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CIN : L15410MH1991PLC135359

Date: May 19, 2020

To,
BSE Limited
P. J. Towers, Dalal Street, Fort
Mumbai – 400 001.

Ref.: BSE Scrip Code No. "540743"

To,
National Stock Exchange of India Limited
Exchange Plaza, BandraKurla Complex,
Bandra (East), Mumbai-400 051.

Ref.: "GODREJAGRO"

Subject: Transcript of Conference call with Investors & Analysts held on May 12, 2020.

Dear Sir,

Please find enclosed herewith transcript of Conference call of Godrej Agrovet Limited with the Investors and Analysts held on Tuesday, May 12, 2020 at 3.00 p.m. IST.

The aforesaid information is also being hosted on the website of the Company viz., www.godrejagrovet.com.

Please take the same on your records

Thanking you,

Yours faithfully,

For Godrej Agrovet Limited

VIVEK PRITAMLAL RAIZADA

Digitally signed by VIVEK PRITAMLAL RAIZADA
Date: 2020.05.20 12:19:05 +05'30'

Vivek Raizada
Head – Legal & Company Secretary & Compliance Officer
(ACS - 11787)

Godrej Agrovet Limited
Q4 FY'20 Earnings Conference Call
May 12, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Godrej Agrovet Limited Earnings 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

Anoop Poojari: Thank you. Good afternoon everyone and thank you for joining us on Godrej Agrovet's Q4 FY'20 Earnings Conference Call. We have with us Mr. Nadir Godrej – Chairman of the company; Mr. Balram S. Yadav -- Managing Director, Mr. S Varadaraj -- Chief Financial Officer and Mr. Arijit Mukherjee -- Chief Operating Officer of Astec Lifesciences.

We would like to begin this call with brief opening remarks from the management, following which will have the forum open for interactive question-and-answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the 'Earnings Presentation' shared with you earlier. I would now like to invite Mr. Nadir Godrej to make his initial remarks.

Nadir Godrej: Good evening, everyone. I welcome you all to the Godrej Agrovet Conference Call. I hope and wish you and your families are doing well and are safe. We are currently battling one of the toughest health crises which has disrupted the entire world and maintain safety is paramount. We are also taking all necessary steps to ensure safety and wellbeing of our employees and business partners. These are exceptionally difficult times for everyone, but I believe that this too shall pass and we will emerge much stronger.

In the beginning of February 2020, false rumors of getting coronavirus infection through poultry and its products significantly impacted volume, prices and thereby the profitability in two of our businesses -- Animal Feed and Godrej Tyson. Further, outbreak of COVID-19 from mid-March 2020 in India disrupted the volume and sales in other segments too. Our manufacturing facilities were closed from March 24, 2020 onwards post the announcement of the nationwide lockdown. GAVL operates in the agricultural sector and all our businesses are part of essential items. We have resumed operations in April 2020, after obtaining the necessary approvals from local authority. Our factories are currently operational and we have all the deployed health and safety protocols across our location.

Moving to the Financial and Operational Performance, the key highlights and developments for the fourth quarter and full year '19-20 are as follows:

For the fourth quarter of 2020, consolidated total income was Rs.1,509 crore, registering a growth of 7.5%. Consolidated profit before taxes excluding nonrecurring and exceptional items was Rs.18 crore compared to Rs.54 crore in the previous year. Similarly, for the full year 2020, consolidated total income was Rs.6,876 crore, registering a growth of 15.7%. Profits before taxes, excluding non-recurring and exceptional items was Rs.281 crore compared to Rs.361 crore in the previous year.

Above financials are adjusted for nonrecurring items, the details of which are as follows:

In the fourth quarter and the financial year '19-20, total income excludes Rs.134.7 crore and profit before tax exclude Rs.78.1 crore of income earned from sale of real estate project. The financial year '18-19 has been adjusted for two non-recurring items. Firstly, the fourth quarter and full year fiscal year '19 excluded a loss of Rs.2.3 crore incurred on sale of land in a subsidiary, CDPL. Secondly, the full year financials also exclude income of Rs.29.9 crore earned on sale of land in GAVL. Please also note that the financials for fourth quarter fiscal year '20 and fiscal year '20 includes the results of Godrej Tyson Foods Limited and Godrej Maxximilk Private Limited which became subsidiaries w.e.f. March 27, 2019.

Now I will discuss the performance of each of our business segments.

In the Animal Feed business, volume declined in the fourth quarter by 11.3%, mainly due to lower poultry feed volumes in February and March 2020. Volumes were also affected in cattle and fish feed from mid-March onwards. As a result, despite taking price hikes, volume decline lowered the quarterly segment results by 27.9%. However, for full year 2019-20, segment revenue and segment results have posted a growth of 20.1% and 19.6%, respectively, driven by a strong performance of the first nine months. We have seen a recovery in poultry prices from April onwards as the COVID-19-linked rumors are fading away. We expect volumes and profitability level to recover in the coming months.

In the Vegetable Oil segment, fourth quarter performance benefited from the high crude palm oil prices; however, the fresh fruit bunches arrival was marginally impacted by the lockdown post mid-March 2020. Also for the financial year 2019-'20, the performance has been adversely impacted by lower end product prices and lower oil content in the peak season, i.e., the first half of the year.

In the Crop Protection standalone business, the sales mix was in favor of traded products, which have relatively a lesser margin. Therefore, despite revenue growth, the segment results declined in the current quarter, albeit on a low base. Further, preplacement of products could not happen in March 2020 due to the lockdown which impacted sales and margin. For the full year 2019-20, the performance was modest due to erratic and subsequently delayed monsoon which limited application opportunities. During the year, the company successfully launched Hitweed Maxx, which is an in-house cotton herbicide and Hanabi, which is a specialist to control mites on tea plantations. Going forward, these products should help increase revenues and profitability.

In our subsidiary, Astec Lifesciences, it was one of the best quarterly performance as revenue and EBITDA grew by 35% and 66%, respectively. Higher realization along with volume growth in key products contributed to this growth. For the full year also, revenue and EBITDA (excluding the nonrecurring expenditure of Rs.6.2 crore) grew by 21% and 18%, respectively. Geographically, both domestic sales and exports contributed to our growth.

Creamline Dairy Products Limited, our dairy subsidiary posted marginal revenue growth of 5% during the quarter. This was because milk sales were lower than last year and volumes of value-added products were also impacted by the COVID-19 disruption in mid-March. However, for the full year, value-added products have grown at a faster pace than overall growth. As a result, the share has increased to 29% of sales from 24% two years ago. Profitability for the quarter and for the year was impacted by high milk procurement prices. While we have taken price hikes at regular intervals, the entire cost increase could not be passed on to the customer due to time lags. In terms of new launches, we have launched “Jersey Recharge”, an energy drink for the youth which has been well received by the targeted customer segment. In the medium-term, our focus remains on increasing the share of higher-margin value-added products in the overall product portfolio.

Godrej Tyson Foods Limited, our poultry business, witnessed one of the most difficult quarters as output prices in the live bird business declined to the unprecedented low levels due to rumors linked to COVID-19. We incurred a quarterly loss of Rs.33.5 crore at the operating level. For the year the loss is at Rs.47.6 crore, as performance in the first nine months was also impacted by high raw material prices. However, I would like to highlight that the market has started improving the prices of live bird is increasing. Further, raw materials have started softening which should lead to improvement in performance in the near-term.

GAVL’s joint venture in Bangladesh, ACI Godrej recorded a robust revenue growth of 83.3% in fourth quarter fiscal year ‘20, driven by strong volume growth in cattle, broiler and aqua feed.

I now conclude our business and financial performance update for the quarter. I would take this opportunity to highlight that in these challenging times, we, at Godrej Agrovet, are fully committed to support our nation, customers, business partners and employees. We are well-equipped to manage the current situation based on the strong business continuity plan put in place. We are also focusing on cost optimization and working capital management. Our balance sheet remains strong with low gearing levels of 0.3 debt-to-equity and healthy liquidity position.

With this, I close my opening remarks. We will be now happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: My first question is on Tyson Foods and the Poultry business overall. While you did mention that things have stabilized, as prices have sort of normalized now versus what we have seen in the last quarter. But your sense and your thoughts on how do you see both Tyson Foods as well as the poultry feed business panning out in the next financial year?

Balram S. Yadav: So let me just brief you that, normally, India places about 75 million-80 million broilers a week and it produces about 220 crore eggs a week. And you will be really surprised that in month of April, according to our calculations, the production has come down to 35 to 40 million a week, which is less than 50% and the egg production has come down to about 170 crore-180 crore per week. So, one of the problems right now in the industry is that the demand is still subdued, but the supply is matching the demand, in both eggs as well as chicken. So, that is why the prices have gone up to about Rs.95 to Rs.100 in different parts of the country and in southern part of the country it has already crossed Rs.105 a kilo, ex farm. Cost of production which was about Rs.84-85 in March, has substantially dropped to about Rs.77-78 now and dropping. Because raw material prices have come down, majorly because of low demand for raw materials as poultry feed demand has come down. Second reason is that the maize production of rabi has come into harvesting. This year the crop is bumper, mainly in eastern India. And to give you an idea which will play out in next few months in cost of poultry feed as well as cost of chicken and egg, in different parts of the country in January, the price of corn was Rs.22 to 24 a kilo, today it is holding at Rs.12 to 14 a kilo and falling. So, we believe that next few months, the prices will be remunerative, low demand will also be met by low supplies, because in poultry we cannot up the supplies at very short notice. Heavy, heavy losses have been made, particularly in the chicken industry to the tune of something between 12,000- 15,000 crore by all the players. You would not believe in March, the average price in some markets were Rs.4-5 a kilo when the cost of production was about Rs.84 a kilo, ex farm. So, we believe that this is likely to happen in next few months. The prices will be remunerative. 50% of chicken demand is out of home consumption. In case that comes back in next few weeks to the tune of 15%-20% of the original level also, we will see shortages of chicken and the prices going up, coupled with raw material prices down, I think the profitability will improve in this segment.

Another thing which we are seeing is surge in value added products, heat-and-eat products, ready-to-cook products, etc., there is a big surge in demand in spite of very poor distribution still. The reason is that since out of home consumption has gone down, so people are experimenting and having ready-to-eat products at home to just to replicate that and we strongly believe that home delivery models, heat-and-eat models will gain a lot of momentum, because out of home consumption will still take time to come back. As far as poultry feed is concerned, our major part in poultry feed, we sell close to about 5.5 lakh tons of poultry feed, out of that about 4 lakh tons or so is layer feed where we do not see any drop in the coming year, because egg is a steady business, whatever cut in production was there, we will come back in a few weeks' time because the placement continue. Broiler feed was a smaller segment for us. We strongly feel that we will have about 10%-15% drop in broiler feed sales in this quarter as compared to the last quarter. The reason being that even though the placement has come down, the players have also reduced in this market. We can sell as much as we want. The one problem is that there is a shortage of cash. So, a lot of credit sales is happening for a lot of players, which we are not encouraging. So in all, I feel that both cattle, poultry likely to do well in coming months. In case there is a small pickup in out of home consumption demand in chicken, chicken prices will also be at a very profitable level.

Ankur Periwal: So, sir on the Animal Feed business, barring this quarter we have seen in the last maybe 7, 8, 9-quarters wherein we had showed a strong volume growth more or less in tandem with the guidance of around 10-12%-odd volume growth. Do you think FY'21 can see that sort of a volume growth rebound again especially when, the rest of the industry, as you rightly mentioned, is reeling under pressure and there could be consolidation-led benefits to us there?

Balram S. Yadav: So, consolidation, I do not know, because not too many assets come up for sale in this industry. You have seen in past that people exit and come back because entry-exit barriers are very low. But I can definitely say that, first and foremost, the prices of output have to be at remunerative level, which are at the moment especially in aqua, both shrimp and fish prices are very remunerative, egg and chicken prices are getting remunerative and will continue to be remunerative for some time because if the consumption goes up 20-30% more than what it is now there will be shortages. Cattle feed still is a little bit low because the milk prices have not gone up. Substantial part of milk production is consumed in the institutional sector. All these chai, coffee shops, long shelf life products, ice creams, etc., in spite of being the season, normally summer is the season for these products, but the demand has not picked up. Once it picked up definitely in a reduced market also, we see our market share going up as far as animal feed is concerned.

Ankur Periwal: My last question is on the Crop Protection business, both on standalone and on Astec. Standalone, while the margin sort of corrected sharply for us in the quarter as well as for the year end, your thoughts there? And on Astec what has been driving the growth and the outlook ahead.

Balram S. Yadav: I will answer the crop protection business question and my colleague, Mr. Arijit will answer the Astec question. In crop protection business, we are on an overdrive as far as collections and hygiene of the business is concerned. And it so happened that we have picked up a lot of material from the market, which was reversed in sales in the first half of March. Normally in the second half of March, just because the credit periods are very strict for distribution, distributor pick up the material towards end of the month. There is a certain amount of advanced booking particularly in products like Oryzostar, Hitweed Maxx*,* which had happened and there were substantial orders we had, but we could not dispatch and everything was shut from 22nd of March. I think that hurt us in the margins. We could do that in April, but definitely the game is on. Most of our production facilities came into production by first half of April, as it was not classified essential initially. Just like feed and milk and others, they came into production in the first week of April. But we believe that we will recover the lost ground in coming weeks.

Arijit Mukherjee: Astec, we have to think the business like two parts. There is the generic businesses, i.e. there is the enterprise businesses. In the fourth quarter we had both advantages of one, entirely across the globe, there was a disruption from Chinese supply side because the Chinese problem with COVID started during December, which aggravated like by middle of January, which coincided with the New Year. So, that was one of the advantages. Because we re-positioned ourselves, major purchases shifted from China to us. We captured a lot of Southeast Asian market, Russia, CIS market opened up very strongly. That has been one of the good and that will be a permanent good, plus the US, Europe markets remain. These changes will be to some extent permanent because most of the multinationals will be now actively looking for de-risking. This one change in terms of enterprises will be there.

Second changes which will happen is or which we are also experiencing is shifted to the CMO businesses because if you see most of the multinationals are working in asset sale. So they do not produce much actives within themselves. They just procure it either from China or India, and majority almost 70-75% is working from China only. So, that is a shift. Almost this year, we have launched two new products. So, that is actually a shift from China because they used to procure from China and it has shifted to Astec. So these two changes will more or less remain permanent. You will see more of Japanese projects coming to Astec as well as to other companies. And enterprise businesses derisking will go on. So, coming year also we think this type of growth, we will be able to maintain.

Moderator: Thank you. The next question is from the Kapil Popat from Sundaram Mutual Fund. Please go ahead.

Kapil Popat: I have two questions. One is you have talked in your presentation about the expenditure control measures and there was also a talk that the liquidity is very good. So if you could elaborate on both these points, it would be very helpful for us?

Balram S. Yadav: As far as fixed cost and variable cost control, there are several measures which have been implemented by us. First and foremost is that we have frozen recruitment that we did probably in February and there is a big focus on productivity improvement. The second is that just because of COVID there is a benefit of very little travel which used to be a very big cost for us because we had almost 700 people and 250 managers, etc., traveling. So, I think that cost has come down. And all the other costs have been curtailed particularly no conferences. We have also not given the annual increments also in the first quarter and we will review the situation towards the end of first quarter where we are and what is the COVID situation and how the impact of COVID on business is playing out.

Having said that in the variable cost, definitely we have curtailed sales promotion expenses, discounts and commissions substantially. One of the reasons is that even production is a premium right now, so whatever is produced is sold, so there is no need for push kind of promotion expenditures. Apart from that we are keeping a very strong control on credit right now. One of the problems we had particularly in Aqua Feed business and our Crop Protection business has been bad debt. And I think this is something which we are controlling. Some amount of recoveries have also happened in first few months of this year including April and that we should try and continue, in time to come. If you really ask me the most important two things in this year would be; first one will be on cash. I think we just do not want to increase our debt. We want to recover the money and we want to be very low on loan. And second thing is that we just want to clamp down on both fixed and variable costs. I think it is also giving us an opportunity to also realize what all can be given up even in good times, because I think for all companies for everybody, these 45-days have been eye opener.

Kapil Popat: And also about how are you managing the liquidity?

Balram S. Yadav: I think had COVID not happened we were sailing very well and our debt would have been very, very low, but unfortunately, our collections really suffered towards the end of March, everybody pays between 20th and 30th of the month. So, debt is still at about 0.23% or 0.25% of the equity which is a good level. This is a season also. So, naturally some debt will go up, but we are seeing our collection system and in some businesses, we are seeing if the output prices improve in coming weeks, the collection will improve substantially.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: So, my question is regarding palm oil business. So, what is the utilization of the plant currently and how is the availability of FFB?

Balram S. Yadav: Palm oil business is a very predictable business; if you know the age of our plantation and the standards of production at a particular age, you will be able to predict our FFB production, the only variable is normally the weather that particularly monsoon, in case the monsoon is good, then we do not see any problem. Our season normally is July, August, September and October where we receive almost 55% to 60% of the fruits, but the initial arrival trends are good. We are running one of our mills which can do 1200 tons per day right now, in another week we will start the other mill which will do 1200 tons. We are also refurbishing another mill, which will have a capacity of 600 tons per day. Last year our peak was close to about 2400 to 2500 tons per day. This year our peak for about two, three weeks is likely to be more than that. That is why we need three plants functioning. So you can say that normally the capacity of these plants is calculated on six monthly basis because almost five months the plants are operated once a week. So today we have a capacity of 3,000 tons per day at peak capacity, today we are operating at about 1200 tons per day.

Sumant Kumar: There is no impact of the COVID-19 on the utilization side?

Balram S. Yadav: I will tell you the impact of COVID-19. The fruits will come, they have to be harvested, they will be brought, there will be oil in the fruits, depending on whether the fruits will be more or less and the oil will be more or less. The only problem is because of COVID now the prices of both crude palm oil and palm kernel oil have started coming down. The reason is crude palm oil import close to 9 million tonnes and most of the crude palm oil is consumed by the institutional players, all these bakeries, confectionery, eateries, etc., they consume huge quantities of palm oil and most of the domestic consumption in India is soft oil, which is your rice bran oil, sunflower oil, cottonseed oil, groundnut oil, soya oil, etc. We strongly believe that in case the out of home consumption or the institutional consumption remains subdued, palm oil prices are not likely to rise and maybe in case they fall too much, the government will bring in more duties. As far as palm kernel oil is concerned, palm kernel oil is an industrial oil which is used in FMCG sector and some beauty products, etc., So, once those factories start and that consumption rises, palm kernel oil consumption will also rise. So, our sense is that there will be no effect of COVID on production, on yield, on OER, etc., the only effect will be on the prices in case the consumption does not go up.

Sumant Kumar: What is the price now currently?

Balram S. Yadav Rs.58,000-59,000 a ton.

Sumant Kumar: Similar level of previous year?

Balram S. Yadav: No, previous year was a little less. But if you take for example, March prices had gone to Rs.67,000-68,000 a ton also about six weeks ago.

Sumant Kumar: How is the utilization of crop protection plant?

Balram S. Yadav: Crop protection plant, we have permission to run two shifts only because there is a staggered opening of the industrial activity in different states. First, they gave us permission for two weeks. We ran about eight hours shifts and maintained all protocols and procedures which they were checking and based on that performance, we got permission for another shift and we hope that from 17th onwards we will be able to run three shifts regularly.

Sumant Kumar: So currently it is at 50% utilization, right?

Balram S. Yadav: Not 50%, you can say that just because we are not taking weekly offs, etc., we can run the plants by giving OT, etc., in these times. So, we will be operating at about 65% to 70%.

Sumant Kumar: So, there will not be loss for the industry and for you?

Balram S. Yadav: No-no-no, my dear, these plants should have run 100% capacity from 15th March onwards. Whatever is lost, I hope we are able to make it by running it on weekly offs, etc., and improving productivity. So, industry has lost almost one month of production.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: Just wanted to understand on the Crop Protection business. I think the idea of reducing our debtor days in FY'21. Given the COVID impact now, the unexpected impact can we push that plan ahead by some time or will we still be looking to cut down working capital days in the coming year in the domestic business?

Balram S. Yadav: Man Proposes, God Disposes. So, I think what my answer is anybody's guess. We will try and balance risk with the business. So, I think that the kind of discipline we wanted to bring in, in collections, in inventory management will be relaxed for some time at least during season and we will see how we can tighten it. We will try and balance that whatever is possible. I think decision is not the year of value growth, etc., and sell all kinds of generics, this year we will focus on profitability, on collections, etc. We have the products, which we are sure that if the season is good, can give us good collection and larger volumes also.

Madhav Marda: And the palm oil season last year, we also had the pricing pressure, what was the level of the palm oil prices in Q1 of last year same time when the margins were facing pressure?

Balram S. Yadav: Q1 of last year, I think, if I correctly remember the CPO prices were at Rs.53,000-54,000 a ton and palm kernel prices were Rs.65,000-66,000 a ton. Unfortunately, palm kernel prices had dropped to below 60,000 because of lack of demand, and this year also palm kernel prices are very low. Normally, there used to be a difference of 50%-60% between CPO and CPKO prices, but not anymore. Let us see if the FMCG sector opens particularly the personal products, etc., in coming weeks, palm kernel oil prices will go up substantially. That is what our expectation is.

Moderator: Thank you. The next question is from the line of Kashyap Pujara from Axis Capital. Please go ahead.

Kashyap Pujara: I had a couple of questions. So first is regarding the Godrej Tyson business. Just a broader question would be, are we the rightful owners of this business over time? And given the fragmented and commoditized nature of the segment, do you think over time, there is a sizable profit opportunity for us and what could those broad strategy or thought process be from your side?

Balram S. Yadav: So, let me just break that business into two parts. One is the branded business which is the real good chicken and yummies, and the other is the live business which is a commodity business. Let me also tell you that this industry has grown at a CAGR of about 7%- 8% volume for last 20-years in India. In spite of COVID, in spite of all the ups and downs in this industry, in 7-8 years the chicken consumption will again double in this country because this is a protein which is acceptable to most of the Indians because India is not going to be a beef country or a swine country. It will have to be chicken, egg and milk which will be the chief sources of animal protein. Now, the only problem with this industry is that the processing or the branded business are 1%- 2% of the total size of the industry, which is close to 70,000-80,000 crore and the branded chicken business will be about 2,000- 3,000 crore and we are the large player in that segment.

But it is still not big, it is still not growing because of several reasons. One of the reason is adoption by the consumers, the other is cold chain, etc., So, it is tricky. Two drivers of these businesses which we have studied countries like ours, which exploded in these areas about 15-20-years ago, the drivers were rise of modern retail and food laws. Both are not happening at the pace on which they should happen in a country as populated and as congested as us. So, I think this is a drawback which is there. Of course, there are plenty of times that things improve because of certain events like China after the bird flu banned, street processing or street slaughter of chicken and suddenly there was a plethora of chicken processing plants at the investment of thousands of crore which came up in China post bird flu in 2003-2004. From 10% processing in 10-years China has become 90% processing industry. So, that is unlikely to happen. But if this event can increase the pace of growth of this segment, because of want have hygienic chicken and because of the growth of business models like direct-to-home and licious, etc., where chicken is delivered and you need not go to the shop to buy it, we believe that yummiez and real good chicken will have some kind of traction in time to come. On the live business, let me also tell you that we have data for last 15-years. But for these events like bird flu or COVID, we have always seen that patches of under-supply and patches of over-supply keep the price balanced, we have to be on the lesser side of the cost curve. We have seen people exiting the industry. Ten players at one time control 10% of the industry 20-years ago, now they control 60% of the industry, big become bigger. I am saying that there is opportunity. However, it is a matter of choice, strategy where we want to be and I think we would still watch before making our next move on this.

Kashyap Pujara: Regarding the agri inputs, while you did discuss it earlier, but I recollect it we are in-licensing molecules that we were supposed to get from R&D major. What is the progress on some of those initiatives which can ensure longer-term sustainability of growth?

Balram S. Yadav: I think whatever we could launch, we launched. You know that in December we launched Hanabi, it is a Nissan product for miticide in tea and chillies. Response is excellent, whatever material we got, almost all of it is sold and results are very good. Most of the other products are at different stages of registration and I think this temporary disruption by COVID does not change a long-term story. Of course last year and this year we were banking very high on Oryzostar and Hitweed Maxx. Hitweed Maxx sold to our expectation. We produced about 160KL, we sold 160KL, but we also sold Hitweed normal of about more than 320, 330KL. And in this current year we were looking reversing the whole thing because we want to push Hitweed Maxx. The results are very good, it is an herbicide which take care of both sides of weed. So I think that story will continue and I think we had outlined, I do not have that paper with me right now, that there are three, four molecules which are under registration which will be launched in 2021 and 2022 and 2023, I think that is on track.

Moderator: Thank you. The next question is from the line of Pratik Rangnekar from Credit Suisse. Please go ahead.

Pratik Rangnekar: My first question is on the Crop Protection segment. If you could just throw some light on what are the external challenges that you face in the coming six months from the farmers end, so it could be either labor availability or liquidity or just progress of sowing?

Balram S. Yadav: Let me just surprise you on a few things. Fertilizer sale is more than last year. Sowing and procurement is more than last year, inspite of all this. I think the state governments and the central government really did a marvelous job as far as the agriculture sector is concerned. Two installments of payments have already been transferred and slowly this will reach the farmers also. The seed sale is very brisk, be it paddy, be it corn and be it cotton. And my view is that several states have started sowing paddy also, particularly the nursery paddy, because the nursery is transplanted after three, four weeks into the main field which will happen post 1st to 15th of June. So for that nursery preparation and sowing has already happened. Large parts of northern India are also thinking of dry sown rice which is called DSR, which because of labor shortage, they cannot muster enough labor to do transplanting, so they are going in for direct sowing. This is also good news for Herbicide Company because whenever we have direct sowing, the chances of herbicide usage are very high. So, I think that there are two show stoppers in this segment right now -- one is monsoon, which is a no-brainer and the second is that if you see all agro-chemical factories are located in certain pockets in this country which is Gujarat, Maharashtra, and to get excise benefits, a lot of companies are located in Jammu also. Now, depending on COVID situation, containment, red zone, lockdown starting, lockdown opening, because there are so many variables at play as far as industry is concerned and there is no consistent policy being adopted month-on-month, everything is so dynamic depending on the situation of COVID that it is changing, whether they will quarantine the factory for one week or three weeks or two weeks, that clarity is not there in different states. So I think if the industry is able to produce continuously and at full capacity number one. Number two, is that for the first time we are hoping that monsoon is late by a week or ten-days, so we will get 10-more days of production and we will cover up a lot of lost ground there. If these two things continue- good production and good monsoon continue, I do not think we are going to have a bad season. Liquidity should not be a problem. I did not read down kisan credit cards and direct benefit transfer, etc., which is going to happen, procurement has been much higher than last year, now the procurement of pulses and oilseed have started. So I think government will put enough money in the agri space.

Pratik Rangnekar: On the Feed segment, do you think prices this year were lower because of the lower corn prices or lower maize and in that case can we be able to…?

Balram S. Yadav: We always set our profit margin and contribution margin on rupees per ton. So, according to me, top line is vanity in feed business.

Pratik Rangnekar: Then in that case we should be able to maintain our profitability on a per ton basis?

Balram S. Yadav: I am saying that the way things are going and the way we believe, you may complement us for higher percentage of profit on sale, because sale price will come down because the raw material prices come down and the margin will expand because some price reduction we will keep.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Sir, probably we are seeing that almost all the segments are doing well. So as a guidance, can we take maybe similar revenues or maybe plus/minus 5% in FY'21 compared to FY'20, will that be a fair assumption?

Balram S. Yadav: So if you tell me what will happen to COVID, I will tell you exactly what will happen in Godrej Agrovet. There is too much dependent on consumption going up, in several segments we have, oil, milk, chicken, out of home consumption has to go up. So, I am saying that the situation is still fluid. This is essential services, people will eat come what may, they may not buy expensive cars for some time, etc., but they will not give up food and probably they will indulge more. So, we are in a decent position in case the consumption goes up.

Aniruddha Joshi: Last question in this time many small but good businesses pass through a tough patch. Godrej Agrovet the way last time you had acquired Creamline and Astec. Do you see any opportunities to add good businesses at relatively lower valuation, is the management thinking on this line?

Balram S. Yadav: We are always looking at inorganic opportunities to grow, so that will continue. Not that anything has come to us because of the current situation. But maybe in future, who knows. The balance sheet is strong and we will be more than keen to evaluate.

Aniruddha Joshi: But there is nothing in the pipeline in a way?

Balram S. Yadav: There is nothing. Actually if you really ask me, today, I am saying that it is not easy to run business. I am saying we have 60-plus factories which are operating, but most of the senior management is stuck at home. I am saying most of our time is going in managing, motivating, facilitating business for our people. So, I am saying that there is no concentrated effort also we have put in this direction.

Moderator: Thank you. The next question is from the line of Bharat Gupta from Edelweiss Securities. Please go ahead.

Nihal: This is Nihal from edelweiss. I had two questions. First on Astec Lifesciences. At the start of the call you mentioned that there has been obviously orders which have come in from Southeast and potentially they could be permanent. Just to understand our key products, so what will be currently the pricing difference on an import parity basis compared to China both say for export markets as well as for India?

Arijit Mukherjee: If you go by the dollar terms, more or less the export prices for India also is equivalent to Chinese. There has been a significant increase like if you say Tebuconazole, which is one of our major products. Q1 export is around 18.5, it increased to up to 24, now it is back to 22.5. So more or less these prices will be in parity to China because China produces almost 5x of what we produce. International prices will be driven by them. The advantages which India has is in terms of cost of production. So profitability for Indian companies with the same price band will be almost a little bit better than the Chinese. But price is nothing we will be realizing more in international markets. That will still be driven by the Chinese.

Nihal: On prices, you are saying, we are more or less similar at this point in time to Chinese?

Arijit Mukherjee: Yes.

Nihal: I had another question on dairy actually. I think it has been around five years since we acquired Creamline and we have obviously looked at the performance of a lot of other dairy companies also. Eventually, we do end up seeing that unless you have a strong procurement, we do end up seeing vagaries of price increases, ending up impacting profitability which has happened for us in this year. So as a longer-term, what is the thought process on dairy and in case the performance does not go as per expectations, are we open to considering hiving this business off also, just your thoughts on that?

Balram S. Yadav: Two things I want to say – First one is a conceptual thing. Investing and harvesting is also our business. So issue is that we will keep on evaluating and we will buy the business and we have sold the business and we have demonstrated that in past also. The second thing is I am saying that there are some things which if you ask me from the long-term point of view are going well for us, the new product development, the brand, the long shelf life products, their acceptance, etc., are all very good news for this business. Now, for last about five, six quarters, there have been lot of dissonance because of low milk prices and high milk prices and shortages, etc., and unfortunately when things started looking a little good, we were very-very keenly banking on the current summer month for some of our LSL products which have really gained momentum, but unfortunately this has hurt us. So if you really ask me in our own metric, if you are talking about profitability, etc., on the business, definitely, we are wanting more and we are lacking big time there. But if you all go by indices of brand about share of value added in total sales, margin on value added products, brand recall, etc., directionally we are right, and the performance is not bad at all. Now, one of our plans was that and I can share that with you since you ask me a sensitive question, very soon in a few quarters our contribution from our value added products will overtake our contribution from liquid milk. So, this is the kind of stability which we want in the business which will be like value added products are less susceptible to price fluctuations, etc., So directionally, we are right but I must also acknowledge the only failure on our part is that we are a year late on what we wanted to achieve in this business on all parameters.

Nihal: The last follow-up on this. On the procurement side, currently, what are the thoughts on improving that on dairy side?

Balram S. Yadav: We had a traditional procurement system through agents, etc., which we try to change. Now, almost about 20% to 22% of our milk is direct procurement from our procurement centers. So this was one of the initiatives we have taken in every year that salience is increasing, and it will continuously increase because then we have more control if not on price of milk, but definitely on quality and quantity of milk which is very critical. So I am saying that that is a long-term thing. So companies have taken decades to build that system and we will also build that. But I think that the bigger initiative and the quick win is in case we get our LSL or say value added salience to 40%-plus from 29% this year, it could have been easily 30-33% had COVID not stuck, we were very-very optimistic about several of our products. Another thing which I wanted to point out is that we put a UHT plant two years ago and we are very glad to tell you that UHT products are not easy to sell but we have already broken-even in that plant in the year '19-20 and will still be a profitable plant from this year onwards. Several things are pointing in the right direction. But as I said, you never know. Investing and harvesting is also our business.

Moderator: Thank you. The next question is from the line of Prashant Biyani from Prabhudas Lilladher. Please go ahead.

Prashant Biyani: So this Rs.150 crore of CWIP that we have, what are the assets in which we have invested?

S. Varadaraj: This pertains to primarily two areas – one is we have put up a project for our animal feed business. This is for the raw material substitution project which is around Rs.120 crore of CWIP and around Rs.22-odd crore in Astec, this is for our various projects including herbicide plant, etc., which we are setting up in Astec. So these are primarily the two big areas for the CWIP.

Prashant Biyani: Capex for next year would be how much?

S. Varadaraj: We expect it would be in the range of Rs.200-250 crore depending on how things pan out.

Prashant Biyani: These would be in which segments?

S. Varadaraj: We can sort of share that offline.

Prashant Biyani: Just a follow up with Mr. Yadav. How do you see the cattle feed segment panning out next year for us in terms of both volume and profitability?

Balram S. Yadav: The paddy crop and the rabi has been very good. The wheat also has been bumper, you would be knowing that. So I think de-oiled rice bran price which is almost 50%, 60% of the quantity of raw material in cattle feed, the prices have started coming down which is also strange because normally this is the off-season for paddy and the price will go up. So, my sense is that margin as well as volume will expand in the coming year. The only caveat here is on volume. One of the important things which should happen is that milk consumption should go up. Milk prices are suffering because consumption is very low, particularly, in the out of home consumption segment. All these chai tapris and the coffee shops and the small coffee shops, the industrial canteen, ice cream in marriages, paneer in marriages and parties, etc., it is down to almost 10% in the country and particularly the sweets also are a big consumer of buffalo milk. So once all these things come up, in case this demand increases by another say 30%-40% of wherever we were a few months ago, you will see huge shortages of milk in next weeks in this country and that will be good for cattle feed volume growth.

Prashant Biyani: And sir this palm oil consumption is mostly again out of home. So in case all these eateries and all do not happen, then even though on the production side we do not have any issue in getting production growth, but do you see some pressure on the selling side?

Balram S. Yadav: Selling side pressure will not be there because import will reduce. So the only thing is that the price will go down. When the price goes down, the other soft oil prices will also go down, so the government will step in and put duties. I think we have seen that several times and it is a formula-based. So our margin and percentage will be protected. But I think what we are also interested in high prices, because their absolute margins are very high.

Prashant Biyani: So volumes are not at risk in the palm oil. It is only the volatility in price?

Balram S. Yadav: I think 96%, 97% accuracy every year. We know the standard, we know the age of our plantation, we know how much fruit will come, we know in what temperature, humidity conditions, how much is the oil extraction ratio, So, I think it is very predictable.

Prashant Biyani: And sir, broadly what would be the out of home consumption for dairy or milk specifically for Agrovet and for the industry as a whole?

Balram S. Yadav: Let me just tell you that out of 180 MT roughly of milk, about 45-50 MT you can say is in the organized sector. And according to me, a third of that milk goes into value added products and institutional segment. All companies in South India who are our competitors, 20% to 30% of sales of different players is in the institutional segment largely the chai, coffee shops, small hotels etc.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia: Sir, in this environment, which business you see tailwinds and room for market share gains? Historically, in these testing times we have seen bad debts occurring. So what are we doing to reduce risk, which segment has a potential risk if you can comment on that?

Balram S. Yadav: My sense is if you ask me I see animal feed, agrochemical, Astec and crop protection business, aqua feed business, all these businesses will be steady or improving in time to come. As I already said, even if the size of the market reduces, bigger players will have slightly more market share, raw material prices are coming down. So we believe that there is an opportunity for margin expansion there. The issue will be chicken, milk and oil because there the out of home consumption is substantial part of the business. In milk, it is close to 30% and chicken it is close to 40% to 45%, in oil almost 9MT of palm oil which comes almost to 7- 8 MT is used in the institutional segment. So definitely it is a big country, lockdown cannot be forever, it has to come down, all the consumption has to come back. When it will come back, it is a matter of conjecture but my sense is that in terms of our focus on risk versus reward, this will be the list.

Prakash Kapadia: And we do not see any credit risk per se?

Balram S. Yadav: In two businesses I see a little bit of credit risk right now. Aqua Feed business and the Crop Protection business. And credit risk is not the current credit risk because I am very sure that we will be very careful. I think in both these businesses we give credit of 90-120-days to several of our distributors. The good news from the aqua segment I need to tell you the shrimp prices have really skyrocketed after a bit of lull from US demand because out of home consumption of all foods is very poor in America. China stepped in and it is importing huge quantities of our shrimp. It had the price of Rs.40 around gone to Rs.200, government declared a price of Rs.260 which is a remunerative price for the farmers, but now it is prevailing at Rs.300-310. Fish prices also are very high because harvesting of fish has not happened and just because of lockdown, the harvesting and consumption is matching. So even though fish is in the pond, the prices are not going down. So once the system opens, definitely our recovery are possible. In agri, we have to see because we already have secondary markets which was supposed to come in February and March, have not come. Over and above how much credit, etc., we have to really track that path with lot of caution.

Moderator: Thank you. The next question is from the line of Rakhi Prasad from Alder Capital. Please go ahead.

Rakhi Prasad: I just had a couple of data questions around the fresh fruit bunch that was processed in FY'20 and how much was your CPO also?

S. Varadaraj: So we processed in FY'20 5,68,000 MT of fresh fruit bunches. For CPO, we sold around 98,600 MT through palm oil. Palm kernel oil we sold 12,000 MT.

Rakhi Prasad: And your hectares under cultivation in FY'20?

S. Varadaraj: That we will share it offline.

Moderator: Thank you. The next question is from the line of Nav Bharadwaj from Anand Rathi. Please go ahead.

Nav Bharadwaj: Sir, a short question on Astec. What I wanted to know is that the confidence that we are getting in terms of the sales that we have received in the previous quarter continue in the times ahead, is that based on a commercial inertia trend or have we signed some long-term or rolling contracts with new customers?

Arijit Mukherjee: A combination of both. One is long-term agreement also have done One is a long-term agreement also we have made that is covering both CMO businesses as well as the normal generic businesses. Plus, as our output has increased, the spot market has also improved. So previously, we were mostly into the contractual businesses, but now we have almost 10-15% of the stocks we sell on the spot price basis. So that also has given us a little bit higher increment in terms of price realization.

Nav Bharadwaj: In terms of pricing, do we think this is sustainable at the current level?

Arijit Mukherjee: Yes, current level will be sustainable because manufacturing, be it in India, be it in China is also a constraint. Chinese situation have improved a little bit, but still they are not on a 100% basis. There also productions are between 60%, 70%, 75%. And the cost of manufacturing across the globe has increased.

Nav Bharadwaj So, volume, we are continuing with the same trend?

Arijit Mukherjee: Yes.

Moderator: Thank you. The next question is from the line of Aditya Singh from Axis Bank. Please go ahead.

Aditya Singh: Sir, this question was for Astec Lifesciences. How do you see the exports business of Astec? It has increased over the past three years, it has come up to almost 60% of the annual sales. So how do you see that being affected after this event?

Arijit Mukherjee: Because of COVID there is no effect. These are all long-term positions and agriculture everywhere is an essential activity. So there would not be any negative effect of COVID. So, these are very sustainable businesses.

Aditya Singh: One follow-up question on the Astec Lifesciences only. The Capex that we had committed to in Astec Lifesciences, as you had earlier said, that we have invested around Rs.22 crore in CWIP. So, what is the plan going forward for Astec in terms of debottlenecking?

Arijit Mukherjee: Debottlenecking is a continuous process. Other than this investment has mostly been in herbicide plant. So, herbicide plant commissioning will start by third quarter this year.

Aditya Singh: Sir, like just on the overall numbers to Balram sir, as you had earlier pointed out, it is based on the lockdown that we will be able to see how the overall sales pan out for the company, but our focus being on profitability, so, can we expect similar margins going forward?

Balram S. Yadav: I cannot comment, but I do not know how to answer that question, at this time, it is difficult. If things improves, so we might see expansion in margins also.

Nadir Godrej: COVID is causing raw material prices to fall, that is some compensation.

Aditya Singh: I think there was a land parcel sales. So that has been mentioned in the investor PPT. So even last year, I think we had around Rs 30 crore that we had obtained from the land sale in Hyderabad. So as a part of strategy, was this planned?

Balram S. Yadav: So Godrej Agrovet has several land parcels, and some of them are old factories which are in industrial areas which have now changed, like there are feed factories which were started in early 80s or early 70s, and now those industrial areas are middle of residential or IT parks, etc. So we keep on looking at these opportunities of getting rid of real estate. But I think a small transaction is still remaining. Mr. Varadaraj, will you explain to him?

S. Varadaraj: Yes, so out of the 100-odd acres, almost 86 acres is what we sold now, the remainder 14-acres that project is still on. We are trying to plan some of the things. And if everything goes well, we will try and monetize that as well in the coming year.

Moderator: Thank you. The next question is from the line of Saurabh Kapadia from Asian Markets Securities. Please go ahead.

Saurabh Kapadia: Sir, I was asking about the new launch in the energy drink space. So your strategy in this field and how we see developing the distribution in this area?

Balram S. Yadav: So one thing I must tell you is that there is a big focus on value-added products. More and more milk needs to be converted into value-added products to come out of this yoyo profitability because of milk procurement prices or milk sale prices because we also realize competing with cooperative is almost impossible with so much of government interference, etc. So definitely, that is the strategy. Now, this energy drink is made from the whey protein which comes out of paneer production, and this is a drink which is a low price point drink. It is a 10 bucks drink. It is a UHT packed drink. And it is a very good product at that price. But our main focus will continue to be more milk-based products like yogurts, ice creams, milk shakes, flavored milk, etc.,

Saurabh Kapadia: How you are currently positioned in terms of upcoming Karif season in terms of the product placement and overall inventory levels?

Balram S. Yadav: Agri input season, I will be very frank that we are not where we normally should be in the first week of May because there is a huge amount of placement all the companies do in end-March and April. So that placement has started 15, 20-days late this year. The second thing is that most of the plants should be running full capacity from March to June-July. That some amount of loss of production has also happened, but we have already contracted some more factories to cope up with that loss. So according to me, I think, we will be there at the last year level definitely in terms of placement of product by end of May, which is the time when all the things which are required for kharif have to be placed. But if you really ask me, that is still dependent on the COVID situation, different districts, different industrial areas, different states having different lockdown rules depending on the COVID situation in their geographies. So I think more and more we hear that we will have to live with COVID, means that economic activity and industrial activity will be allowed to continue even though there are cases discovered here and there, because I think the life should go on. In case that happened, in case stability in production comes, I do not see why we will not be able to match and exceed last year levels.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: There was a big hit that we took in the feed segment because of the raw material price movement which was not in our favor. This was in spite of the price hike that we had taken. So, if you could just highlight a few of these raw materials that have moved against us and where do they stand as of today?

Balram S. Yadav: I told you, that one of the big hit in the first nine months in our chicken business and in our feed business, particularly poultry feed business, was the corn prices unprecedented high, all-time high corn prices of Rs.22 to Rs.24 a kilo were seen last year. They did not come down in spite of a good crop because the poultry demand was very, very good. And now that poultry demand is almost vanished, the corn prices are coming down. This is supposed to be off-season. The rabi crop is only about 25%, 30% of the total crop. So normally, the prices do not sink to this level now, but the corn prices have come down to Rs.11.50-12 ex-Bihar right now. At this time last year, it was Rs.17, 18, so you can see the drop. Similarly, soya meal also, we cannot export too much. The production was very good last year and poultry demand used to be almost 70%, 80% of the soya meal demand. That has come down substantially. So soya meal is also likely to come down it is already dropping, but it is dropping slowly, but my sense is that in time to come soya meal will also come down by at least about 7% to 8% more. From the peak, it has already dropped about 15%. De-oiled rice bran, again, the rabi paddy, 4, 5 MTof crop has been very good, all these shelling mills and solvent extraction plants will start again and we can see that impact of DORB, it has dropped about Rs.1,000-1,500 at different places on a base of Rs.11,000 in last 1, 1.5-months. So my sense is that the raw material position in feed will be bearish, the demand in poultry feed will be bearish, but this will benefit our chicken business and our feed business and to a certain extent milk business also because cost of production of milk for farmers is also coming down.

Nitin Awasthi: If you could just put a price to where the soya meal prices were and where they are now?

Balram S. Yadav: So it was Rs.36,000,-37,000 ex-Indore per ton about 1.5 months ago or so, now it is 31,500- 32,000. So do not tell me that in the morning I asked it is 500 more or 500 less, I am talking about ballpark because even as we talk, prices are changing. So I am saying that this is the thing. I think almost 13%-15% drop in last 45 days, 50%-

60% drop in last 45-days in corn and about 10%-15% drop in de-oiled rice bran in last 20, 25-days.

Moderator: Thank you. The next question is from the line of Prit Nagersheth from Wealth Financial. Please go ahead.

Prit Nagersheth: The only other question I wanted to know was in palm oil which is the government has banned the import of refined palm oil. So how does that affect us?

Balram S. Yadav: So crude palm oil will still be imported, and soft oil will still be imported, but the refining margins will become better, so refiners will make more money. Earlier, refined oil could be imported, so it was refined, refining margins were suppressed because of the import parity, etc. Mr. Godrej, would you like to add something on palm oil?

Nadir Godrej: Yes, so palm oil prices have fallen **(Inaudible) 80:35-80:42,** no longer much in demand. The government did bring some licenses for refined palm oil. But if the refined palm oil is coming from Nepal or Bangladesh where they have lower import duties, the government is blocking those imports because they are not properly certifying the country of origin. So, I think very little refined palm oil will come in. And as Balram said, that will give the refiners good margin and the palm oil prices have fallen and in the season, they may fall a little bit more. But if palm oil goes way below soybean oil, even in-house consumption of palm oil will start even if the out of home consumption of palm oil is very high.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Nadir Godrej: I hope we have been able to answer all your questions. If you have any further questions or would like to know more about the company, we would happy to be of assistance. Stay safe and stay healthy. Thank you once again for taking the time to join us on this call.

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