



Venky's (India) Limited

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12 November, 2024

The National Stock Exchange of
India Limited,
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Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051.

Corporate Relationship Dept.,
Bombay Stock Exchange limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

Dear Sir,

Subject: - Transcript of Conference Call held on 8th November, 2024.

Please find attached herewith the transcript of the conference call for investors and analysts held by Venky's (India) Limited on Friday, 8th November, 2024 at 02.30 P.M. IST.

Kindly take the said information on your record and acknowledge the receipt.

FOR VENKY'S (INDIA) LIMITED

**ROHAN BHAGWAT
COMPANY SECRETARY &
COMPLIANCE OFFICER**

Encl: As above



“Venky’s Q2 FY25 Earnings Conference Call”

November 08, 2024



MANAGEMENT: **MR. N. K. TOSHNIWAL – GM, OILSEED SEGMENT,
VENKY’S INDIA LIMITED**
**DR. VIJAY TIJARE - GM , POULTRY SEGMENT,
VENKY’S INDIA LIMITED**
**DR. P. G. PEDGAONKAR – POULTRY SEGMENT,
VENKY’S INDIA LIMITED**
**MR. J. K. HANDA - CHIEF FINANCIAL OFFICER,
VENKY’S INDIA LIMITED**
**MR. ROHAN BHAGWAT – COMPANY SECRETARY,
VENKY’S INDIA LIMITED**

MODERATOR: **MR. PROBAL SEN – ICICI SECURITIES**



*Venky's India Limited
November 08, 2024*

Moderator: Ladies and gentlemen, good day, and welcome to Venky's Q2 FY25 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Probal Sen from ICICI Securities. Thank you and over to you sir.

Probal Sen: Thank you, Sumith. Welcome everyone to this Post Q2 FY25 Call to discuss Venky's Q2 Results.

With us we have members from the Senior Management of Venky's, Mr. N. K. Toshniwal – MD, Oilseed segment, he is the General Manager. From the Poultry segment, we have Dr. Vijay Tijare – GM and Dr. P. G. Pedgaonkar. From the Accounts & Finance team, we have Mr. J. K. Handa – the Chief Financial Officer of the company and Mr. Rohan Bhagwat – Company Secretary.

Without further ado, I hand over to the Management for their "Opening Remarks". Post which, there will be an opportunity to ask questions. Over to you sir.

Management: Thank you Mr. Probal Sen. A very good afternoon and thank you all for joining us today for the conference call of Venky's India Limited. The company had published financial results for the quarter and half year ended 30th September 2024 along with information for investors on 7th November. I hope you all have gone through the same. Today, we have with us the unit heads to answer all your queries in respect of their respective segments and the area of operations.

Before we start discussing the company's performance, I would like to mention that some statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations team. I will now hand over the call to Mr. Jeevan Handa, our CFO, to make the opening comments. Over to you, Mr. Handa.

Jeevan Handa: Good afternoon, everyone and a very warm welcome. I am Jeevan Handa – CFO. I take pleasure to discuss with all of you on the Venky's Earning Call. I hope you have gone through the auditors results for the 2nd Quarter and also the information to investors.



*Venky's India Limited
November 08, 2024*

As you are aware, we are always providing adequate data and explanation to our investors since we are in the livestock business and I hope you will appreciate our approach. As you all have seen from the published results, the overall financial performance of Venky's for the quarter ended 30th September 24 was weaker than the previous quarter. Major reason for decline in the profits is due to the loss reported in the poultry and poultry product segment. Traditionally, the 2nd Quarter is always a weak quarter for the poultry segment due to the seasonal pattern and fluctuation in demand for chicken products because of fasting month and also religious rituals etc.

The Animal Health product segment has registered satisfactory performance. Performance of Oilseed segment was affected mainly due to the unfavorable market conditions. As of 30th September '24, the cash and cash equivalent is Rs. 306.24 crore.

Coming current quarter after a subdued month of October, we are witnessing very better realization of poultry products in this month. Therefore, we are cautiously optimistic that the current quarter's performance will be better than the 2nd Quarter since the overall outlook for the poultry sector started improving, we are expected that the capacity utilization in the Oilseed segment also will show improvement from here on.

With this briefing, we now would like to answer your questions. You may please go ahead with questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: So after a stellar performance in Q1, we have witnessed a loss in Q2. So I would like to understand the main reasons for the loss. Is it due to fall in realizations of poultry or how much of it is contributed by increase in input prices, increase in prices of feed? So I mean, can you please let me know the trend of maize and soya prices as well and how much did they contribute to the margins, full margins?

Management: The major decline in the profitability is to the poultry and poultry segments. The realization of the product is lower if we see the 1st Quarter realization. In the 1st Quarter realization was almost ranging from month over month Rs. 106 per kg, Rs. 110 per kg, Rs. 103 per kg whereas the cost of production was ranging from Rs. 87 to Rs. 88. But in the 2nd Quarter the same 106 or 110 has come down to 99, August it was 86 and it was 84 in the month of September, which was average out, it was a low side in comparison to the 1st Quarter. Whereas the cost of production was ranging almost the same, it was Rs. 87 to Rs. 88. So that's the reason for decline in the turnover as of the probability in the poultry and poultry segments. So in the current quarter, the trend is changing and the realization seems to be better whereas we are having the packed up production. So we are hopeful that the turnover as well as the bottomline shall improve reasonably well.



*Venky's India Limited
November 08, 2024*

Gunit Singh: So we have seen already half of Q3 has gone by approximately. So I mean, what kind of realizations are we seeing in this quarter and what is the cost of production in this quarter on average in the current quarter Q3?

Management: The current cost of production in regard to the bird prices is Rs. 87 to Rs. 88 depending on the current input prices, but as far as the realization is concerned in the current quarter like October itself indicating is in the lower price it was Rs. 74 something, but the last week or last days from October onwards as the festivals are over, the prices shoot up to Rs. 97 or Rs. 95 or even is the Rs. 100 plus some event till date. So from our 30th October onwards, after the festivals are over, things are improving on the front of price realization, whereas the cost of production is ranging Rs. 87 to Rs. 88.

Moderator: Thank you. The next question is from the line of Ankur, an individual investor. Please go ahead.

Ankur: Good Afternoon Sir. Yes, sir, I would like to ask you, what kind of set of numbers do we expect in third and 4th Quarters, sir? And what kind of EBITDA and net margins do we expect in these two quarters, sir?

Management: In the next third quarter as well as the 4th Quarter, the numbers would be reasonably, I mean better off than the 1st and 2nd Quarter similarly on the price realization because that is a seasonal month in regard to the consumption and accordingly, the poultry and poultry segments shall increase accordingly turnover as well as the bottomline.

Ankur: So do we expect good set of numbers in comparative to 1st Quarter sir?

Management: Hopefully so.

Ankur: It will be better?

Management: Yes, surely.

Ankur: So the profits of the company was around Rs. 70 to Rs. 80 crores in 1st Quarter. So we can expect that we will exceed that in this quarter and as well as next quarter?

Management: The 1st Quarter, the prices realization was pretty good. So the margins were somewhere around even Rs. 20 a kg or more. But in the third and 4th Quarter if those trends continue, we can bounce back like that. But it all depends on the rate realization. In regard to the input cost, maize is a matter of concern because seasonal production will come in the month of April onwards. So there might be pressure on the maize prices which is a major 55% to 60% segment on the energy sector. But otherwise there seems to be a pretty good number in the third and 4th Quarter. It looks like that.



*Venky's India Limited
November 08, 2024*

- Ankur:** Sir, any expansion is going on in the company, sir?
- Management:** So we are having a good amount of number in our inventory as well as the number. So as of today, there is no expansion in almost all the segment, but we are having a very good quality in our hand, which could be disposed of as the number or demand will come.
- Moderator:** Thank you. The next question is from the line of Ankit Kapoor, an individual investor. Please go ahead.
- Ankit Kapoor:** Sir, I have three questions. My first question is that ever since I have been watching the quarterly results of Venky's from March 23, sales is down, getting each and every quarter, sales is declining consistently. And I have been investing in this company from 2018. So as an individual investor, I have been disappointed with the returns the company has given to me. During COVID period where the stock prices rose from the low of 700 to 3500, but except that the company has been disappointing on the numbers side. So when can we expect the listing side of the company, then where we expect some good numbers and good performance, where realizations will be good. So can you please guide us on that?
- Management:** Yes in regard to the third quarter and 4th Quarter if you compare with the 1st Quarter and 2nd Quarter, the sales number or volume shall be definitely better than the earlier quarter. 2nd Quarter is having a weak quarter always if you see the last 10 years data, but if you see the product mix in the company like even in poultry and poultry products also, there are different segments; broiler chicks, layer chicks, commercial birds, SPF eggs. There are different product mix. If the layer product is concerned, now in the winter season the prices are going to be increased because the consumption of egg will be increased, but as per the same time we are having good amount of numbers even for the layer wherein we will encash the sale. Similarly, the numbers are there in the 2nd Quarter also but the rates were poor. Egg prices as well as the chicks, those numbers were very much poor. So it depends on which segment is improving, which segment is having better numbers and rate realization which is forming the overall volume as turnover of the company. So what you say is right in the coming quarter and all we are having a better realization in regard to all the segments it looks like and presume, so hopefully the numbers and bottomline shall be good.
- Ankit Kapoor:** Can we expect increase in sales in the upcoming quarter?
- Management:** Surely that, it will be surely better than the 2nd Quarter and the third quarter and 4th Quarter will be better.
- Ankit Kapoor:** And sir, what about rewarding shareholders for interim dividends or something bonus issued, something like that?



*Venky's India Limited
November 08, 2024*

Management: We take up your suggestion. This is a board call. This is our investor concall meeting. We can only explain on the business side. The suggestion of bonus, we will pass it on to the board.

Moderator: Thank you. The next question is from the line of Siddhant from itthought PMS. Please go ahead.

Siddhant: I would like to have a few questions. First question is, what is the status of the supply in the poultry industry, supply and demand?

Management: As per the demand and supply position is concerned after this festival season is over, the demand and supply both the things are reasonably well. Consumption is also on the higher side and ultimately poultry segment as a whole which includes many products like I explained for layer chicks, broiler chicks, SPF eggs, SPF is not related but likewise even AHP also. When the consumption of poultry feed will increase or poultry birds will increase, automatically all segment related segment will increase. So hopefully things would be better than the 2nd Quarter in the forthcoming quarters.

Siddhant: Let's say when compared to FY21, how was the supply in the poultry industry?

Management: FY21?

Siddhant: Yes, like compared to the previous years, how is the supply right now in the industry?

Management: So if we compare 19-20 was the financial year which affected due to COVID. Though COVID for rest of the world started in 2021; however for us as a poultry industry it was 1920 which got hit. But that got rectified in 2021 so there was a very good jump. But if you compare overall availability versus demand, there is a steady increase in demand and which is to the tune of 8% to 9% as far as poultry products are concerned. So be it chicken, be it eggs, so there is a steady increase. What matters is when availability is more and quarter-to-quarter demand varies, that time only it takes a hit or the profit gets squeezed. So that's what we have seen in quarter two. But if you talk on yearly basis, there is a steady increase in the overall demand of poultry products, which is to the tune of 8% to 9%. And we expect that to continue, though there can be a variation on quarter-to-quarter basis, but if you sum up on average basis on a yearly basis, we are expecting a steady rise of 8%. It depends on two, three things. One, what other non-wage commodities are performing. So likewise, if we see a historical data, the poultry as such in a pie of non-wage segment is increasing. Now it is close to the 55% and we are expecting that to jump. So obviously other non-wage segments will get reduced and that share will be taken by poultry. So obviously it can be more than 9%, 10% also in a particular year. We expect but conservatively 8% to 9% jump as far as demand of poultry is concerned.

Siddhant: Understand. So what is your outlook on the maize prices right now? At what level of maize prices will you be able to show improved EBITDA like how you guys did in FY21 and 2019?



Venky's India Limited
November 08, 2024

Management: In regards to the maize prices, if you see that this 6-month period is concerned, the average price is Rs. 26,242 per ton is the cost of maize. In comparison to the previous 6 month period, it was Rs. 21,906. So there is a steep jump in the maize prices because availability was questioned. So there was a good amount of jump. And similarly in the days to come, when there will be a huge demand in regard to consumption of poultry and poultry products in third and 4th Quarter when the demand is more, so there is a likely to have a upward trend in the maize prices because the availability is also on the lower side, the next crop comes in the main crop which is a Bihar state that comes in the month of April, so there would be a pressure on the maize prices in the days to come. This is what we presume and assume. In regard to the soya that is on the declining trend, this year 6 months period, the average purchase price is 43,554, soya meal I am talking and whereas the last year same period it was 50,364 so there is a reduction to the extent of 14% in the soya meal prices. So that indicates that the maize is having a pressure on the input cost whereas soya is somehow not having much impact on the cost price.

Siddhant: What about the Oilseed segment? What has to happen for it to improve the margin in that segment?

Management: The oilseed, now the capacity utilization from October has been going up and the seed prices internationally it is very much down and today also in India, the seed is being sold below MSP prices. Yes, that concerns are there, but we are trying to offset that through by increasing the volume of processing. And one positive thing what we see that in this budget, the government has identified that they need to improve the internal availability of the oilseed division to reduce the imports, which is a very major part of the total cost of a foreign exchange to the country. So government is taking corrective actions. So I think that we are very hopeful that this segment, in our capacity utilization, will be showing better results in the coming months.

Moderator: Thank you. The next question is from the line of Ketan, an individual investor. Please go ahead.

Ketan: So my first question is, you just said that poultry volumes or industry volumes are going at 8% in last four years. But somehow that is not reflecting in our grown up broiler volumes. So if you can just help us understand what's happening there at a group level, are we losing market share?

Management: In fact, the question what you have posed, see as far as Venky's is concerned, we have balance of the portfolio. What we call is that sometimes we have flexibility to sell broiler chicks and sometimes we convert those broiler chicks into broiler birds. So that flexibility is there. So if you see the overall number, so I am sure that number is in line with the overall growth of industry. On quarter-to-quarter. it might not. But on yearly basis if we see, there is a steady increase in overall volume also. What matters is when the realization is less, that time it's not



*Venky's India Limited
November 08, 2024*

getting reflected on a topline. So if we see that the poultry topline, there is a variation and that variation is not on account of volume, but it is on account of value. So that's why the discrepancy or what your question is.

Khetan: So is it fair to assume that since the prices are not conducive, we have kind of retreated from grown up broiler markets and focused more on the old chicks?

Management: Yes, we can say so. I mean, sometimes that flexibility is there. So we take that opportunity and sometimes there is a shift from this segment to this segment.

Khetan: And let's say if the prices revive, sir, what kind of capacity or what kind of volume growth we can have? I mean what kind of incremental volume we can do in our existing infrastructure in grown-up broiler? Can we double the volumes?

Management: In fact, we want to go along with the industry's growth. So definitely 8% is a very healthy and steady growth and that's what we want to retain. So it will have a steady growth and if required we are geared up as far as infrastructure is concerned and we can fulfill the demand of the market if all of the sudden additional demand comes from the market. But as of now as a plan, definitely we would like to retain and maintain the healthy growth of 8% to 9% which is in line with the industry demand.

Khetan: Just one last question on this point. In our grown-up broiler division, how much is our integrated farming and how much is contract farming? And if you can just help us understand the margin differential in contracts and integrated, I mean on a per kg basis or on a percentage basis, however you can?

Management: In fact, when we say we are producing a broiler bird grown up and then selling in the market, it implies that 100% of the broiler birds are being produced in an integrated farming or a contract farming model. That's what is the model. When the matter comes to the chicks, definitely it's our company-owned infrastructure. I mean, majority is a company-owned infrastructure, but when matter comes up for producing broiler birds and selling in the market, it's completely an integrated model or a contract farming model. So whatever the broiler birds are...

Ketan: Yes, that's what I want to understand, sir. How much is contract farming and how much is integrated out of this grown-up broiler revenue that we have today?

Management: 90% is integrated or contract farming, and hardly 10% is there, which is our own infrastructure.

Moderator: As there are no further questions, now I would like to hand the conference over to Mr. Probal Sen for closing comments.



*Venky's India Limited
November 08, 2024*

Probal Sen: Thank you so much. Thank you everyone for the time and patience in attending the call and thank you to the management for taking the time to answer all the questions. I would like to hand over to the management for any closing comments.

Management: Thank you Mr. Probal Sen. Thank you all for participating in this call. In case any queries have remained unanswered, please feel free to send us an email and we will respond accordingly. Thank you.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.