



“Zeal Aqua Limited Investors Conference Call”

March 13, 2018

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ZEAL AQUA LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Zeal Aqua Limited Investors Conference Call. 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 touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Rohan Navik, Executive Director, Zeal Aqua Limited. Thank you, and over to you, sir.

Rohan Navik: Thank you. Good morning, everyone. A warm welcome to our investors conference call of Zeal Aqua. I have with me on call Mr. Shailendra Patil, our Chief Financial Officer. Our main objective behind this call is to share with you all the brief summary of our processing unit which will start its production from this season and thereafter we shall take questions.

To begin with, as most of you would be aware, our company was basically engaged in farming of shrimps through its 160 ponds and another 900 satellite ponds. We started setting up our processing facilities of 6,000 MTPA in 2016-17 with capital outlay of about 42 crores at Olpad, Surat. Major machineries that we have in our factory is one IQF line and 4 plate freezers along with a cold store of about 2,500 MT capacity. We have already achieved our trial production in the third quarter of FY 17-18 and our factory will be fully functional from first quarter FY 18-19. We have a target to achieve 3000 MT in the following year and about 5,500 MT in FY 19-20.

I would also like to inform you that the company has already applied for all the various certifications that are there in the market for shrimp processing for example ISO, HACCP, US FDA and BRC. Basic knowledge about the market is right now the aquaculture industry is growing and the major markets for us is US, China, South East Asia and the European Union. I would like to mention a few competitive edge that Zeal Aqua has over the other companies in India. Basically, we are situated in Gujarat. So the quality of the shrimp is much better and the taste of the shrimp is much better, so it is much more in demand by the importers of the other countries because of the particular taste and the quality of the shrimp after processing.

Going forward, we are targeted to reduce our cost of production by having backward integration and enhance our production capacity. This is all from my side. I will now request the moderator to open the call for question and answers. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Parth Dalal, individual investor. Please go ahead.



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Parth Dalal: My first question would be regarding the main board listing, so like do we have any plans? If yes, then what is the roadmap?

Rohan Navik: As of now, we have not planned for that, but yes we are looking to shift in the main board as soon as possible.

Parth Dalal: So can you give me any timeline?

Rohan Navik: As of now, I cannot give you a timeline but I can assure you that much that it will be done as soon as possible.

Parth Dalal: So for main board listing, do we have some guidelines which say that there should be some minimum share capital requirement. So how are we planning to reach that are we going to issue any bonus shares or any share capital or rights issue or anything?

Rohan Navik: Actually, we have not decided as of yet, but yes, we will comply with all the rules and regulations, that will be there sir.

Parth Dalal: And one thing is you said that your main market is US as well, is it, did I hear it right?

Rohan Navik: Yes, ultimately the market is going to be US, but as of now, we are targeting mostly China in the European Union.

Parth Dalal: And we have already applied for USFDA in US?

Rohan Navik: We have applied and our factory is also designed according to the USFDA standards, but there is a glitch and it is that USFDA, it takes about 18 months to clear the certification process. So we have right now applied and already registered in the USFDA. So very soon we will be getting like about, I am expecting to export to US by 2020 March.

Parth Dalal: And there were some recent news regarding US hiking anti dumping duty from 0.84% to around 2.4%?

Rohan Navik: It was done for a few companies. Actually, there are two different things. The companies are evaluated on two different things. One is individual performance and one is a country as a whole like India as a whole who exports to the US. So some companies had zero duty like I think Devi and there are few companies. What basically they do is they decides their market and the US people decide that if we are not undercutting other people and dumping your material at a lower cost just to sell your material, so they decide and they put the antidumping duty. So what happens is we as new companies once we go to the US market, we have a national average. What is called a national average that is about 2.8% at the moment. So we



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will be having that duty for sure and then after few years when they see our performance, they will evaluate according to our market performance.

Parth Dalal: So that is dynamically changed?

Rohan Navik: Yes, it keeps changes every year, yes correct.

Parth Dalal: And you said that China is also one of our markets, so do we have all the required certificates for that?

Rohan Navik: We have all the certification for China. We have all the certification for rest of all the markets. It is just that US, we cannot export because right now we are having a duty, fresh company has a duty of about 10% and that is now going to be cost effective for us and will all go as what you say bonds to the US government and I cannot hold up my capital for that.

Moderator: Thank you. The next question is from the line of Utsav Agarwal from NNM Securities. Please go ahead.

Utsav Agarwal: So my question is like in the budget of 2018, there have been like 10,000 crores fund has been allocated for the fish region, aquaculture infrastructure development. So how you are planning for your company to capitalize this opportunity? What are your marketing plans and how are you looking forward for this funds that have been allocated to boost your aquaculture development infrastructure?

Rohan Navik: I think Modi sir just recently declared it, I think 10,000 crores. They have not given any specification on that on how they are going to use that money, but what I assume and what our country lacks is the food processing facilities in all the sector, let it be aquaculture or even agriculture or anything. So we are hopeful that they give more funds to the processing industry and the aquaculture farming side so that it can grow. It is not specified as of now what are they going to use the funds for.

Utsav Agarwal: And what are your upcoming marketing strategies to take a good stand in like and to beat our competitors like?

Rohan Navik: As I said earlier in my introduction also, there are two things which are very positive for us. One is our national quality that we have of the shrimp. Second is we have come up from farming, so we know ins and out of the farming, how to do it, how to get the best quality. So everything relies on the quality of the shrimp right from the farming to the processing and to the exports. So we want to build quality on the farm side, in the processing side as well as the export side, all three.



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- Utsav Agarwal:** Rohan, that is more of your strength. I am looking for some marketing strategies you have planned for like you would be crossing some more turnover than would be planning for a main board and all that. So how are you planning for a good marketing to establish more footprints in the market?
- Rohan Navik:** Yes, we will be trying to go to most of the exports that happened all over the world like in April, I will be going to Brussels to do the marketing side and try and build as many customers and talk to them and sell my product as much as possible.
- Moderator:** Thank you. The next question is from the line of Aashay Shroff from Surya-Exim Limited. Please go ahead.
- Aashay Shroff:** Sir, my question is so what is your average selling price of frozen shrimps in dollar terms?
- Rohan Navik:** Average selling price for this year would be about \$9, but it varies from year to year because this is highly demand and supply driven industry. So it depends on the world pricing basically. There is an international price which is set according to the world basket of how people are producing and how people are exporting and what freight are they exporting and what is the demand likely in that specific year.
- Aashay Shroff:** And average selling price of raw shrimps?
- Rohan Navik:** That all depends on the export selling price because what happens is it is totally a buyers driven market right now. It all depends on the buyers, that is it.
- Aashay Shroff:** Sir, your processing unit is labor intensive. So I would like to know the labor component in costing?
- Rohan Navik:** Can I share the details with you later after the call if you do not mind. Our details are all there, but right now I do not have it on my mind at the moment.
- Aashay Shroff:** And sir one more question. Sir any debt taken for new plant which you have this year and if yes, what will be the expected debt equity ratio as on 31st March 2018?
- Rohan Navik:** Around 0.60.
- Moderator:** Thank you. We take the next question from the line of Ashutosh Kejriwal from Ernst and Young. Please go ahead.
- Ashutosh Kejriwal:** Sir, my question is as you mentioned that your expected turnover for the financial year 18-19 is 3500 tonnes and as you mentioned in the previous call, your average price per shrimp is \$9



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to \$10, so that comes to around 200 crores. So what is the expected trading turnover for the financial year 18-19?

Rohan Navik: 60 to 70 crores.

Ashutosh Kejriwal: So total expected turnover for 18-19 is around 270 crores.

Rohan Navik: Yes, around 250 plus and under 300, correct.

Ashutosh Kejriwal: And what are the expected margins?

Rohan Navik: About 7%.

Ashutosh Kejriwal: So peer industry like Apex Frozen has a net margin of around 10%-11%, so when we can expect to touch the same?

Rohan Navik: Yes, in 2 years' time definitely we will be touching those numbers for sure.

Moderator: Thank you. We will take the next question from the line of Parth Dalal, individual investor. Please go ahead.

Parth Dalal: Rohan ji, one question on who will be our nearest listed peers? Is it Apex Frozen or Avanti or who will be?

Rohan Navik: It is Apex.

Parth Dalal: So in terms of the product mix that we have, Apex Frozen is our nearest?

Rohan Navik: Correct.

Parth Dalal: Any big player apart from Zeal Aqua in Gujarat, do we have anyone there?

Rohan Navik: Any other player apart from Zeal Aqua?

Parth Dalal: In Gujarat?

Rohan Navik: In Gujarat that is listed or not listed? I am asking other players who are listed or not listed. There are players, but some of them are not listed.

Parth Dalal: Ok, you said that we will be increasing our capacity from 3,500 MT to 6,000 MT. Did I hear it right?



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Rohan Navik: We will be increasing that in about 2 years' time, about FY 19-20 we will try and achieve that 5,500 MT for sure.

Parth Dalal: How are the plans that you have for capacity expansion if you have any. Will it be through internal accruals or will be taking any debt, how it will be?

Rohan Navik: Internal accruals.

Parth Dalal: So the followup question on the earlier question, the person who asked about margin guidance, so you said that we are expecting to clock around 7%. So can we assume that once we have our required capacity in place, we can reach up to 10%-11%?

Rohan Navik: Sure, yes, we can.

Moderator: Thank you. Well, that seems to be the last question in queue. I now hand the floor back to the management for their closing comments.

Rohan Navik: So thank you everybody. I really appreciate your patience with our calls and I look forward for future questions. You can always get back to us directly on our e-mail id that is info@zealaqua.com or you can visit us at www.zealaqua.com. Thank you once again.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Zeal Aqua Limited that concludes this conference. Thank you all for joining us. You may disconnect your lines now. Thank you sir.