



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CAVEAT

This section of Annual Report has been included in adherence to the spirit enunciated in the code of Corporate Governance approved by the Securities and Exchange Board of India. Though, utmost care has been taken to ensure that the opinions expressed by the Management herein contain its perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or statements expressed in this report, consequent to new information, future event, or otherwise.

## Industry Overview

### Global Aquaculture Demand and Production

The global outbreak of Corona virus, COVID-19, consequential lockdown and restrictions imposed by the countries affected had severe impact in the initial stages i.e., from the end of 2019 and almost till April and May '20. In anticipation of steep fall in consumption of Fish and Fisheries products, apprehensions of fall in prices, the farmers slow down aquaculture during March, April and May '20 which is normally the beginning of the peak season for shrimp culture. However, though there was a fall in the short term consumption, the situation gradually improved with stabilization of consumption in global demand for Fish and Fishery products. It is envisaged that though the COVID-19 impacted negatively during short period, in the long run, it is expected to stabilize. The science of stabilization globally is already perceived with global demand, price stabilization and return of normalcy in Production and Supply Chain. Unlike, some of the industries like Travel & Tourism, Hospitality which are likely to have a long term impact, the aquaculture industry has shown relatively fast resilience assuring sustainability of the industry. Under these circumstances, the estimated global production of Shrimp of 4.5 million MTs, as projected during GOAL 2019, appears achievable.

### Indian Scenario

The shrimp production in the country during 2019 was about 7,50,000 MTs. During 2020, it is estimated that the production of shrimps in the country will be at the same level with a variance of 5% either way.

## Strengths, Weakness, Opportunities and Threats

### Strengths

The Company is a pioneer in Indian Shrimp industry having over 26 years of proven track record. The Company has technical expertise in developing need based feed formulation to suit the shrimp culture condition of different regions in India. This flexibility ensures consistent performance of Company's feed in varying climatic and other conditions of shrimp culture with assured yield to the farmer.

The Company provides the technical assistance to the farmer in shrimp culture by trained technical team and also provides the farmer with the developments in the techniques of shrimp culture for improved yields.

The Company has a strong dealership network as channel partners Pan-India catering to the requirements of the farmers. The Company engages, on continuous basis, research and developments in collaboration with technical experts of Thai Union Group in adopting to the changed needs of the shrimp culture activity.

The Company, with its technical expertise is capable of scaling up the production at short notice with competitive CAPEX.

### Weakness

Although shrimp production has been growing in the country, year after year, continues to be concerned about inadequate infrastructure facilities, particularly power supply to aquaculture farms, lack of adequate cold store chain available for farmers to store their produce, affordable financial support to the farmers etc.

It is heartening to note that the Govt. of India has decided to provide support to the Aquaculture Sector by including this sector in the COVID-19 recovery package. It is expected that this initiative by the Govt. of India would go a long way in sustainable growth of the industry.

Though, the aquaculture is similar to agriculture in many aspects, the recognition of aquaculture on par with agriculture is still awaited from the Government in order to avail the benefits that are available to agriculture.

### Opportunities

The global sea food consumption is increasing as Sea food is rich in nutrition and is a healthy food compared of other forms of meat. As per GOAL report the wild caught sea food is declining year after year necessitating the increase in farmed sea food.

With long coast line, India is ideally suited for development of seafood industry. A planned development would provide abundant opportunities for seafood industry. The successful adoption of Vannamei Specie shrimp culture has to be replicated for other species of exportable fishes for broad basing the export basket and gain recognition in international market.

### Threats

The aqua culture activity is dependent on climatic conditions prevailing during season to season, which is unpredictable. Natural calamities like floods, cyclones, during the culture season can have serious impact on the prospects of successful culture. In spite of technical advancement and development of Specific Pathogen Free (SPF) seed, the possibilities of the shrimps getting affected by virus and diseases cannot be ruled out.

Volatility of international prices of shrimps and fluctuating foreign exchange rates, US Anti-Dumping Duty and US Countervailing Duty continues to be the major areas of threat for the industry.

However, development of potential domestic market to support exports, strict adherence of traceability, scientific pond management, a judicious approach on prices and forex management is expected to reduce the impact of threats to a great extent.

### Outlook

After a decline in the first half of 2019, the shrimp exports rose sharply towards the end of the year resulting in record shrimp production of over 7,50,000 tonnes. China and the US bought substantial quantities of shrimp from India in the last few months of the year.

During 2020, it is estimated that the production of shrimps in the country will be at the same level with a variance of 5% either way.

### Power

The Company has investment in the following power projects:

- (a) The 3.2 MW Wind Mill Project in Chitradurg, Karnataka State is operational and has generated 48.09 lac units during the year.
- (b) Srivathsa Power Projects Private Limited:  
Srivathsa Power Projects Private Limited, is a 17.2 MW gas based independent power project situated in Andhra Pradesh in which company holds 49.99% of equity shares.

During the year 2019-20, the gas supplied by GAIL was only 24,024 SCMD as against the nominated quota of 65,000 SCMD stated to be due to non-availability of APM-Gas. As a result, the power generation was limited to 97.04 Lakhs units as

against generation capacity of 1,100 Lakhs units. During the year 2019-20 plant operated for 101 days and the Company reported a turnover of ₹ 393.59 Lakhs and a loss of ₹ 199.07 Lakhs after charging interest and depreciation, as per audited financials.

#### (c) Patikari Power Private Limited

The Company holds 25.88% equity shares of Patikari Power Private Limited which has a 16 MW Hydel Power Project in Himachal Pradesh. During the year 2019-20 as per audited financials the Company generated 530.12 Lakhs saleable energy units, yielding a gross sales income of ₹ 1,191.87 Lakhs which resulted in a net profit of ₹ 544.28 Lakhs after charging interest, depreciation and tax.

### Internal Control Systems and their Adequacy

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are properly authorized recorded and reported correctly. Further, the internal control system is designed to ensure that all the financial and other records are reliable for preparing financial statements and for maintaining accountability of the assets.

In addition, Company has an internal Risk & Compliance Department headed by a Chartered Accountant having 21 years of experience in the relevant field. The Department is responsible to ensure compliance of all the statutory requirements by the Company. This Department is also responsible for Internal Audit and periodical risk appraisal, internal as well as external, of all the functional departments in the organization. On the basis of the appraisal, potential risks are identified and preventive measures are initiated depending on the perceived gravity of the risk.

### Discussion on Financial performance with respect to operational performance

#### (i) Operational Performance

The financial statements have been prepared in compliance with the requirement of the

Companies Act, 2013 and Indian Accounting Standards in India. During the year under review, your company reported profit of ₹ 37,637.50 Lakhs before tax adjustments as compared to profit of ₹ 33,567.20 Lakhs in the previous year.

#### (ii) Segment-wise Performance

The segment-wise performance of the Company during the year 2019-20 is disclosed in the Notes to Accounts at Schedule No. 41.

**Key Financial Ratios**

[Pursuant to Schedule V(B) to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

	2020	2019
Operating Profit Margin (%)	9.98%	10.49%
Net Profit Margin (%)	8.87%	7.66%
Debtors Turnover – Based on Gross Sales Value (No of times)	132.26	155.47
Inventory Turnover	8.70	7.76
Current Ratio	4.99	4.80
Return on Net worth (%)	23.80%	20.06%

Notes:

1. Debtors Turnover ratio has been computed for both years on the basis of Gross Sales Value (net of rebates and discounts) instead of Gross Revenue.
2. Net Profit Margin and Return on Net worth ratios have been computed based on Profit After Tax (before exceptional items).
3. Return on Net Worth is higher for the year ended 31<sup>st</sup> March, 2020 due to reduction in Income Tax Rates on Taxable Income hence higher rate of growth in Profit After Tax.
4. Interest Coverage Ratio and Debt Equity ratio are not relevant for the Company as it has negligible debt.

**Human Resources / Industrial Relations**

The process of shrimp feed production involves specialization in procurement of suitable raw materials, feed formulation, production to suit the needs of shrimp culture, which needs qualified and trained staff for these operations. The marketing staff has to be well trained in techniques of shrimp culture to assist to the farmers. In this direction, the Company imparts expert training in the respective field and develops Human Resource capabilities. The periodical trainings, incentives, increments and other welfare measures ensure healthy industrial relations. During the year under review the Company employed 70 persons and the total number of employees as on 31.03.2020 is 1084 employees.