

Ref: AFL/BSE & NSE/2018-19/094

16<sup>th</sup> July, 2018

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**BSE Code: 512573**

**NSE Code: AVANTIFEED**

Dear Sir,

Sub: AVANTI FEEDS LIMITED – Audio Conference Call for Investors conducted on 04<sup>th</sup> June 2018 - Transcript of the Audio Conference Call – Reg.

Ref: 1. Our letter Ref: AFL/BSE & NSE/2018-19/042 dated:02.06.2018 .  
2. Regulation 30 of SEBI (LODR) Regulations 2015.

\* \* \*

Further to our letter dated 02<sup>nd</sup> June 2018, we enclose herewith the transcript of the Audio Conference Call for Investors conducted on 04<sup>th</sup> June 2018 regarding the Audited Financial Results for the Quarter and Year ended 31.03.2018.

This is for your information and record.

Thanking you

Yours faithfully  
for Avanti Feeds Limited

  
C. RAMACHANDRA RAO  
JOINT MANAGING DIRECTOR,  
COMPANY SECRETARY & CFO



Encl: As above.

## Transcript

### Conference Call of Avanti Seeds Limited

Event Date / Time : 4<sup>th</sup> June 2018, 04:00 PM IST

Event Duration : 1 hour 19 min 17 sec

#### *Presentation Session*

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**Moderator:** Good evening ladies and gentlemen. I am Honeyla moderator for the conference call today. Welcome to the Avanti Feeds Limited Q4 FY18 post results discussion conference call hosted by KARVY Computershare Private Limited. At this moment, all participants are in the listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press \* and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Milan Bavishi from KARVY Computershare Private Limited. Thank you and over to you sir.

**Milan Bavishi:** Thank you Honeyla. Hello everyone. On behalf of KARVY Computershare, I welcome everyone to Avanti Feeds results concall. From the management side, we have Mr. C. Ramachandra Rao, Joint Managing Director, Mr. Venkateswara Rao, GM – Corporate Affairs and Mr. P.V. Raj Shekhar, DGM – Finance and Accounts. I will now hand over the call to Mr. C. Ramachandra Rao for his remarks. Over to you sir.

**C. Ramachandra Rao:** Thank you Mr. Milan. Good evening ladies and gentlemen. I am pleased to extend a warm welcome to all of you for this investor's conference call. We know that you are all keen to know more about the present status and future of shrimp culture exports and feed business. But, before discussing on this subject, I would like to go through the performance of the company in Q4 FY18 and FY17.

Now, we will take up the consolidated performance of Q4 FY18 as compared to Q4 FY17. The consolidated revenue from operations during Q4 FY18 Rs.849.38 crores, compared to Rs.681.56 crores during the corresponding quarter of FY17, registering a growth of 25% on year-on-year basis. The PBT during the Q4 FY18 was Rs.124.60 crores compared to Rs.130.64 crores, during the corresponding quarter of the previous year. There is a decrease in PBT by about Rs.6.04 crores, representing a reduction by 5.28%, as compared to the corresponding quarter of the previous year. In terms of profit percentage to sales, it is 14.67% during the Q4 FY18 compared to 19.16% during the corresponding quarter of the previous year.

The consolidated annual performance for FY18 compared to FY17, the consolidated revenue in FY18 was Rs.3392.960 crores as compared to Rs.2615.74 crores in FY17, registering a growth of Rs.717.16 crores, representing 29.7% increase in FY18 over FY17. The PBT was Rs.704.17 crores in FY18 as compared to Rs.336.93 crores in FY17, registering an increase of Rs.367.24 crores, representing an increase by 109% in financial year 2018 over FY17.



Now, I go to the performance of the feed business alone in Q4 FY18 compared to Q4 FY17. During Q4 FY18, the feed business registered a profit of Rs.112.88 crores as compared to a profit of Rs.123.66 crores in Q4 FY17. The profit in the Q4 FY18 had decreased by about Rs.10.78 crores. The decrease in profitability is on account of significant increase in prices of raw materials that is mainly fish meal and soya DOC as under:

The fish meal price in Q4 FY17, it was Rs.78.20 per kg. Now, in Q4 2018 it is Rs.105.22 per Kg. Soya DOC, it was Rs.30.65 per Kg and in Q4 FY18 it was Rs.36.03 per Kg.

The annual performance of feed business in FY18 compared to FY17, the revenue in FY18 was Rs.2815.33 crores, as compared to Rs.2230.85 crores in FY17, registering a growth of Rs.584.48 crores, representing an increase of 26% over FY17. The PBT was Rs.630.66 crores in FY18, compared to Rs.294.64 crores, registering a growth of Rs.336.05 crores, representing 114% increase over FY17.

The performance of shrimp processing and export business, Q4 FY18 compared to Q4 FY17:

As shrimp processing and export, the revenue for Q4 FY18 stood at Rs.109.21 crores as compared to Rs.63.97 crores during Q4 FY17, registering a growth of 79%. The PBT also increased to Rs.11.72 crores as against Rs.6.98 crores in Q4 FY17, registering a growth of 68%.

Annual performance of FY18 compared to FY17:

This is with regard to shrimp processing. The revenue from this business during FY18 was Rs.581.18 crores as compared to Rs.384.06 crores in the FY17, registering a growth of 197.12 crores, that is 51.33%. The PBT in financial year 2018 was Rs.73.84 crores as compared to Rs.42.10 crores in FY17. The EBITDA in FY18 was Rs.12.70 crores as compared to 10.96 in FY17.

So having said about the numbers in the previous quarter as well as the year, we will now move to the current status of shrimp culture in India vis-à-vis Company's shrimp processing and exports business. Now, I would like to share with you the present status of the shrimp culture in the financial year 2018-2019. As you are all aware, the export prices of the shrimp have been declining steeply during the last three-four months due to reduced shrimp consumption in the US on account of extended winter resulting in piling up of stocks and also stable shrimp production in countries like Indonesia, Vietnam and Ecuador. The shrimp imports by China and from Vietnam were also curtailed due to Chinese regulatory reasons. As a result of decline in export prices, the farm gate prices of the shrimps also dipped significantly.

It was reported in some sections of the press that due to this situation, the shrimp production in the country is likely to drop substantially in 2018-2019 to almost half of the 2017-2018 production. However, it is heartening to know that the situation is gradually improving with the consumption of shrimps in USA picking up, imports from China is also going up. With the increased volume of exports, we have to focus on other markets also such as Europe, in which we are focusing now, the farm gate price, increase the exports to whatever that we have been doing earlier. The farm gate prices have also stabilized now and expected to go up dispelling the apprehensions of the shrimp culture farmers



about the sustainability of the aquaculture this year. The decline in shrimp prices is only a temporary phenomenon due to the reasons mentioned above. In the long term, if the global shrimp consumption is increasing, assuring growing demand for farm shrimps in the long run.

As per the information available with us, the shrimp culture in most of the States like Gujarat, West Bengal, Odisha, Tamil Nadu, Karnataka and Maharashtra, the culture will be on the same levels during the current year also as in 2017-2018. In fact, the reports say that in Odisha, the culture is even increasing this year. Even in Andhra Pradesh, the culture is expected to be not less than last year, if not more. As you all know, the farmers would have invested in developing infrastructure for shrimp culture for a long term purpose and would prefer to continue the same as the profitability is more in shrimp culture compared to other agricultural crops. Moreover, the land developed for aquaculture for a long term purpose cannot be used for agriculture in the short term. Therefore, there is no need to have any apprehensions about the sustainability and growth of shrimp culture and exports from India in this year or in the future.

#### Projected performance:

As far as the company's performance is concerned, the projected performance of the company with respect to the shrimp feed, the feed sales are expected to grow by about 10-15% in FY19 over the sales of 4,30,000 metric tons in FY18. Under the prevailing conditions, we do not foresee any possibility of increase in the feed price. As you know the farmer is already under stress due to fall in farm gate prices of shrimps and any increase in the feed price at this juncture is not desirable in the long term interest of the shrimp culture. And with regard to the profitability, I would like to draw your attention to the profit margins on feed in FY17, which is more or less comparable to the trend which is prevailing now, that is in FY19. The prices of major raw materials that is, fish meal and soya DOC were marginally less in FY17 compared to present prevailing prices. For instance, the average fish meal price in FY17 was about Rs.95 per kg and we are expecting the average price at less than Rs.98 per Kg in FY19. The average soya meal price is expected to be around Rs.40 per Kg to Rs.41 per kg in FY19 as compared to about Rs.38 per Kg in FY17. The average RM cost was about Rs.51.84 per kg in FY17 and we expect the average RM cost around Rs.52 per Kg, so Rs.53 per kg in the current year. Assuming the other costs are remaining at the same level as in FY17, which should be our endeavor, the PBT is expected to be around 12% at the minimum level.

As you may be all aware that the IMD has predicted rainfall, good rainfall during the Southwest monsoon, which has already set in, touched most of the States in the country as on the day. This is a positive indication of a good agriculture crop like soya and wheat, which are important for us and may have positive impact on prices going further.

Shrimp processing and exports, in FY19, the processing and exports of shrimp is projected at around 14000 metric tons, representing a capacity utilization of about 60%, that is our total capacity is 22000 metric tons. Our endeavor is to focus on the value added products and achieve a minimum of at least 70% of our exports of these products and the balance and other regular products. As you know that the export prices and the raw material prices are highly dynamic and volatile, the precise pricing of them cannot be estimated at this juncture. However, considering the past trends and composition of future exports, a PBT of 12% to 15% appears achievable at the minimum level.



With this information, I think we will go into the questions and answers now.

*Question and Answer Session*

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**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing \* and 1 again.

The first question comes from Mr. Praveen Shay from Edelweiss Broking. Please go ahead.

**C. Ramachandra Rao:** Praveen, hi.

**Praveen Shay:** Hi sir. I have a couple of questions. So, one on the fish meal & soya prices, as you had already mentioned that move from Rs.90 to Rs.95 per kg, so what exactly determines the fish meal prices are, you can say that in the long term?

**C. Ramachandra Rao:** Mr. Praveen..... the trend of price increase in fish meal has come down and the prices now are at around Rs.98. Fish meal prices depend on the fish catches from sea and internal demand for fish meal. Soya is another product prices of which had increased. However, the monsoon has started already in the most of the States where soya is cultivated and sowing is already started. The farmers are expecting a good crop. After sowing, whatever seed is left will be released into the market by farmers. So, we feel the soya DOC prices will stabilize, if not reduced in the immediate future, because in the next fifteen days, the sowing will start in important States like Madhya Pradesh. So, what we are expecting is, with normal monsoon prediction, there is possibility of good crop of soya and the prices may even come down. That will be a good indication.

**Praveen Shay:** Sir, I just wanted to understand what are the drivers of the fish meal prices, because if you look at the last seven, eight years trend from 2012-2013 onwards the prices have almost doubled in over a period of three to four years and then there have been stable. We are just trying to understand what are the drivers which drive the fish meal prices?

**C. Ramachandra Rao:** Basically, the fish meal prices are dependent upon mainly the fish arrival, fish catches from sea that is the most important thing. Actually, most of the fish feed produced is consumed in India. So the price of the fish meal is determined as per the fish catches from sea available. What had happened was that last time it was an unusual year. The 2017-2018 was totally an unusual year where they had a lot of catches and production of fish meal increased and the prices went down. So, that is the reason why we consider that 2016-2017 is a more comparable price, which is the more stable price, considering the fish catches. Now there is a ban on fishing. So, after the ban there will be fresh catches. If fish catches are good, then definitely there are chances that the prices may come down. But, we cannot tell definitely. It is a very dynamic situation, because it all depends upon the fish catches. But, we are confident that prices will not go up, that is what we can say. How much the prices will go down, it is very difficult to say at this point of time.



**Praveen Shay:** Yeah, right sir. So, can you tell like currently at what levels the feed prices are, feed realization currently of yours?

**C. Ramachandra Rao:** Pardon me? What level, means?

**Praveen Shay:** Like feed realization, last quarter you had delivered around Rs.69, around, feed realization. So, how much is the current, in the first quarter at what level is it currently?

**C. Ramachandra Rao:** Current I cannot straight away tell you Mr. Praveen, because now it is progressing, the culture is going on. So, it is difficult to predict what is going to be the realization.

**Management:** But Praveen, yearly shrimp feed realization on our sales is 65300 to 65350 per metric tons.

**C. Ramachandra Rao:** That is the standard, yearly average. Because, there is no price increase as such, but it could be, when you take the different types of products sales, like number one, number two, etc., the realization varies. In the last quarter we have to take the actual discounts that we gave to our dealers. That is the reason in the last quarter you will find little aberration in the realization compared to other quarters.

**Praveen Shay:** Okay, great sir. Sir, lastly, as you had already mentioned the shrimp prices were down globally, so can you give some sense like how much does the capacity come up from Thailand or Vietnam has actually impact on this? And also how much we are expecting the way forward, are these capacities going to impact the numbers?

**C. Ramachandra Rao:** Basically, first I will address this issue with regard to the demand. The continuity of demand for shrimps will be there in US and other countries throughout this year. It is not that the demand is going to come down. The prices went down, as I told you, due to extended winter the consumption levels came down for a brief period. We (India) are largest exporter of shrimp to USA today and we do not foresee any status change in that. India will continue to be the biggest exporter to the US in the current year also. And actually, almost all the industry is now trying to increase their exports to other countries, particularly in respect of the value added products to countries like Europe. Now, efforts are being made to increase the export volumes by the industry. It is very difficult to say exactly which country how much is growing and exporting, unless we have a basic data of each country like Thailand, Vietnam, Ecuador and that becomes a big matrix.

**Praveen Shay:** Sir, my question is, we were just trying to understand that.....

**Moderator:** I am so sorry to interrupt Mr. Praveen. Hello? Sir, could you please be little louder Mr. Praveen?

**Praveen Shay:** Yeah, sorry. So, one of the key trends that we have seen in the last six, seven years is that India and consequently lot of other companies in India, including Avanti have been big beneficiaries, because Thailand had a very bad time and may be some other countries also because of disease and other factors. Now, there is as per your filing with the exchanges, some of that, those countries are coming back to



normalcy, albe it in a small manner with single crop. We were just wondering that if those countries were to come back to a more normalized state, what could it do to the global volumes as well as the pricing, can we say some degree of pricing pressure in our consumer (inaudible).

**C. Ramachandra Rao:** Yes, the thing is as of now, we are at an advantageous position. Indian prices compared to other prices, it is more economical for these countries. So, volume wise, we are able to make more exports because of this price advantage. And also the Indian produce shrimp is of better quality than others. That is the reason why the exports are increasing from India. The price in Thailand, for example is more than what we are selling in India.

**Praveen Shay:** Okay. That is all from our side. Thank you so much sir.

**C. Ramachandra Rao:** Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Deepesh Kashyap from Equitas Securities. Please go ahead.

The next question comes from Mr. Deepesh Kashyap from Equitas Securities.

**Deepesh Kashyap:** Good evening sir.

**C. Ramachandra Rao:** Good evening Deepesh.

**Deepesh Kashyap:** Sir, earlier you were expecting around 5.25 to 5.5 metric tons of feed sales in FY19. But now growth that comes to around 5 lakhs tons in FY19. So, is the current situation on the ground that bad that you are cutting the guidance on that?

**C. Ramachandra Rao:** The ground reality is that the culture is continuing Deepesh. There is no decrease in the culture. So, when the culture is there, automatically the feed consumption will be there. So, we have registered about 4.7 lakhs tons in the FY2017-2018. So, we estimate that there will be another 10% growth this year that would make, it will be about 5 to 5.25 lakh tons.

**Deepesh Kashyap:** Okay. So, in the presentation you have mentioned around 4.3 lakhs tons and not 4.7, so that is the production number that you are doing?

**C. Ramachandra Rao:** That's right.

**Deepesh Kashyap:** Sir, secondly in your presentation you have mentioned that India shrimp exports are expected to grow by 5% to 10% in the FY19. But, you are guiding around 75% growth in your processing segment. So, what gives us the confidence that such a growth rate we can do in FY19?

**C. Ramachandra Rao:** There is no dearth of demand for shrimps in importing countries. So, the question then comes that the production and our export capacity. We will be able to compete with the prices and also to improve our markets to all the countries and diversify into other countries also. We have targeted this growth in FY19. We would be able to achieve over 65% capacity utilization in FY19.



**Deepesh Kashyap:** Okay, that is great. Sir, also the average feed realization in Q4 works out to be Rs.69, which implies 8% growth YoY. So, I just wanted to check if you have taken any feed price hike in this particular quarter?

**C. Ramachandra Rao:** No Deepesh, as I mentioned earlier, it is very difficult to force any price increase at this point of time, because the farmer will be under a great stress. We do not want to do that, because we want to actually encourage the farmers to go for the culture. The question of realization, the sale price will not increase, at least for sure in this financial year, as we have to protect the interests of the farmers also for sustenance of this culture. That is very important. That is our basic aim, number one. Number two, as I explained to you the realization being more or less the same, the average for the whole year in FY18, don't take the realization of Q4 FY18. You have to take the average realization for the whole year that will be more relevant. So, if you compare that, we are expecting that the realization being at the same level as FY18, in 2019 also we will be able to maintain the profitability of 2016-17, if not increase it, because of the raw material prices being comparable.

**Deepesh Kashyap:** Okay, understood sir. Sir lastly, if you can tell us how many months of raw material inventory you typically hold in the feed segment and what is the average price of your inventory for soya meal and fish meal please?

**C. Ramachandra Rao:** We follow weighted average system for RM prices. First I'll answer the question with regard to the volume. If fish catches are good, depending upon the season we will maintain less than two month stocks. If the pricing is likely to go up and we get a good price we stock for two months. As far as the soya bean is concerned, we normally prefer to have 30 days stock because it is locally available. If the prices, we see that it is likely to go up we do the 40-45 days stocking. And in respect of the imported items we maintain about 60 to 90 days.

**Deepesh Kashyap:** Okay. Okay. And what about the average price of the inventory, sir, of the soya bean and fish meal?

**C. Ramachandra Rao:** Average price? No, I think we have to see – this year we have to do that because April-May the price have come down. See, that Rs.40 per Kg is average price for soya doc which we had mentioned which now we hope will come down further. Fish meal will be around Rs.98 per Kg to Rs.100 Kg.

**Deepesh Kashyap:** Okay, 98 to 100 fish meal and 40 to 41 soya bean. Okay.

**Management:** Deepesh, these are not year average prices. We should see yearly prices of raw material, but at present they are on a higher side, which is 40 to 41 rupees of soya and between 98 to 100 of fish meal.

**C. Ramachandra Rao::** This is the prevailing price but you have to wait for the average prices.

**Deepesh Kashyap:** Okay. Okay. Understood. Okay, sir. Thank you and all the best.

**Moderator:** Thank you, sir. The next question comes from Mr. Asish Thakkar from MOSL. Please go ahead.





**Asish Thakkar:** Yeah, thanks for the opportunity. What could be retail prices of the shrimp for the Indian players currently in terms of realization?

**Management:** Retail price in terms of our realization?

**C. Ramachandra Rao:** No, can you repeat the question please?

**Asish Thakkar:** Yeah. So what are the retail prices for the shrimp, what we export to the...

**C. Ramachandra Rao:** You mean to say the retail prices for the farmer, how much it comes to the farmer? Because we have a channel. We give it to the dealers and dealers sell it to farmers.

**Asish Thakkar:** Correct. So the dealer, that data that we have, right, so it has fallen to \$9.7 per kg, so that is on the distribution side. On the retail side how much the prices could be, the realization?

**C. Ramachandra Rao:** You were asking for shrimp prices?

**Asish Thakkar:** Yeah.

**C. Ramachandra Rao:** No, no, no. Feed or shrimp, which price?

**Asish Thakkar:** Sir, shrimp, sir, shrimp.

**Management:** Shrimp retail prices means you want the prices the American customers are paying?

**Asish Thakkar:** Yeah.

**C. Ramachandra Rao:** See, we sell it to distributors. We have no knowledge of the ultimate price that the consumer is paying in US; we don't have that, that is not disclosed.

**Asish Thakkar:** So to that extent could be for the distributors?

**C. Ramachandra Rao:** Yeah, there are different types of marketing in the US. We send it to the distributors and the distributors they will have their own mechanism of selling it to the ultimate consumers or to the chain of restaurants, food supply chains and all these things. So we do not have the information as to what is the ultimate price that the customer is paying at the retail.

**Asish Thakkar:** Okay. Okay. Fair enough, sir, fair enough. And, sir, we have also seen a lot of inventory built up in the US and as you had said you expect the situation to normalize, so by what timeline can we expect this situation to normalize?

**C. Ramachandra Rao:** Maybe within a couple of months, time the trend should change as the consumption picks up. Already we have got information that the things are changing there.



**Asish Thakkar:** Okay, things are changing there, okay. So in a couple of months you believe that things should be okay.

**C. Ramachandra Rao:** Yeah, yes.

**Asish Thakkar:** Okay. And any comments on the new capacity, sir, that 1.75 lakh tons that is already operational now, so what is the utilization levels and how we should look at it?

**C. Ramachandra Rao:** See, Asish, would you like to know the processing side or feed side?

**Asish Thakkar:** Feed, sir.

**C. Ramachandra Rao:** Feed we have six lakh tons capacity, we are expecting 5 to 5.25 lakhs sales this year.

**Asish Thakkar:** Okay. expansion would come in FY20 you feel so?

**C. Ramachandra Rao:** Yeah, FY20 end it may come.

**Asish Thakkar:** FY20 end it should come. Okay. Fair enough, sir. Sir, if I have more questions I'll get back in the queue. Thanks.

**C. Ramachandra Rao:** Okay. Thank you.

**Moderator:** Thank you, sir. The next question comes from Mr. Punit Mittal from Global Core Capital. Please go ahead.

**Punit Mittal:** Hi, thank you for the opportunity. My first question is you mentioned that the farm gate prices have come down. Can you tell us by how much have the farm gate prices come down in percentage terms year on year?

**C. Ramachandra Rao:** Sir, if you compare the current year it might have come down by about 25%, 25-30%, but that situation is gradually stabilizing. The farm gate prices are stabilizing because you might have seen in papers and news reports that the processors have also increased their procurement price, so it is stabilizing now.

**Punit Mittal:** So currently the prices compared to last year May-June, the prices are at what level? Is it, like, still down 5%, 10% compared to last year now?

**C. Ramachandra Rao:** It will be down. Even now it is down by about 20%.

**Punit Mittal:** Okay. Down by 20%, right?

**C. Ramachandra Rao:** But the important thing, Mr. Punit, let me tell you here. Normally what happens is in this season the prices are on the downward trend because of first crop harvest. First crop is the major crop and lot of material is available for exporters. Generally compared to the year this part of the time there is reduction in the price, prices come down normally. Maybe we'll have to check exactly what was the price at this point of time last year, it could be around 15%-20% less now.



**Punit Mittal:** And the prices as you said because of the first crop, when do the price start strengthening up, around August-September?

**C. Ramachandra Rao:** Yes, then orders for Christmas and New year festivities will be placed and prices will see upward trend as second crop will not be that big. It is a mechanism of demand and supply, so the prices tend to go up.

**Punit Mittal:** Okay. The other question is related to farm gate prices is at what level do the farmers start incurring losses? So currently may be the farmers are not making money or are making marginally less compared to last year, but at what level do the farmers start incurring losses?

**C. Ramachandra Rao:** Mr. Punit, let me tell you last year they made a huge profit, there was a big margin, but if you compare that level of profitability definitely it is not at that level. At the same time the expenses side also has gone up like lease rent and all these things because farmers could afford, they took lease at higher cost, but now the correction is taking place. As on today after the slight increase in the price, it will be more or less cost-to-cost basis, if you don't consider the extraordinary expenses like high lease rent.

**Punit Mittal:** So if I understand correctly the farmers are actually breaking even, they are not making losses or they are not making profit as well and last year was exceptional because they made windfall profit, right?

**C. Ramachandra Rao:** Correct, correct, yes.

**Punit Mittal:** So the question is at what level, if the farm gate prices fall by another 10%-15%-20% then would the farmers stop cultivating shrimp?

**C. Ramachandra Rao:** Mr. Punit, I would say this question is a little bit imaginary because we don't foresee a further down of 10%-15% because everybody is interested in sustainability of crop. Nobody wants, neither the feed manufacturer, nor the hatchery fellow, nor the exporter, nobody is interested, nor the Government. Most important thing is that the Government wants to see this sector continue and grow.

**Punit Mittal:** Okay. I think that makes sense. We also read in media that the Government has requested the feed manufactures to reduce the prices, has any such request come to Avanti Feeds and have you basically taken a cut in the prices due to Government request?

**C. Ramachandra Rao:** See, it was a general discussion that was happening over the interaction with the Government, with the farmers, with the feed manufacturers, with exporters. The most important thing is here the quality of the feed. It is not very difficult to reduce the feed price, it is in our hands, but the important point is whether that will give good FCR what the farmer is expecting, whether he will be economically working on this aquaculture with the feed what we provide. We reduce the nutritional value and make it low cost feed, but it will not work. Because we have done earlier, long back, about 15 years back we did this experiment, but it was a failure because nobody actually liked it, they will be incurring more expenditure, the FCRs will be high. So reducing the feed cost



is not the solution, it has to be maintained. Because with this raw material cost we have to work only to maintain the price, that is the biggest challenge now.

**Punit Mittal:** Sure. The next question is that even though the farm gate price has reduced with the rupee weakening will that help the shrimp processing industry?

**C. Ramachandra Rao:** It is volatile. It does help sometimes and it all depends on the market fluctuations because the rate at which it was confirmed, rate at which raw material was purchased and what is the ultimate realization on the date of remittance by the buyer, all these things are very important which will determine the profitability. If the rupee weakens definitely it will help the exporter in the short run.

**Punit Mittal:** Okay. The last question, we have about 43% market share, right, I mean we are probably the largest in the market. Now, it is a little bit of, I mean, I don't know whether you know the answer for this, is because we have the economies, do we get economies of scale in terms of saying that our raw material prices are cheaper compared to the competition because of the size that we have?

**C. Ramachandra Rao:** See, there are three-four factors which will determine the profitability in the pricing. One is that as you rightly said as large-scale operators we have about 43%, we are going to get economies of price in raw material that is one aspect. The second aspect is the quality of the feed, which we maintain by the formulations by which the farmer gets a better FCR. We have R&D, which, as you know, the Thai Union is closely working with us on this and we will be able to maintain this market leadership and we will be able to provide the farmer with a good-quality feed where he gets good FCR. So together with all the strengths and also you know that we have a team of technicians who will help the farmer, with all this our company will be able to have an edge over others.

**Punit Mittal:** Okay. Thank you so much for your answers. I'll get back in the queue if I have more questions. Thank you so much.

**C. Ramachandra Rao:** Okay. Thank you.

**Moderator:** Thank you, sir. The next question comes from Mr. Darshit Shah from Nirvana Capital. Please go ahead.

**C. Ramachandra Rao:** Darshit Shah. Okay.

**Darshit Shah:** Yeah. Sir, I just wanted more clarity. So this year in FY18 we did feed sales of almost close to 4.3 lakh tons.

**C. Ramachandra Rao:** Yeah, 4.3, yes, correct.

**Darshit Shah:** In FY19 what are we looking at currently in terms of feed sales?

**C. Ramachandra Rao:** That's what, we are looking at about 15%, above 5 lakhs MTs to 5.20 lakh Mts, we are looking for.

**Darshit Shah:** Okay. So, sir, from what you are saying is that the shrimp culture basically is almost stable in almost all the states you mentioned, like, Gujarat, West



Bengal and even in Andhra Pradesh. So despite shrimp culture not growing quite as expected so all these growth in feed sales is it like we are capturing more market sales from existing place, is it safe to assume that?

**C. Ramachandra Rao:** Mr. Darshit, it has two parts. One is that we do expect that on an overall average during the year there will be definitely increase in the feed consumption because we are anticipating culture to increase by 5% to 10% . That is one point. And second thing is we are targeting, as you know, we told in the last meeting also we are targeting at 45%-46% market share. So from 43%-45% is minimum what we are expecting this year. With that it is possible to achieve the feed sales.

**Darshit Shah:** Got it, sir. And, sir, if I heard you correctly you earlier said that even despite of the raw material price increase we might be on absolute term able to maintain profitability of current year?

**C. Ramachandra Rao:** We are confident to maintain PAT between 12-15%.

**Darshit Shah:** Okay. Thank you, sir, so much for your answers.

**C. Ramachandra Rao:** Thank you.

**Moderator:** Thank you, sir. The next question comes from Nitin Awasti from Edelweiss. Please go ahead.

**Nitin Awasti:** Thank you for the opportunity. Sir, I would like to ask you what was your gross profit margins in the processing business for the current year.

**C. Ramachandra Rao:** Just let me ask my colleague exactly the percentage. Gross profit? You mean to say the operating profits? When you say gross profits means what? Only raw material?

**Nitin Awasti:** Yes, sir.

**C. Ramachandra Rao:** No, I think you have to take at least the wages and conversion cost, is it not required, I mean I don't know because from the general operating profits...

**Nitin Awasti:** No, if you reduce the cost of goods which are sold, if you just remove that because I want to know what will be the trend going forward, what was it currently, what will be the trend going forward, as you have repeatedly spoken about value added products so that's what I would like to ask, is that margin going to expend in the future and by how much?

**C. Ramachandra Rao:** See, that depends upon the composition of the value added products. See, there are value added products like ready-to-eat products and ready-to-cook products are also there. So we have to have a balance. If it is a ready-to-cook product, at the higher end where we get better margins and lower end ready-to-cook products get lower margins. It varies. It could be anything from 7%-15% at its highest end, that is the range it could be. So what we do is we try to maximize towards the higher margin end, that is our objective. What I said was 70% we want to have a value added product, which is a combination of the low end value added products and high end value



products and also the other normal traditional products, a mixture of that. So the profit ranges between somewhere around 7% to 15% depending upon the high end products.

**Nitin Awasti:** These are ..which margin, sir?

**C. Ramachandra Rao:** PBT.

**Nitin Awasti:** PBT margins. Okay. So you are saying on the PBT margin you could go as high as 15% in the value added products?

**C. Ramachandra Rao:** Yes.

**Nitin Awasti:** Okay, sir. Thank you, sir.

**Moderator:** Thank you, sir. The next question comes from Mr. Shanshank Kanodia from ICICI Securities. Please go ahead.

**Shanshank Kanodia:** Good evening, sir.

**C. Ramachandra Rao:** Good evening.

**Shanshank Kanodia:** Yeah. Sir, you mentioned that currently the...

**C. Ramachandra Rao:** Can you be a bit louder, Mr. Shanshank? We are not able to hear you clearly.

**Shanshank Kanodia:** Yeah. Sir, you mentioned that currently the fish meal price is around 98 rupees per kg and in fact 17-18 it was around 95, so if you can help us, in FY18 what were the levels?

**C. Ramachandra Rao:** FY18 it was Rs.76 per Kg or so, Rs.77per Kg. I'll need to check once because it was much lower. It was 76, 78 or something like that, average price. My colleague is just checking that price and we will let you know.

**Shanshank Kanodia:** Okay. And, sir, what is your case for soya?

**C. Ramachandra Rao:** Soya is also less, both we will check for FY18 and come back to you .

**Shanshank Kanodia:** Okay. Sir, on the shrimp feed business 5 lakh tons and a PBT margin of 12%, right?

**C. Ramachandra Rao:** No, it is not clear. Can you speak a little louder?

**Moderator:** I am sorry to interrupt, sir. Sir, could you please be a little closer to the mike and please use the handset, sir?

**Shanshank Kanodia:** Yes. Sir, in case of FY19 shrimp feed volume of 5 lakh tons, right?

**C. Ramachandra Rao:** Yeah, about five lakh tons, yeah.



**Shanshank Kanodia:** Yeah. And PBT margins of 12%?

**C. Ramachandra Rao:** Yes, yes.

**Shanshank Kanodia:** In comparison to close to 20 odd percent in FY18?

**C. Ramachandra Rao:** Pardon me? Yeah, FY18 it was high, yeah, 20%.

**Shanshank Kanodia:** Secondly, in the shrimp processing business you mentioned that the farm gate prices are down 20%, right?

**C. Ramachandra Rao:** Yes.

**Shanshank Kanodia:** So what is the prevalent shrimp price in the international market, some color if you can throw?

**C. Ramachandra Rao:** Yeah, because actually the farm gate prices fell a little more than the international prices in the fear of apprehension that it may fall further. There was some sort of a panic reaction, knee-jerk reaction that took place that time, but supposing if the international price fall by 10%-15%, farm gate prices fell by 20%-25% it went down, but now the situation is changing.

**Shanshank Kanodia:** What are the prevalent prices of processed shrimp standard grade?

**C. Ramachandra Rao:** What did you say, prevailing prices of?

**Shanshank Kanodia:** Standard grade shrimp price?

**C. Ramachandra Rao:** Let me just check because I don't have right now, because it is a very dynamic price I don't have – let me just get back to you on this later.

**Shanshank Kanodia:** Okay. And, sir, what is the increase in realization in the value added products, which are ready to cook and ready to eat? How much increase in the realization?

**C. Ramachandra Rao:** Because pricing is a very dynamic thing, we cannot exactly say what is going to be the price and that's what I told in my note also because the shrimp export prices are very dynamic and it keeps changing, so we cannot – average pricing cannot be done.

**Shanshank Kanodia:** Okay. And, sir, just if we calculate your numbers is it true to believe that in the next two years we might not see any growth at the PAT level given there is a sharp...

**C. Ramachandra Rao:** Why not, why not? We will definitely see that. See, because when you have this feed demand going up continually, the aquaculture exports grow, your capacity utilization goes up then naturally the profitability will go up and PAT also will go up. Next two years you are talking, Mr. Shanshank, two years is a long period. What we



are seeing today is a very short-term phenomenon. It will definitely improve. We should not take this as standard and project for future.

**Shanshank Kanodia:** Right. Sir, lastly, we remain committed to a billion dollar sales by FY22, right?

**C. Ramachandra Rao:** Yes, we are targeting that. We are working on that. Both by increasing our full utilization of the processing and also feed, then we are thinking of other products like fish feed and other feeds which we are working. Our target is to reach that.

**Shanshank Kanodia:** Thank you and can you get just give me the remaining numbers?

**C. Ramachandra Rao:** Yeah, yeah. Fish meal prices in FY18 average was Rs.89 per Kg and soya was Rs.33 per Kg.

**Shanshank Kanodia:** Okay. Thank you and wish you all the best.

**C. Ramachandra Rao:** Thank you.

**Moderator:** Thank you, sir. The next question comes from Mr. Jehan Bhadha from Nirmal Bang Securities. Please go ahead.

**Jehan Bhadha:** Sir, again on the realization front if you can give in dollar terms what was our realization for Q4 and what is the price right now?

**C. Ramachandra Rao:** You are talking about feed or shrimps?

**Jehan Bhadha:** Sir, processing. In processing whatever we export to US, that price, sir, in dollar terms.

**C. Ramachandra Rao:** You want to know the average price for FY18?

**Jehan Bhadha:** No, sir. For Q4 and right now, so in the month of May what was it and what was it in Q4 FY18?

**C. Ramachandra Rao:** It will take some time, you were asking for the latest information. We have to do some work here Mr. Jehan.

**Jehan Bhadha:** Okay. For Q4 what was the number?

**C. Ramachandra Rao:** We need to do, because you are asking for the dollar number, we have to do some exercise and then come back to you.

**Jehan Bhadha:** Okay. Would you have the rupee number sir?

**C. Ramachandra Rao:** Average price realization.

**Jehan Bhadha:** Ballpark would also do sir, just to understand more about the industry. I wanted to understand more about the industry.





**C. Ramachandra Rao:** Jehan, you want to know the average price realization of shrimps in FY18, is it not? Am I right?

**Jehan Bhadha:** Yeah, FY18 also as well as what was it recently, say in April, May what was it?

**C. Ramachandra Rao:** It is very difficult to tell you about April, May. We can tell you about FY18. We will do one thing Mr. Jehan. We will come back to you. You send your mail and we will answer this question. That will be better, instead of holding everything here, better we will answer you.

**Jehan Bhadha:** Sure. But, it is safe to assume that on a year on year basis similar to the farm gate prices that international price would also be down about 10%-15% YoY, right?

**C. Ramachandra Rao:** Yes, it is a balancing thing, both between raw material price as well as export price.

**Jehan Bhadha:** Okay. Sir, the second question is on the seasonality. In the global, the export prices, is there any seasonality?

**C. Ramachandra Rao:** It is the demand supply Mr. Jehan. It all depends, when the demand is more, the prices will always be higher. The availability of shrimp from other countries also will determine the price. It is not, we cannot say the seasonality. So, when there is a demand, the price will go up. The availability of the product and the demand that is the determining factor for the pricing. And normally they foresee. Supposing, Christmas is the time they have more consumption, then naturally prices tend to go up. Then vis-à-vis they will see the processed shrimps that are available in the market, they will balance that and price it.

**Jehan Bhadha:** Right. Okay fine sir. Thank you sir.

**Moderator:** Thank you sir. The next question comes from Mr. Aman from Astute Management. Please go ahead.

**Aman:** Good evening sir.

**C. Ramachandra Rao:** Good evening.

**Aman:** My first question is on the processing side of the business.

**C. Ramachandra Rao:** Pardon me?

**Aman:** Processing. In FY18 how much volume did we do in processing?

**C. Ramachandra Rao:** Okay, one second. We have given in our presentation the volume 5800 MTs.

**Aman:** And out of this how much was value added?



**C. Ramachandra Rao:** I don't have that Mr. Aman.

**Aman:** Rough percentage will be like 10% value added or more?

**C. Ramachandra Rao:** More. It will be, value added as I was telling you the high end value added, the low end value added. Ready to cook, that will be more. Actually it will be around 70% to 80% will be that.

**Aman:** High ended?

**C. Ramachandra Rao:** Not high ended, it is the low end. The high end is something which is ready to eat, very high ended which I was talking about 15% margin is ready to eat products.

**Aman:** Did we sell any ready to eat in FY18?

**C. Ramachandra Rao:** No, not yet. We are working on that.

**Aman:** Ready to cook?

**C. Ramachandra Rao:** Yeah, Cooked products we have already started in our new plant. Please let me clarify on this. One thing is raw products as it is sent. The second level is cooked and exported. This is not ready to eat. Cooked exports sent does not mean that it is ready to eat. Next is the ready to eat. So, ready to cook and eat, the margins differ on the different products. So, ours is more of the cooked products and not ready to eat. And cooked, that will be more percentage.

**Aman:** Okay. So, FY19 we may have a target of 14000 metric tons?

**C. Ramachandra Rao:** Yes.

**Aman:** So, how much will be ready to cook in that, percentage wise?

**C. Ramachandra Rao:** I think we have given you that. It will be around 70% is total. In that almost like 35% to 40% will be cooked.

**Aman:** Okay. And this year also we won't have ready to eat?

**C. Ramachandra Rao:** Yes. This year we will have.

**Aman:** Okay, this year we will start ready to eat also?

**C. Ramachandra Rao:** Yeah, we are already doing, some orders are coming. We are doing. Precise figures we will get only after some time, maybe couple of months.

**Aman:** Okay, sure. And on this part only, so we will be selling this to US based importers, if I am right?

**C. Ramachandra Rao:** Both US, because they have been the major exporters from India and we are focusing on other markets also, like Europe.



**Aman:** Okay. So, it is only sold on basis of spot market or are there contracts also?

**C. Ramachandra Rao:** Both. We have both. We have the spot as well as that, the long term orders. We have been getting lot of orders for long term coverage. We are getting very good orders now for the long term coverage. So, we have both, combination of both spot as well as long term.

**Aman:** So, roughly it will be 50-50?

**C. Ramachandra Rao:** No, we cannot tell that. It all depends upon the raw material price.

**Aman:** Sure, sure. Normally long term order will have higher margin than the spot, if you can tell that, not the number, but is it higher margin?

**C. Ramachandra Rao:** No, it is not like that. It is something like a forecast of the future market price and they book the orders. They take a call. And we also take a call depending upon our raw material cost, what will be our conversion cost, what will be our margins, we calculate and arrive at a long term figure. And it will be deliverable on month on month basis. It will not be uniform. Supposing we book thirty containers, it is not that thirty containers will go at a time. They will give the dispatch schedule, where month by month so many containers have to be dispatched. From our side we calculate what would be the raw material price, what would be the conversion cost and then we work out our own numbers and we negotiate and accept the contract.

**Aman:** So, the contract is signed only one month, one to two months? Every one to two months the price may get revised?

**C. Ramachandra Rao:** Pardon?

**Aman:** The contract signed will be only one to two months, the price may get revised? So, if there is a big fall on price or big rise in price.

**C. Ramachandra Rao:** No, it all depends. It all depends on the market. The perceptions of the buyer, the perceptions of the seller, the exporter and the importer, both have to do their homework. They have to cover their market and we have to cover our raw material cost. We have to work out our and then only this long term orders can take place.

**Aman:** Okay, sure. Thanks for this. The second question is on the, sir you were talking about, we were looking at other opportunities like sea bass or any other fish, any updates?

**C. Ramachandra Rao:** We are working on that, but still engaging on a commercial scale is not coming up. But, we are working for that.

**Aman:** Is anything expected this year?



**C. Ramachandra Rao:** We don't know. I think at this point of time we cannot say anything, but we are very keen, because we want to focus on that and see that as a going forward, that is the area where which we are keen about that.

**Aman:** Okay. The last question is on the, someone also had asked, do you have the current farm gate price of hundred count, sixty count and thirty count shrimps as of today or maybe a week before? The farm gate price of hundred count, sixty count and thirty count.

**C. Ramachandra Rao:** Yeah, we will check up with this and then come back, because we don't have today's price with me right now. Let me just check and come back to you.

**Aman:** Okay, sure. Thanks for all the answers.

**Moderator:** Thank you sir. The next question comes from Mr. R K Laddha from Yash Investments. Please go ahead.

**R K Laddha:** Thank you sir for giving me the opportunity. And I just wanted to know is there any flatness in feed demand?

**C. Ramachandra Rao:** Sir, please we are not able to hear you, maybe you have to come near to the mike I think.

**R K Laddha:** Hello?

**C. Ramachandra Rao:** Now, it is clear.

**R K Laddha:** I just wanted to ask that is there any flatness in feed demand?

**C. Ramachandra Rao:** Flatness in the feed demand? No, we have full demand. Whatever is produced is being sold, there is no dearth of the demand. As of now it is continuing, because you know we have always been in shortage to supply in peak season. We have increased our capacity and we are able to use that.

**R K Laddha:** Okay, thanks sir. Thanks. All my other queries have already been answered. Thank you. Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Nitin Awasti from Edelweiss. Please go ahead.

**Nitin Awasti:** Recently in the news there were announcements about power subsidy being offered to shrimp processing facilities, is that being extended to you?

**C. Ramachandra Rao:** Which facility, by whom?

**Nitin Awasti:** By Andhra Government, the power subsidy.

**C. Ramachandra Rao:** Power subsidy is not for factories. That is for the farmers.

**Nitin Awasti:** Okay, that is for the farmers and that does not pertain to you.



**C. Ramachandra Rao:** Yes, yes, they said that they will give power at Rs.2.

**Nitin Awasti:** Okay, but that is for the farmers and not you and not the (inaudible).

**C. Ramachandra Rao:** Farmers, farmers, not to us.

**Nitin Awasti:** Okay, thank you sir. Thank you.

**Moderator:** Thank you sir. Sir, we have the next question from Mr. Punit Mittal from Global Core Capital. Please go ahead.

**Punit Mittal:** Just two questions, I know it is late, so thanks for taking the question. One is, in the start of the call I think you mentioned the raw material average price in FY17 was Rs.51.84 per Kg, is it correct?

**C. Ramachandra Rao:** Correct, correct.

**Punit Mittal:** In the last five years or six years when our volumes have been growing meaningfully, what was the lowest raw material price and the highest raw material price that you have experienced? I just need a ballpark saying that have we experienced prices way higher than these or way lower than these?

**C. Ramachandra Rao:** The prices have been lower than these. If I remember correctly about fifteen years back with the price of fish meal was Rs.20 per Kg. It kept on increasing. And in those days we used to import the total 100% fish meal from Chile and Peru. So, the things have changed. The global prices are also around Rs.100 to Rs.115 per Kg. That is what is the global price now for the fish meal.

**Punit Mittal:** So, are these the highest price for fish meal and soya meal price high ?

**C. Ramachandra Rao:** Once it went to Rs.43 per Kg I think. It went only once in 2015-2016 and then it came down immediately.

**Punit Mittal:** Okay. And the fish meal you said you used to import 100% before, so now how much is domestic procurement and how much is import?

**C. Ramachandra Rao:** Almost 100% we are domestically procuring. There is no import now.

**Punit Mittal:** Okay. The second question is, in the feed business, let us say the top three players, what kind of market share together the top three players will have?

**C. Ramachandra Rao:** In India we have the two players that is we and CP. We put together, we have around 43% and they have around 38 means, 43 plus 38, it will be 82, 81%-82% we two together share. The rest of the things are shared by the other suppliers.

**Punit Mittal:** Okay, understood. The last question, is there any conversation with the Government to give aquaculture an agri status and get the benefits of the agri status?



**C. Ramachandra Rao:** Mr. Punit, we have been fighting for this almost like nearly two decades. It is fifteen, twenty years back we started this fight and continuously, almost every Finance Minister, every Commerce Minister, we have been representing for this. But, somehow they are not inclined to do that.

**Punit Mittal:** Do you know what is the reason, like what are their reservation of doing it, given especially now with the industry becoming so big and so forth, what are the reservations for the Government to do that, just out of curiosity?

**C. Ramachandra Rao:** Yeah, because they feel this as a commercial crop. Because of this, they don't consider this as agriculture. If they consider this as agriculture, they have to extend cheaper finance. They have to allow the crop insurance. We wanted all these things to safeguard the interest of the farmers. We have been fighting for that. But, somehow the Government is not inclined to treat this as agriculture. And income tax, they will not get income tax exemption on this activity, all these things are there. The Government is not interested to do that. But we are trying. We are making our efforts in this direction. We have not left it. We have been representing every budget, every meeting, every forum to accord shrimp culture status of agriculture.

**Punit Mittal:** Okay. It is just that the feed business, in the processing business, what will be the market share of the top three to five players?

**C. Ramachandra Rao:** I think I cannot answer this question straightaway, because there are so many processors. I will have to just check that and come back to you. I can answer this by email, this particular question Mr. Punit.

**Punit Mittal:** No problem, no problem at all. Thank you so much for your time and really appreciate you answering all the questions patiently. Thank you so much.

**C. Ramachandra Rao:** Thank you.

**Moderator:** Thank you sir. The last question for the day comes from Mr. Ayush Mittal from Mittal and Company. Please go ahead.

**Ayush Mittal:** Hello?

**C. Ramachandra Rao:** Yes Mr. Ayush, tell me.

**Ayush Mittal:** Good afternoon sir. Sir, if we go by the media articles and the problems that are being highlighted for this sector that many people are expecting a de-growth, while at Avanti we are confident of 15% growth for this year in the feed segment. So, can you share with us how has been our utilization or production in the first two months? Like in the month of April and May, have we been on this track of growth despite the industry problems?

**C. Ramachandra Rao:** Let me first answer your de-growth issues which the press is talking about generally. But this is I would say that this is a kneejerk reaction, just because there is fall in the price and then the farmers started to panic, they felt it will go down further. But now everyone has come to a realization that this is a temporary phenomena. This is not going to be permanent. That is one thing which we have to keep in mind. There



is not going to be situation where farmers will stop doing the aquaculture. It is not like that. It is a correction which is taking place now. We have frequent meetings with farmers and we are giving them this message that this situation will not last long, don't get panicked. What was your second question?

**Ayush Mittal:** I was mentioning that have you seen this kind of growth that we are expecting for the year in the month of April and May? Have we been able to utilize our plant at those levels?

**C. Ramachandra Rao:** Correct. We have been able to utilize as projected during April and May.

**Ayush Mittal:** Okay. And do you think other people have expanded the feed space and so many people have been trying to enter this market. Are we seeing any healthy competition or is it as usual for us that the prices have been stable and we have been continuing to do well at our end?

**C. Ramachandra Rao:** We do not foresee any threat from any of the competitors. The reason which I have been telling almost every investor, interaction with the investors that because of the strong points that we have, we always, we are at the doorstep of the farmer when he needs it, so whether you may call it as a formulation, giving good FCR or whether an advise he needs when he is going through any problem in the culture or water problem or stability problem or growth problem, everything we are there, we are advising him. And that is what we have experienced for the last two and a half decades, we have continuous interaction with the farmers. So, we do not foresee any inroad into our market by anyone. That is not there. In fact we are trying to take more market now.

**Ayush Mittal:** Yeah, that seems to be there because of the industry de-growth, you are maintaining 15%-20% and then your market share will expand further.

**C. Ramachandra Rao:** Yes, yes.

**Ayush Mittal:** Sir, my second question is around the processing segment, as we see in the industry that Q4 usually is better than Q3 for FY18 in terms of the production in the industry. Then why did our volumes de-grow in the processing segment. We have been targeting higher growth in this segment, but that hasn't been happening for us in some point or the other, so what have been the challenges and what are we doing to overcome them?

**C. Ramachandra Rao:** Actually you are referring to Q4 2018 volume, is it?

**Ayush Mittal:** Yeah, in Q4 2018 versus Q3 2018, there has been a drop in the processing segment value.

**C. Ramachandra Rao:** Q3 will be always like that. Q3 is not comparable. It is, you have to compare with the corresponding previous year's figure and that would be better. That is more relevant.

**Management:** Because after Christmas and New Year, there is a slump in the exports.



**C. Ramachandra Rao:** yes after new year festivities, the demand reduces, it is a normal phenomenon.

**Management:** Q3 is always a good quarter for exports.

**Ayush Mittal:** Okay. So, like we have been trying to scale up significantly in the processing segment, any challenges that we have faced or do you feel that things are going as usual and we should be able to scale up in the coming years?

**C. Ramachandra Rao:** Absolutely. We do not foresee any problems, apart from what unusual things happened in the last few months. We do not foresee as far as the capacity utilization is concerned, the plant operation is concerned, quality maintenance is concerned, the satisfaction of the customer is concerned; we are on the track, absolutely. The response from our buyers is very good and they have been actually pouring their orders. Absolutely there is no problem as far as the capacity utilization or quality maintenance or the delivery schedule, whatever it is, everything is perfect. We have no issues.

**Ayush Mittal:** Okay sir, thank you sir. That was all from my side. Wish you all the very best.

**C. Ramachandra Rao:** Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, due to time constraints, that will be the last question for the day. And I would now like to hand over the conference to the management for any closing remarks. Over to you sir.

**C. Ramachandra Rao:** It was nice that we had very good questions and particularly at this juncture when there have been so many mails and calls, almost last four-five days or one week. We have been getting questions after questions about the industry. Though it is not a core business of the company to monitor or track the share prices, however we thought that when there is a panic reaction in the market, it becomes the responsibility of the company in the interest of the investors to give a clarification about this status, because so many rumors are making rounds. So, we thought that it is good, so that is the reason why we gave the explanation, the reasoning in our stock exchange as well as the website. I think that is being received positively by the investors. So, with this I would like to conclude this investor's conference call. Thank you very much.

**Moderator:** Thank you sir.

**Milan Bavishi:** Thank you. Thank you sir.

**Moderator:** 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 everyone.

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**Note:**

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

AVANTI FEEDS LIMITED  
  
Jt. MANAGING DIRECTOR



The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy verification of the data.

Furthermore, it is noted that regular audits are essential to identify any discrepancies or errors early on. This proactive approach helps in maintaining the integrity of the financial statements and prevents any potential issues from escalating.

In conclusion, the document stresses that a robust system of record-keeping is fundamental for any business. By adhering to these guidelines, organizations can ensure that their financial data is reliable and accurate.

The second section of the document provides a detailed overview of the current market conditions. It highlights the challenges faced by various industries due to the economic downturn. Despite these challenges, there are still opportunities for growth in certain sectors, particularly in technology and healthcare.

The analysis shows that companies that have diversified their portfolios and focused on innovation are better positioned to withstand the current market volatility. These companies have managed to maintain their competitive edge by investing in research and development.

Additionally, the document points out that government support and incentives are playing a significant role in stimulating economic activity. These measures are helping to create jobs and encourage investment in key areas of the economy.

Overall, the document concludes that while the market remains uncertain, there is a clear path forward for businesses that are resilient and adaptable. By staying informed and proactive, organizations can navigate these difficult times successfully.

The final part of the document offers some practical advice for businesses looking to improve their financial performance. It suggests that companies should focus on reducing costs and increasing efficiency. This can be achieved through various means, such as streamlining operations and leveraging technology.

It is also recommended that businesses should maintain a strong relationship with their customers. Providing excellent customer service and offering value-added products can help to build loyalty and increase sales.

In summary, the document provides a comprehensive guide for businesses to follow in order to thrive in a challenging market environment. By implementing the strategies outlined, organizations can position themselves for long-term success.