

BEST CEO
AGRICULTURE AND
ALLIED

Total Income/ 3-yr CAGR
₹32,25.1 cr / 8.03%

PBIT/ 3-yr CAGR
₹378.17cr / 5.86%

PAT/ 3-yr CAGR
₹285.98 cr / 13.34%

3-yr Average TSR
-39.07

Average Market Cap Y-o-Y Growth *
33.61

ROE/ ROCE
25.29% / 33.44%

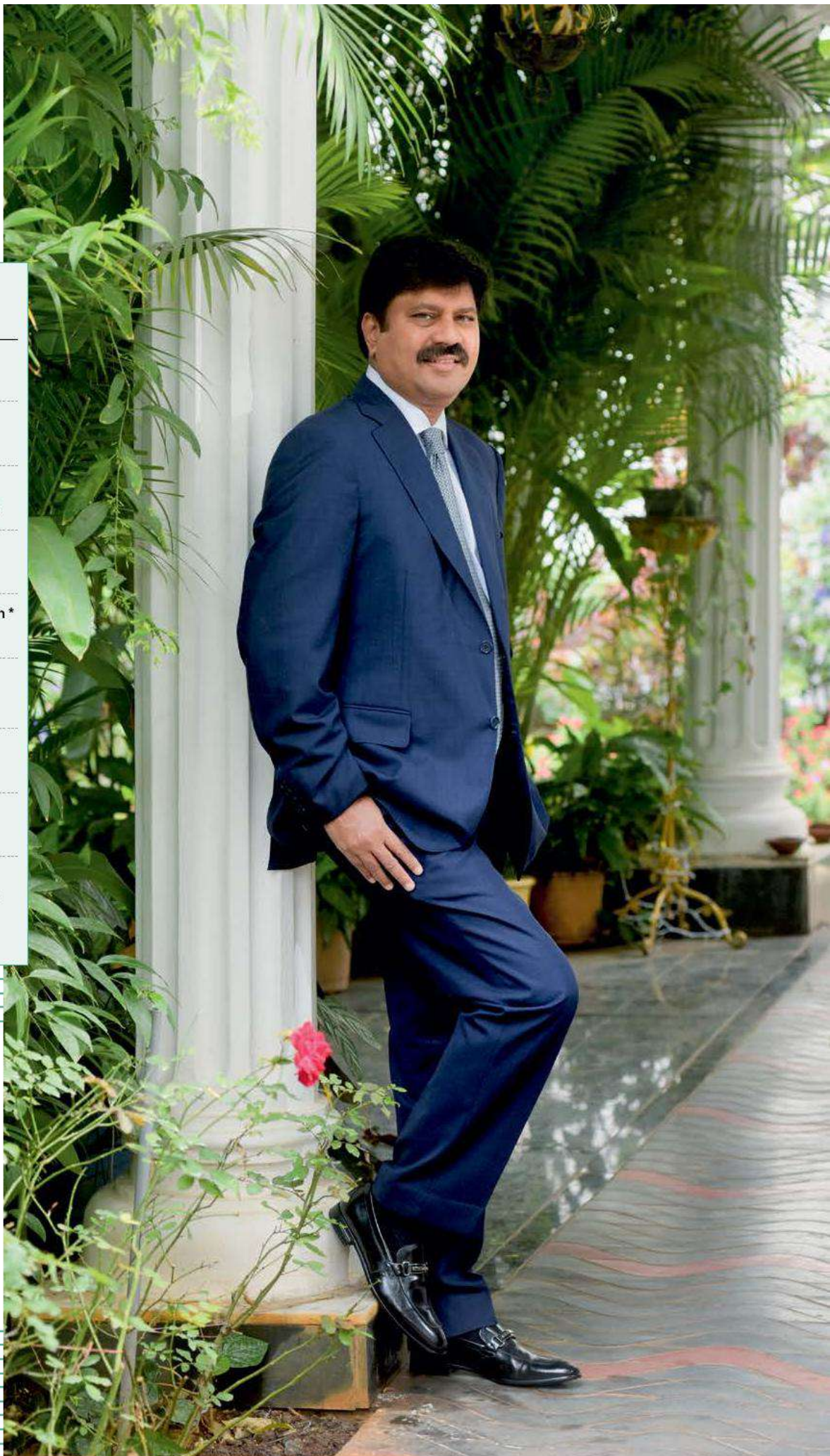
CASH/ DEBT
₹188.7 cr/ Nil

Net Profit Margin
-9.04%

*For Oct 2019-Sept 2020; Standalone data; Total income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity



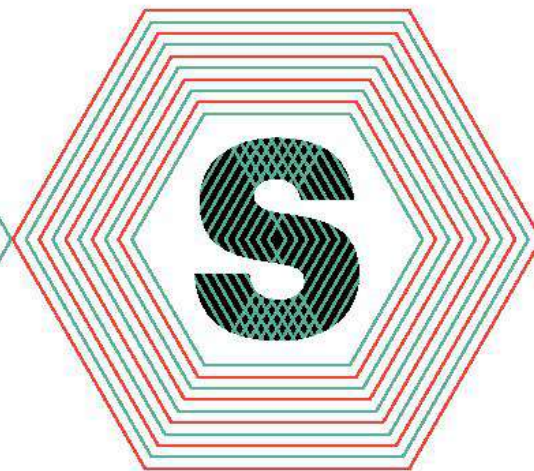
We work with US and European customers in retail and big restaurant chains. Their requirement has not declined much



The Caretaker

ALLURI INDRA KUMAR ENSURED THAT PRAWN FARMERS WERE NOT IMPACTED DURING THE LOCKDOWN

BY JOE C. MATHEW
PHOTOGRAPH BY KRISHNENDU HALDER



Soon after the lockdown began, the Indian shrimp industry plunged into an unprecedented crisis. Exports stopped due to fall in overseas demand and logistic disruptions, while shrimp processors got stuck with their frozen or value-added stocks. Upstream, tens of thousands of farmers were finding no takers for their shrimp harvest, and the price of shrimp, which normally ranged between ₹150 and ₹200 a kilo, slumped to ₹80 in April.

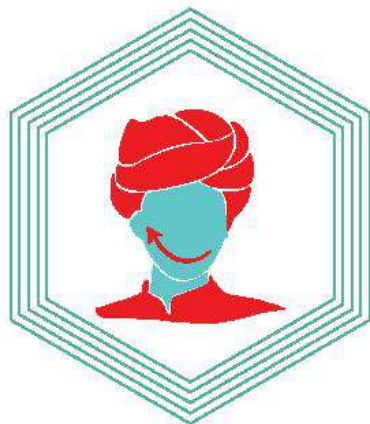
While distress sale was the only choice before farmers, processors and traders had the option of not to buy, or buy it dirt cheap and stock value-added products. That is when Alluri Indra Kumar, Chairman and MD of Hyderabad based

Avanti Feeds Ltd — the company that sells shrimp feed to farmers (it has close to 50 per cent market share in India's feed business) and also processes and exports shrimp through its subsidiary Avanti Frozen Foods — chose a path not many had thought of.

Kumar decided to support the farmers, demand or no demand, by offering the price he had promised them pre-Covid at ₹180 a kilo. "It continued for a month and we did whatever we could. We stuck to the benchmark price we offered to protect the farmer. Ultimately, the farmer has to make money if aquaculture has to grow," says Kumar. While his Avanti procured ₹20-30 crore worth of shrimp, he convinced many others — as the regional head of Sea Food Exporters Association — to do the same. Kumar was also instrumental in getting special permissions for processors to run their factories during the lockdown to preserve the procured stocks.

Kumar's decision made business sense too. Throughout the Covid-19 lockdown period and beyond, Avanti not only retained its farmer base, but also added new farmers and new areas to its sales network. The company's customer-first approach also saw Avanti sending technical teams to aqua farms to provide necessary support to farmers to ensure consistent performance and quality for shrimps. "Farming too is a commercial decision," adds Kumar.

This is not the first time Avanti decided to put its farmer-first policy in practice. In 2018/19, the extended winter in the US — the key market for shrimps — slowed the movement of stocks and depressed prices. India had a prolonged summer the same year, which led to diseases and a 15-20 per cent decline in shrimp culture. By supplying fish feed at the same price even at the cost of profit margins, Avanti stood by the farmers then too. 2019/20 had almost brought the industry back to normal, before Covid-19 struck. It is to Kumar's credit that Avanti has been adding 600 to 700



Mantras For Success

Started exporting cooked shrimps and marinated products to new markets like Europe, USA, Japan, Korea, Australia and West Asia

Formed JV with Thai Union Frozen Products PCL, which helped in new product development

Constructed a new hatchery with a capacity to produce 400 million-1 billion seeds

Added new farmers, areas to its existing sales network


Adopted a customer-first approach; sent technical teams to aqua farms to provide support to farmers

farmers to its network every year irrespective of the ups and downs in the business. Its farmer network exceeds 16,000 today.

Kumar has been heading Avanti Feeds for 14 years now. His company is the market leader in fish feeds and among India's top-10 shrimp processors and exporters with revenues of ₹4185.53 crore in 2019/20 (18.18 per cent rise over ₹3541.61 crore in the previous year). Net profit was ₹386.29 crore, 25 per cent higher than ₹306.62 crore in FY19. Avanti exported 13,397 tonnes of processed shrimps in 2019/20, over 20 per cent more than the 11,065 tonnes it exported the previous year. The worst seems to be over. In an investor note in November 2020, Geojit Financial Services predicted Avanti's revenue growth to be flat for this year (2020/21) but to grow at 9 per cent CAGR over 2021/22. "Healthy growth and margins amidst challenges," states Vincent Andrews, research analyst, Geojit, on the second quarter (July-September 2020) performance of Avanti.

The resilience of the company in the shrimp export business has to do with its market and product strategy also. Kumar says while the US and Europe remain key export markets, it has started to explore other markets too. Similarly, product offerings have also changed, with value-added products accounting for the bulk of its exports. The company sells cooked shrimps, skewers and marinated products to Europe, USA, Japan, Korea, Australia and West Asia. "Demand is there because it is a food product. Unless you have a good customer base, there is not much demand for non-value added products (during Covid)," says Kumar. "We work with the US and European customers who are into retail and restaurants, big restaurant chains. Their requirement has not declined much."

Kumar sees merit in backward integration. The aquaculture cycle begins with the hatchery, the seed.



Then comes the farmer and shrimp feed, and finally processing and exports. Avanti is already in the last two — feed and processed shrimp exports. The company has just started its hatchery too. “It can produce around 400 million seeds, which is expandable, to one billion. We entered into this space to give the farmer a good seed,” says Kumar.

Helping Avanti introduce good-quality feed and firm up global supply contracts is its joint venture with Thailand-based Thai Union Frozen Products PCL, the world’s-largest seafood processors and leading manufacturer of prawn and fish feeds. “Technically, we work together in formulating new feed formula. In processing, being the largest processor, they help us in value addition of products. The newer products help open the US and European markets for us,” Kumar explains.

The raw material supply side is to get a big boost because of the Central government’s policy of “Economic Revolution through Blue Revolution”. The Pradhan Mantri Matsya Sampada Yojana launched for fisheries in May 2020 with an investment of over ₹20,000 crore over the next five years can help small and marginal farmers increase their fish and shrimp production. The target is

an annual growth rate of 9 per cent from 137.58 lakh metric tonnes (MT) in 2018/19 to 220 lakh MT by 2024/25. If the scheme gets implemented well, there will be more demand for shrimp seed and feed. There will also be additional supply of high-quality shrimp for processing and exports. Along with other stakeholders, companies like Avanti will also benefit in the medium term.

Right now, bulk of Avanti’s revenues come from the feed business. But exports are growing and volatility in international shrimp prices, farm gate shrimp prices, non-tariff barriers, even fluctuating foreign exchange rates can be concerns for Avanti. Kumar is trying to safeguard the company against such business risks by developing domestic and alternative markets to supplement US exports, adhere strictly to traceability, scientific pond management and adopt judicious pricing and forex management. The most important strategy will continue to be customer satisfaction. As Kumar says, customers should come to them due to the inherent advantages they have. “It (business) should be a pull more than a push.” **BT**

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