

November 27, 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 post earnings Audio Conference Call for the Q2 H1FY25 ended on September 30, 2024.

Further to our letter dated November 20, 2024, we enclose herewith the transcript of post earnings Audio Conference Call for Investors/Analyst held on November 20, 2024 in connection with unaudited financial results (Standalone and Consolidated) of the Company for the Q2 H1FY25 ended on September 30, 2024 and the same will also be available on the website of the Company at <https://avantifeeds.com/corporate-announcement/#Investor-Analyst-Corner>

This is for your information and record.

Thanking you,

Yours faithfully,
For **Avanti Feeds Limited**

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



Avanti Feeds Limited Q2 H1 FY25 Results Conference Call

November 20, 2024, at 16:00 hrs. (IST) for a duration of 60 mins 09 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

Mrs. Lakshmi Sharma

Senior Manager - Corporate Affairs

Moderator

Good evening, ladies and gentlemen, I am Soumya, the moderator for today's conference call. Welcome to Avanti Feeds Limited Q2 and H1 FY25 Earnings Conference Call. We have with us today, Mr. C. Ramachandra Rao, Joint Managing Director; Mr. A. Venkata Sanjeev, Executive Director; Mr. Alluri Nikhilesh, Executive Director of Avanti Frozen Foods Private Limited; Mrs. Shanti Latha, GM of Finance and Accounts; Ms. Lakshmi Sharma, Senior Manager, Corporate Affairs, 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 that 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, Soumya. 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 Q2 FY25. Along with me here are Mr. A. Venkata Sanjeev, Executive Director; Mrs. Shanti Latha, General Manager, Finance and Accounts, Mr. D.V.S Satyanarayana, CFO, and Lakshmi Sharma, Company Secretary. And Mr. Nikhilesh is joining from the Avanti Frozen Food processing plant from Yerravaram.

To begin with, Mrs. Shanti Latha, GM, Finance and Accounts of Avanti Feeds Limited will present highlights of the financial results for the period ended 30th September 2024 of Feeds 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'll take up question-and-answer session. Over to you, Mrs. Shanti Latha.

Shanti Latha

Thank you, sir. Good evening. Now I'll take you through the consolidated and feed division financial performance highlights for the quarter ended 30th September 2024.

CONSOLIDATED FINANCIAL RESULTS FOR Q2FY25:

(A) Q2FY25 RESULTS,

The comparative performance of Q2 FY25 with that of Q1 FY25 and Q2 FY24 have been given in the presentation already circulated. Gross income in Q2 FY25 is INR 1,397

crores as compared to INR 1,541 crores in the previous Q1 FY25, a decrease of INR 144 crores by 9.34%. Compared to Q2 FY24 gross income of INR 1,312 crores, there is an increase of INR 85 crores by about 6.48%. The PBT is INR 162 crores in Q2 FY25 as compared to INR 180 crores in Q1 FY25, a decrease of INR 18 crores by 10%. And compared to Q2 FY24 PBT of INR 113 crores, there is an increase of INR 49 crores by about 43.36%.

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

STANDALONE FINANCIAL RESULTS OF FEED AND PROCESSING DIVISIONS

A. FEED DIVISION:

Q2FY25 RESULTS

The gross income for Q2 FY25 is INR 1,118 crores as compared to INR 1,298 crores in the previous quarter of Q1 FY25, a decrease of INR 180 crores mainly due to decrease in quantity of feed sold by 23,694 MT. The gross income in Q2 FY25 increased to INR 1,118 crores from INR 1,064 crores in the corresponding quarter, an increase by INR 54 crores representing 5.07% due to increase in sales quantity by 7,033 MT.

The PBT for Q2 FY25 is INR 145 crores as compared to INR 153 crores in Q1 FY25, a decrease of INR 8 crores by 5.22%, mainly due to decrease in sales volume. The Feed sales decreased to 1,34,897 MT in Q2 FY25 as compared to 1,58,591 MTs in Q1 FY25. The PBT in Q2 has increased by INR 59 crores from INR 86 crores in Q2 FY24, represented by 68.6%. The increase in the PBT is because of the raw material and other overhead absorption.

- So the major raw materials are fish meal, soya bean meal and wheat flour. The noticeable development in this quarter is marginal softening of two major raw materials that are fish meal and soya bean meal prices resulting in marginal improvement in the profitability.
- 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 decreased in Q2 FY25 to 105 per kg from INR 117 per kg in Q1 and from 126 per kg in Q2 FY24. In case of soya bean meal, their prices were stable at INR 49 in both Q2 and Q1 of FY25, and it was INR 54 in Q2 FY24. However, the wheat flour price increased to INR 31 per kg in Q2 FY25 from INR 28 per kg in Q1 FY25 and Q2 FY24. The present price of wheat flour is INR 36 per kg, which is a steep hike from Q2 FY25.

- While on the one hand the raw material prices are instrumental in determining the margins, on the other hand, the status of aquacultural activity conditions such as climatic changes, diseases et cetera determine the consumption of feed in terms of volume, which will have an impact on the overall performance.
- In the normal course, the quarter July to September is when the second crop for the shrimp culture is started. However, in the current year, due to cyclone and fires in Andhra Pradesh during July and August, the consumption of feed at a lesser volume as the harvesting took place early with small sized shrimps that is 100 count, and the culture didn't progress as expected.
- However, favorable climatic conditions supported farmers to restocking from September, extended the season from October, November, and December, raising the hopes of higher consumption of feed during Q3 FY25 compared to corresponding period of the previous year.
- To sum up, in general, FY24-25 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. In spite of the challenging year, your company is expected to have better capacity utilization.

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

SHRIMP FEED CONSUMPTION:

So, on the basis of estimated shrimp production of about 10.5 to 11 lakh MTs in 2024, the feed consumption is expected to be about same level. The company's feed sales during the half year ended FY25 is 2,93,487 MT against 2,93,370 MT in half year FY24.

SHRIMP PROCESSING AND EXPORT

India's 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.

The country's shrimp exports 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 shrimp in quantitative terms for FY24 was 7,16,004 MTs as compared to 7,11,099 MTs in FY '23, an increase of 4,905 MTs representing 0.69%.

The company's shrimp exports during FY24 was 13,443 MTs as compared to 12,497 MTs in FY '23, an increase by 946 MTs. It is estimated that the exports during FY25 would be around 16,000 MTs.

Now I hand over to Mr. D.V.S. Satyanarayana to present highlights of shrimp processing and export division.

D.V.S. 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:

Q2FY25 RESULTS

- The gross income for Q2 FY25 is INR 284 crores as compared to INR 243 crores in Q1 FY25, an increase by INR 41 crores, representing 17%, mainly due to increase in sales quantity by 640 metric tonnes, representing 23%.
- The gross income in Q2 FY25 increased to INR 284 crores from INR 253 crores during Q2 FY 24, an increase of INR 31 crores representing 12% year-over-year. The sales volume during Q2 FY 25 increased to 3,423 metric tonnes from 2,950 metric tonnes in Q2 FY 24 and increased by 473 metric tonnes.
- The PBT before exceptional items for the Q2 FY25 is INR 23 crores as compared to INR 27 crores in Q1 FY 2025, decreased by INR 4 crores. The PBT decreased mainly due to increase in raw material costs during the quarter.
- The PBT in Q2 FY25 is INR 23 crores, a decrease from INR 31 crores in the corresponding quarter of Q2 FY 2024, primarily due to the impact of CVD, an increase in ocean freight and also depreciation on profitability in the current quarter.

Comparison of performance for six months ended 30th September, 2024 with six months ended 30th September, 2023.

- The gross income for 6 months during FY25 was INR 527 crores as compared to INR 491 crores in the corresponding 6 months' period of previous year that is FY 23-24. An increase of INR 36 crores in the gross income during 6 months of FY25 is mainly due to increase in sales quantity by 597 metric tons, representing 11%.
- The PBT in 6 months FY25 is INR 50 crores as compared to INR 64 crores in 6 months FY 24. A decrease in PBT by INR 14 crores is mainly due to CVD, and increase in ocean freight rates, and also depreciation.

Government Incentives:

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

- I. Sales Based incentive under Production Linked Incentive Scheme; and
- II. Grant in Aid under Operation Green Long Term Intervention scheme.

Production Linked Incentive scheme:

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

The company has received an incentive of INR 9.92 crores pertaining to FY22-23.

The total incentive, including FY 23, received until the quarter ended 30th September 2024 is INR 16.77 crores.

The MoFPI team conducted a physical site inspection in June 2024, as part of the investment verification.

The company fulfilled the investment obligation and also commenced production before 31st March, 2024, as committed to the Ministry of Food Processing Industries.

The incentive claim for FY 23-24 will be filed in the month of December 2024.

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 the month of December 2022.

Maximum Grant in Aid under the scheme is INR 10 crores.

The first installment of 1/3rd of Grant in Aid is due from the Ministry. The company has submitted all the relevant documents in this regard.

As required by the MOCP, the company shared the latest update on the project status and also geotagged photographs in the month of June 2024.

Now I hand over to JMD sir, for sharing future outlook of the industry.

C. Ramachandra Rao

Thank you, Satyanarayana. In my previous discussion with you, I had given an outline of global economic prospects and also prospects of aquaculture industry based on the World Bank Group's flagship report on global economic prospects. A review of the expectations and forecast made a quarter ago remains promising and achievable during

the year 2025. So, far there has been no tedious disturbing factors having major impact on achieving the projected performance for the year 2025, other than the normal fluctuations.

Global shrimp market versus Indian shrimp industry

Global ship market size was valued at USD 68.400 billion in 2022 and is poised to grow from USD 72.16 billion in 2023 to USD 110.775 billion by 2031 growing at the CAGR of 5.5% in the forecast period (2024 – 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 makes it a key ingredient in various dishes and its appeal extends across diverse cultures leading to the increasing popularity and consumption of seafood choice globally. Moreover, health-conscious consumers are attracted to low calorie, high protein food source of shrimp.

The global market for shrimp continues to be volatile and global industry expected to face a mixed outlook and I mean growing competition market shifts. However, the forecast continues to be promising, it projected higher volumes of consumption due to reasons mentioned above. The Government of India has been initiating several measures from time to time for encouraging increase in productivity in all sectors including shrimp culture and processing and export of shrimps. Apart from the existing incentives of Production Linked Incentive on incremental sales and one-time Grant in Aid under the Operations Marine scheme for setting up seafood shrimp processing plants.

In the recently announced budget for FY2425 under the leadership of the honorable Prime Minister, the honorable Finance Minister has announced financial support for setting up a network of nucleus breeding centers for shrimp root stocking and financing for shrimp farming, processing and export facilities through NABARD.

We understand that the NABARD in consultation with the Government of India Ministry of Fisheries are working on these proposals. Apart from these incentives, as mentioned in my previous discussion, the honorable Finance Minister has also announced incentive scheme for employment generation and skilling in her budget speech for FY24-25. The company has initiated the following central government schemes during Q2 FY25.

1. Apprenticeship program: we have initiated the hiring of apprentices under the National Apprentices Promotion Scheme and have selected 75 apprentices under the Apprenticeship Act. By March 2025, we aim to train at least 150 apprentices across all

our facilities. The apprentices will be imparted training in shrimp culture, shrimp processing, hatchery, and feed related activities. The other incentive is the:

2. Prime Minister Internship Scheme. We have enrolled in recently launched PM Internship Scheme to its portal. Initially, we'll be taking about 100 interns and the process will begin on 25th November this year. Further, the company has been training workers on personal hygiene, team building, housekeeping, techniques, anger management, communication, and grooming in association with 'Learnet' a Business Affiliate of National Skill Development Corporation since July 2024. A total of 350 workers have been trained to date as part of Phase I and an additional 500 workers will be trained in Phase II.

I would like to share an update on levy of CVD by U.S. on ship imports by them. The U.S. Department of Commerce announced its pilot determination on 22nd October 2024 in the countervailing duty investigations of frozen warm water shrimp from Ecuador, India, Indonesia, and Vietnam. The proposed rate of CVD for India is 5.77% as in its preliminary determination of 4.36%. However, this rate is subject to U.S. International Trade Commission's final announcement which is expected in December this year.

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, involving the investment by them along with the transfer of technology. This joint venture company's name is Avanti Pet Care Private Limited, which has been established as a subsidiary of Avanti Feeds Limited. The company has purchased about 30 acres of land to set up the facility under APCPL. APCPL will initially commence trading of pet food products in India under the APCPL brand name importing from Bluefalo, Thailand.

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, for which the company is already recruited team for market development for the company's products.

Fish Feed:

Apart from pet care, we have fish feed, which we have been making a lot of efforts to bring into Indian fish culture. As reported earlier, the company has undertaken market survey for fish feed for various species of fish, and intends to initially import feed from Thai Union Feedmill Company Limited and conduct trials under Indian conditions.

Once the product performance is approved, the production in India will be taken up for domestic sales. A very serious study is being made on this aspect. And we have identified about 5 or 6 the fish culture ponds where fish culture is being done, and associated with them for import of the sample feed trial runs will be held. And if it is proved to be effective in Indian conditions, it will be brought initially as a trading activity. And in course of time, we will set up necessary production facilities in our existing feed plant for which already there is sufficient civil works. This is only the import rate, feed, the machinery has to be installed to start production.

I think we have covered all the aspects. And we will I think we can take up the question and answer session now. Okay, thank you, Soumya. We can start the Q&A session.

Moderator

Thank you so much, 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 please 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. Our first question comes from Mr. Kunal Ochiramani from Kinara Capital Pvt Ltd. Please go ahead.

Kunal Ochiramani

Hi, sir. Congratulations on good numbers. Just wanted to know this quarter was good in terms of exports due to strong demand in Europe. So just wanted to gauge how the global demand is currently? And how will it be as per your industry? Secondly, there was marginal softening in commodity prices. However, as your team reported in processing, you see raw material prices the profits were down. So on that front, wanted some clarity? And overall, some clarity on when are you going to take on fish feed business?

C. Ramachandra Rao

I think first question, Nikhilesh, can you answer that first question, please?

Alluri Nikhilesh

Okay. Hi Good evening. So, on the global demand question, shrimp continues to be a strong seafood category. Lot of customers, consumers always think shrimp is a good seafood meat. So consumption only will increase with higher income levels. So that's positive. And being closed in, it can give also long shelf life. So like overall, global demand for shrimp is good and is forecasted to be positive in the long term. What was the second question?

Kunal Ochiramani

It was about the raw material prices being high in processing business and hence the profits are down?

Alluri Nikhilesh

So, in September this year, it was very unfortunate that Andhra Pradesh suffered huge rainfall. So a lot of crops, shrimp ponds were washed away. So the off season continued instead of for 2 months for almost 3.5 months where we didn't get the second crop even till now. So we had to buy raw material at higher prices due to limited availability. So that was the reason for the high cost of input.

C. Ramachandra Rao

The third question, can you please repeat?

Kunal Ochiramani

For the fish feed business?

C. Ramachandra Rao

Fish feed as I told you, the fish feed business, we have undertaken lot of survey. And also, we have identified about 6 farms, the fish culture farms, where we would like to run the trial feeding and seeing the results how the fish feed, which is the formula which we have now, that is Thailand, Thai Union has got that fish feed which we are going to import and use it here in our farms, and see how the results are.

Because there are several varieties of fish like Sea bass and unless each product has got different parameters, like protein levels that is required, so it is a bit difficult for us to have a different type of products under the species of fish. So, what we are doing is now we are trying to undertake the trials in respect of each one of them and try out in about 5 to 6 fish culture farms. We have entered into some sort of understanding, MOU, with the owners of these farms to undertake the trial runs. And once it is proved to be effective, and if it is good, then we will make them produce in Thailand and import to start with. And gradually, we will, once the demand picks up in India, we will start our own production facility in course of time.

There's a lot of work is being done because the price is another important challenging factor which the prices of Indian products keep fluctuating. And once we enter into the imported fleet, it will have a cost effective, and we will determine the demand for the product. So, we are trying to balance these two things and arrive at a competitive price for the Indian farmers so that we will be able to give them in competition with the other

producers in India. So, while it gives a better ease, it should be competitive also. Price should be competitive. That is what our endeavor is and we are working very seriously on this. Maybe next, 3 to 6 months we should be able to start off on this.

Kunal Ochiramani

And relating to my second question, sir, CVD and freight rates are high, and it's been 2 months since the quarter has ended. So what is the outlook now and going ahead?

C. Ramachandra Rao

The final determination of CVD has come at 5.77%. So we'll have to see that announcement sometime next month and that will have a direct impact on that. But we are also working on various other cost effective measures and try to see that we'll still make margins out of this by increasing the value added products and all. I think, Nikhilesh, can you just throw some light on this?

Alluri Nikhilesh

So, CVD and ADD, they're two separate duties, countervailing duty and antidumping duty. And right now, our antidumping duty is about a little low 1%, 1.2% something. And CVD is determined to be 5.77% where the final determinations are being made right now. So maybe we expect or we anticipate that the CVD might reduce by maybe 4.4%, but not sure. But on the alternate route, all the other countries like Ecuador, Vietnam, Indonesia, everyone attracted CVD or ADD. Unfortunately, India stands with the highest duty of 5.77% compared to the other countries.

In the long run, in the past, we've had CVD duty for Shrimp before, but it's a lot of working with the government, the U.S. Regulatory authority, and also the private sector to submit and rework on some of these claims that the USDOC is making. And so this is a time taking process. But if you work it right, then the duties will come down. It's not any tariff per se, which was not revised previously.

So it is a complicated case. It is a small problem for India at the moment and also the other countries have CVD, so everyone has this problem. But on the long run, I think we can work with the government to reduce such duty. And second, also, this also means higher selling price in the market. So that would be helping to drive revenues up, because the selling price of shrimp has been falling continuously for the last 2, 3 years. So that's about the CVD and ADD.

C. Ramachandra Rao

It's very important, it all depends on the government there U.S. and also it is an ongoing process. It is almost done. The CVD, once 1 year, the 2nd year, again, it will be reviewed. And again, the data is collected whether what are the incentives that the government is giving, and what are the taxes that is being levied, and all that it will work out, and as Nikhilesh said, it may come down also in the next year. But it is an issue which we have to live with it. Because, the CVD has been levied by U.S. on almost all the countries. It is only our effort should be to reduce the CVD percentage on versus levied on Indian exports.

Moderator

Ladies and gentleman, if you have any questions, please press * and 1 on your telephone keypad. And you're requested to ask 1 question in the initial round and you may join back the queue for more questions. Our next question comes from Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat

Good Evening and thank you for the opportunity. So, I have just one question about Ecuador. So how is the competition pairing up with respect to Ecuador, especially after the power shortage issue over there?

C. Ramachandra Rao

Nikhilesh, can you take this one?

Alluri Nikhilesh

So, Ecuador, we've told in previous meetings that Ecuador and India, we have separate product categories. India does more of field and cook shrimp than Ecuador does head on well commodity products. On the power shortage, at the current moment, this has affected Ecuador's exports. They're not able to produce it much. So, the selling price in China has been moving up due to non-delivery from the Ecuadorian market from what we gather in market Intelligence. And also, in the U.S, there's also less exports of Ecuadorian shrimp in the past 1, 2 months. However, we need to see how this pans out in the long term.

Currently, we are most of the buying for the primary market is done for the holiday season. So right now, there's no large impact for any other producing country like India, Vietnam or Indonesia because of the power problems in Ecuador.

Pradeep Rawat

Okay, understood. And one last question, if I can squeeze in. Can you also mention the CVD on other countries like Ecuador and Vietnam?

Alluri Nikhilesh

Maybe if you could send an email, we can send it in the separate note.

Moderator

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

Nitin Awasthi

Hello sir, one question continuing from the previous participants' questions is that the amount of CVD that we have paid so far, I believe we are liable to pay CVD from April this year. And, for how far have we paid the CVD? And whenever we have paid it, have we booked it as an expense or as a different item?

C. Ramachandra Rao

Satyanarayana, the CFO, will answer the question.

D.V.S. Satyanarayana

Yeah. So far, the company has paid around INR 8.5 crores CVD till 30th September 2024. And whatever the CVD we deposit with the U.S. Government, we are booking as an expenditure. We are debiting to P&L.

Nitin Awasthi

Understood, sir. So as of now when the rate increase is coming, we're still continuing and depositing what we are depositing earlier or are we depositing as per a new rate?

D.V.S. Satyanarayana

No. We are depositing as per the existing rate, the rate which was decided during preliminary determination, which is 4.36%.

Nitin Awasthi

Understood, sir. So, second question from my side would be, are we looking to use BTGS as a component in our fleet given that there has been a lot of production of that commodity in the country now due to a different reason within the ethanol program? But however, there is a lot of animal feed company experimenting with this product. Are we also doing the same?

A. Venkata Sanjeev

No, listen, we're not using it in our shrimp field. Hello?

Nitin Awasthi

Yes, sir.

A. Venkata Sanjeev

We're not using BTGS in our shrimp field as a plug because it has some nutritional factors, which are not very good for growth promotion.

Nitin Awasthi

Understood. However, are we experimenting with it, trying to make it efficient? Or that is not out on the system?

A. Venkata Sanjeev

That is fact but we didn't get favorable results.

Moderator

Thank you, sir. Our next question comes from Kamal Sharma, an Individual Investor. Please go ahead.

Kamal Sharma

Thank you. So, my question relates to two recent announcements coming from government. So one is, of course, what you mentioned in the presentation about the budget, wherein there were, I think, three separate incentives where shrimp or aquaculture was referred to? And then a recent one, wherein there is a MSP hike on soya bean plus of course in your presentation, you have mentioned about hike in the EBITDA rate as well. So how do you see these two together? So first one is, what is the opportunity size and the project fee announcement open up for? And how long will this time be arranged?

And is it like, we if the government is planning to achieve those targets in 1 year, 2 years whatever or do we have that clarity yet? And of course do we have the capacity to support that opportunity utilization? Combined with the impact of soya bean price MSP announcement, so how will these two go together?

C. Ramachandra Rao

See, the MSP announcement has been there with from the government from time to time. And mostly it is related to some political activity rather than the real situation of the crop prevailing in the country. That has been the stand that has been the procedure that's been followed by the government.

Whenever they consider that the farmers are not getting remunerated for their crop, they increase the MSP. That is the MSP is the price at which the government procures the soya from the farmers. But there are other factors which are working in the market, it keeps on changing. For instance, recently soya price has been increased. So, MSP has been increased. But there we did not feel that much impact on the soya price as such - it is remaining more or less stable on 5% this side or that side, it is fluctuating on a day-to-day basis.

So, MSP is something which is the government regulation which says that if you buy from the farmer, you have to buy only from that, and for MSP, it's a price which, the farmer has to sell. That is the remunerative price. So that, in fact, we'll not have a direct impact immediately, but over a period of time, when the government start purchasing more, then it will have an impact. Then there will be demand for that. The prices will be more than the MSP. But as of now, it is not the situation as far as the soya is concerned. Coming to the other question which you mentioned?

Kamal Sharma

The opportunity standard is coming due to the budgetary announcements?

C. Ramachandra Rao

Yes. The budgetary announcement is about the, the other things that are about the, as far as the aquaculture industry is concerned, they are for processing and export. We have already explained the details of the schemes that are in operation now. And other than that, they are trying to encourage a nucleus breeding centers for the brood stock. That is one of the major constraints that India has been facing, because India does not have a proper brood stock available for the culture.

We have been importing from different countries, and each time the quality of the brood stock varies, and sometimes it will have less survival, sometimes it will have quick

disease, prone to diseases and all. So the Government of India would like to now encourage the Indian farmers or processing units, the stakeholders, to start nucleus breeding centers for these brood stock. But, with the support of NABARD. But so far, no instructions or no scheme has been announced by NABARD. I think we'll have to wait for some more time if they come out with the, for on this proposal.

Other than that, as we have explained, they are encouraging the employment. So they are increasing the apprenticeship programs and also internships. As far as the aquaculture industry is concerned, we are taking number of apprentices in each of the shrimp culture activity. For example, in feed manufacturer and culture itself, shrimp culture and processing, we are training them. So that is an advantage which overall if it is possible for Indian shrimp culture to make more economic and more competitive prices globally - it will have a very good future as the consumption of shrimp is increasing globally.

These are the impacts of budget. But government seems to be very serious about this. They are taking aquaculture, marine food products export as one of the major trust areas for the government for adding foreign exchange and as well as also employment generation. Okay, I think I've answered your query.

Kamal Sharma

Yes, to a large extent, but I just wanted to know if you have any numbers also available, in order?

C. Ramachandra Rao

For what sir? No numbers as of now. See, government schemes, it'll take time. See, there are several schemes which were announced in last budget, they were not implemented at all. So it will take some time. See, when they really got it only with, after a lot of pressure, they commenced these 2 programs mainly which is substantially helping the industry that is the PLI, and also Operation Green Scheme. These 2 are good. But again, there are some constraints in that also.

The government is always, you know, in the situation they announce, but when the time comes for implementation, there are lot of bottlenecks for that. So they try to take these bottlenecks. We are trying to solve one after the other. So in course of time, we should be able to get these benefits. But to give numbers, as of now, nobody has got numbers as to what is the projected advantage of this.

Moderator

Thank you, sir. Our next question comes from Suresh Pal from KRST Capital Limited. Please go ahead.

Suresh Pal

Thank you for the opportunity. So, my question is, we can see that the global shrimp prices are rising from quarter to start. I can see that from July end, this month of October, shrimp prices have risen more than 10%. I would like to know how Avanti Feeds will likely be benefited from this shrimp price rise that is happening in last 3, 4 months?

C. Ramachandra Rao

Nikhilesh?

Alluri Nikhilesh

Right now, there is, I think, the shrimp price increase, I don't think there's any such benefit for the industry because this price increase is mainly due to new duty levies. So there's no impact as such except the revenues are forced to go higher. So that's only, I guess, direct impact on to the company in the immediate term.

Suresh Pal

No, but duty might have risen 5%, 6%, right? But the price rise is more than 10%. Like if I consider 3, 4 months, it is more than 10%?

Alluri Nikhilesh

Are you talking about the selling price?

Suresh Pal

Yes, selling price I'm talking about.

Alluri Nikhilesh

I don't know if it's increased by 10%. There are some sizes which have actually increased by 8%. There's 1 or 2 sizes, but on average about 3% to 4%, 5%, maybe, but that's only because the raw material price is higher. So it's not at the market accepting higher price at the retail store at the foodservice store. It's more with the duty and higher raw material price at the moment.

Moderator

Thank you, sir. Our next question comes from Amit Kumar Rajput from Capital Craft Research. Please go ahead.

Amit Kumar Rajput

Thanks for the opportunity sir. So, my first question regarding the American election and the recent policy shift you are looking for. As of now, our majority of business is coming from America, so any content sort of policy safety you are preparing for it as of on a tariff side?

Alluri Nikhilesh

So, on the U.S., I think with Donald Trump coming, at least my personal opinion is that it's more positive for India because the last term, he was there, there's nothing substantial against India or Indian people. So, but, again, we don't know. So as a company that's diversifying our sales channels to other countries like Europe, Asia, and also Canada, Middle East, so trying to get more sales portfolio into these markets so that we kind of diversify the market rate.

Amit Kumar Rajput

Great to know. So, my second question regarding the margin side there. So could we see the recent trend in margin going forward in future? In recent your margin has been raise on a yearly basis?

C. Ramachandra Rao

Yes. See the margins are raising as it is obvious because of the margin softening of the raw material prices. So as long as these raw material prices remain at this level, we certainly make a profit, but unfortunately it's not in our control. So, we expect, the fish meal, which last year, it gave lot of trouble to us, because it was going up because of the exports. But this time, the Chile and Peru were the major suppliers of fish meal to the world. They have globally. They have their good crops. They are able to supply. So the demand from India has drastically reduced. So the fish meal producers in India have now look for Indian market rather than depending on the export market for a higher yield. That is number 1.

Number 2, coming to the other two products like the soya bean meal and wheat flour. See, the soya bean meal the production has been continuously good. See, each year, year-after-year, this year also, the crop has done very well, and, the harvesting has already started and we expect the prices to still stop soften. But we do not know, how

they are going to move, but it all again depends upon the soya oil. Soya oil is another factor which determines the price of soya bean meal.

So these 2 are the balancing factors for the soya bean meal. So we expect that, the prices remain at this level for some more time. If not going down, at least it will not go up. It's what our expectation is. So that being the case, as far as the soya bean meal is concerned, we are very comfortable as of now.

Coming to the wheat flour, it is surprising that the wheat flour prices are going up, like, you know, at a great speed going up. Nobody is able to exactly tell why it is going up. See, it is an essential commodity as far as the human consumption of wheat flour is concerned. So the rate at which it is going, it is impossible to even predict why it is growing. Crop is good. We are getting till March; we don't have crop. The next crop comes only in March. Still 4 months are left, 4, 5 months. But how it's going to be in these 4 months? It is expected that after Maharashtra elections, the prices are going to little soften.

We have to wait and see how this, particularly wheat flour, which no one is able to really imagine, but being the highly consumed product in a daily, families, the wheat flour is going up like anything which is surprising. So, we will wait and see. We are expecting that after Maharashtra elections by end of this year, their prices should come down. So if these prices remain, definitely we'll be able to achieve the margins what we have achieved now and we'll be able to maintain these margins definitely.

Amit Kumar Rajput

Okay. Fair enough. So, sir, my last question would be, if you can give me any sort of guidance regarding FY25 financial year on the margin side?

C. Ramachandra Rao

See, what happened was in the, earlier this quarter, there was, as Nikhilesh said, there was unexpected rainfall, it was cyclone and all, has reduced the crop. Actually, the duration of the crop, the main crop reduced. And they were forced to harvest, the 10 counts, sorry, 10 grams. There were 100 counts. So that's why the feed consumption has come down, the margins automatically will come down. But the best point of that is that later on in August September, the climate has really improved and it was very congenial for the shrimp culture.

So, the farmers have stocked it again and it's going well as of now. If nothing serious happens in next 1.5 months, 2 months, we should be able to, get the normal crop and

also then the consumption will also be there. We are expecting more or less whatever the last year's consumption plus or minus 5%, we should be able to achieve 5,40,000 MTs or something like that was the last year's feed sales. And we are also likely to register more or less the same sales this year.

And as I told you, because of the raw material softening, we may be able to get better margins compared to the last year. That's what our expectations are, positive expectations. And we'll have to wait and see for another one and a half months.

So that will result in automatically in the next FY25 ending on 31st March, which will be reflected. Again, if the situation continues, again, the next crop will start sometime in the January end and February beginning. Then again, there will be sales. I think it looks as of now very promising. Let's just wait and see because it's a very volatile market.

Moderator

Our next question comes from Sriram R, an Individual Investor. Please go ahead.

Sriram R

I have 2 questions. One is on the shrimp processing. Do you import the raw shrimp or do you have a shrimp farm? Second question is sorry sir, go ahead.

Alluri Nikhilesh

You may continue with your second question.

Sriram R

Yes. My second question is the budget had some provisions regarding decrease of custom duties for shrimp fee. So how has that impacted you? Are we seeing more imports now because of the duty cut?

C. Ramachandra Rao

Yes. First, I think, Nikhilesh, can you answer the first question?

Alluri Nikhilesh

We don't import any shrimp. India is one of the largest producer of shrimps. So, we buy shrimp locally. So as Avanti, we don't farm ourselves. We have like some contract farming, that's a major source of shrimp.

C. Ramachandra Rao

So as far as the reduction in the customs duty of some of the products relating to the shrimp culture, it's true that there is a reduction, but it did not really have any impact on us and rather it has a negative impact. As far as the proteins, protein premixes and mineral premixes, we were importing earlier, but now everything is available in India. Almost every product is available in India. And, what they have done is they have decreased duty on shrimp feed, imported shrimp feed, which is a negative point as far as our industry is concerned, the Indian shrimp feed industry is concerned. Because if reduced the price of imported then foreign companies are likely to dump their products in India.

So that, in fact, we have represented, to the government that please bring back the same level because if you reduce the shrimp fee duty, then the neighboring countries, they'll have the advantage of the reduced import duty, so they will dump in India. But we are, so far, there has not been so much impact on account of this. But certain advantages are there. The farmers do know that the Indian shrimp feed is more fresh and they are able to get better yields and all those things. So they may not immediately go unless it is really very attractive for them to go and it gives the expected results, the feed.

So that is the one disadvantage which we found. But as far as the other products are concerned, we are having all the products available in India. Only argan oil was reduced, but that is again a substitute for fish oil. But that is very expensive. And India has got plenty of fish oil available. So along with fish meal, we are buying locally the fish oil also, sourcing it. So there is no need for practically any import of raw materials. So there is no impact of reduced duty on our feed cost.

Sriram R

Sir, just one question. I mean, what is the pricing difference between the imported shrimp feed and our feed?

C. Ramachandra Rao

It is same. There is no difference at all. See, if you, in fact, look at the yields and performance of the Indian feed, it is much more. I think, Mr. Venkata Sanjeev will be able to give more details on this.

A. Venkata Sanjeev

So as of now, the prices are almost similar to Indian feed prices. The performance of the imported feed is not as good as the Indian feed, like Mr. Rao said, and also the new

Indian feed companies which have taken over the market share, so it's become very hard for the foreign players to enter and get a substantial market share.

C. Ramachandra Rao

See, the already most of the foreign companies are already in India. They have their plants. For example, CP, they are already, -there are so many foreign companies which are there in India. And there is no need for them to bring, import the feed. That's what we have represented to the government. See, they already, the foreign companies are there in this, feed manufactured in India and they are getting the feed. Then why should they, why should the Government of India allow reduction in custom duty on the import of these products? So, we hope that by next budget we will be able to get some favorable outcome of our representation.

Sriram R

Okay, sir. Got it. Thanks for an elaborate answer, sir. Very helpful. Thank you. All the best.

Moderator

Thank you, sir. Due to time constraints, that will be the last question. Now I hand over the floor to the management for closing comments.

C. Ramachandra Rao

Yes. Right.

Shanti Latha

Thank you, investors. Thank you everyone for participating in this call. So in case of any queries, you can reach out to us by mail. Thank you.

Moderator

Thank you so much. Ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all 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.