

# Risk Perceptions?

Avanti Feeds Limited

# AVANTI RISK PERCEPTIONS?

- Certainly not the “Volatility”
- Is it in the Valuations? Reaching 20x trailing?
  - non-sustainable for a business of this category??
- Is it stemming from MD’s 200 Cr Profits TV Interview??
  - factored in before, but not achievable now, in light of Nellore floods??
- Is it the Uncertainty in the business?
  - just too many variables to grapple with, every quarter??
- Is it Inadequate legwork/understanding of the business?
  - short-term variable Probability/Impact vs Longer term Outlook?
- Opportunistic Bet? High Risk/Reward play, always?
  - **only for the Adventurous/High Risk-Appetite? Really??**

# Depends - when you boarded??

- New to Avanti?
  - DO NOT jump in; better familiarise yourself and track the fortunes of the business for a couple of years, like we have done
- Avanti veteran 2-3 years? Leg-worked every year?
  - Confident, if nuanced answers
  - Mitigation is best achieved through lower allocations
- 6mth-1yr boarded? Doesn't matter leg-worked, or not 😊
  - **Proof of the pudding isn't there yet, in the eating?** Nah!

# Thinking about what can go wrong??

- Should we assume anything gone wrong before, won't again?? 😊
- FUTILE to think about ODDs/Probability/Impact?? 😊 😊

<b>Variable</b>	<b>Perception</b>	<b>Location</b>	<b>Status</b>
Disease	Just one disease enough to wipe out	Thailand	Not yet Recovered
Currency	40% drop in volumes one year	Vietnam	2015 struggle
Anti-dumping Duties	Global Major Importer whims	EU	2015 struggle
Cyclone	Crop completely washed out	Nellore	Nov, 2015
FDA Regulations	Antibiotics/Residues	US, Japan	Every Year

# Can we overlay some Back-to-Basics??

- POSSIBLE to examine the issues, a little more objectively ?? 😊 😊

Variable	Back to Basics	Applicability	Context
Disease	Farmer/Trade GREED?	Universal	Robust Regulations?
Currency	40% drop in volumes one year	Cost Competitiveness / Yuan depreciation	Costs higher by 20% vs Competitors/ Asean Trade compulsions?
Anti-dumping Duties	Bilateral Trade compulsions?	US, EU	Disruptive evidence?
Cyclone	Hmm!	Black Swan	Short-Term?
FDA Regulations	Regular Business Challenge?	Universal	Need to step-up?

# The Bull's Counter-Balance??

- All Variables/Uncertainties existed 2010-2015??
  - Yet, we have seen a very capable Management execute fabulously, ahead of global MNCs – almost 18x in 5 years
- But Everything's okay, only till Growth pleases Mr Market!
  - ~1800 Cr, 50-70 % ROIC, super working capital reduction
  - Can the business SURVIVE and prosper, despite some SHOCKS??
- Are there lessons from studying the TUF story? 😊
  - **Past a certain scale, longer-term picture isn't that bleak?** Yeah?