



Venky's (India) Limited

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Date: 19th May, 2023

Mr. K Hari

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

The General Manager, DCS-CRD

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

Dear Sir,

Subject: - Transcript of Conference Call held on 12th May, 2023.

Please find attached herewith the transcript of the conference call for investors and analysts held by Venky's (India) Limited on Friday, 12th May, 2023 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 Limited
Q4 FY '23 Earnings Conference Call”
May 12, 2023



MANAGEMENT: **MR. N. K. TOSHNIWAL – GENERAL MANAGER,
OILSEED SEGMENT – VENKY'S LIMITED**
**DR. VIJAY TIJARE – GENERAL MANAGER, POULTRY
SEGMENT – VENKY'S LIMITED**
**DR. P. G. PEDGAONKAR – POULTRY SEGMENT –
VENKY'S LIMITED**
**MR. DEEPAK KHOSLA – GENERAL MANAGER, AHP
SEGMENT – VENKY'S LIMITED**
**MR. J. K. HANDA – CHIEF FINANCIAL OFFICER –
VENKY'S LIMITED**
**MR. ROHAN BHAGWAT – COMPANY SECRETARY –
VENKY'S LIMITED**

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**



Moderator:

Ladies and gentlemen, good day and welcome to the Venky's Limited Q4 FY '23 Earnings Conference Call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Aniruddha Joshi:

Yes, thanks Dorwin. On behalf of ICICI Securities, we welcome you all to Q4 FY '23 and FY '23 results conference call of Venky's India Limited. We have with us senior management represented by Mr. N. K. Toshniwal, General Manager, Oilseed Segment, Dr. Vijay Tijare, General Manager, Poultry Segment, Dr. P. G. Pedgaonkar from Poultry Segment, Mr. Deepak Khosla, General Manager, AHP Segment, Mr. J. K. Handa, Chief Financial Officer and Mr. Rohan Bhagwat, Company Secretary.

Now I hand over the call to the management for their initial comments, post the initial commentary by the management, we will open the floor for question-and-answer-session. Thanks and over to you sir.

Rohan Bhagwat:

Thank you Mr. Aniruddha Joshi. This is Rohan Bhagwat, Company Secretary from Venky's India Limited. A very good afternoon and thank you all for joining us today for the conference. The company had published financial results for the quarter and year ended 31, March 2023 along with information for investors on 10th May. 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 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.

J. K. Handa:

Good afternoon and a very warm welcome. I am Jeevan Handa, CFO. Once again, I am pleased to interact with all of you on the Venky's earning call. I hope you have gone through the results and the information to the investors. As you have seen, Venky's performance for the quarter and year ended 31, March 2023 has been subdued. In a challenging scenario where the poultry feed cost has been high, there have been some issues in terms of lower realizations from the sale of day old chicks and grown-up broiler. Added to these factors, the performance of oilseed segment has also been affected due to lower realizations from finished products, that is, De Oiled cake and oil.

As far as the current quarter is concerned, not much improvement has been seen in the month of April. Realizations from the sale of poultry products has not been seen in any major



improvement. However, we are hopeful that the overall scenario will start improving in near future. Prices of poultry feed have declined by a reasonable percentage and we hope that barring some external factors, the feed prices may not see big increase till March '24.

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 Akshay Krishnan from ICICI Securities. Please go ahead.

Akshay Krishnan: Hi, sir. This is Akshay. So, just wanted to understand what is the traction on the HoReCa segment you are witnessing at some point?

Management: Yes, we, from Venky's process for division, we supplied products to three segments, basically one for HoReCa, one for quick service, restaurant chain and one for the retail market. So, these three segments are there and when we supply to HoReCa, in HoReCa also we have two sectors. One is fresh chilled chicken with fresh chilled boneless chicken that we supplied to the various restaurants and caterers and also we supply frozen processed food products which are used for their own preparations for HoReCa sector.

But in addition to that, lot many people consider HoReCa sector also as a QSR sector. So, let me update to you that we are supplying to around eight QSRs, which includes KFC and Pizza Hut, Taco Bell, Nandu's and Venky's Express, Venky's Experience, McDonald's, all these organizations are there and we supply to these people also.

Akshay Krishnan: Thank you, sir. So, I just wanted to get some light on the RM outlook. So, how do you see the price moving and what is the overall outlook and what will be the margin for the change in near term?

Management: When we calculate a margin right now, when, during the briefing of our CFO has already explained to you, so there was a cost of feed ingredients for the production of birds is reduced in this last quarter. And we are expecting a similar price reduction in the cost of production. And when there is a reduction in the cost of production, particularly for quick service restaurant chains with some of the leading quick service restaurant chains, we have open costing with them, we share open costing. So, it also reflects to them on our pricing. And we keep some margin percentage always with us while we supply the products.

Akshay Krishnan: So, are we witnessing any inflationary pressure even going forward? Like, what will be your trajectory, you would say?

Management: Yes, there is always, there is an increase in inflation rate because of power, energy, water cost and labor cost, this inflation we always consider while we prepare the costing sheets. But these, since we are dealing with this quick service restaurant chains over the years and since we also share them open food costing, so that is convenient, that is not an issue and in fact we had almost closed all our pricing structure for next six months with all the QSRs to whom we are supplying.



Akshay Krishnan: Okay, great sir. So, since we spoke about the QSR, so we wanted to get an understanding, how are we witnessing demand in these semi-urban areas, especially on the QSR space? So, is there a traction and how do you identify the spots into this?

Management: Yes, what we have observed is all these quick service restaurant chains are expanding more or less 10%-plus and minus and around 10%-plus, that is their expansion plan. And what we witnessed when these QSRs, they came into Indian market, particularly international QSRs, they started their operation in A-Grade cities. Now, what we found is, they are now also moving to B-Grade cities and where the demand is more and the appreciation for the product is also more and that is how most of the QSRs in our opinion are shifting from A-Grade cities to B-Grade, maintaining the expansion plans in A-Grade cities also.

Akshay Krishnan: Okay, great. So, one final question sir, I will come back in the queue. So, we want to understand the volume numbers for the broilers, DOC and the layers that have been sold in. So, on the quarter and also on the value of term.

Management: In regard to broiler chicks, day old chicks which are we selling, last year we sold almost 11.31 crores against previous last year of 10.56 crores. And similarly for layer chicks, for this year, '22-'23, it is 4.16 crores, whereas last year it was 5.03 crores in regard to the number. Similarly, commercial broiler birds, it was sold 8.63 crores kgs and last year it was 8.29 crores kgs. So, this is in regard to the volume which we keep this year as well as in the previous year, in comparison to that.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I wanted to understand that in all of our three segments, sir, if you could give us some idea that what kind of steady-state operating margin should we expect in each of the three segments?

Management: So, there are three segments. One is poultry and animal health product segment and then oil seed segment. So, in oil seed segment, there is a reduction in the percentage of margins because the raw material prices were on the lower side and there was no opportunity in regard to the stock and all those things.

Management: Here, the percent of margin in oil seed region, we can normally expect a 3% margin in the terms of value. And second thing, what happens is this is a commodity business, so there is an opportunity benefits are also there, which whenever it arises, that could be the additional profit for the industry.

Keshav Garg: Right, sir. Oil seed and animal health product margin?

Management: Yes, animal health is a very stable business. It's a margin of around 21% to 22% annually.

Keshav Garg: And so, lastly, poultry?



Management:

Yes. With regard to poultry, if you go through our past analysis from last six to seven years, you will find that there will be exceptionally high profit and sometimes it's exceptionally low profit. As purely this poultry business is dependent on the raw material prices. So, in our commentary also, we have commented that the prices of soya and maize, basically that decides the margin of the profit with regard to poultry business is concerned.

So, with regard to poultry business, if a steady business goes, then we can expect the profitability of 8% to 10%. However, we have witnessed that there is no steady profit as such because the ingredients prices varies a lot, particularly maize and soya. So, last to last year, we have witnessed soya price as high as INR100 and today the same soya price is around INR50. So, we can see a lot of variation with regard to ingrained prices. So, it will be too hard to predict a steady profitability as per our point of view.

Keshav Garg:

Thank you. Sure sir. Sir, also, lastly, wanted to understand that in our investor presentation, we have mentioned that non-volatile or less volatile manufacturing activities was approximately 71% of sales and 29% or INR1,240 crores came from basically volatile segments. Sir, our total revenue for poultry segment last year was INR1,752 crores. So, out of INR 1,240 as volatile and INR812 crores is non-volatile. So, what is this INR512 crores of revenue in poultry segment which is non-volatile?

Management:

Correct. Good question. With regard to poultry, as we say that we have three different segments under poultry. One is a processing sector, second is a SPF division and third is a purely poultry division. So, when we give this particular picture of INR 1,751 turn over with regard to poultry, the INR 1,751 includes SPF, this includes processing and this includes poultry.

Even in poultry, there is a further bifurcation that we do sell broiler hatching eggs, we do sell broiler chicks, we do sell layer chicks and at the same time we have integration division where broiler birds are sold. So, when we talk of non-volatile segment, we consider processing as a non-volatile segment. When we consider non-volatile, we consider SPF division as a non-volatile. So, though it is shown in poultry INR1,751, but if you further bifurcate this INR1,751, you will find that almost INR400 crores of turn over will come from non-volatile though it is shown in poultry.

So, this is an explanation with regard to volatile and non-volatile. That is why we have published that 71% is non-volatile and 29% is a volatile. So, when 29% volatile we say it is purely a poultry business whereas, I have recently explained that the profitability depends more on maize prices and soya prices where the profitability can vary as high as and as low as, I mean when we talk of last year the profitability was very high in poultry division INR266 crores and this year it is hardly INR54 lakh. So, this much variation when we calculate, we calculate it as a volatile segment. So, that is an explanation with regard to volatile and non-volatile.

Keshav Garg:

Sure sir, well noted. And Sir, lastly, sir, for you mentioned the volume that we did in last two years, but for this year sir, any expectation in percentage terms in terms of other poultry segment and oil seed segment that what kind of volume growth we are looking at?



- Management:** In oil seed sector, we are looking for about 7% to 10% growth in the terms of volume. As far as the value is concerned, we cannot predict the growth because the prices are market driven and quite speculative. So, therefore, we normally plan out our growth in terms of volume, which this year we expect around 7% to 10% in terms of volume.
- Keshav Garg:** So, for poultry?
- Management:** We are expecting the same growth as per as poultry is concerned. However, when we talk of value growth, a lot depends on the ingredient prices and the realization of broiler birds. But as far as our target is concerned, we are expecting 8% to 10% of growth with regard to poultry business.
- Keshav Garg:** And sir, lastly, are animal health product revenues are totally flat year-on-year? Sir, so in this, FY-24, any growth is expected?
- Management:** Yes. For animal health reasons, last year it was a flat because we were restructuring over new product lines. And we expect for '23, '24, we are expecting a growth of around 15% to 17% in the coming year.
- Moderator:** Thank you. We have the next question from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.
- Aniruddha Joshi:** Yes, sir, just one question, how do you see the long-term opportunity in the branded products? So, we have Venky's ready to cook products range launched many years ago. Obviously, it has done well to some extent, but still, we see there is still a lot more scope for distribution and new product launches, etcetera. So, what has been the update on that segment? And secondly, well, many QSRs are coming up. So, how do you see the sourcing arrangements to these QSRs? Do you see that as a large growth opportunity for us? And as far as our revenue mix is concerned, which are the key QSRs that we are catering to and where we see some definite potential for growth over the next three to four years? Yes, that's it from my side.
- Management:** So, the key QSRs to whom we are supplying, one is KFC, then we are also supplying to McDonald's. We are also supplying to Vista Foods, who is also producer for products for McDonald's or their internal company. And then we are supplies to Pizza Hut, we are supplies to Taco Bell, we are supplies to Nandoos. And then there are two more new emerging food service restaurants chains, which are expected in India.
- One is Papa Johns, they are coming up with big investment. And also, there are certain expansion plans for one more pizza chain called as Little Caesar. So, these are the new QSR chains, which are coming. And we are in contact with the present QSRs to whom we are supplying products on a regular basis. As I explained to you in the last question, that more or less their expansion plans are around 10% plus minus. And there is a big potential for the sales. And we are not only the suppliers for the products to them, we are also developing the products for them. And what happens is they also do not want to keep the same products over the year.



So, we have a research and development unit with us. We work with their chefs and their executives and we develop new products for them. And the same product is for the launch or hold out in a market as per their plan, marketing plan. So, this is for the QSRs. For the retail chain, we are already present in more than 6000 retail outlets all over India, which covers A, B and C categories of cities. And of course, yes, there is a good expansion plan for us and there is also a good expansion scope for these products.

What we recently started actually after COVID or during the COVID, the business model is slightly diverted or I will not say diverted, but we have an addition of the new range of, same range of the products to be marketed to e-commerce. So, now we are supplying our products to Swiggys, BigBasket, Grofers, Rapido and Dunzos. So, these are the people who are supplying our products to them. So, when we say that we have more than 6,000 outlets, these are additional avenues open for marketing the products.

Presently, we have about 34 SKUs for processed food branded products and about 12 raw branded products, which are supplied in the name of Venky's. And we plan to launch certain new products in next quarter and we feel that next quarter with the launch of these new products would be very well appreciated. Likewise, we launched our some new products in last financial year. Those were appreciated. So, this also we will be planning for the new products in this. I think I have answered your question. Is there any question?

Analyst: No sir, this is very helpful. Just some housekeeping questions. How do you see the capex for FY '24-FY '25 and the dividend strategy for the company? Yes, thank you.

Management: In regard to the capital expenditure for '23-'24, it is a routine expenditure. Only one new project has been started, which is of animal health products. The estimated cost of the new project is to the extent of INR50 crores, which shall be funded from our own generations only and no new funding is being taken. In regard to the dividend, that will be decided by the board.

Analyst: Yes. Thank you. That is it from my side. Very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Harsh Mantri from Flute Aura Enterprises. Please go ahead.

Harsh Mantri: Hello sir. Sir, my question is that since our business is very much exposed to volatility and pricing pressures, so what all measures are we looking at to mitigate that effect and any strategic potential move which can help us insulate such type of volatility and pricing?

Management: Yes, if you go through the strategy of Venky's from last few years, the burden as far as the volatile sector was concerned was more than 45% to 50%. So the more reliance was there on a live bird sale and more reliance was there on a chick sale in regard to broiler and layer. So slowly, slowly we have moved from this volatile sector and we have increased our businesses in non-volatile sector, in particularly processed food, in particularly oilseed segment and in particularly AHP segment.

So all that put together, by keeping the poultry, I mean the quantity and volume and value to make sure that other volume and other value increases. So by that way, we are reducing a



percentage of volatile and we are increasing a percentage of non-volatile. That definitely will take care of uncertainties and that definitely will give some steadiness as far as overall profit is concerned. That is our strategy and that's where we are following which is evident from last two, three years results.

Harsh Mantri: Sir, any future diversification in terms of extending our offerings?

Management: There is no diversification planned as such for the company.

Harsh Mantri: Okay, sir, one more question. In terms of our inputs, as you mentioned that the prices of maize and says have been looped up in the last year. So I would like to have a more discussion on what is our strategy in purchasing of raw material, how much time do we hold and what is the overall process in the same?

Management: As far as this holding and inventory, it is not some sort of a fixing strategy. It depends on the perception what we see for the future markets. Right now, last one or two years, there has been a very different change from the market. See, earlier, when the arrival of crop used to be there, the people will stop the material. And in the off season, maybe April, May, June, the prices will shoot up and the benefits will be accrued on that account.

But now this is what upon the crop of our maize and soya both have been growing up in the country and the holding at the farmers' level. Agriculture farmers' levels are also very good. In the last couple of years, they have got a very good price. So now these days the availability of both the materials are throughout the year it is available. The question is only the price. When all the prices are good, material comes good in the quantity. When prices are down they hold, so it is going on continuously. And material is throughout the year available. So we cannot have a fixed strategy now for restoring the material for a longer period.

Harsh Mantri: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I am trying to understand, sir, you explained about the raw material prices due to which we were hit. Sir, but as far as the demand supply equation is concerned in poultry products, especially in broiler chicken, let say. Sir, so what is the demand supply? Sir, is there an oversupply? And if not, sir, then why is the industry not able to take price hike?

Management: Yes, thanks for this question. For this, I would like to take you to the broiler bird prices of last three years. When we see the last three years prices post-COVID, we can see that during the period of COVID, the broiler prices for the realization to the net farmers was approximately INR70 to INR72. So that INR72 benchmark has gone to INR78 to INR80. So ideally, this should have added 8% to 10% of the profitability. But unfortunately, the prices of maize and soya, which the then was around INR15 to INR16 has moved to INR22 to INR23. And the same with regard to soya, the prices, which were somewhere around INR35, INR36, has gone up to INR66 and INR67.



So when your input cost is going more than 20%, the realization ideally should go 20%, but that never happens in consumer market. Consumer market, when customer is used to paying for INR70 suddenly he is not changing his benchmark directly to INR85 and INR90 though your product production cost changes. So this is the basic reason we get hit when the prices of ingredient changes. The price benchmark for consumer, it takes a time to absorb, adopt and then change. So usually the period required is one and a half year to two years to accept and adopt if sudden abrupt change in the prices are there.

So this phenomena, which we have observed post COVID, that the prices of ingredients, particularly maize and soya, has gone up like anything, but the same price to go up as the regard to broiler price, it took us almost two and a half years to three years. Today's benchmark for poultry is INR90 to INR95 is well accepted realization, which was not the case one and a half year, two years back. So this INR95 benchmark is today accepted by the consumer. Tomorrow if maize price and soya price comes down, and if your cost of production comes to INR80 one can see a sudden surge in profitability, which may not be the true picture of that particular situation. So this is what is happening in poultry.

Either there is a sudden increase in ingredient prices and the realization is also moderate. And other way, the realization is good and cost of production is going down. So this is the reason why you are seeing abrupt change in the profitability with regard to poultry division.

Keshav Garg:

Sir, what I'm trying to understand sir, the point you made is well appreciated. Sir, but what I'm trying to understand is that if you see past two years, FY23 and FY22, then the poultry segment, it has really not made any money for us. Sir, and it should be a fair picture for the rest of the industry also. So many small farmers must have gone out of the business due to losses, etc. So that would have reduced the supply and as the demand is quite steady. So will that not lead to increase in basically prices and realizations of poultry products?

Management:

Yes, that phenomena was there when COVID came in the period of 19-20 and 20-21. You can see that 19-20, lot of small farmers, they have reduced their operation or closed down their operation. The benefit of which has gone to organized players. But over a period of time when prices started stabilizing, those small and medium players, they have restarted their operation. So in poultry business, small and medium farmers are not completely closing down their operation. It's a suspension of the operation by medium and small player because the cycle is short.

So these people usually whenever the period is good, prices are good, they restart their business. So this phenomena by small farmers and marginal farmers is on-off phenomena. It is not completely on or it is not completely off phenomena. So this is the reason why you will find that there is a regular increase in the consumption, which is to the tune of 6% to 8%. But whenever the production is high, realization is less, input cost is high, that time it takes a hit on the profitability, particularly realization and cost of production.

Keshav Garg:

So sir, and lastly I wanted to understand so that even though on the poultry side, boiler side, things are lukewarm, sir, if we look at egg powder exports from India, they are probably at an all-time high and all the companies in that segment are there really. I think it's the last one year



is the best ever year for them like listed place like SKM eggs. So are we not present in that segment at all? Can't we just export our eggs?

Management: Actually your point is valid and well taken, but thing is that right now your company is not into egg processing segment.

Keshav Garg: Okay sir, thank you very much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you sir.

Management: Thank you all again for joining us for this con call. We are very happy to answer all your questions. In case if any question has remained unanswered or any further details are required, we request all to please contact our investor service team. We will be replying to all the questions. Thank you all and thank you ICICI Securities. Thank you.

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