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CIN : L15410MH1991PLC135359

Date: November 23, 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, Bandra-Kurla Complex,
Bandra (East), Mumbai-400 051.

Ref.: "GODREJAGRO"

Subject: Transcript of Conference call with Investors & Analysts held on November 5, 2020.

Dear Sir,

Please find enclosed herewith transcript of Conference call of Godrej Agrovet Limited with the Investors and Analysts held on Thursday, November 5, 2020.

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

RAIZADA VIVEK PRITAMLAL

Digitally signed by RAIZADA VIVEK PRITAMLAL
Date: 2020.11.23 19:14:48 +05'30'

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

Enclosure as above

Godrej Agrovet Limited

Q2 & H1 FY'21 Earnings Conference Call Transcript

November 5, 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. Devrishi Singh from CDR India. Thank you. And over to you, sir.

Devrishi Singh: Thank you. Good afternoon, everyone and thank you for joining us on the Godrej Agrovet Q2 & H1 FY'21 Earnings Conference Call. From the Company, we have Mr. Nadir Godrej - Chairman of the Company; Mr. Balram S. Yadav - Managing Director and Mr. S. Varadaraj - Chief Financial Officer. From Astec LifeSciences, we have Mr. Ashok Hiremath – Managing Director and Mr. Arijit Mukherjee - Chief Operating Officer of the company.

We would like to begin the call with "Brief Opening Remarks from the management", following which we will have the forum open for an "Interactive Q&A 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 afternoon, everyone. I welcome you all to the Godrej Agrovet Conference Call. I hope and wish you are doing well and are staying safe. With the easing of restrictions over the past few months, early signs of economic recovery are visible across sectors. Rural India is recovering faster than the urban centers. This recovery has been supported by a good monsoon, except for rain damage during the harvest, leading to a fairly good Kharif crop, high water reservoir levels and remunerative crop prices. In addition, the government has also provided timely monetary support over the last few months.

However, while the economy is recovering at a fast pace, we are still behind the pre-COVID level. Demand from the HoReCa segment and out-of-home consumption remains muted. Low demand for products like milk, curd, chicken and egg has adversely impacted volumes and sales of companies operating in these segments. But we expect the situation to improve over the next few months.

Moving to the "Financial and Operational Performance": The key highlights and developments for the second quarter and the six months ended September 2020 are as follows:

We had another quarter of excellent performance. Our consolidated profit before tax during Q2 fiscal year '21 increased to Rs.145 crore, representing a growth of 78.5%

year-on-year. This was despite a 7.5% decline in the consolidated total income. Similarly, for the first half of the current fiscal, our profit before tax increased by 43.7% to Rs.280 crore despite 8.1% decline in consolidated total income. Please note that in the second quarter and half year of the current fiscal, total income excludes Rs.9.6 crore and profit before tax excludes Rs.4.8 crore of income earned from sale of a real estate project. Further, our consolidated balance sheet remains strong with a low debt-to-equity of 0.21x as on September 20 and our cash flow generation is also healthy.

Now, I will discuss the key "Financial and Business Highlights of Each of our Business Segment:

In Animal Feed, the segment results grew by 10.6% during the quarter. This was despite the decline in the Animal Feed volume and sales. Demand for the end protein products, i.e. milk, chicken and egg were muted which impacted volumes and revenues across feed categories. As a result, current quarter volumes and revenues declined by 15.8% and 18.8%, respectively. For the half year, while the segment sales declined by 17.2%, segment results were up by 12%. In the coming months, we expect a faster uptick in demand from the HoReCa segment which would sequentially improve feed volumes.

We had a very good quarter in the vegetable oil segment. Our segment revenues and segment results grew by 23.9% and 44.0%, respectively. Higher yields and higher end product prices contributed to the growth. Prices of crude palm oil and palm kernel oil increased by 36% and 35%, respectively in the second quarter. Oil Extraction Ratio increased to 17.3% in the quarter vis-à-vis 16.5% in the previous year. Current quarter performance could have been better but for the lower arrival of fresh fruit bunches, which declined by 24% due to white-fly attack. For half year, our segment revenues and results have grown by 17.9% and 15.6%, respectively.

In the crop protection standalone business, our efforts to increase collections are yielding results. Collections were Rs.443 crore in the first half compared to Rs.299 crore in the same period previous year, which is an increase of 48%. However, our segment revenues and segment results declined by 11.9% and 10.0% as excessive and heavy rainfall in August and September 2020 reduced application opportunities for agrochemical products. Even for half year ended September 2020, our segment revenue and results declined by 6.1% and 15.1%, respectively.

Moving to the performance of our subsidiaries:

Astec LifeSciences posted another quarter of strong performance with revenue and EBITDA growth of 10.5% and 83.5%, respectively. Higher volumes coupled with better realization and preponement of few orders in second quarter contributed to the growth. However, we believe that on a full year basis, Astec will maintain moderate growth in its top-line and profitability levels.

In our poultry subsidiary, Godrej Tyson Food Limited, both Yummiez and Live Bird business segments have done well. In Yummiez segment, our products continue to receive excellent customer response across product categories. Our market share in the non-vegetarian frozen food segment and in the vegetarian frozen food segment increased to 28.5% and 7.9%, respectively, in H1FY21 from 23.0% and 5.6% respectively in FY20. For the live bird segment, end prices remain firm and raw material prices are favourable. As a result, subsidiary reported an EBITDA of Rs.9 crore vs. a loss of Rs.11.1 crore at the EBITDA level last year. For the half year also, Godrej Tyson has reported EBITDA of Rs 30.5 crore vs a loss of Rs.4.7 crore in the previous year first half.

Our dairy subsidiary, Creamline Dairy Products Limited's, performance was impacted by low out-of-home consumption and subdued demand from HoReCa segment. Though, on a month-on-month basis, demand is improving across key product categories. During the second quarter, revenues declined by 15.4% year-on-year, but low procurement prices and focus on fixed cost control resulted in EBITDA growth in the second quarter. We launched new dairy sweet 'Mysore Pak' and also re-launched the entire product portfolio under the new 'Godrej Jersey' logo. For the half year ended September 2020, revenue and EBITDA declined by 20.7% and 6.4%, respectively

GAVL's joint venture in Bangladesh, ACI Godrej, recorded another quarter of strong performance with revenue growth of 24.9% in Q2FY21. Growth was driven by strong volume growth across all feed categories i.e. cattle, poultry and aqua feed.

That concludes our business and financial performance update for the quarter and half year. 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. The first question is from the line of Jason Soans from Monarch Networth Capital. Please go ahead.

Jason Soans: My first question pertains to your subsidiary, Astec LifeSciences. Just wanted to know, in terms of Triazole Fungicides what is the potential of the products? We have seen Triazole Fungicides facing a bit of a slowdown due to SDHI which is the replacement and is doing well, so just wanted to know some color on the industry?

Ashok Hiremath: The total Triazole Fungicides market globally is about $3.2 billion and is growing at a low single digit rate. Now obviously, yes, as you rightly said, SDHI are growing at a fast rate. But what has been discovered is that SDHI need Triazole Fungicides to be used with them to overcome fungal resistance as similarly when strobilurin were introduced, the solo products used to have resistance to the fungus. So when combined with the Triazole, they found that they were more effective. SDHI are being used along with Triazole Fungicides and therefore the market is stable and growing slowly. That does not mean that our growth potential is to be measured in-terms of the global total market growth because we are a relatively small player. I mean, if you look at our Triazole Fungicides we sell about $80 million. Now that is a small proportion of the global market and we are playing the game of increasing our market share. Also, there are some new generation Triazole which are replacing some of the older generation ones and also replacing some of the other class of fungicides that are around. We are working on those and we will be introducing them in the process over the next two or three years which will lead to substantial increase in our revenues. In that context, we see a fairly good growth path in the Triazole Fungicides segment.

Jason Soans: My next question pertains to the herbicide plant which is expected to come in Q4 FY'21. So basically just wanted to know what are the plans for this herbicide plant and obviously it deals with CRAMS, so just wanted to know what is your idea and the scale-up which you expect in this plant?

Ashok Hiremath: That was going very well; we are investing about Rs.85 crore in that plant, it is a state-of-the-art plant and it can make a variety of a new generation herbicides and intermediates. In my last concall, I had mentioned that we had business firmed up for this new investment to the extent of about 30% but I am happy to report that since then some projects have come along and we see visibility of 100% occupancy more or less surplus over the next few years. We have come up with a very-very promising project which will really result in sales turnover of 175- 200 crore. So the plan for this herbicide plant is to make these CRAMS products. We have the visibility, we have a range of sulfonylureas which are being made on contract basis and we will also be making some additional products which will add to what we call an Enterprise Sale Business. And so the visibility on the herbicide plant is very good and we are very optimistic about it. And we plan to put it online by Q4 of this year.

Jason Soans: My last question pertains to the R&D center which you are building up. You also spoke about in the last call regarding that you are going to work in terms of fluorine chemistry, hydrogenation capabilities and other sort of chemistries as well. You see a lot of potential there, with the China plus one strategy, agrochem also being in a very strong space. So just wanted some color on that..

Ashok Hiremath: Well, I am happy to tell you that all the design work is over, the detailing is over, we are going to do the groundbreaking by the end of November or early December. We want to have it up and running by January of 2022 or the end of 2021. As I said, last time, it is going to be a very-very significant increase in the bandwidth and our ability to develop new products. It is virtually a factor of five over what our existing capabilities are. So, quantitatively it is going to increase the number of projects that we can handle simultaneously which is currently frankly the limiting factor. It is not the number of projects that we have in hand from a customer's point of view. So, this will enable us to do that faster and also we will be able to offer our customers complete toolbox of chemistries. There will be the other missing tools as it were in our kit that would be developed and therefore customers will prefer us for projects where there are series of reactions or where we have the expertise to do it. So we are very optimistic about what we can do with this R&D. We have already taken on some people at a very senior level who will head this R&D and it is going to be game changer for the company.

Moderator: Thank you. We take the next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question on the Animal Feed side. While you did mention in your earlier remarks, slower demand overall in the broiler as well as the layer feed. I just wanted to understand what has been the sort of uptick, any incremental feedback that you can share on the ground, given now restaurants as well as demand for milk, etc., is on an uptick plus the regulatory pricing as well, so any feedback there from the animal feed volume uptick perspective?

Balram S Yadav: So in the first quarter of this financial year, that is April to June, the layer population had come down by almost 25% and the broiler population was down by about 50% to 55%. And in the latter part of the first quarter that is around mid-May, the retail demand came back and we saw uptick in prices and that is one of the reasons for good performance of Godrej Tyson Foods Limited. Now, if you ask me, it is not switch on, switch off that the population can be increased because people had to get rid of their breeders and it will take some time for breeders to come into production. So we believe that today we are at about 65% of the original capacity of broilers and about 80% of original capacity of layers. So that is why you see egg prices are high as well as chicken prices are also very remunerative. The reason is that there is the demand and supply match. As the restaurants open up, we are seeing a weekly increase in demand and that is adequately met by the slow increase in the production of eggs and chicken. so we believe that we will be back to our capacity, what it was before the COVID took place somewhere around February, March, not before that, both in broiler and layer. The story of milk is not very good. You know almost one-third of milk is consumed by institutional buyers and whether it is sweet shop, canteens, restaurants, etc., and all these places were mostly closed for the first quarter, in the second quarter there is some uptick but unfortunately milk is still not picking up because we are also entering into the flush season where automatically the production goes up. So, we will have a situation of milk surplus for some more time.

The farmers have not been feeding the animals properly and they are not investing on animals just because of the poor demand in milk and suppressed prices in the first half of the year. And the other reason is that, in fact, because of this COVID lockdown and initial total stoppage of movement, the consumption of animals had also not happened. So, whatever was supposed to happen say from April, May, June started in July, August, and September. So my sense is that milk cycle will be delayed by a quarter at least. All these surpluses, etc., will start vanishing sometimes in January, February, and we believe that if not milk shortage but definitely milk demand and milk consumption is going to go up significantly in the fourth quarter. We will see rise in milk prices ex-farm and definitely the farmer will start investing and early shoots of that we can see a slight uptick in our cattle feed demand this quarter. We will see that it will rapidly grow in future as the milk consumption and milk demand grows.

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

Madhav Marda: My question was on Astec. I think in the initial remarks it was mentioned that growth could be a bit moderate for the entire year. Could you just help us understand because I think the first half we have done close to 25%-30% growth and there were some preponement of orders also which was mentioned. So how should we think about the rest of the year for Astec?

Ashok Hiremath: Yes, I think what Mr. Godrej probably meant that growth will not be at 207% of the previous year but it will be in line with our traditional growth. We have always been saying that we can grow at about 20% per annum. So that is the kind of growth that we would have on year-on-year basis. So he said it in the context of the fact that the first half had a growth over the previous first half. Otherwise, the prospects are good. Contract manufacturing business is doing well. The demand picture is good. Our order position is good, but it is just not 207%

Madhav Marda: My second question was on the Animal Feed business. So we have seen margins expanding really well in the first half and I think part of that is probably to do with the lower raw material prices and probably some of the R&D initiatives that we have undertaken. Just wanted to understand the sustainability of these margins going ahead because if I look at the last 2-3 years versus first half of this year, margins have been much better. It is almost Rs.1,700 EBIT per ton. So how should we think about these margins?

Balram S Yadav: You are absolutely right that both things played a very important role in the first half in expanding margins. And there is a very unique thing which is happening. Right now, this is the season time for corn and soya. Just because of global situations and because of some delay and damage which has happened in different crops due to the monsoon overstaying its welcome, we are seeing some surge in prices in both corn and soya meal. However the crop is bumper and we feel that the prices are going to moderate in time to come. So we will be able to maintain the same margins in Q3 and expand the margins in Q4.

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

Sumant Kumar: My question is regarding palm oil. There is a Whitefly impact and volume has declined. So can you tell us what is the volume de-growth data this quarter?

Balram S Yadav: Almost 17%-18% drop in fresh fruit bunches. Some of it was made up because of higher oil extraction ratios. Oil production drop will be close to 15%, 16% over last year. Now, having said that this is a problem which is unique about that area and we have done whatever we could do to control, but unfortunately unless and until there is a community initiative to eliminate white-fly, most of the efforts taken by individual farmers are of no benefit. So, I think that was one of the reasons, but the OER has been good, lot of efficiency improvements were there and on top of that the prices were very good. That is why oil palm performance is very good this year.

Sumant Kumar: How much improvement in OER?

Balram S Yadav: We increased by 0.7%-0.8%, but as the year goes by that gap will keep on increasing.

Sumant Kumar: So this is the first time there is a white fly impact on farmers?

Nadir Godrej: We had seen patches of this here and there in past also, but it was not that rampant and it has affected not only our plantations but plantations across Andhra Pradesh and parts of Telangana. And I think industry took a lot of initiatives also but unfortunately unless and until it is done on large scale and by everybody, the effect is not fully realized. But I think that it has subsided, and we are all devising a strategy on how to community control this white fly infection, should it show up early next year.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Continuing with the palm oil, so unlike many other agri products this year where the harvest has been good in prices have been soft, palm oil and other vegetable oil prices have been high. So in case of palm oil, any outlook on the price, and is the price high this season just because of the pest attack or there is any other reason?

Balram S Yadav: I think palm oil prices are linked to global prices and on that I would request Mr. Godrej to expand.

Nadir Godrej: We expect palm oil prices to stay high because of low production of oil seeds and palm oil. That being said, in the next few months we have the highest production of palm oil, seasonally. So a small dip cannot be ruled out, but over the long-term prices should stay fairly high.

Moderator: Thank you. The next question is from the line of Depesh Kashyap from Equirus. Please go ahead.

Depesh Kashyap: Sir, according to media article, this whitefly attack infested the Telangana region in the month of March and April. So were we aware of this impact or we got impacted in the September month only?

Balram S Yadav: No-no-no, actually it affected in the early season, that is March, April, May and partly in June because once the monsoon arrived it got washed off. But by that time, it had already caused the damage, because how it causes the damages is that it damages the fruit formation. So even if it goes away, the fruit formation is already affected. So the output per tree and per hectare is negatively affected.

Depesh Kashyap: In the last call you were talking about that this season can be elongated and there can be extra fruits in the month of October and November. So that guidance stays or how is it?

Balram S Yadav: The tapering is taking longer. So I can only say that what I said has proved right in October and let us see how it shapes up in November.

Depesh Kashyap: Lastly, sir, this is a very good year for the dairy companies in terms of margins; the procurement costs are very low and the selling prices are inching upwards. Your competitors have shown that kind of a margin, yours have actually declined quarter-on-quarter, so your thoughts on that, sir?

Balram S Yadav: So the issue was that I have already said that in last call that one-thirds of our sale came from institutional segment and big caterers and shops and other things. So that I think was a very big setback for us, the retail sale has come back and grown over last year definitely. On top of that, due to initial surge in milk stocks, we converted lot of milk into powder and fat and if you see our number we are carrying almost 9-10 crore of provisions in case the fat prices do not increase. That is why we have taken that provision, but there is all expectation that once the milk demand comes back, I am very sure that milk supply will be short for some time, the butter prices will go up and we will be able to release these provisions. Once we release this provision, I think you will see the margin expansion very quickly. So, it is just the provision we are carrying which is distorting the margin number.

Moderator: Thank you. The next question is from Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Sir, I have a question related to Astec. So, in the quarter gone by, if you could give some assessment on the domestic and the export growth rate that you would have seen because when we are looking at the export data, it was a fairly strong growth that Astec had recorded in Q2. So is there something in the domestic that there is a decline or anything, or if you could give some flavor on the growth rate in domestic and growth rate in exports for us for the quarter and the first half? And second, has the Triazole prices declined and if you have any comment on that part of the area?

Arijit Mukherjee: Traditionally, in a domestic business, first quarter demand is always less because first quarter hardly there is any crop where fungicide go. So, generally demand starts from early second quarter, but particularly for this year, mostly capacities were sold for export businesses, so our exposure to domestic businesses are very limited. This is particularly for Astec, but overall if you see the season has gone well, so overall the demand particularly for fungicides has been very good in the domestic market. In case of pricing, some fungicides, because we were not there, showed a little bit of high prices but that now the demand is tapering, now we will see the prices coming down. But overall domestic demand year-on-year has been good because the rains have been good and in the next season there was a little bit of rain, so fungicide application increased. So overall it has been a good demand for us because we sold most of it for exports, so our presence in the domestic market this year has been relatively less.

Ashok Hiremath: I will just add to that. Of course, there are different products when it comes to contract manufacturing, the prices are pretty stable, for some of the products there are no changes, for some products there are some declining in prices but corresponding to that there was a decline in the raw material cost as well. So the margins continue to remain healthy. There is a varying picture from product-to-product, but on the whole there is no concern on the margins.

Pritesh Chheda: I was just trying to interpret the answer. So is that the export grown faster than the domestic is what the interpretation is and domestic has not declined, is that the interpretation I should take for the H1 and the Q2, and the second interpretation is that the prices have not declined, is that the interpretation I should take for?

Ashok Hiremath: Well, one or two products have declined but the raw material prices have also declined, so the margins are maintained, that is part of our business, for a major part of our business the prices are stable. As far as the growth is concerned, Arijit just answered that.

Pritesh Chheda: And incrementally you expect the growth to sustain with a similar margin is what you indicated at that 20% growth number, right?

Ashok Hiremath: Yes.

Pritesh Chheda: And as you operate the herbicide plant where more of the business is CRAMS, so margin should have an upside bias considering that export is a higher margin than domestic and your mix should become richer in favor of export, is that interpretation correct?

Ashok Hiremath: Yes, contract manufacturing is all exports and also the contract manufacturing business has a higher EBITDA margin. So when our blended average is about 20%, contract manufacturing is upwards of 25%. So, it will pull up our blended average EBITDA margins.

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

Sumant Kumar: My question is regarding Crop Protection, particularly the domestic business. We have seen Q1 muted and Q2 was also muted. So can you talk about the product portfolio how the PGR segment is growing, what are we doing in enriching the product portfolio?

Balram S Yadav: Crop Protection business, I think one thing if you remember for last two quarters or three quarters we have been tightening the debtors and we are doing very tight inventory management just to improve the hygiene of the business and we were almost there when COVID struck unfortunately and pushed us back. In the first quarter, the growth was little muted because we lost almost 15-days production in Jammu because of COVID in month of May and our star product was this Hitweed, so the sales of that product were affected. In the second quarter, the going was very good but unfortunately the month of September because of excessive rain, some sprays could not be done and that is why we lost some volumes. Having said that I think on the whole, the year will be very good for us. We will achieve all our objectives including growth over last year in profitability and all this with a substantial reduction in working capital in debtors.

Sumant Kumar: Are we doing more work on product side in PGR and also in herbicide segment?

Balram S Yadav: We are in this process of launching some products. And as I told you that several products are in the pipeline also. So I think they will be launched in the coming years. So offline, we can give you details of the products which we are planning to launch and the kind of potential they have.

Moderator: Thank you. The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: My first question was on the R&D center. So is it fair to assume that we would be seeing some big Capex once the R&D center is commercialized?

Ashok Hiremath: Yes, we obviously will attract a lot of the projects and particularly there could be large-size projects and therefore there will be capital expenditures involved with that. Yes, accelerated Capex is growing once the R&D center comes up.

Siddharth Gadekar: So is it fair to assume that we would be leveraging the Agrovet balance sheet to the Capex in Astec?

Nadir Godrej: No-no, it is an independent balance sheet. The good thing that I have to tell you is that for example now we have already invested about Rs.60 crore in capital expenditure this year, but our borrowings have come down to below Rs.100 crore, about Rs.99 crore, debt-equity ratio is about 0.36. So we are able to manage all this with our internal accruals and so even with an accelerated Capex program particularly this R&D and all that, we may have to increase our debt-equity ratio to some extent, but we did not have to resort to any external borrowings or any other kind of dependence on Godrej Agrovet for funding these projects.

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

Pratik Rangnekar: I have a question on the poultry segment. On a QoQ basis, we note that your revenues have increased but margins have come off quite sharply. So whereas I think in the earlier comments you mentioned that live birds prices have been firmed. So, just trying to understand the drivers for this sequential margin drop? Also, if you can provide some color on the split between RGC, Yummies and live birds and how are the efforts to tackle e-Commerce channel this quarter?

S. Varadaraj: There is a slight drop vis-à-vis Q1 versus Q2. But that is primarily because of the pricing which was there, and the seasonality which was there. But it is a small drop, it is not a big drop which we are seeing.

Balram S Yadav: I just wanted to tell that in RGC institutional business is almost nil, so we have 70%, 80% de-growth in institutional business. But retail business in Real Good Chicken has grown by about 28%, whereas Yummies top line has grown by 71% and eCommerce has grown by 87% in H1. Varada, you can give them a split.

S. Varadaraj: In terms of live birds, around 56%, Yummies would be around 23% and Real Good Chicken will be around 22% of the total revenue for Q2.

Moderator: Thank you. The next question is from the line of Manish Karwal from Fiduciary. Please go ahead.

Manish Karwal: I am basically new to this company. So I wanted to understand the strategic perspective going ahead. So if you could give us a five-year view as to which of the businesses from the very diversified profile that you have today, are going to be the main line, meaning, what are going to be the drivers of this organization going forward let us say a five-year perspective or a 10-year perspective?

Balram S Yadav: I think the answer is a very long answer. So preferably we should have a separate call on that. We would like to explain to you what our focus is and how it will be done and what is the rationale also. So can you get in touch with our investor relations department and set up a call separately for about half an hour?

Manish Karwal: Yes, I will be happy to do that.

Moderator: Thank you. The next question is from Varun Arora from Safe Enterprises. Please go ahead.

Varun Arora: My question is regarding Astec LifeSciences. The first question is just a data point. Could you give me the first half contribution coming from the contract manufacturing as well as FY'20 contribution?

Arijit Mukherjee: We can give that offline.

Varun Arora: My second question is regarding that once we have this R&D center, how will it enhance our capabilities on the contract manufacturing side. I believe right now in the contract manufacturing piece, we are only probably catering to the Triazole chemistry and going forward once the herbicide plant comes, that will be an addition, but with the R&D center coming up, can we provide more full-fledged services in this piece, something that PI Industries is doing wherein we can do research also, participate on the manufacturing commercialization full scale services. Is that part that we will be taking once we have the R&D center?

Ashok Hiremath: Well, I am glad you have asked that question because this is probably something that people confuse us with because on the one hand we have got the Triazole Fungicides business, but that is our enterprise sales business. Our contract manufacturing business is not restricted to Triazole Fungicides. We are doing a lot of products which are involving other chemistries other than Triazole Fungicides chemistry but because this contract manufacturing it is not kind of publicized, it is all on a confidential basis and therefore when we do it people do not know about it, but we are practicing many other kinds of chemistries already for our different customers. So, we already have a wide range of chemistries including Grignard and epoxidation and Heterocyclic Chemistries and some kind of building blocks of fluorine chemistry already that we are doing. But having said that we obviously have to expand on it. The way the contract manufacturing business works is that let us say that BASF or somebody is looking for somebody who can do a field craft and there is a field craft involved, there is Grignard involved, nitration and hydrogenation, they look to PI, they look here and there and see who are the people who have the set of skills and then they will pick a partner and then if Astec is good at Grignard and this line of chemistry they will come to us. So, the wider range of chemistries that we have mastery over, the more business we will attract. So this is precisely what we will be doing. While we have an adequate kind of a set of chemistry skill sets, we want to expand on that and then we become the preferred people that the big guys will come to. So, PI is a little ahead of us on that curve because they have been around longer. But by the time this comes, we will develop these so-called technologies which means we can offer it to our customers and therefore these complex multiple synthesis products can be brought into our company, that is the plan.

Moderator: Thank you. The next question is from Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella: Just a few clarifications; on the Tyson Foods business, we have seen sharply varying margins in 1Q and 2Q. So, what is the right run rate to work with for the rest of the year going forward?

Balram S Yadav: Very-very interesting question. I think this is a little abnormal year because we had a very-very bad last quarter of the last financial year, we took some time to recover and there was a sharp recovery in the first quarter and that is why you saw the margin rise and then it stabilized in the second quarter. Now, normally third and the fourth quarter are the quarters where consumption is much better than H1. This year H1 was unique because of the lower population of the birds, the prices were high. Second thing is that the Yummies really kicked off big time because in-home consumption of Yummies went up. So, we strongly feel that the margins of Q2 will definitely be protected in Q3 and Q4. Yummies sales growth of the first half may not be repeated in the second half once out-of-home consumption grows, but it will be significantly better than the second half last year. So my sense is that steady state I would say for next few quarters we can assume that margin similar to Q2 can be expected.

Abhijit Akella: On the standalone crop protection business sir, I heard in your previous remarks that for the full year we expect a very good year with revenue growth as well as probably some expansion in margins even though the first half has been a little bit subdued. Are we expecting a very good rabi season going forward and is not the base a little bit difficult from last year, your thoughts on that?

Balram S Yadav: I can definitely tell you that I am not saying that it will be a super year for us. What will be a super year for us if we are able to reduce our capital employed in this business significantly and if we are able to maintain the same run rate in terms of reducing inventory and reducing debtors which we have done in H1. Definitely keeping hygiene in view, we have very good plans for rabi, we have certain chemicals which will definitely be very useful in coming season particularly the product like Hanabi which we launched in tea and now this year we are going to launch in chilies, etc. So these kind of products will help sales and expansion of margins. I can only say that our first target is to surpass last year's performance and profitability and I am very sure that we will do that. Last year profitability was very badly hit because of the lockdown in March but definitely we will do much better this year than last year, that I am very sure and we have very good plans for Rabi.

Moderator: Thank you. The next question is from the line of Depesh Kashyap from Equirus. Please go ahead.

Depesh Kashyap: In the dairy segment, you talked about the better provisioning of Rs.9 to Rs.10 crore. So that number was for the second quarter of the first half?

Balram S Yadav: Most of it was first quarter April to June for us.

Depesh Kashyap: And in the animal feed, you talked about the decline in the poultry and cattle feed. Can you just talk about the shrimp feed how that segment did and how is the outlook there?

Balram S Yadav: Shrimp feed, in spite of industry reducing 15-20%, the export from India is very less because the shrimp quantity is not available and today the prices of shrimp are all-time high. We still registered a growth of about 4% in volumes and I am very glad to say that we have reversed the trend. Fish feed has been very volatile because of fish being very-very volatile. Our volumes are definitely good, but they are at par with last year. We have not registered any growth in the first half of the year. But the fish prices are also rising because now that consumption is rising and the fish quantities are not there. So we are expecting placements to happen both in fish and shrimp wherever possible because there is likely to be a very high demand for both shrimp and fish in the second half. Traditionally, second half is not an important half for fish and shrimp. But this year we will see much better second half than what we saw last year in both these categories. And in fish I must tell you that there were a lot of disruptions. So there were fishes in the pond but there was no manpower in May, June, July to harvest so the harvesting got delayed. When the harvesting happened, then the consumption was not there. So there were a lot of ups and downs in fish in last six, seven months and I am sure the result of that will be short supply of fish in the coming few months. So, there will be lot of placement of fish in winter season which is not the regular case as far as fish production is concerned.

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

Pratik Rangnekar: Just wanted to touch upon the Bangladesh JV. You had a very strong performance here in both the first quarter and second quarter. Just want to know what kind of growth run rate do you see here and what sustainable levels of growth or profitability can be had?

Balram S Yadav: Bangladesh, in year '17-18 we made lot of corrections, plant upgradations, product upgradations and several geographical distribution expansion, I think all that was coming into play. And we are very sure that over last year we will again have top line growth of at least 20% and bottom line growth of between 25%-30%. Last year we were #3 company in feed business in Bangladesh, this year we are very sure that in case we can grow our volumes upwards of 20%, we will become #2 company in Bangladesh. Thanks to our excellent procurement plus lot of R&D initiative transfer from India, margin expansion is also happening rapidly.

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

Raj Rishi: This is the question for Mr. Hiremath. In the last concall, you had mentioned the supply chain shift which is happening or supposed to happen from China, but you also mentioned a very interesting point the de-risking is not just from one geography to the other like for some years it has been happening but most of it was cornered by the likes of say big companies like PI, etc., So do you see this trend continuing on a sustained basis, derisking away from not just one geography but also from the big guys to maybe guys like companies like Astec?

Ashok Hiremath: You put yourself in a customer's position and if god forbid something happens to a company like PI, they will want to derisk. This is the feedback we get from talking to them as well. They say that we are really looking for more suppliers because we have got too much exposure to these people. So, they are also waiting for our R&D center to come up and they are waiting to give us projects. So, this is what the customers are telling us. So it is the way it is.

Raj Rishi: Mr. Hiremath, like R&D center you are saying early to 2022 it should be up and running. So the impact of this on the revenue should be for '20 to '23 on a very sizeable basis?

Ashok Hiremath: R&D is a very long-term investment. It will certainly start showing results within a year or two, but I mean the real impact will be kind of a step jump that will happen over the next three to four years after its commissioned. So by the time you got your R&D center running, you got a project, you develop it and it comes online, you are looking at a two-year lead time. So really 2023 onwards you will start seeing the effect of it and then the full effect will be in the years after that.

Nadir Godrej: But I should add that we already have an R&D pipeline.

Ashok Hiremath: Yes, I mean, having said that with the existing R&D setup that we have, it is sufficient to grow at (+20%) per annum, we have the bandwidth and the capability. And while we are waiting for this new R&D d center to come up, we have rented some R&D centers which were lying idle, we have hired more people and we increased our R&D bandwidth by a factor of about 50% to 70% and therefore we are handling all the projects that we have in line now. So, we have the capability at the moment but it is just that when that comes it will just get a much higher level.

Moderator: Thank you. The next question is from Ashish Thavkar from Motilal Oswal. Please go ahead.

Ashish Thavkar: Sir, one question on your Feed business. There is one particular Pradhan Mantri Scheme and there were some talks or rumors about government wanting to take the feed industry or develop a feed industry or probably the shrimp industry in Punjab. So, we all know AP is a big industry there. So do you see prospects brightening up on the shrimp side of the business for you?

Balram S Yadav: The answer is there are three schemes of Government of India; one is this Infrastructure Development Scheme of Ministry of Animal Husbandry, mainly for feed mills and for infrastructure in poultry and cattle which is 15,000 crore. Apart from there are two schemes for Inland Fishery Development; one is I think Rs.15,000 and the other is Rs.20,000 crore which is very-very focused on northern Indian states. Pardon me, shrimp is not possible there and that is not the focus, but definitely fish is a very big focus and fish expansion is happening rapidly. You will be surprised that the fastest growing states in fish cultivation are Jharkhand, Bihar, Chhattisgarh, UP, Punjab, Uttarakhand. These places are developing because there are a lot of fish varieties which are surface feeders, which have proved themselves in southern part of the country, and fish consumption is very high, only availability is a problem in northern India, so that is one focus.

The second focus is that government wants to increase their exports from about Rs.48,000 crore to 1 lakh crore by FY'23. I think this is in that direction that lot of funds are being mobilized and I can definitely tell you that the opportunity of fish is very high in this country because internal consumption or domestic consumption of fish is very high and can grow further, it is a meat which is acceptable everywhere. And you will be really surprised that fish is one and a half times more per capita than the chicken and it can rise even further because it is very easy to cook and very healthy, meat also. So I see very bright future particularly for fish industry and particularly for all states above the tropic of cancer. I think last time I told you also that seeing the trend and the quantity of fish feed we are selling in Bihar and other northern states and the way the growth rates are, we are setting up a fish feed facility in Barabanki in UP.

Ashish Thavkar: With regards to the regulatory body which the AP government has set in, so it seems that they are more towards protecting the interest of the farmers. To that extent, do you see at least on the pricing side, anything which is concerning as far as this AP region is concerned?

Balram S Yadav: I must tell you that Government of Andhra Pradesh unfortunately is trying to I would say intervene in almost everything. So they want to bring price controls in the name of supporting the farmers. So I am saying they also realize that it may be counterproductive because future expansion in this industry might happen in some other state, and the material can come in Andhra Pradesh. So, I think the way they started and the kind of controls they wanted to exert, I think that has significantly diluted and we have also made representations to the government there that the kind of level of interference they want may not be good for the industry. I think we have come to some kind of a working arrangement like in many industries in Andhra Pradesh, Aquafeed also has come to some kind of working arrangement with the government with limited interference from them. At one time, they wanted stocks and costing, etc., at least last six months they have not asked for that.

Moderator: Thank you. The next question is from the line of Nitin Shakdher from Green Capital Single Family Office. Please go ahead.

Nitin Shakdher: I have noticed that on the animal feed business and on the crop protection business quarter comparison of last year versus this year, the revenue is slightly down, but in terms of the operating profit before interest and tax, it seems to be a slight bump up on the animal feed and the crop protection business. Any specific reasons as to how you have been able to maintain the profitability on these two segments, and what initiatives would you do to ensure that?

Balram S Yadav: Animal Feed is purely because of raw material prices coming down. I will give you an example, that in February of this year the corn prices were close to Rs.23-Rs.24 a kilo in different parts of the country. As soon as the COVID came they collapsed and then they recovered, but in the first quarter of this year that is April-May-June, the corn prices held at about Rs.14-Rs.15 ex-factory which is significantly lower than what they were last year. Of course, there is a pass-through because there is a lot of visibility the farmers have. When the prices go up, there is a pass-through upwards. When the prices goes down there is a pass-through downwards but this benign raw material situation was the reason why the margins are good in animal feed. In crop protection business, it is a mix issue. I think the mix is highly skewed towards our own products; Hitweed Maxx, growth regulators, etc., and not on traded products with because one-third in crop protection business comes from traded products which we buy from others and sell just because we want to complete the whole complement of products for a particular crop so that we can hold the distribution and hold the farmer. And I think that is one of the reasons that margins are better because the traded pesticide is much lower this year, and our own products are much higher. So that could expand our margins slightly.

Nitin Shakdher: My second question is I noticed that during the quarter the group has sold equity stake in Astec Europe which is a subsidiary of Astec LifeSciences for a consideration of 1 Euro. Can you explain this transaction, what was the stake and what was the valuation and was it an accounting entry or nothing significant?

Ashok Hiremath: We had set up Astec Europe and we held 50.5% stake in that because we wanted it to hold some registrations for us. Over the years, the registrations expired and there was no point in continuing to hold it and there were operating costs and there were obviously standing overheads, and it was making small losses every year. Our partner over there who is the 49.5% partner, wanted to acquire the company and given that there was really not any revenue and it was a loss-making company, we decided to sell it to it for €1.

Moderator: Thank you. The next question is from Shravan Vora, who is an individual investor. Please go ahead.

Shravan Vora: I have a couple of questions; one on Astec and one on Godrej Agrovet. For Astec, Mr. Hiremath, you had guided in the last call that we would be maintaining margins of 20%. So I just wanted to know whether we still hold that guidance?

Ashok Hiremath: Yes, you look at what we have delivered, Q2 has been 20%, H1 has been 22.5%. So I have always been saying that given fluctuations and selling prices, 20% is what we can give you the guidance for. And as our contract manufacturing business increases as a proportion of our total sales, this will inch upwards, eventually 25% when we get a significant amount of contract manufacturing in our portfolio.

Shravan Vora: When you talk about growth like about 25%, 30%, so if we still hold our guidance for say 20% growth for this whole year, are we looking at say 10%, 15% kind of growth for the second half of the year?

Ashok Hiremath: I am talking about a bottom-line growth of 20%. Now, the top line will depend on selling prices. So, I am unable to give you a guidance on that. But since as I said earlier because the selling prices come down, the raw material cost go down, the margins are reasonably maintained, so I can give you a better guidance about the profit than the top line.

Shravan Vora: On Agrovet, I have been noticing that our margins are improving and we are investing heavily on R&D and because of the nature of our business being little commodity-oriented do we see that these margin improvements due to R&D other than the raw material benefits that we get, can they be more sustainable?

Balram S Yadav: Yes, yes, so in first half we could see definitely a lot of improvements in our cattle feed margins because of the R&D initiative in spite of the fact that cattle feed suffered because of low demand. Unfortunately, there is a lot of distortion of raw material prices because of COVID, but in a steady state business we will clearly demonstrate the kind of quantum R&D will add to our margins.

Shravan Vora: And sir, like I notice that our capital employed has gone up over the past three years and as far as I understand it is largely because of our crop protection business and our dairy business, am I correct in my understanding?

S. Varadaraj: Primary increase also has happened because our acceptances have gone down significantly during H1. And that is because the purchases in H1 was lower vis-à-vis what it was last year and the opportunity for acceptances in breed responding had reduced significantly. So that has also resulted in a significant increase in the capital employed.

Moderator: Thank you. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Nadir Godrej: Thank you. 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 be 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 very much. On behalf of Godrej Agrovet Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.