

AVANTI FEEDS LIMITED
24TH ANNUAL GENERAL MEETING OF THE COMPANY
HELD ON 12TH AUGUST, 2017

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

Dear Shareholders,

I extend warm welcome to you all to this 24th Annual General Meeting of your Company.

At the outset, I am pleased to share with you the achievement that your Company ranked 455 in 2016 "FORTUNE INDIA 500" rankings, moved up by 23 ranks, compared to 478 rank in 2015. This reflects recognition of status of your Company in the corporate world.

Industry Overview :

Before I take up the Company's performance during the year 2016-17, let me share with you the industry scenario so that there is better evaluation of the performance and strategic pursuits of the Company.

The overall Indian marine product exports during 2016-17 recorded and all time high of USD 5.78 billion (Rs. 37,870.90 Crores) as against USD 4.69 billion (Rs. 30,421 crores) during 2015-16, registering an increase of 24.50% in value terms. In quantitative terms India exported 11,34,948 MT of seafood in 2016-17 as against 9,45,892 MT in 2015-16, an increase by 20%.

Frozen shrimp maintained its position as the top item of export, accounting for 38.28% in quantity and 64.50% of the total earnings in Dollar terms. Shrimp exports increased by 16.21% in terms of quantity and 20.33% in Dollar terms. Frozen Fish was the second largest export item, accounting for a share of 26.15% in quantity and 11.64% in Dollar earnings, registering a growth of 26.92% in terms of value.

Increased production of L.Vannamei shrimp, diversification of aquaculture species, sustained measures to ensure quality and increase in infrastructure facilities for production of value added products were largely responsible for India's positive growth in export of seafood.

The overall export of shrimp during 2016-17 was to the tune of 4,34,484 MT worth USD 3,726.36 million as against 3,73,866 MT amounting to USD 3,096.68 Million during 2015-16. USA was the largest import market for frozen shrimp in 2016-17 with 1,65,827 MT as against 1,34,144 MT in 2015-16, followed by European Union (77,178 MT), South East Asia (1,05,763 MT), Japan (31,284 MT), Middle East countries (19,554 MT), China (7,818 MT) and Other Countries (27,063 MT).

The export of Vannamei shrimp, a major seafood delicacy, improved from 2,56,699 MT to 3,29,766 MT in 2016-17, registering a growth of 28.46% in quantity. In value terms, 49.55% of total Vannamei shrimp was exported to USA followed by 23.28% to

South East Asian countries, 13.17% to EU, 4.53% to Japan, 3.02% to the Middle East and 1.35% to China.

With regard to shrimp culture, after decline during 2015-16 compared to earlier year, picked up during 2016-17 and showed significant growth due to increase in shrimp culture area and conversion from fish culture to shrimp culture due to favourable conditions.

The regulatory measures implemented by the Nodal agencies like Coastal Aquaculture Authority (CAA), Marine Products Export Development Authority (MPEDA), Export Inspection Agency (EIA), National Fisheries Development Board (NFDB) etc., for mandatory registration of farms, import of good quality brood stock, monitoring of hatchery operations, certification of the shrimp at the time of export etc. have brought discipline to the industry and helped sustainable growth.

Your Company is also doing a lot of extensive field work for promotion of sustainable aquaculture by holding farmer's seminars, educating the farmers to follow best aquaculture practices through seminars by experts from Thailand, France and Vietnam and also through seminars and farmers meetings held by Company's technical team. Your company has also taken 529 farmers during the year to Thailand and arranged technical seminar in Kesetsart University, Bangkok and also arranged farm visits in Thailand to acquaint farmers with development in shrimp culture practices.

Now, I would like to present to you the performance of your Company in 2016-17.

The Annual Report for the year 2016-17 is already in your hands and I am sure that you will feel happy to see that your Company recorded consolidated income of Rs. 2754.47 crores and Rs. 226.75 crores of PAT during the year registering an increase of 35.36% in the top line and 42.63% in PAT compared with the previous year.

PERFORMANCE OF YOUR COMPANY :

Feed Division :

After recording a marginal growth of about 4% during the year 2015-16 compared to 2014-15, the aquaculture industry bounced back in the year 2016-17 and reported a growth of 15-20% due to relatively consistent favorable shrimp prices coupled with increase in area of shrimp culture and conversion from fish culture to shrimp culture due to favourable conditions. Though the industry growth was marginal, your Company growth was at 25% in 2015-16. Your Company reported 3,41,660 MT sales of shrimp feed during 2016-17 as compared to 2,52,590 MT shrimp feed sales in the immediate preceding financial year 2015-16, an increase of 35% in volume. For the 5th consecutive year your Company posted higher growth than the industry which reflects your Company's un-compromising commitment to product quality and technical support to farmers making it farmer's first choice.

2

The major contributing factor for increase in turnover and profitability is increase in Vannamei feed sales during the year compared to earlier year. The feed division recorded a sales of Rs. 2346 crores during 2016-17 as compared to Rs. 1730 crores in 2015-16. The PBT is Rs. 285 crores in 2016-17 as against Rs. 194 crores in 2015-16.

AVANTI FROZEN FOODS PVT LTD (Subsidiary company of Avanti Feeds Limited) :

As you know, during the financial year 2015-16 your Company divested its Shrimp Processing & Export Division to its subsidiary M/s. Avanti Frozen Foods Private Limited (AFFPL) under Business Transfer Agreement. This was done in order to improve business efficacy and to build global brand image for Shrimp Processing Business. The effective date of transfer of the Shrimp Processing & Export Division to AFFPL was 01.11.2015. However, transfer of statutory licenses from AFL to AFFPL was received by June'16 and transfer of name from AFL to AFFPL by USDOL was received on 22.11.2016. From 01.04.2016 to 30.06.2016 AFL operated the Processing & Export unit on behalf of AFFPL and from 01.07.2016 till 22.11.2016, AFFPL did the processing and AFL exported as a merchant exporter. With effect from 23.11.2016, AFFPL is carrying on the processed shrimp operations in its own name.

As a consequence of the above arrangement, the revenue and related expenditure of shrimp processing and export business for the period from 01.04.2016 to 22.11.2016 were included in Statement of Profit & Loss of AFL. However, the profit from this business for the period from 01.04.2016 to 22.11.2016 amounting to Rs. 1864.80 lakhs is transferred to AFFPL which is reflected in the standalone results of your Company as Extra Ordinary Expense, as the arrangement between AFL & AFFPL was that AFL would operate on behalf of AFFPL on no profit no loss basis. A detailed statement of the operations of Shrimp Processing & Export Division for the 7 months period from 01.04.2016 to 22.11.2016 is given at Note No.31 in Notes to Financial statements for the year 31st March, 2017.

WIND MILLS :

Your Company has 4 wind mills of 0.80 MW each at Chitradurg, Karnataka with a total installed capacity of 3.2 MW. The wind mills generated 31.44 lac units during the year 2016-17 as compared to 49.94 lac units in the previous year. The power generated during the year was sold to Karnataka Power Transmission Corporation Limited under Power Purchase Agreement. The main reason for decrease in power generated during 2016-17 compared to 2015-16 is failure of 2 wind mills during the peak season of May'16 to October'16. There was inordinate delay in rectifying the machines by O & M service providers due to acute financial problems faced by them in replacing the spares in time. Now, all the wind mills are working after continuous persuasion and negotiated settlement of O & M agreement with the service provider.

3

POWER PROJECTS :

Srivathsa Power Projects Private Limited, is a 17.2 MW gas based independent power project in which your Company holds 49.99% equity shares. The unit was not in operation from 06th July, 2014 to 26th January, 2016 as gas supply was stopped by Gas Authority of India Limited (GAIL) during this period, due to blast in their gas supply pipeline. The gas supply has been resumed from 27.01.2016 and now the plant is operational. However, during most part of the year 2016-17, the gas supply was drastically reduced by GAIL to 31,343 SCMD as against the nominated quota of 65,000 SCMD. As a result, the power generation was limited to 439.68 lakhs units as against full capacity of 911.04 lakhs units. During the year 2016-17, the Company reported a turnover of Rs. 1534.00 lakhs and incurred a loss of Rs. 113.54 lakhs after charging interest and depreciation as per un-audited financials. The operations resulted in a loss of Rs. 113.54 lakhs mainly due to charging-off of the expenses incurred for major overhauling of an engine amounting to Rs. 139.76 lakhs.

Patikari Power Private Limited,

Your Company holds 25.88% of equity shares of Patikari Power Private Limited, a 16 MW Hydel Power Project located in Himachal Pradesh. During the year 2016-17 as per un-audited financials, the Company generated 424.40 lakhs saleable energy units, as against 564.80 lakhs saleable units during 2015-16, yielding a gross sales income of Rs. 954.99 lakhs as against gross sales income of Rs. 1270.73 lakhs during 2015-16, resulting in a net loss of Rs. 236.77 lakhs after charging interest and depreciation for 2016-17 as against profit of Rs. 5.88 lakhs during 2015-16.

Poor in flow of water from catchment areas is the major reason for low generation of power and consequent loss.

FUTURE OUTLOOK OF THE INDUSTRY :

Having placed before you, the performance of your Company during 2016-17, I would like to share with you my views on the current year situation and future of this industry in India.

The June'17 quarter results are declared yesterday and hope you have gone through the results.

First crop of Shrimp culture in current year was good and second season is in progress. There is healthy growth of 10% -15% of the industry because of increase in the area of culture, conversion from fish culture to shrimp culture and favourable climatic conditions. Your Company's June'17 quarter results are reflecting the trend of shrimp culture in general and your Company's performance in particular. The international shrimp prices also reasonably remunerative enough for the farmers to undertake shrimp culture.

I am happy to share with you that the new shrimp feed plant at Bandipuram, West Godavari District, Andhra Pradesh, started commercial operations in first week of August'16 and the product quality is on par with feed of other units. In this context, I

4

am happy to inform you that in order to meet continued demand, particularly, in peak season, further expansion of this plant to produce additional 1,75,000 MT of feed is being taken up now. It is planned to complete implementation by March'18. This will help your Company to consolidate its position in the shrimp feed market and enable to smoothen supplies during peak season demand.

Completion of new shrimp processing plant :

I am happy to inform that the implementation of 15000MT per annum capacity, new state of art shrimp processing plant by AFFPL has been completed successfully and trial production is in progress. The exports from this plant will start soon.

While, the immediate focus of your company is optimum utilization of new facilities, both feed and processing plants, the long term planning is to explore feasibility of diversifying into fish feed with an objective of achieving turnover of USD 1 billion by 2022.

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.
