

June 06, 2023

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

BSE Code: **512573**

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

NSE Symbol: **AVANTIFEED**

Dear Sir/Madam,

Sub: Transcript of post earnings Audio Conference Call for the quarter and year ended March 31, 2023.

Further to our letter dated June 01, 2023, we enclose herewith the transcript of post earnings Audio Conference Call for Investors held on May 31, 2023 in connection with Audited financial results (Standalone and Consolidated) of the Company for the quarter and year ended March 31, 2023 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

Encl: As above



Avanti Feeds Limited Q4 FY23 Results Conference Call

31st May, 2023, at 04:00 PM (IST) for a duration of 59 mins 38 secs

CORPORATE PARTICIPANTS:

Mr. C. Ramachandra Rao

Joint Managing Director, CS & CFO

Mr. A. Venkata Sanjeev

Executive Director

Mrs. Santi Latha

General Manager - Finance and Accounts

Mr. D.V.S. Satyanarayana

CFO - Avanti Frozen Foods Private Limited

Ms. Lakshmi Sharma

Senior Manager - Corporate Affairs

Moderator

Good evening, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to Avanti Feeds Limited Q4 FY23 Results Conference Call. We have with us today from the management, Mr. C. Ramachandra Rao, Joint Managing Director, Mr. A Venkata Sanjeev, Executive Director; Mrs. Santhi Latha, GM Finance and Accounts and Ms. Lakshmi Sharma, Senior Manager, Corporate Affairs. As a reminder, all participants will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. C. Ramachandra Rao. Thank you and over to you sir.

C. Ramachandra Rao

Thank you, Pelsia. Good evening, ladies and gentlemen. I extend a warm welcome for this investors conference call to review the audited financial results of Q4FY23 and also FY23 as in full year. Along with me here are Mrs. Santhi Lata, General Manager- Finance and Accounts; Mr. D.V.S. Satyanarayana, CFO of Avanti Frozen Foods Pvt. Ltd. and Ms. Lakshmi Sharma, Sr. Manager, Corporate Affairs.

The results of Q4FY23 and FY23 are already with you for some time now, and we are sure that you would have already gone through them. However, though it may be a bit repetitive, I would like to share with you some of the key indicators relevant for our discussions today.

Consolidated Financial Results for Q4FY23 & FY23:

A. Q4FY23 Results

The comparative study of Q4FY23 with that of Q3 FY23 and Q4FY22 have been given in the presentation already circulated. Gross income in Q4 FY23 is Rs. 1,117 crores as compared to Rs. 1,132 crores in the previous quarter Q3FY23, a decrease of Rs.

15 crores, which is by 1.3%. Compared to Q4FY22 gross income of Rs. 1,348 crores, there is a decrease of Rs. 231 crores which represents 17%. The PBT is Rs. 140 crores in Q4 FY23 as compared to Rs. 96 crores in Q3FY23, an increase of Rs. 44 crores representing 46% and compared to Q4FY22 PBT of Rs. 121 crores, there is an increase of Rs. 19 crores, representing 16%.

The consolidated results indicate net impact of several factors, such as increase/decrease in income, expenditure and exceptional item etc., relating to 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:

Q4FY23 RESULTS

The gross income for the Q4FY23 is Rs.875 crores as compared to Rs.878crores in the previous quarter of Q3FY23, a decrease of Rs.3 crores mainly due to decrease in quantity of feed sales. The gross income in Q4FY23 decreased to Rs.875 crores from Rs.1050 crores in the corresponding quarter of Q4FY22 decrease by Rs.175 crores representing 17%, due to decrease in sales quantity by 29895MT.

The PBT for the Q4FY23 is Rs.107 crores as compared to Rs.70 crores in Q3FY23, an increase of Rs.37 crores by 53%, mainly due to stabilization of prices of major Raw Materials and marginal increase in Sales realization. The Feed sales reduced to 1,03,376 Mts in Q4FY23 as compared to 1,06,313 Mts in Q3 FY23. The PBT in Q4FY23 has increased by Rs.5 crores from Rs.102 crores in Q4FY22, representing by 5%.

As you know, the cost of raw materials constitutes major share of cost of Feed production, particularly, Fishmeal, Soyabean Meal and Wheat Flour. The average

raw material cost in terms of percentage over feed sale price was 80.63% in Q4FY23 as compared to 84.36% in Q4FY22 and 83.61% in Q3FY23, indicating a marginal decrease by about 3.73% as compared to Q4FY22 and 2.98% in Q3FY23.

It may be observed that the significant contributing factor for increase in margin is due to increase in operational profit from Rs.116.93 crores in Q4FY22 to Rs.133.49 crores during Q4, an increase of Rs.16.56 crores, mainly due to stabilization of raw material prices.

The average cost takes into consideration volatility of the major raw materials like Fishmeal, Soyabean meal and Wheat Flour, sometimes increase and sometimes decrease during respective quarters. The present rates of Fish meal, Soyabean meal and Wheat Flour are Rs.130/- per Kg, Rs.57/- per Kg and Rs.28/- per Kg, respectively.

Let me just deal with each one of them.

Export of Fishmeal from India:

The export of Fishmeal from India to countries like China, Taiwan, Vietnam etc., has gone up steeply over the past 8 to 10 months, creating shortage in Fishmeal for domestic consumption. The spurt in demand for exports is due to increase in import of Fishmeal from India by China, Taiwan and Vietnam etc. and also, shortage of fish meal in Chile and Peru, they are the, really the largest producers of fish meal in the world. Added to this, the Indian Rupee (INR) has been depreciating against USD giving a higher sales realization to Indian exporters further the exports are incentivized by Duty Drawback @3% on FOB Value and @3.10% of RODTEP. The Fishmeal production in India is about 3.75 – 4 lakh Mt per annum and Shrimp Feed Industry consumes about 3 lakhs Mt per annum for feed production i.e. 75% - 80% of Fishmeal is required for feed production. With the present trend for export demand, almost 3 – 3.5 lakh Mt per annum are likely to be exported. This is of great dis-advantage to the domestic consumers of Fishmeal, creating shortage and

pushing up the domestic prices. To mitigate this hardship, the Govt. of India is being approached to initiate measures to safeguard the domestic Shrimp Feed manufacturers in the interest of Shrimp exports earning valuable foreign exchange by export of Value Added Shrimps.

In this context, it is pertinent to mention that the recent budgetary decrease of Customs Duty on import of Fishmeal to 5% from 15% is not significant and advantage to the domestic consumers.

The price of Soyabean meal has been going up and down with marginal variation thereby on an average the Soyabean meal price has been stable. However, in the case of Wheat Flour, the price has been on decreasing trend with the price being stable at Rs.28/- per Kg, from Rs.33/- per Kg, earlier.

To sum up, I would like to share with you that the prices of these major raw materials along with related products like Fish oil, Soya Lecithin etc., keep changing from time to time depending upon the seasonality, production, global trends etc., which has direct impact on the raw material cost of the feed, beyond the Company's control.

Now, let me give a brief of Shrimp Processing Division.

B. Shrimp Processing Division:

Q4FY23 Results

- The gross income for Q4FY23 is Rs.245 crores as compared to Rs.256 crores in Q3FY23, a decrease by Rs.11 crores representing 4.3% mainly due to decrease in average sales realization by \$0.68/kg. However, on positive side, sales volumes are increased marginally by 15 MT during the quarter.
- The gross income in Q4FY23 decreased to Rs.245 crores from Rs.300 crores during Q4FY22, a decrease of Rs.55 crores representing 18% YoY. The sales volume during Q4 FY23 decreased to 2880 Mts from 3559 Mts in Q4 FY22, decrease by 679 Mts. The average realisation of sales also went down by \$0.60

per Kg, resulting in decrease in gross income. Added to this, the incentive of RODTEP income for the period Jan'21 to Dec'21 was accounted in Q4FY22 increasing the previous year income for comparative purposes.

- The PBT (Before Exceptional item) for the Q4FY23 is Rs.38 crores as compared to Rs.30 crores in Q3FY23, increased by Rs.8 crores, mainly due to decrease in ocean freight charges and increase in average USD/INR conversion rate by Rs.1.52/\$.
- The PBT in Q4Y23 is Rs.38 crores increased from Rs.21 crores in the corresponding quarter Q4FY22.

Now, let me give a brief of provision for recall expenses in the financial statement.

The Company has not made any additional provision for recall expenses in Q4FY23 since full provision has been made in the Financial Statements till 31st December, 2022 against the total claims received from the Buyers. Status of product recall is as follows:

Value of claims received and charged to Profit & Loss	Rs.35.62 Cr
Amount of claims settled up to 31.03.2023	Rs.32.57 Cr
Balance claims in the process of settlement	Rs.3.05 Cr

As regards the product liability claims for bodily injury caused by consuming Company's contaminated product under the recall, the Company has received total 17 claims valued USD 61,682 out of which 7 claims to the tune of USD 8,000 were closed without making any payment as there was no liability.

Out of balance 10 claims valued USD 53,682, the Company has received supporting documents for only 1 claim of USD 16,000 and the same has been settled by the Company. The Company is yet to receive the supporting documents for the balance 9 claims valued USD 37,682. However, the Company has shared all the relevant

data to Insurance Provider i.e., New India Assurance Company to assess and settle the claims. Since the liability has been covered under Commercial General Liability Insurance Policy, no provision has been made in the financial statements. The insurance company has appointed a surveyor and all the documents have been given to him and he's in the process of scrutinizing them and give his recommendations to the insurance company.

let me now go into the future outlook of the industry global and domestic.

The industry experts at the 2022 Global Seafood Alliance, GOAL Conference, remain optimistic about long-term growth in aquaculture despite increasing concerns about costs and market conditions in 2023. Aqua feeds and market prices have consistently been the top concerns for the fish shrimp farmers over the past few years. Since 2021, the stakeholders top concern has been feed prices This is mainly due to high volatility of the raw materials, since the start of particularly since the start of Ukraine war which led to the supply shocks and sent prices soaring.

Other concerns are quality feed and also access to the credits. The banks have now reduced the credit to this sector and also the interest rates have gone up because of the high inflation. Now, as far as the Indian situation is concerned, the outlook for the year 22-23 started on a low key. The farmers did not show much interest and were reluctant to stock the feeds which otherwise would have been started briskly. As for the information that we have as-on-date, the stocking is about 9,229 million feed, as against 13,548 million feed during the corresponding period of the previous year. The stocking went down by 30% during the first 4' months of CY2023.

However, as the farm gate prices of shrimps is stable, the farmers are looking for stocking in a phased manner to ensure that the farm gate prices do not fall steeply with arrival of the raw material(shrimp) in large quantities. Therefore, unlike in the previous years, the culture during the current year is likely to be spread throughout the year.

The Shrimp production in 2023 is likely to around 8.5 lakh Mt as against 9 lakh Mt in 2022.

Let me now, give you the details of Shrimp Production and Feed consumption in FY22 and Company plans for FY23:

The Company's feed sales during the previous year FY22 was about 5.41 lakh mts as compared to 4.73 lakhs mts in FY 21. It is 4.97 lakh Mt in FY23 down by 44,000 Mt when compared with FY22. However, it registered a marginal increase of 24,000 Mt over FY21.

Now that the new Shrimp Feed Manufacturing Unit in Bandapuram is capable of operating to its full capacity this year, the Company looks forward for a regular supply of feed to the farmers as per their requirement as against shortage during the previous year.

Now, the shrimp processing and export.

The Country's Vannamei Shrimp production and exports for the FY22 was 6,34,538 MTs and 6,43,037 MTs respectively, including opening stock.

The Company's Shrimp exports during the FY23 is about 12,497 MTs as compared to 12,836 MTs in the FY22. It is estimated that the exports during FY24 would be around the same level of 12,500 MTs.

Avanti Frozen is in the process of expanding Shrimp Processing Plants as detailed below:

1	Pre-processing facility in Gopalapuram (adjacent to the existing Processing plant).	Commercial operations of pre-processing plant have been started from 31 st March'23. The capacity of new pre-processing plant is 6,000 MT p.a.
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2.	New Processing Plant and Cold Storage unit in Krishnapuram, East Godavari District with a capacity of 7,000 MT p.a.	Civil works of the processing plant has been commenced in Dec'22 and it is in progress now. Total estimated project cost is Rs.64.6 Cr (excluding Land cost). An amount of Rs.21.68 Cr has already been spent on the project till 31 st Mar'23 and Purchase orders are placed for major plant & machinery. Expecting commercial operations by Mar'2024.
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The Company has been selected under two Incentive Schemes of Government of India:

- Sales based incentives under “**Production Linked Incentive**” Scheme; and
- Grant-in-Aid under “**Operation Greens – Long Term Interventions**” Scheme.

Production Linked Incentive Scheme:

Company is eligible for incentive of 6% (Value Added Products 10%) on incremental sales over a period of 6 years from the FY2021-22 to FY2026-27, subject to a maximum incentive of ₹79.44 crores with minimum 5% CAGR in Sales.

The Company has received an incentive of Rs.6.85 crores under PLI Scheme of the Govt. of India for FY22 during April'23, which will be accounted for during Q1FY24.

Operation Greens Scheme:

- Approval from GOI for Grant-In-Aid, for the proposed investment in New Shrimp Processing Plant at Krishanpuram, is received in December'22.
- Maximum Grant-in-Aid under the Scheme is ₹10Cr.

Thank you.

Now we will take up Questions and Answers.

Moderator

Sure, sir. Thank you. 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. The first question comes from Onkar Kulkarni from Sri Investments. Please go ahead.

Onkar Kulkarni

Yes, my first question is regarding the outlook for the current financial year. What kind of sales and profit you're looking at and what kind of margins?

C. Ramachandra Rao

We're actually targeting to maintain the same level. But however, as it stands today, it appears to be the maybe variance about 10% would be there on the downside. So, if we can achieve that, that would be a really good achievement, because as it stands today, we have a shortfall by about 28,000 metric tons, and we hope to make it up in the coming months. And the positive side is that the farmers are now going for stocking in a phased manner, and we are confident that we should be able to meet the target maybe with a variance of 10-15% down over the last year. I think under the circumstances, if you look at the overall industry, the feed has almost dropped in the first 4-5 months is down by about 25-30%. So, whereas ours was not that much, it was only about 10% or so. So, we hope to make it up in the coming months and targeting to reach the last year's sales with a variance of about 7% downside.

Onkar Kulkarni

So, we are expecting a revenue to be flattish or down by 10%?

C. Ramachandra Rao

It will be flattish, as you know that the prices, you know, there are three products which has we've been explaining almost every investor call that the three items like Fish Meal, the Wheat Flour and Soybean Meal. Fish Meal is something which is giving a kind of real concern to us, because the export market is very encouraging for the fish meal producers and there is no mechanism by which that can be addressed so that the domestic fish meal consumers' interest is taken care of.

We have represented to the Government saying that, because nearly 70-80% of the total production of about 4 lakh tons is being consumed by the domestic market and if they 75% export, assuming that 4 lakh tons is the total production of Fish Meal in the country, the export is estimated to be about 3 lakh tons. So, virtually it is about 75% is going out. So, that is causing real concern to us, and that's the reason why the prices are also going up. See, there are two hopes that we are looking for. One is that the production in Chile and Peru. Peru is the most important country, which is exporting fish meals, there has not been much production there, because of so many reasons. Because lot of juvenile fish coming up there, their production has come down drastically in the last couple of years. And till now they have not announced the yearly quota. We are expecting sometime in June 1st week they are going for, what they do is they'll get asses what is the potential of the fish that is available in the coastline and also how much they can produce and the quota is fixed. That process has not been taken up so far. Normally it is taken up quite early but this year it has not happened. Two times they went and came back and third time they are going and they have gone now and by June 1st week we are expecting some information about that. If they are positive and about the availability of fish in Peru, then we hope that the global prices of the fish meal will stabilize.

So, because as against, what the local price of Rs. 125-130 per Kg they are getting about Rs. 160, Rs. 170. So, the fish meal producers in India are preferring to export. That is one thing. We have represented to them to do some regulation either in quantity wise or by other monetary restrictions like withdrawing the incentives like duty drawback and this RODTEP. But as we know the government, it is not so easy

to get because this is getting foreign exchange also. But we are making our best efforts to this side. As far as the other two products is concerned, we are more positive on them because of the seasonality, because in the soybean meal crop comes in the October.

The recent information that this year they are going to get good crop of soybean meal also. And once in October we start getting the fresh seed, soybean, I think the prices will likely to be more or less stable with a variance of 5-10%. And wheat flour has also come down and this crop is also going to be record production. That's what I read that this year also the crop is going to be good which will come around March 24. So, these two products if we can really get some advantage on the price front, we definitely we should be able to post better results.

Onkar Kulkarni

And what about margins?

C. Ramachandra Rao

Margins, that all depends on the, again the price raw material, if the prices are likely to be here at the same level, we should be able to get about 8%, 7-8% we should be able to make it, provided the prices keep at this level. Because fish meal ban started, fishing ban has started, it is going to start from tomorrow in the West Coast. So, West Coast gives almost 60% of the country's production and East Coast is opening up on 15th June. East Coast, it is over. So, we will have to see how much catches that we're going to be getting it from the East Coast. And if the production is good, I think the prices should not go up. On the other hand, it should come down a little. That's all depends upon the how these raw materials behave.

Onkar Kulkarni

Okay. So, around 8% EBITDA margins we are talking about or PAT margins?

C. Ramachandra Rao

No, EBITDA.

Onkar Kulkarni

EBITDA margins.

C. Ramachandra Rao

I'm sorry. PAT.

Onkar Kulkarni

PAT margins of 8%, right?

C. Ramachandra Rao

7-8%.

Santhi Latha

7-8%, as in the early of this year.

Onkar Kulkarni

Okay, because the quarterly rate of PAT margins is around 9% and the yearly rate is around 6%?

C. Ramachandra Rao

Yes.

Santhi Latha

Yes, we are expecting in between both of those.

Onkar Kulkarni

Okay, so around 7-8%.

C. Ramachandra Rao

If you look at the yearly performance of FY22 and FY23, the volume has come down we have been able to maintain the profitability slightly more or less than better results overall. With this is what if you look at the FY23 and FY22 comparatively.

Onkar Kulkarni

Okay. The second question is on, I mean, this question has been asked to you for several times now, and you have more than Rs. 1,000 crores of cash. So, I mean, what you want to do with that? You have already explained several times that around Rs. 400-500 crores is for working capital. But now that we're expecting around flattish sales, and then even if you adjust that, still you will be left with around Rs. 400-500 crores. And supplement to that question is that your profitability has increased by 25% this year as compared to last year, but you haven't increased the dividend payout. It's even that you have Rs. 1,000 crores of cash and improved profitability and good cash flow. So, I mean, what's the reason for that and how you are looking to deploy that Rs. 1,000 crore?

C. Ramachandra Rao

We are saying that, there are two reasons for it. One is that we are not able to really there on any particular project which we can really invest, but now we have got more clarity on the fish feed and also the pet food. So, the fish feed, we are working on that, and we should be able to come out with some work CAPEX and all before the end of this financial year. May be end of this year, we should be able to give a clarity on the fish feed what is going to be the capacity because there are so many varieties of fish feed, which we are going to take up and what is the market situation and all, we'll come out some CAPEX, which depending upon the requirements we will be able to give the clarity on the fish feed.

As far as the pet food, like dog food and cat food, we are working on it. Of course, India doesn't have much demand for cat food, but definitely dog feed has got very

good market and we are working on that, and we have the technology also available with us, with Thai Union has already there in Bangkok making this product, in Thailand. We already have a tie-up with them for this getting the technology of this, we will be able to do it and we are waiting for some, we are getting some service done here, how, what is the demand and supply and what is the requirement, what should be the production, what are the nitty-gritties of this project.

There, also there will be some CapEx that is going to be and also, we need lot of working capital there also. So, as we've been explaining that borrowing the working capital from the bank is going to be very expensive. And it's almost like 12%, 13% is the interest rate that they're charging. Whereas we are getting about 7% to 6-7% interest on these amounts, which we have kept it. We can actually use them for the working capital, and it actually makes sense, because using them when we are not able to employ them directly in a big project, which again we have to consider the profitability, sustainability of such a project.

Onkar Kulkarni

So, is there any concrete plan regarding this fish feed capacity which are going to come up?

C. Ramachandra Rao

Yes, we are working on that. We should be able to come out with some clarity by end of this year, because both fish feed and pet food we should be able to get some clarity. Fish feed is our first priority. We are working on that. So, the other also we are working equally to schedule this other way. That is most important.

Fish feed, we have already, the data because gradually the fish culture, the farmers are preferring floating feed. So, the demand for floating feed is increasing. So, so far, we have not been -- the demand for float feed has not been much. But now it is daily growing up. So, I think this should give us the clarity as to the total requirement in that. As I told you, we should be able to come with more information on this future investment and revenues and all projections by end of this year.

Onkar Kulkarni

End of this calendar year, right?

C. Ramachandra Rao

Yes, calendar year, right. Calendar year.

Onkar Kulkarni

Okay and can you just explain what's the size of opportunities in this fish feed market?

C. Ramachandra Rao

That's what, see India is one of the largest producers of fish and consumer of fish also. Naturally there's a plenty of opportunity of increasing production. Now, a traditional method you don't get so much fish. Once you get the formulated feed used in fish culture also, definitely the yield will be higher the cost will be lower and it will be advantageous for the consumers and also to the producers.

Onkar Kulkarni

Just like the way you are saying that the shrimp feed is around 8.5 lakh tons. What kind of market is this, fish feed? And what are the margins?

C. Ramachandra Rao

See, here we have to have the two large areas, one is the domestic, the local feed that is being used by the farmers. And formulated feeds, like floating feed, feeds that is being used by the other set of farmers. So, gradually we are seeing that the traditional feed users, farmers, they are converting it to floating feed because they are finding advantage in this. So, like that, we have to see not only that should demand creation is also one of the objects in the company so that the overall production increases. Those figures we cannot right away share with you because it

is still under process. Once it comes, definitely along with our project details we'll come with all those details.

Onkar Kulkarni

So, I'm not asking about company specific plans. I was just wanting to know what is the size of opportunity, what kind of market it is.

C. Ramachandra Rao

That is what I am saying. The market is now very difficult to say because we have both together. See, both together, we have to do the feed consumption, fish feed consumption by the farmers directly by themselves, not going for floating feed.

A. Venkata Sanjeev

Yes, I'm on the line.

C. Ramachandra Rao

If you would like to add something on this matter which we are doing, so the investing, this is what we are facing that we are trying to first ascertain how much demand for the floating feed because gradually some of the farmers are also going for the floating feed. We have better opportunities of increasing the total capacity of consumption of floating feeds in India, that's what we are projecting.

Onkar Kulkarni

Okay, then -- Yes, please go ahead.

A. Venkata Sanjeev

What we're looking for is, right now for fish feed we don't want to do the very cheap feed which is called white fungus farming. We mostly want to concentrate on the higher value of fish like barrel only. But, right now, the culture is very sporadic all

over India. So, the data is not really accurate because the farmers don't go for stocking of barramundi continuously because they go for other fishes and trajectory.

Onkar Kulkarni

Fine. But if you would have given some clarity on at least how much it is compared to shrimp feed or like one-fourth or like half or something like that.

C. Ramachandra Rao

Kulkarni, I think I am right, Mr. Kulkarni, the shrimp feed consumption is much less than the fish feed consumption overall. It is much higher.

Santhi Latha

Shrimp feed is quite higher compared to the fish feed. And also, we are asking a time till the year end because we are also doing a survey of it before we start up, what are the numbers to look at.

Onkar Kulkarni

Okay. So, you are stating that this fish feed market is higher than the shrimp feed market. Right?

C. Ramachandra Rao

Definitely.

Onkar Kulkarni

Okay.

C. Ramachandra Rao

Yes. But price wise it will be a lesser.

Santhi Latha

It will be price-wise lesser, but volume-wise it's more.

C. Ramachandra Rao

Volume-wise it is more.

Onkar Kulkarni

So, margins will be lesser in this, but volume will be higher.

C. Ramachandra Rao

See, all these questions can be answered as Mr. Venkat Sanjeev said, there are different types of species, value-added species which we have to see. The price depends upon the type of species which we are going to recommend or the feed that we are going to manufacture. All these details, I think we'll have to wait for another 6 months; we should be able to come with more Clarity on that.

Onkar Kulkarni

Okay. And this is for the domestic market, or this is also for the international market?

C. Ramachandra Rao

Venkat Sanjeev, please go ahead.

A. Venkata Sanjeev

I think initially we'll go it for the domestic market but again in Bangladesh is one of the biggest markets for fish. So, we might start importing it after a few years after we stayed back in the Indian market.

Onkar Kulkarni

Okay. You have any collaborations with -- for this? Already technical capability.

C. Ramachandra Rao

Collaboration for what?

Onkar Kulkarni

For manufacturing of fish feed, just like the way you have with for shrimp feed.

C. Ramachandra Rao

No, we have collaboration with **Thai Union**. I mentioned that in my earlier interaction is that we have tied up with them already.

Onkar Kulkarni

Okay, even for fish feed, right?

C. Ramachandra Rao

Yes. Absolutely.

Onkar Kulkarni

Okay. All right. Thank you very much.

Moderator

Thank you. I request the participants to ask two questions in the initial round and join back the queue for more questions. Next question comes from Aman Madrecha from Augmenta Research. Please go ahead.

Aman Madrecha

Hi sir. Thanks for the opportunity. Sir, could you please highlight what's happening in the Ecuador market? Because month-on-month we're seeing that the export volumes of Ecuador are continuously increasing, whereas Indian exports are not

going well. So, how is the Ecuador market shaping up and how is the consumption going in the US market from the shrimp exports? Some highlight on that.

C. Ramachandra Rao

Yes, Ecuador is really a real challenge for us to really compete with them because volume-wise they are much higher. But however, we have the advantage of more value-added products and because of the proximity of the US market, we're supplying them. And another reason was that the China was not importing. Now that China has opened up and the US market prefers value-added products, because that was the time when really, we were passing through the very tough period of Corona and after effects of Corona. So, the COVID, that's reason why they had a lot of production in Ecuador that they just supplied to US market. Earlier they were supplying to Chinese market. Suddenly, they came and because of closure of the Chinese market, they stopped imports because of this COVID.

The Ecuador found the market there, but now, I think that things will, more settle and we have always the advantage of value-added products, which we are definitely may in a better position as of now, to produce value-added products compared to Ecuador. It looks like there are not many companies and not much of technology involved and all, whereas we have all the, Southeast Asian countries have this advantage as of now. So, this advantage has to be taken by the Indian processes. But of course, particularly Avanti Feeds, we are really focusing more on value-added products like breaded shrimps, the Skewers and Shrimp rings

C. Ramachandra Rao

So, these products will definitely have a better margin, and also, we have got equipment. We're going for expansion, is also making more focus on this. So that our total volume, the percentage of value-added products should be more. It's what our target. So, once we get that, you get better margin and also you have a specific market preferring, also we have now alternate market we are looking for Japan, we

are exporting to Japan. Japan is a good market now, we have found the new market that we have started supply too. And also, we are supplying to Korea.

These are the markets which -- of course China has also started. So, unlike earlier times when the China payments were not coming in time, now they are more prompt in payments, their banks. So, this is a positive development. And I think these are all the other markets we can always explore and we are exploring and we have found new customers in Japan, Korea and also China. I think we should be able to diversify and expand our market to other countries also. Not to more depend on US much, definitely US is the biggest consumer and also is the, in our exports they form the highest percentage of our exports.

Aman Madrecha

So, sir, are we expecting the things to settle down on the shrimp export side for this current year or we are not expecting things to settle down for this year at least?

C. Ramachandra Rao

See, let me tell you, sir, this year is definitely a challenging year. See, we have already passed five months in the calendar year. And we have only seven months left in the calendar year. So, the challenges are many and like market stabilization and we are also every day we are seeing that the markets are not consistent, recession is still there, looming large on almost all the global markets. This is the situation, very difficult to predict for this year, maybe from we can rather confidently estimate for 24-25 it would be much better year than looking at the current year. Current year is going to be a challenge for everyone. Whether it is aquaculture industry or any other industry. 23-24 would be definitely a challenging year, sir.

Aman Madrecha

So, sir, like for example, as we are telling that Ecuador is a major exporter to China and now they're exporting to US. So, what makes you confident that it will shift that? This can't be a permanent loss of market share, right, from India?

C. Ramachandra Rao

See, that's what I was mentioning that, see there are two developments which have really identified by the global alliance, aquaculture alliance, which they met in December 22. They are very optimistic about this because on one side the consumption is increasing phenomenally of this product, both, let's say positive side and even there is an increase, it is met by the increased production and it is not that there is going to be a surplus production, so that it will cause harm to our industry. It won't be like that.

It will be more stable now, because Ecuador catering to some extent to China and some extent to US and we are opening up to other markets like China, Japan, Korea and all these countries, definitely we have our own market share and we can confidently look at the optimistic view of the year FY24-25. FY23-24 a little challenging because the global recessions are there. Slowly it will settle down. And once it is settled down, we are very confident that it is going to be a stable, it won't be much upheavals or not anticipated in the near future.

Aman Madrecha

Sir, you are talking about FY23-24, right?

C. Ramachandra Rao

Yes, FY23-24.

Aman Madrecha

And sir, on the feed side. So, what since you are getting on the farming side, how are the farmer reacting to this and how will the filing? Because Q1 is the major reason for us in terms of field consumption. So, any sense on that?

C. Ramachandra Rao

Yes, see in the initial stages the farmers were not so enthusiastic about it, because of the prices and without the raw material, feed price going up and all these things. Good feed was also not there. So, slowly now, it got delayed, delayed and also the farmers, the farm gate prices have also improved and most stable now. So, now the farmers are looking to stock in a phased manner. And moreover, that gives an advantage for them and because the raw material, that is shrimps, will not be reaching the market at a time, it will be in a phased manner. So, the demand-supply is always balanced. which will help for stability of the farm gate price that is one thing. And as far as the feed prices are concerned, they are also more or less they're looking for stable and they are able to get their margins and they are able to get the balance between the farm gate price and the cost of production.

I think this is a positive development that has happened now, we can expect them to phased manner. That is always good to have instead of going all stocking at a time, it is a phased manner, which in fact the Seafood Exporters Association and all have been advocating to go for area wise special in a phased manner so that we will get it and also to advising them to grow bigger size, not to harvest in smallest size of shrimps.

So that the higher, 30 count, they will be able to cutting out less, they will be able to get better price, that is one of the positive developments and now we had -- in fact as far as the shrimp grows, the Avanti Feed is excellent in getting the conversion ratio. You get -- our feed is, let's say, doing exceedingly well, what recently we have received information that Avanti Feed is the best in the market. And so, everyone is looking to us for the particularly at the time when they want to grow the shrimp size better in the hasty, not to harvest in a hasty smaller size shrimps.

So, that is the positive development certainly, and the farmers are also, it is something like cyclic feature, sometimes it comes but more or less on a long-term there is always a growth prospective, and the farmers are also looking for the increasing their total area in a phased manner. It was not once. And there are other challenges for them like credit availability, that is also a challenge. And as I told you in my earlier interaction, because of the bankers are not giving a credit, number one. They are selective on that, and also the interest rates are very high. So, these are all the concerns which the farmer, normally what the dealers extend credit to them. They will also come back, when it is profitable everybody's interested to invest it dealers, the farmers, and everyone will focus on that and increase the production. I think that is a very optimistic approach which everyone is looking for in the industry today.

Aman Madrecha

And sir, how is the Andhra Pradesh Government supporting the farmers at this point?

C. Ramachandra Rao

See the Government of Andhra Pradesh has brought in a regulation for a regulated growth of this industry. So, what they want to do is, they want to see that everyone, every stakeholder survives in the market. So, when the farmer is suffering, the feed prices go up, they're asking us to come and discuss, and to whatever extent possible concern that. Similarly, they are helping the farmers. But sometimes what happens is they are also under constraints, the Government of India -- when Government of Andhra Pradesh, they cannot extend all subsidies, which they were getting earlier, like power subsidy and all. So the Government has its own constraints.

We would consider all these things are a temporary phenomenon, nothing of this is permanent. It is going to be gradually stabilized and everyone will realize the advantage of this activity. See, because, on one side, the farmers are getting

employment, on the other side they're getting production, sales, practice, everything is there only when there is a production. So, I think this is going to be temporary phenomenon. Maybe by next year, once everything looks bright, definitely everybody will take it in stride. I mean, only this is a challenging year. That's what I was telling from the beginning that this year everybody has to work with a focus and a take on the concerns that come and next year onwards it will be good.

Aman Madrecha

Okay, Sir. Thank you. I'll get back in the queue.

Moderator

Thank you. Next question comes from Gunit Singh from Counter Finance PMS. Please go ahead.

Gunit Sigh

So, I just want to understand firstly, how our margins have driven up this quarter, even though overall sales volumes have gone down. And you also mentioned that fish feed prices are nearing the all-time high level. So, I mean, what has driven up the margins this quarter?

C. Ramachandra Rao

Which quarter? This quarter means Q4?

Gunit Singh

Q4, yes.

C. Ramachandra Rao

The raw material prices have stabilized now.

Santhi Latha

And also, better inventory management and planning.

Gunit Singh

Okay. But you mentioned that Fish Meal which is one of the main raw materials that has prices that has gone up.

Santhi Latha

That has been going up now.

C. Ramachandra Rao

So, as I was telling, not only Fish Meal there are other two products like Soybean Meal and Wheat Flour also. So, the Wheat Flour has really come down and it is giving some sort of cushion for us to make up the price marginally increase in the Fish Meal. And also, similarly Soybean Meal has also been stable and what we are looking for optimistically is the crop that is going to come in September October the Soybean Meal and in the March the Wheat Flour. The wheat flour, when wheat production is very good. Now the wheat flour price is around Rs. 27-28.

We are expecting that it will be stable and maybe early next year or so, when the prices may drop down by Rs. 1 or Rs. 2 and once the crop comes, we want to see whether there will be a significant fall in the price of Wheat Flour, wheat and wheat flour. The second thing is Soybean Meal also is -- now it is stable. So, around RS. 57-58 it is -- somewhere around RS. 55-58. So that is the rate at which is being purchased and this crop is also it's coming in October, September-October it is coming. And as per the Government of India estimates the crop is very good and it is going to be a bumper crop this year also. So, when there is a crop, it got no restrictions of export, no this thing, then naturally the prices should come down when the soybean fresh crop arrives the market.

Gunit Singh

Okay, that's very encouraging. So, I mean can we expect like a 13% operating margin as the base margin for the coming year for FY24? What set of margins do we expect?

C. Ramachandra Rao

FY24, it's a high figure. Very early to say, still we have some time, seven months are there still. So, very difficult. So, maybe we'll be able to give some indicators after Q3.

Gunit Singh

Alright. And sir, I have another remark to make. So, in 2016-2017, our stock used to trade at about Rs. 800, RS. 900 and currently it is trading at about 40% off those levels and we used to have a sale of around Rs. 3,000 crore at that time, which has come up to about Rs. 5,000 crores right now. So, rather than looking out and investing or soaring into other venues, why don't we do a share buyback? Because the company is available at much cheaper valuations than before and returns on this investment should be higher because the company is going through a downturn right now in terms of margins. And as soon as the margins returned, I mean, the company's -- company has very cheap valuations currently as compared to historical levels. So, why don't you consider doing a buyback considering that we also have surplus cash on the books.

C. Ramachandra Rao

See, yes, our board considers that buyback is not the way at this stage, at this juncture, when the economy is like this. So, when we want money, we want to go for expansion, it is not that we are keeping quiet, not thinking of expansions and growing. last four or five years has been economically it was so volatile, uncertainty, recession and inflation, what not. Everything has happened in these four years, how does a company management can take a decision about investing in large quantity, large sum in an industry.

So, it is always necessary that we have the proper decision while making the CAPEX. And moreover, see, in a company, in an industry or in activity like this you need more of working capital rather than a CAPEX. See, the working capital acts like a continuous capital. In fact, if you look at figures it goes, the whatever we are -- and the operation goes, you know that we have another Bandapuram branch which has come up that needs more working capital.

So, even Rs. 1,000 crores or Rs. 1,500 crores, which you have, if you require Rs. 700-800 crores, the balance we are looking for some project investment. It is a good investment. It is what we are looking for. So, the buyback, if you go for it, I don't think it is big advantage for the investors themselves. It is good for them to have the value of the share growing by investment and getting return, but for any purpose just selling reducing the capital. I don't think really materially make any difference in the long-term.

Gunit Singh

Right sir. Sir, just a suggestion like instead of doing a dividend payout, if we do a buyback in future, I mean instead of the dividend payouts that will be more EPS accretive for the shareholders, and that will also be tax efficient for the company. So, I mean, just a suggestion that going forward, if you consider it, that would be great.

C. Ramachandra Rao

Noted, sir. We'll do that.

Moderator

Thank you. That will be the last question for the day. Ladies and gentlemen, we would like to come to the end of the conference. We appreciate the interest from the investors and analysts for the participation. Thank you. And if you need any further information, you may connect with Miss Lakshmi Sharma of Avanti Feeds Limited

at investors@avantifeeds.com. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day everyone.

Note: 1. This document has been edited to improve readability

2. Blanks in this transcript represent inaudible or incomprehensible words.