metric tons as compared to 4.97 lakh metric tons in 2023, an increase of 34,900 metric tons.

SHRIMP PROCESSING & EXPORT:

India seafood exports touched 17,81,602 MT, an all-time high in volume during the FY23-24. Frozen shrimp remained a major export item in quantity and value accounting for a share of 40% in quantity and 66% of the total dollar earnings for the country.

The country's shrimp export in terms of value increased in FY24 compared to FY23 by 1.5% from USD 4,809 million to USD 4,881 million. The country's overall export of frozen shrimps in quantitative terms for FY24 was 7,16,004 metric tons as compared to 7,11,99 metric tons in FY23. An increase of 4,905 metric tons representing 0.69%. The company's shrimp exports during FY24 was 13,443 metric tons as compared to 12,497 in FY23, an increase by 946 metric tons. It is estimated that the exports during FY25

would be around 16,000 metric tons. Now I hand over to Mr. DVS Satyanarayana to present highlights of shrimp processing and export division.

DVS Satyanarayana

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

B. SHRIMP PROCESSING DIVISION:

Q1FY25 RESULTS

The gross income for Q1 FY25 is INR 243 crores as compared to INR 297 crores in Q4 FY24, a decrease by INR 54 crores, representing 18%, mainly due to decrease in sales quantity by 1,063 metric tons, representing 28%. The gross income includes INR 9.92 crore of PLI incentive received during the quarter ended 30th June 2024. The gross income in Q1 FY25 increased to INR 243 crores from INR 238 crores during Q1 FY24, an increase of INR 5 crores representing 2% YoY. The sales volume during Q1 FY25 increased to 2,783 metric tons from 2,658 metric tons in Q1 FY24, a marginal increase by 125 metric tons.

The profit before tax, before exceptional item for the Q1 FY25 is INR 27 crores as compared to INR 32 crores in Q4 FY24, decreased by INR 5 crores. The PBT is decreased mainly due to levy of CVD on US imports, effective from 1st April, 2024 and the rise in ocean freight rates. The PBT in Q1 FY25 is INR 27 crores, decreased from INR 32 crores in the corresponding quarter, that is Q1 FY24, as CVD impacted the profitability in the current quarter, that is Q1 FY25. So now I would like to run through the government incentives, which the Avanti frozen foods is availing.

As you know, the company has been availing the following two incentive schemes from Government of India:

- I. Sales based incentives under “Production Linked Incentives” Scheme; and
- II. Grant-in-Aid under “Operations Green-Long Term Intervention” Scheme.

I. Production Linked Incentives Scheme

The company is eligible for incentive of 6% on raw products and 10% on value added products on incremental sales over a period of 6 years from the FY 21-22 to FY26-27, subject to a maximum incentive of INR 79.44 crores with a minimum of 5% CAGR in sales. The company has received an incentive of INR 9.92 crores pertaining to FY23. The total incentive, which is a cumulative incentive received until the quarter ended 30th June 2024 is INR 16.77 crores. The MOPP team conducted a physical site inspection in June 2024 as part of the investment verification. And the company fulfilled the

investment obligation and commenced production before 31st March 2024 as committed to the Ministry of Food Processing of India.

II. Operation Green-Long Term Intervention

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 one third of grant in aid is due from the Ministry. The company has submitted all the relevant documents in this regard. And recently, as required by the MOPP team, the company shared the latest update on the project status and geotag photographs in June 2024.

Now I hand over to C Ramachandra Rao sir, for sharing the future outlook of this industry.

C Ramachandra Rao

Thank you, Satyanarayana. Now I would like to share with you on global economic prospects and also the prospects of aquaculture industry. I have taken some references from World Bank's report and also Food and Agriculture Organization (FAO). These international organizations have done some surveys for the future of the industry and they have come up with the reports from which I have taken some extracts to share with you. The World Bank's Group flagship report on global economic prospects states that this year, 2024, the good news is that global growth is holding steady, having slowed down for the past three consecutive years. Inflation has been cut to a 3-year low. The world economy, in short, appears to be a final approach for a soft landing.

The global growth is projected to stabilize at 2.6% this year, despite flaring geopolitical tensions like Ukraine war, Red sea crisis, etc and high interest rates. Global risks remain tilted to the downside despite the possibility of some upside surprises. Further, the report states India and Indonesia are two additional examples of robust performance apart from the US economy, which have shown impressive resilience. India's economy has been buoyed by strong domestic demand with a surge in investments and robust service activity. It is projected to grow an average of 6.7% per fiscal year from 2024 to 2026 making the South Asia the world's fastest growing Region.

Now I'll go through the global shrimp market versus Indian shrimp industry.

Global Shrimp Market vis a vis Indian Shrimp Industry:

Global Shrimp market size was valued at USD 68.40 million dollars in 2022 and is poised to grow from USD 72.6 million in 2023 to USD 110.75 million by 2031, growing at a CAGR of 5.5% in the forecast period from 2024 to 2031. In recent years, the global

shrimp market has been changing as per consumer preferences and demands due to increasing consumer demand for seafood, a rise in health conscious eating habits and the popularity of shrimp in various cuisines worldwide. The versatile nature of shrimp is a key ingredient in various dishes and its appeal extends across diverse cultures leading to the increasing popularity and consumption of seafood choices globally. Moreover, health conscious consumers are attracted to low calorie, high protein food sources of shrimp.

The “State of World Fisheries and Aquaculture 2024 Blue Transformation in Action”, this is a report published by Food and Agriculture Organization, features that activities initiatives led by FAO, taken in collaboration with partners and key stakeholders, shall integrate aquatic foods into global food security and sustainability.

This will also enhance;

- Policy Adequacy
- Scientific research and capacity building
- Dissemination of sustainable practices
- Technological innovations and
- support community involvement

These factors ensure sustainable growth prospects for the shrimp industry. The Indian shrimp industry is a source of healthy proteins, offers employment to over one million people and contributes immensely to India's foreign exchange.

In 2023, Indian exports touched at an all-time high but declined by 5.38% in value terms. The major contributing factor being decreased realization due to global shrimp prices coming down. The Ecuador production of shrimps increased significantly resulting in increase in supply over the demand particularly to the major US market. In order to address these challenges, faced by seafood industry such as ensuring sustainability in shrimp culture, promoting higher consumption of shrimps for increasing demand which will balance supply in demand and maintain stable prices for sustainable market and aquaculture activity.

The government of India has been initiating several measures from time to time for encouraging the increase in productivity in all sectors including shrimp culture and processing and export options, apart from the existing incentives of production incentive, which is called as PLI, from incremental sales and one time grant in aid under operation green scheme for setting up seafood processing plant. Recently announced budget for FY24-25 under the leadership of Hon’ble Prime Minister. The Hon’ble Finance Minister has announced financial support for setting up a network of nucleus breeding centers for Shrimp Brood stock and financing for shrimp farming, processing and export facilitated through NABARD. Apart from these incentives, the honorable Finance minister has also announced incentive schemes for employment generation and scaling

in budget for FY24-25. The scheme envisages employment into incentives for 3 categories of employers implementing EPFO. They are incentives for, first time employees, job creation in manufacturing sector and support employees for a new internship scheme in being introduced for top 500 companies. The company allows us to be one of the top 500 companies to buy this scheme from the existing ranking of 565 as on 31st March 24 as per the market cap announced by NSE.

Further, I would like to share with you about the CVD impact on aquaculture industry that is the levy of countervailing duty at 4.36 on export of shrimps by US Department of Commerce effective from 1st April 24. The US DOC has made preliminary determination of CVD rate on the basis of complaint lodged by the US Domestic shrimp industry against imports from India and preliminary data analyzed by the US DOC.

In the next step, the US DOC will determine the final rate basing on the objections raised by the Seafood Exports Association of India, Government of India on the basis of data provided by them. The final determination is scheduled to be announced on 6th October 2024. In the meantime, the exporters are required to deposit CVD 4.36% with a final determination. However, in this context, I would like to mention that recently this has been kept on hold for some time. But in any case, the final determination comes, we have to take care of this in our pricing. That is very important subject to the adjustment of the final determination.

Along with India, other countries, Ecuador, Vietnam and Indonesia have also been levied CVD at different rates. The Seafood Exporters Association, MPEDA, EIA and Government of India are making efforts to get CVD withdrawn at the time of final determination in October 24 by providing all the necessary information, data to the US DOC.

Now I'd like to just make a mention about diversification of company's plan into pet food and pet care products.

Diversification of Company's Plan into Pet Food & Pet Care Products:

As you know, the company has tied up with Bluefalo Company Limited, Thailand, a well-known pet food and pet care products manufacturing company in Thailand for setting up a joint venture company in India along with the transfer of technology.

The joint venture company is named Avanti Petcare Private Limited, which has been established as a subsidiary of the company. The company has purchased about 30 acres of land to set up the facility. The Avanti Petcare will initially commence trading of pet food products in India under the Avanti brand named importing from Bluefalo. After completing the setting up of manufacturing facility in India, the products will be

produced and marketed in India. The trading activity is planned to start before 31st March, 2025.

Fish Feed:

As regards to fish feed, as we reported earlier, the company has undertaken market survey of fish feed for various species of fish and intends to initiate import feed from Thai Union Feed Mill Company to begin with and conduct trials under the Indian conditions.

Once the product performance is proven, the production in India will be taken up for domestic sale.

With this, I would like to conclude the general update on the status of the industry. And now I will request to start the question and answer session.

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. We will wait for a moment while the question queue assembles.

First question comes from Ronak Soni from Equirus Securities. Please go ahead.

Ronak Soni

Yes. Hi sir. Sir, what is your outlook for, let's say, feed volumes picking up going ahead in the subsequent quarters?

Shantilata

Please can you repeat the question?

Ronak Soni

Yes. The volumes of the feed business, how will they going to improve, let's say, the subsequent quarters going ahead? Given that there was some volume loss in this particular quarter, how do you see the volume growth rates coming back for the feed industry and for you in general for the next few quarters?

C. Ramachandra Rao

As you can see, we can tell you the quarter wise production and sales.

Shantilata

Quarter I think we have lost around 6,916 MT when compared with the previous year. But when you are talking about the previous quarter, it is 36,300 MT more.

C. Ramachandra Rao

I'll explain to you, I may add to what Shantilata said, that consumption of the feed depends upon the aquaculture situation. See, what has happened is in Q1, it went well. And after that, in the April, May, there was lot of floods and outbreak of disease and all. So the consumption came down. In fact, in the normal course, May month and June month are the peak periods for the main crop for the sale. But however, this year, it was not so. But while saying so, I would also like to add that now the farmers have started stocking again. And we expect that if assuming that the climatic conditions remain favorable and also the prices of global shrimp price is also stable and definitely, the second crop is likely to be successful, which will run now, we started just now, say, July, August, September, October, these 3-4 months, we'll have good crop, as I said, provided we have these two favorable situations.

Ronak Soni

Right sir. So any scope of taking price increases or let's say our price cuts given that now that prices have come down and we've been given reports that there could be some subsidies coming in, in terms of electricity for the farmers over there. So any scope of pricing or pass through going ahead?

C. Ramachandra Rao

So this is just now the government has come now and they have to claim the rules for all these tariffs, electricity tariffs. And also as I explained, the prices of raw materials are very uncertain and they keep fluctuating. We never expected that the wheat flour price will go up to INR 32 today. In some of the enquiries, they are putting INR 32.80. So which was there around INR 28-29 has come now INR 32-33 for no reason. We don't know what is actually happening. No calamity has happened as far as the wheat or wheat flour is concerned. But it keeps fluctuating. Similarly, fish meal and also the soya bean meal. So, the prices of the feed, to take a long term view of this and keep stable price is definitely a good procedure.

But nevertheless, it happens depending upon that, we are taking whatever the burden of additional for ourselves as of now. And there is no increase. And coming to your question as to the prices which have raw materials come down, will there be any price cut? That's what I think you're asking for. So that we always keep it as fluctuating, but there is no such move as of now.

Ronak Soni

Right sir. And sir, any guidance for processing remains unchanged versus last quarter or any changes in the lower volumes?

Alluri Nikhilesh

Could you repeat your question again?

Ronak Soni

So I was saying that you used to give guidance in terms of processing volumes for the full year, which was I think anywhere around 1,500 metric tons, if I'm not wrong. So does that remain unchanged for the full year or you revised the guidance?

Management Team

I think in the opening remarks, we said 16,000.

Ronak Soni

Right. Okay. Sure. That's it from my side.

Moderator

Thank you sir. Next question comes from Kunal Ochiramani from Kinara Capital. Please go ahead.

Kunal Ochiramani

Sir, I just wanted to ask regarding the policies. Does government include us in regarding claiming the policies with shrimp as we are one of the major exporters from India? Second, if any other policies, have been announced recently wherein apart from what we are availing today, will we be eligible in future? Has there be any announcement in this budget? That's what I wanted to ask.

C. Ramachandra Rao

See, normally before framing the policy, the budgetary policy, concerned departments will have discussion with the Seafood Exporters Association, MPEDA and all the major stakeholders in the Feed and they formulate the policies. And recently, budget has proposed certain decrease in import of certain ingredients, feed ingredients and also like the fish feed and also shrimp feed and some of minerals, premixes and all these things. But this policy is framed on many, many factors which are taken into consideration before the decision is taken. They take input from the stakeholders like seafood processing, they take from hatcheries, they take from the feed industry and they take from the farmer's association.

Overall the financial situation also they take as far the industry is concerned, whatever the policy that is made is in tune with the inputs that they got. So for instance, recently, they have announced some supports for having Brood stock getting that and also encouraging the clusters by financing them. They are export financing and all these things are coming. But all these things are made in the budget speech. But none of these things have really taken place nor they have come in form of a procedure, the regulations, how it should be done. Even for the employment generation and encouraging the manufacturing units. All these things have been mentioned in the budget, but we are all awaiting for the outcome of how the NABARD is supposed to be the nodal agency for extending the financial support.

And we are waiting for the procedures and regulations for operating these schemes announced by the Hon'ble Finance Minister. So overall, I don't think there will be any big announcement as far as the policy is concerned. However, the GST part that has been left to the GST Council, so we'll have to wait for the GST Council's decision how they monitor the taxes, the GSTs on various products that is going into the manufacturers as far as our sector is concerned, how they are going to make any impact.

Moderator

Thank you sir. Ladies and gentlemen If you have a question, please press * and 1 on your telephone keypad. Next question comes from Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath

Hi sir, in terms of your production has gone up YoY for the Q1 in terms of the shrimp processing, but the revenues and the sales have kind of come down YoY on the shrimp processing side. I just wanted to understand that because the volumes have gone up, but the volumes of sales have not gone up, but the production has increased. So do you see subsequent quarters the ramp up in the sales? That was point one. The second

question I had was on the duties which have been removed on the fish meal, which is one of your raw materials. I just wanted to understand what is the benefit for you on margin. And also, if you could give a mix of what are the raw materials involved in the shrimp feed? What percent is fish meal and the wheat and the soya?

I remember in the last call you had mentioned that the because the situation in Chile, there was this massive rise in the fish meal prices. So if you could just throw some color on that, that would help us to kind of understand what your margin outlook would be for the current year?

Alluri Nikhilesh

Yes, I'll take the first question. So on the production, we've increased the production like you pointed out. However, the sales didn't increase as much, mainly because a lot of stock is in transit. Now the transit time has substantially increased due to the Red Sea crisis, so they're taking an alternate route. That's the first part. The second part is that we have a lot of inventory in the warehouse, which hasn't been shipped because of unavailability of containers. So those were the two main parts of why the production has increased and sales hasn't, but you'll see that cashing up in the coming quarters.

C. Ramachandra Rao

Yes. Coming to the feed, you raised couple of questions. Number one is with regard to the impact of the prices, the policy changes that have been made in the recent budget. Practically, as far as the domestic shrimp feed industries are concerned, there is no advantage at all because the first thing is that we have reduced the customs duty on shrimp feeds. What happens is that when the prices come down, we start getting imports from other countries becoming competitors for us in the domestic industry with a severe competition from them. And we have already more than what is the annual consumption. We have 3 or 4 times more than the requirement of the production capacities in India today.

In fact, we have made several representations to the government also, because as you keep reducing the shrimp feed customs duty, basic duty, then it will be disadvantage for the Indian manufacturers just giving you a very good quality feed for the aquaculture in the domestic aquaculture industry. So that is not at all advantage. And any basic custom duty, now we have all the raw materials available in India. Almost every raw material is available. Earlier, we were importing fish meal from Chile and Peru. We give this reference because the Chile and Peru are one of the major countries producing the fish meal and supplying to the world over. So that is taken as the availability of fish meal there will determine the global prices.

So when there is a food crop in Chile and Peru, the global prices of fish meal come down. And that indirectly gives an advantage to us because our exports also will get reduced. So that is available for the Indian market. That is the advantage we give for Chile and Peru references. So that is the reason why we give it. And as far as we are concerned, we go by the domestic prices which again depends upon the two factors. One is fish catches. The other one is export demand. These are the two basic criteria on which we have the local prices are based. So when there is a good crop and also there is a globally availability of fish meal is good, the demand for export is not so much, then we get a reasonably good stable price.

If there is an increase in the demand, then the prices go up. That is one aspect of it. So similarly, soya bean meal and the wheat flour, as I told you earlier, as explained, it all depends upon the agricultural cost, which is YoY basis during the season. Now in October, November month, we get the soya bean, the fresh seed. So as of now, the crop is good and everything is going on well. So that we expect that the price of soybean meal will be stable. So coming to your question with regard to the proportion how much we do it, is it something like a formulation depending on so many factors and which cannot be determined or disclosed. That can be a confidential information which the company has.

And the formulation is made according to the requirement of the particular season and particular areas, that is how it is done. So, I think we cannot disclose, this information, because it is not only one formula which is applied universally. Ok.

Mithun Aswath

Yes. Just the last question, for the next 3 quarters, are the raw materials on a holistic basis lower for you compared to the last 3 quarters of last year or are they higher? So as to judge how your margins are going to fare over the next few quarters. My sense is that right now, are the prices of the raw materials lower than last year for the second quarter or are they kind of flat? Just wanted to understand that.

C. Ramachandra Rao

So just I explain the reason for giving so much explanation in our presentation initially is that to understand how the raw material prices are fluctuating and it is not actually stable. Suddenly, if it goes up to INR 121, it comes down to INR 119 sometimes. So it is very difficult. In a quarter, you will find in 3 months in 3 different rates for all these products whether soya bean meal or fish meal or wheat flour. In such a case it is very difficult to exactly say whether the prices will go up or come down. We do not know sometimes in spite of having a good crop, we find the prices going up. For instance, in wheat flour, we don't know why it's going up.

The government policies, for example, government, the procurement by the Corporation of India, the wheat is more now. So, they want to keep it as a food security policy. So, with the result of so much of wheat flour going into the government godown, the FCI godown, it is not available in open market. The prices are going up. Like similarly the situation in case of fish meal, if the catches are not good, we don't get, the prices go up. Similarly, if there is a demand for export, the fish meal producers would like to export rather than to sell in the market. When we approach, they say you give us the export price, we will give you. That is what it happens. So it is very difficult to really come to a point where we can be predicted with a reasonable accuracy. It is very difficult. So that's why we keep explaining so much about it.

Mithun Aswath

I understood, sir. At least for the next quarter, do you have a visibility of is it better or worse than last year?

A. Indra Kumar

We cannot say now because right now they are soft. But it all depends on the international market situation.

Mithun Aswath

Okay. And one more question I had, if I may, on your new venture on the pet food business. Just wanted to understand what is the investment that you're doing here and what kind of scale can this business do? And is this primarily for the export market? Or would there be a domestic play as well here?

C. Ramachandra Rao

Yes, these pet products are for only domestic market. It is not for export. It is for the domestic market. And the investment is expected to be around INR 130-150 crores, of which we have land cost, we have invested about INR 35 crores as of now. And also we had spent about INR 2.5-3 crores for other expenditures for the survey of the demand for pet foods and other branding and other staff that we have expanded. We spent about INR 2.5-3 crores. And as far as the product, as we told you, we are planning to launch before 31st March 24. CMD, you may add something if you would like to add?

Indra Kumar

Yes. See, usually, it will be a domestic market. The market is going up on a drastically high pace. We can establish our brand; we will also look at the export markets.

Mithun Aswath

Right. I'm just trying to understand this is a completely type of different type of business, right? You will have to create your own brand, a lot of marketing and all that. Just wanted to understand.

A. Indra Kumar

Technology wise, the manufacturing of feed and all, they're similar to what we are manufacturing shrimp feed or something like that, but it's a different pet animal. So, it's again a formulation and what the pet requires. And regarding the marketing, yes, in the shrimp feed, it is the farmers who buy the seed for the commercial crops. Then in the pet food, it is like pet owners. It is more of an emotional thing and we have to work in the consumer market.

Mithun Aswath

Right. And if I can squeeze one last one. Whenever these farmers have a bad crop, they bought this feed from you. Do you see potential losses or write offs? And how does that work? Or is there the government helping fund those purchases?

A. Indra Kumar

No. See, the farmer buys feed as per the requirement. Say, he would always plan his requirement of feed as per his requirement and he would be taking from the dealers. And see, if he will be given back to the dealers if he has some problem with the crop and dealer will sell to some other farmer. This is how it goes.

Mithun Aswath

Right. I'm just trying to understand in terms of there would be quite a bit of a loss that you would have incurred, right, because of the last couple of months. I just wanted to understand what is that impact.

A. Indra Kumar

See, they will not return back the feed to the company. It is only the uptake, see, because as you saw, this year rains are good, and there's a lot of flood. Because of the heavy rain, there was a flooding on some of the areas. Because of the flooding and all, there has been diseases and there has been over flowing in shrimp farms. That's what that has happened from end of June and July. But now it is quite stabilized. Now the farmers are going back for stocking. Because good rains in the country also, emphasizes good

crops. But the heavy rains are there, they'll all lose the crop. But generally, the water regenerates it's a good sign for the country for the agriculture and aquaculture.

Mithun Aswath

Fine, sir. Thank you.

Moderator

Thank you. Next question comes from Vedant Mehta from QRC Investment Advisors. Please go ahead.

Vedant Mehta

Yes. Hi, good evening. I just wanted to understand the EBITDA margin expansion. Is it linked to only the raw material prices being depressed? Or what other factors that are driven by?

C. Ramachandra Rao

So basically the major contribution factors are the raw material prices. So the other expenses be the normal the fixed expenses under other labor and all, we have the standard expenditure. And the increase in expenditure YoY basis, it will be there by increments of the salaries, etc. It will be the overall expenditure increase will have an impact on that.

Shanthilata

And transportation cost is the major factor in case of frozen food. So the ocean freight also affects the EBITDA.

A. Indra Kumar

Because of the Red Sea issue and the shortage of containers because the US and the European governments are imposing some tax on the Chinese products from September 1st shipments received from September sometime in September 1st. So they are shipping out, all their cargos before that, it reaches before that. So all the containers have been booked by the Chinese companies, majorly the lithium batteries and the electric cars. So the Ocean price have gone up very high because all the space in the vessels have been booked by the Chinese companies at a very high price. So, for us to as earlier our yesterday, as Nikhilesh has said, there are shortage of containers and shortage of space in the shipping vessels because everything has been booked, which would be eased by,

end of this month or something like that because, the deadline would be over for the Chinese.

And the EBITDA margin, yes, definitely, on the frozen side, definitely it works on the raw material side and also since the shortage of containers and space in the vessel, the ocean freight have gone up almost 3 to 4 times high.

Vedant Mehta

Ok, thank you.

Moderator

Thank you. I request the participants to restrict with 2 questions in the initial round and join back the queue for more questions. Next question comes from Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat

Yes. Good evening and thank you for the opportunity. So I just wanted to know about the demand outlook in the shrimp processing segment for various geographies, specifically US and EU? And how do you see competition coming out from Ecuador?

Alluri Nikhilesh

Okay. Thank you. I'll answer that question. So on the production side from Ecuador, I think, see, Ecuador today is the largest producer of shrimp, but they do not compete in the same categories as the Indian processing industry does. Ecuador does more whole shrimp or headless shrimp like commodity shrimp, where India is more into peeled shrimp and moving more into value addition. So that way, I don't see that Ecuador is really a threat to India, but there is oversupply, which is balancing slowly more efficient producers will stay in the market in terms of producing nations. The demand in the US market, Europe, also the rest of the world continues to be stable, not great changes.

Hopefully, the low pricing of the shrimp, the protein of shrimp drives in more consumption. There's more marketing activities that are being done. For the company itself, a strong quality standards and product continues to have good traction in the customer base. So we will continue to focus on expanding in all these markets.

Pradeep Rawat

Yes. Thank you very much and wish you all the best.

Alluri Nikhilesh

Thank you.

Moderator

Thank you. Next question comes from Sameer Deshpande, an individual investor. Please go ahead.

Moderator

He has withdrawn his question sir. Next question comes from Devam Modi from Ardeko. Please go ahead.

Devam Modi

Yeah. Thank you for the opportunity. To begin with, could you share the details related to the PLI incentive that the company has received or is eligible for going ahead?

DVS Satyanarayana

We will send an email. You just send an email so that we will reply back. We have already explained in the presentation we will reply back to you.

Devam Modi

Okay. Sure. And, just like you highlighted on the pet food front, if you can also share on the fish feed front, what is the investment and resources that we'll be looking to allocate this year and next year in FY 25-26?

C. Ramachandra Rao

The fish feed we have only we have employed some senior executives who are undertaking the Feed survey. And we are ready in the process with identifying the fish species which is suitable for India and for that feed. So we want to take up trials to do the trials with imported feed from the Thai Union feed mill and first experiment here and see whichever is the Indian conditions is suitable. We would like to start importing and do it initially. And thereafter, we want to produce in India. We have the civil works ready. It is only the machinery that we have to order and we can immediately start within a matter of about 6 months, we can start production.

Once we establish the demand, supply and what is the requirement, what is the species that require that is in need in Indian conditions, we will start. So it will take maybe so

we are now under the process of the survey and trials. We are going to import some feed and do trials in India. CMD may would like to add some.

Indra Kumar

Yes. The fish feed, we have a lot of fish available in India, which is a majorly low cost fish and the feed for instance, very cheap feed and it is anybody can make that feed. But the species, what we are looking at is in earlier meetings what we said, we wanted to go for a high variety of species, which is already being done in the past of developing in India, like Baramundi, Seebas or Snakehead or Kraut or different varieties of fish, which is already people have taken up culture and they're doing a lot of trials on it. We are developing feed for that, which is already existing with Thai Union, which they are doing in Thailand, which we want to import earlier and start doing trials with the development of the market.

And if those variety of species develop with a high protein applied to high protein and good protein fish, which needs high nutrition, nutrition value, there are a lot of technologies involved. So we want to get into that. Then the commodity grades the question of you asking how much Capex would be around, see, once we decide on that, but initially we are importing and once we decide on that, the Capex of INR 100 crores would be there.

Devam Modi

Okay, sure. And in this case, so based on what you highlighted, it should be more like a high margin, but relatively lower volume than sort of the shrimp feed business. Would that be the right impression?

Indra Kumar

Yes. There are fish available you know, common carp and all, which are traditionally from India. So farmers most of the common carbs, farmers make their own feed because it's a very cheap it comes around the 15-20 rupees' net manufactured feed for themselves. And for the financial savings, it is anything. But this variety of fish, we'll see people are going trial and doing the trials are high quality fish. High quality fish like sea bass and all these are high protein and high nutritious fish which require high nutritious feed. So we have to target that. The volume may in future, it may increase to a higher side depending on the consumptions and the development.

Devam Modi

Okay. Sure. And there would be an overlap in the customer that you would be having on the shrimp feed style, there would be an overlap with the fish feed to the higher end.

Indra Kumar

No, there would be no overlap. There's a different segment, totally.

Devam Modi

Okay, sure. And just one bookkeeping sort of question. In FY24, we see that there is a power and fuel expense of INR 94 crores. How much would be the amount attributable to the power side and how much to the fuel side within that?

Alluri Nikhikesh

Could you send an email, and I will just break it out and send it to you?

Devam Modi

Sure. No problem. Thanks. That's it for my side.

Moderator

Thank you. That would be the last question for the day. Now I hand over the floor to management for closing comments.

C. Ramachandra Rao

On behalf of, the board of directors and also the management, I would like to thank all the investors who have participated for having more discussions, more questions and having more clarifications. It is good to have such a session whereby the management has the investors also to be more transparent in disseminating the information about the company prospects, the profitability, margins, etc. I once again thank all the investors for taking active part in this session and made it more fruitful. Thank you.

Moderator

Thank you. 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 pleasant day.

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