

**AVANTI FEEDS LIMITED**  
26<sup>TH</sup> ANNUAL GENERAL MEETING OF THE COMPANY  
HELD ON 09<sup>TH</sup> AUGUST, 2019

**ADDRESS BY CHAIRMAN & MANAGING DIRECTOR, SRI. A. INDRA KUMAR**

Dear Shareholders,

I am happy to extend warm welcome to you to this 26<sup>th</sup> Annual General Meeting of your Company.

After recording significant year-on-year growth in the earlier consecutive 4 years, the shrimp industry was under stress in 2018 registering decline in shrimp culture in the country. As I stated in the last year's AGM in August, the export price of shrimps declined in major part of last year due to extended winter in US and stable production in other shrimp producing countries, leading to steep fall in farm gate prices of shrimps. The farmers fearing further decline and continuing trend, reduced the area of culture / postponed the stocking, resulting in the decline in the shrimp culture area. Though the export prices started stabilizing in the later part of the year, the culture continued to be subdued with production of shrimps almost at the same level as in 2017 which is about 6 lakhs M.T. (Though, the break in shrimp culture by farmers, initially, considered beneficial for shrimp culture as a good aquaculture practice, continued non resumption of shrimp culture in some areas impacted shrimp production).

The Raw Material prices for feed production also went up in 2018 compared to 2017 increasing the cost of production of feed. As the farmers were already under stress due to reduction in the prices of shrimps, reducing their margins, the Company did not pass on the additional cost to the farmers and absorbed additional cost, resulting in reduced profit margin on feed business. This was done keeping in view the long term sustainability of shrimp culture for the farmers and other stake holders.

In spite of these odds faced by the shrimp industry, I am glad to share with you that your Company has been able to maintain a marginal growth in the top line over the previous year, though, profit margin reduced due to reasons stated earlier. Your Company has also been able to increase its market share in feed from 43% to 47% while the total feed consumption in the country reduced by about 15% to 20% over the previous year.

As far as shrimp processing and export is concerned, your Company has been able to achieve significant growth in exports as well as profit margin in FY19, compared to previous year.

Before, I share with you the present status of shrimp culture in the country and future outlook, I would like to briefly present to you the Financial results of the Company for FY19 in Feed as well as Shrimp Processing and Export business.

**Financial Results of 2018-19:**

The Feed business recorded a sale of 4.22 lakh tonnes with a turnover of Rs.2,783 crores and PBT of Rs.335.67 crores and PAT of Rs.223.50 crores in 2018-19 as compared to sale of 4.30 lakh tonnes with turnover of Rs.2850.87 crores and PBT of Rs.629.15 crores and PAT of Rs.414.94 crores. It may be noticed that your Company has been able to maintain the feed sales at almost the same level during FY19 compared to FY 18 though the profit margin reduced due to steep increase in raw material prices without corresponding increase in feed sale price.

The Shrimp Processing and Export business registered a turnover of Rs.762.08 crores with PBT of Rs.91.73 crores and PAT of Rs. 82.47 crores in 2018-19 as compared to a turnover of Rs.594.25 crores with PBT of Rs.73.84 crores and PAT of Rs.50.03 crores. There has been a significant increase in export turnover by about 28.24% and the PBT has also registered an increase by 24.23%. The exports of the processed shrimp during the FY19 was 11,065 Mts as against 7,857 Mts. in FY18 registering a growth of 40.83% over last year. This has been possible due to increase in capacity utilization in new processing plant and also increase in export of value added products.

#### **Q1 – FY20 PERFORMANCE:**

The financial results of the Company for the Q1 – FY20 is already with you, showing marginal increase in turnover and profitability over corresponding quarter of FY19, indicating that your Company's performance has been better under the stress conditions of the Industry. The turnover of feed business remained at almost the same level during Q1 – FY20, compared to Q1 – FY19, while the PBT registered a marginal increase to 13.20% from 12.74%, respectively. The shrimp processing and export has registered significant growth of 50% over corresponding quarter of FY19. The PBT has also increased to 12.33% on total income from 11.28% in the corresponding quarter of FY19.

#### **Industry overview :**

This year the export prices have stabilized to a great extent, particularly, bigger size shrimp prices have increased significantly and the farm gate prices have also improved, providing much needed confidence in the farmers to undertake shrimp

culture resulting in increased area of shrimp culture this year compared to last year. Though, the shrimp culture during first quarter of this year Q1 - FY20, did not indicate increase due to delayed stocking. Now stocking is taking place vigorously promising a good production during the second half of this year. The monsoon rains, though started late, has been active now which is helpful for shrimp culture. However, some parts of the A.P. State like Nellore, Ongole and most of the areas in Tamilnadu State still suffer short fall, it is hoped that the rains will pick up in coming days and would be conducive for shrimp culture.

Considering the present state of shrimp culture, it is forecasted that the shrimp production is likely to be around 6 lakh M. Tonnes in 2019 (+ / - 5%) and feed consumption of about 10 – 10.5 lakh M. Tonnes with your Company's share of 4.75 to 5 lakh M. Tonnes.

Having said that the environment for shrimp culture this year is better than last year, I am cautiously sharing with you that this year also will be a challenging year for the shrimp industry from the perspective of global shrimp prices for the reason of supply expected to be being more than demand. However, Indian shrimps are preferred due to competitive prices, quality and other global requirements.

**ACKNOWLEDGEMENT:**

I would like to acknowledge and place on record the unstinted support and cooperation extended by the State, Central and other Governmental Agencies, Shareholders, Banks, Suppliers, Dealers, Farmers and Staff of the Company.

I thank you and wish you all a **HAPPY FESTIVAL SEASON** ahead.

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