

A group of seven men are gathered outdoors, sitting on a concrete surface and engaged in a discussion. They are dressed in business casual attire, including button-down shirts. In the background, a silver hatchback car is parked on a dirt area. Further back, there is a simple, single-story building with a tiled roof and blue doors. The scene is brightly lit, suggesting daytime. The text "AVANTI FEEDS LIMITED" is overlaid in large, bold, black capital letters across the upper middle of the image.

AVANTI FEEDS LIMITED

FIELD WORK INSIGHTS

INDUSTRY FACTS

Shrimp Aquaculture Industry			
Production		Consumption	
Country	Lakh Tons	Country	Lakh Tons
China	12	China	12 (16)
Vietnam	4	US	10
Mexico	4	EU	8
Indonesia	4	Japan	4
Ecuador	3	Singapore	2
India	3	Korea	2
Thailand	2.5 (6)	Others	2
Sea Catch?	7.5		
Total	40		40

- Total 180 Million Ton Sea Food opportunity. 40 % from Aquaculture, 60% from Catches.
- Sea Food consumption growing at 10% per year
- Shrimp is more than 50 percent of total Sea Food demand
- In developed world, eating Shrimp is considered a delicacy and healthy. **China which was a Net Exporter has turned a Net-Importer as local population adapted to eating Shrimps**
- In India shrimp consumption still to catch on. Subsequently, 99% of produce is exported
- Shrimp Aqua Culture slated to reach 54% of total consumption now; Next 40 - 50 years Shrimp Aquaculture slated to keep growing, 2 - 4 % global CAGR
- **Aquaculture can be broadly considered an evergreen industry**

INDUSTRY FACTS (2)

Vannamei Aquaculture		
Country	# Of Years	Land Limit
Equador	> 20	80%
Mexico	> 20	80%
Vietnam	> 20	80%
China		
Thailand		
Indonesia		
India	5	< 20%

- **India - youngest country in Vannamei culture.** Just Five years old.
- In Last 3 - 4 years, India has invested in Best Practices; Robust Regulatory framework has aided industry

- **25 - 35 degrees C ideal for aquaculture;** India Tropical Warm Climate - most suited
- India has a long Coastline; 6L Hectares identified as suitable for aquaculture; only 1 L Hectare currently being used
- Not even 20% utilisation. However **Estimates indicate usage of 1.5 lakh hectares only, by 2020**
- Gujarat, WB - 2 crops a year. Some areas of AP/TN climate suitable for 3 crops a year
- WB, Orissa - 70/30 Black Tiger/Vannamei culture markets, now seeing higher conversion to Vannamei
- SEA Salinity - 35 PPT; Ideal for aquaculture 15 - 25 PPT; 5 - 7 PPT has also worked in some inland locations in India!





FARMER FEEDBACK/INSIGHTS

- 17-18% of Costs - SEED; FEED - 40%; Rest Operating Expenses; Golden days over; Unable to make money now - Cost is 280/kg for 30 Count (?)
 - **1st Crop: Summer: Bumper Crop.** No diseases. Not much can go wrong
 - Late Feb: Stocking - bringing in seed from Hatchery; March: Feeding; June - Harvesting;
 - **2nd Crop: Monsoon: Temp fluctuating.** Not so suitable; Ideal temperature 25-35 degrees C
 - Rainy Season: No stocking; August: Stocking; Oct/Nov: Harvest
 - **3rd Crop: Adventure Crop:** Mostly tried by Nellore/TN with higher temp; Disease prone season
 - Nov: Stocking; Feb: Harvesting
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- **Old Farmer** started in 1993. 20 acres. With relatives 150 acres. Sells to 4-5 companies depending on better price. In Nellore big farmers are more than 50% (i.e. more than 50-100 acres). Bhimavaram has more of small farmers.
 - Was just breaking even. But will continue as this is the thing they have been doing and are hopeful of better times. They seemed to be using lot of Avanti followed by CP and few packets were also of other companies; but said **they prefer Avanti; they feel its better suited for their water.** Sometimes water quality is different between adjacent ponds even!
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- **New Farmer** who had just converted his agricultural land to shrimp farming. Done because there was good profit in it and his relatives and friends were doing. **As investment is high, they don't take too many chances and hence stick to what their relatives/friends are doing.** Not easy to switch back due to the initial investment made.



DISTRIBUTOR FEEDBACK/INSIGHTS

Non-Avanti Distributor

- West Godavari has 365 day culture and hence most expensive area. Virus problem is there otherwise things are good. **Seed is most important and it has been a problem** due to illegal hatcheries - they buy from SPF & CP (hatchery)
 - This season some farmers reached breakeven and some made marginal losses. Survival rate is about 70%. 2-3 T is average yield per acre. They sell feed of Godrej about 5000 T, Waterbase 6000 T, Sharath 2000 T, and one more. They do about 100 Cr turnover
 - **Aqua Farmers, once having tasted blood have no real choice;** Alternatives are fish farming 100/kg vs Shrimp 280/kg vs Paddy 40-50 Rs/kg; A few bumper years give them the cushion to ride out 1 or 2 rough years
 - **Every year is different; Every year there is hope** – irrespective of global demand supply; disease; cyclone and the like
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Avanti Distributor (Farmer > Middleman > Distributor)

- Distributor had 86 acres (20 acres owned) for farming. 5 distributors for Avanti in Nellore. In paddy there are 3 crops and one can make about 25k per/acre per crop. While the **Rewards in Aqua Culture can be much much more about 5 lac/acre** if things go well.
- Avanti has very very strong hold and recall is good. Even if we want to push other company's feed, farmer asks for Avanti. Avanti has 42% market share, CP will come down to 35%. **Avanti started with just 7-8% market share. Avanti technical field people are working hard**



PROCESSOR FEEDBACK/INSIGHTS

- **Processing - commodity business.** No big differentiation. 2-3 % margin, addl. 5-7% duty drawbacks. Value-added might fetch 2-3 % more. **Feed more specialised** with 12%+ Ebitda
 - 2010 April - turnaround due to Gulf Oil Spill; Dec 2012 EMS. After 3 years, 2015 seeing stable production. **Correction had to happen. Long term trend in the making.** Demand growing by 2-3%, not elastic as Shrimp is expensive. Productivity going up. US imports increasing 5-6%. EU, Japan not doing well, everyone targeting US
 - AP - very big players; Many have shops in US, Warehouse in US, Own brand retailing in US; Devi 700 Cr; Nekkanti – 1000 Cr; Choice – 2000 Cr
 - **AP - 70% produce;** Gujarat 10% (20 Count); WB -10%; TN/KA/MH – 10%; Production -100; Yield Loss =30; 70 Processed output
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- We supply Food Retail chains like Red Lobster, Soisco etc. US - Pre-cooked, Ready to cook market. Japan only headless. Our portfolio - Raw 70%, Cooked 15%, Value added 15% (marinated, stretched shrimp, breaded). Cooked is mostly for smaller sizes. **TUF shrimp ring is a famous product**
 - **Value-added processing should increase from India** with increased availability of smaller sizes. Earlier it was larger sizes, only. Machinery is not an issue. Skilled labour is the main problem. We are increasing focus on value added as we have market access, and can train people

PROCESSOR FEEDBACK/INSIGHTS (2)

- 60% are Large Farmers/Processors; 30-40% are small farmers/processors
- Due to higher prices lot of new players without industry knowledge dived in and now out of aqua farming in just one year. **Land rentals are also stabilising**
- Plants at 30T/day capacity @ 300 days = 10000 T; 30 New plants came up in last one year (hear 15 more coming up); Aftermath of the previous bull run > 4 years of good prices; New players will find problems
- **2015** - Lot of supply available, sustainable for us. Too many plants, demand is high. Farmers are less squeezed; Dynamic balance between farmers, middlemen. Processors take hit/gain by exporters. **Today Risk is not high for Farmers – Experienced, efficient, non-greedy farmers will do well.** Feed players will do well for foreseeable future
- **Industry unlikely to experience de-growth. Crop area is growing, Productivity improving.** Lot of un-tapped area. Orissa (very good land) will come up + West Bengal. Gujarat doing well
- Indra Kumar has unique Credit Risk Assessment model; knows every farmer; has meals with their family. Local connect is very important. **Farmers are hypnotized. There is very little difference between Feeds from Top players** (technical evaluation of samples). It is the marketing/support and farmer connect!



FEED PLAYER FEEDBACK/INSIGHTS

- Fish meal is scarce. Peru and Chile meets most global needs. Last few years prices are hovering higher at Rs 100-110/ kg and higher vs. Rs 70/kg in 2010-2012
- Unlike China, **all Raw Material (RM) in India Indigenous**; Fish meal, fish oil, Soya meal, Maida; **When RM gets pricier, advantage shifts to India**; India has labour cost advantage; Power situation when it improves, will aid
- 25% corporate farming, 75% small farmers
- Challenges - Disease, Quality of Seed; International Prices; Input Costs; Farmer education levels – use of antibiotics, soil testing, best practice training & support
- Hatcheries - 500; 300 authenticated; **200 illegal**
- For Farmer crop to survive - **60% depends on Seed; 20% on Feed; 20% Farm Management** best practice (Water, soil, climate)
- Technical service capabilities, farmer connectivity, marketing are key factors determining brand strength
- Farmers can continue to do business - Cost/Kg not more than Rs. 180 - 200/kg (30 Count)
- **Total 14 LT feed capacity in India.** Demand is only 7 LT. CP & Avanti command 64 % market share. CP 2.78 LT(Capacity: 3 LT), Avanti 2.34 LT (2.4 LT) Growbest 30,000 T, Kargil 15000 T
- **2015 - Feed players took price increase in May. Now retail price @ Rs 70**; 2.8 LT x 1000 x 70 Rs/Kg =1960 Cr Sales (FY2015 – CP did business of 1400 Cr)



FIELD SALES FEEDBACK/INSIGHTS

- Avanti is a clear leader on the field (Nellore district). **Leadership because of Feed Quality and constant engagement/support to Farmers on a daily/weekly basis.** Every Saturday data collected is fed, all India basis. GPS navigation
- **33 Marketing/Support persons** in Nellore district for Avanti vs 18 for CP, and 20 for Waterbase. Test Nettings are conducted and FCR calculations done for Avanti vs Others, on a very regular basis, and corrective actions taken dynamically (based on water ph, salinity, temperature vs growth)
- **Avanti FCR seen between 1.2 to 1.5;** CP and Waterbase between 1.5 to 1.7
- Marketing/Support takes higher responsibility. They inspect daily Feed shipment at dealers even after QC pass – has it reached in broken or perfect condition. If any bag is damaged first-level sales folk have powers to send back, email MD directly for intervention
- For Avanti, Dealer has to be financially strong and adhere to Terms set. He is the money manager, daily collections are in range of double-digit lakhs. **Farmers selection/ categorisation, credit rating are done by Marketing** and provided to Dealers
- Avanti did 56000 T in Nellore. CP 52000. Waterbase and Godrej at lower levels. Some feedbacks indicate **Avanti brand is very strong and is expected to gain market share** (even in a decreasing market), due to farmer loyalty