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Date: November 10, 2022

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"

Dear Sir / Madam,

Subject: Transcript of Conference call with Investors & Analysts held on November 7, 2022

Ref. Submission under Regulation 30 of the Securities and Exchange Board of India (Listing obligations and disclosure Requirements) Regulations, 2015

Please find enclosed herewith transcript of Conference call of Godrej Agrovet Limited with the Investors and Analysts held on Monday, November 7, 2022.

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: 2022.11.10 12:34:20 +05'30'

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

"Godrej Agrovet Limited Q2 FY2023 Earnings Conference Call"

November 07, 2022

ANALYST: **MR. RANJIT CIRUMALLA – IIFL SECURITIES LIMITED**

MANAGEMENT: **MR. NADIR GODREJ – CHAIRMAN - GODREJ AGROVET**
MR. BALRAM YADAV – MANAGING DIRECTOR –GODREJ AGROVET
MR. VARADARAJ. S – CHIEF FINANCIAL OFFICER GODREJ AGROVET

Moderator: Ladies and gentlemen, good day and welcome to Godrej Agrovet Limited, Q2 FY2023 Earnings Conference Call hosted by IIFL Securities Limited. 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. Ranjit Cirumalla from IIFL Securities Limited. Thank you and over to you, sir!

Ranjit Cirumalla: Thank you, Vivian. Good afternoon everyone and thank you for joining us on the Godrej Agrovet Q2 Earnings Conference Call, hosted by IIFL Securities. From the company we have with us Mr. Nadir Godrej- Chairman of the company, Mr. Balram Yadav – Managing Director and Mr. S. Varadaraj – Chief Financial Officer. We would like to begin the call with a brief opening remarks from the management following which we will have the forum open for an interactive question-and-answer session. Before we start I would like to point out that some statements made during today's call maybe forward looking 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 the initial remarks. Thank you and over to you, sir!

Nadir Godrej: Good afternoon everyone. I welcome you all to the Godrej Agrovet Earnings Call. I hope and wish you all are doing well. Godrej Agrovet clocked a healthy topline growth of 13.5% in Q2 FY2023 and 19.5% in H1 FY2023 year-on-year. However, it is a challenging quarter in terms of profitability as it was impacted due to volatile commodity prices, higher input costs and limited transmission of those costs. During the quarter, crude palm oil prices corrected sharply from all time high levels in May 2022 on account of over supply from Indonesia and Malaysia post the lifting of exports ban. The south-west monsoon was erratic and unevenly spread, prices of rice bran extraction jumped sharply in Q2 and maize prices continued to trend higher.

Coming to the key financial and business highlights of each of our business segments –

In animal feed, we achieved 6% year-on-year volume growth in Q2 and 8% in H1 FY23. The volume growth in Q2 was mainly led by market share gain in the cattle feed segment. On the margin front, the animal feed segment achieved a sharp recovery in EBIT per metric ton on a sequential basis from Rs.694 per metric ton in Q1 to Rs.1,381 per metric ton in Q2. For the vegetable oil segment, it was a mixed quarter with strong recovery in volumes which was offset by lower prices. The average realizations of crude palm oil and palm kernel oil declined by 16% and 3% respectively in Q2 FY23 versus Q2 FY22. On the other hand, Fresh Fruit Bunches (FFB) volumes grew by 15% year-on-year in Q2 more than offsetting lower volumes recorded in the first quarter. The standalone crop protection business recorded a topline growth of 11% year-on-year driven by higher sales of inhouse herbicide products. Reduced application opportunity for PGR and insecticides coupled with a strict focus on credit hygiene limited sales growth to some extent. The crop protection business achieved strong improvement in working capital in Q2 driven by concerted efforts in maintaining credit hygiene.

Astec Lifesciences continue to deliver a strong performance as profit after tax doubled in Q2 and grew by 35% in H1 FY2023 over the corresponding previous period. The robust topline performance was driven by volumes in export markets coupled with higher realizations in export and domestic markets. It should be noted that Q2 FY22 performance was impacted by flooding in our Mahad facility and hence there was a low base effect as well.

For our poultry segment, Q2 is a seasonally weak quarter. Despite that Godrej Tyson recorded 14% topline growth led by robust volumes in Real Good Chicken and the Yummiez category. The EBITDA margin contracted as there was a sharp decline in live bird prices during the quarter. Q2 FY23 performance of Godrej Tyson was not strictly comparable with Q2 FY22 as the business had benefited by pent up demand post easing of COVID restrictions. Our dairy segment achieved sustained growth in both value-added products and milk volumes in Q2 FY23 and as a result, revenue grew by 27% year-on-year. Our value-added products portfolio accounted for 34% of the total sales in H1 FY23 and has grown by 49% year-on-year. However, profitability remains a drag as continued increase in procurement prices could not be fully passed on. GAVL’s joint venture in Bangladesh ACI Godrej recorded a revenue growth of 23% year-on-year in Q2. That concludes our business and financial performance update for the quarter. With this I close my opening remarks. We will now be happy to take your questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ankur Periwal from Axis Capital. Kindly proceed.

Ankur Periwal: Thanks for the opportunity. Sir, first question on the RM inflation side, now this quarter specifically we saw decent pressure on the RM side across many of the business segments, Animal Feed, crop protection, so your thought there in terms of that. How are we looking to address this RM inflation and whether it is just one quarter phenomena and maybe next quarter onwards things should back to normal.

Balram Yadav: Let me first talk about animal feed RM. I think we have sufficient experience and knowledge on these movements of raw material prices in case there is no external intervention which can cause disturbance, which is not natural. We only faltered once in this year and that too in soya because of which our poultry feed as well aqua feed contribution took a hit when the prices of soya bean were ruling very high and there was no chance that India will import anymore soya bean and all the poultry people and the aqua feed people were well covered for off season. Suddenly the government of India under the pressure of inflation announced import and that is the only time we got caught because of adverse raw material situation, however you can see we have corrected that, the margins in animal feed has come back from Rs.694 to Rs.1,381 per metric ton and now that raw material prices are falling so, the margins are likely to improve further in Q3 and Q4. That said of about animal feed, I just want to use a caveat that in Andhra Pradesh there are price controls in shrimp feed and fish feed. So entire inflation and raw material cost was not passed through in this state particularly and that is why the margins suffered. But with the lowering of raw material cost I am sure margin will improve in aqua feed also. Now, one thing which we are unable to understand and get a grip of is secularized rise quarter-on-quarter on the milk cost, that is one thing which is worrying because there is no flush. So the prices continue to go unabated but we are unable to pass through most of the increase in milk cost to us because co-operatives are not taking price increases. For example, the cow milk prices have gone up by almost 18% but we have taken a price increase only of 5% in the first half. I think that is hitting us very badly, that remains a concern, however in all other parameters of CDPL business we are doing okay.

Ankur Periwal: Sure sir. Just your comments on the crop protection side, especially on the standalone, is there recovery because I note that you mentioned the receivables etc., we have been fairly strict on that side, which is a good news, but from a growth perspective as well as RM inflation pass through?

Balram Yadav: Crop protection went through lot of hickups, if you remember COVID-1 and COVID-2 both happened at the peak of our season which is April to June-July and in year 2021 it was followed by a drought at the right time that is why there were lot of unsold materials. Now, this also exposed us to our weakness in terms of our inventory management, agility etc., which at one time used to be our strength and we were left with lot of unsold stocks and all kind of hygiene issues. As I have conveyed to you last time that we took help of external consultants for a long project in trying to overhaul this business. Hygiene is of prime importance for us, so I think that project is still underway and as and when we get an opportunity to clean up a few things which are unsold or some toxics better we are doing that on regular basis. But unfortunately, I think we are little bit hurt by luck also, we had lot of hopes in September-October sales in CPB because of rains I think it got washed out, you would have heard similar things from other companies. But having said that our woes are almost getting over. Inherently this business is an extremely profitable business and my sense is that the kind of clean up and the kind of strategies and processes we have created right now and the action plan which has been implemented, I am very sure you will let see a return to profitability to the earlier levels very shortly. Having said that I must tell you that more new molecules are come in the pipeline through our own molecules as well as through in licensing and you must be knowing that the Gracia has been a great hit and we are likely to double the volumes next year again. I am saying that lot of things are in the right track, but this cleanup was necessary, so we bit the bullet and cleaned up the whole system this year.

Ankur Periwal: Sure, just one clarification if I heard you right in crop protection it is more a revenue growth issue because of the erratic volume?

Balram Yadav: We are not selling unless and until the outstandings are reconciled and paid for etc., so we are very cautious I think we have strict rules for the sales team now to give credit and we have suffered, so we are not interested in topline at least for this quarter. I am very sure that the kind of traction we are seeing now and the collection which we are seeing now which is very evident in our working capital for this business we will be back to normal in one or two quarters. If not in Q4 this year 100% sure that Q1 next year we will be again back to normal.

Ankur Periwal: Okay, thank you sir. That is it from my side and all the best.

Moderator: Thank you. The next question is from the line of Abhijeet Akela from Kotak Securities. Please go ahead.

Abhijeet Akela: Good afternoon and thank you for taking my questions. Just a couple on few of the segments. First on oil palm if it is possible to share a few metrics around the volumes both the fresh food branch as well as the oil volumes themselves. As well as the average realizations on the key products and the oil extraction ratio, please? Thank you.

Balram Yadav: Let me give you answer to what is happening in the industry. One of the things which we are noticing in last two years, particularly this is the second year, is that the season is getting shifted by at least a month and that is why you saw some shifting of volumes from Q1 where we grew 5% to volumes in Q2 where we grew more than 15% and the growth in Q3 will be even higher than 15% maybe 20-25%. So, this is one change we have seen, we are studying that have and in case we feel that this is going to be a normal phenomenon considering October rains from next year onwards our budgeting will reflect this change. That is point number one. Point number two, I think the pricing is something which I do not want to comment on because it is international price as you can easily calculate, now nothing is following what the experts are saying and what the trends are. When everybody said that CPO prices will not fall, they fell and a month ago everybody said that they will not rise, now they have started rising again to Rs.91-Rs.92, such a weak situation in global commodity market. On OER, I can definitely say that we are doing well. Lot of our initiatives have proved to be very, very beneficial to us and quarter-on-quarter our OER is rising. I can give you some example also. If you see in H1 FY23, it was 18.62% as compared to H1 FY22 which is 17.75%, I can definitely say that it will be much more than 18.62% for us in H2 in the current year, I think lot of our initiatives are proving to be very, very good in improvement of OER and definitely yield also. I just want to remind you that more OER is direct addition to our profitability because we pay on rate of fruit.

Abhijeet Akela: Got it, that is helpful. Just to clarify, now with prices have been started to rise again contrary to all expectations. Should we expect that Q3 also be the low water mark in terms of profitability for the business?

Balram Yadav: Q3 you must always remember that normally this is starting of the off season, so we have had a very good October with September also is promising but has started tapering. So, the tapering will take probably longer than normal so you can expect it to better than Q3 of FY22. But definitely Q4 will be off season. That said, all in all the performance of this business will be in terms of several indices which is OER, FFB volumes and other efficiencies also will be better than FY22. Oil prices were your guess so you can plug that number.

Abhijeet Akela: Okay, and in animal feed can we expect to get back to our targeted level of Rs.1,800 to Rs.2,000 EBIT per ton in the second half?

Balram Yadav: All signs are pointing that it will be much better than Q2. Will it reach the numbers you are talking about depends on how raw material prices shape up, particularly in Q4 when most of the in-season stocks are there and then what position it takes will come into play. But I am very confident that Q3 will be much better than Q2, Q4 and Q3 will not be too different. Other thing I am saying that, in animal feed we just want to keep on creeping in volumes, we are very glad to say that in this first half also we have grown 7 to 8% on the back of almost 20% growth last year. So, we are in case we get to 10% growth for next one or two year we will get into virtual cycle where scale will start playing. I am very glad to say that there is a big jump in our capacity utilization last year and also this year.

Abhijeet Akela: Sure, and finally on the Tyson business this correction in live bird prices, how does it look year-on-year was it particularly more pronounce this festive season compared to the previous years?

Balram Yadav: Let me just tell you the live bird prices story. We can show a simulation where live bird business except for the COVID year never lost business because it is commodity when the prices go down the population goes down and comes up and last ten-year data it is a simulated data with actual numbers shows that we can make 4-5% PBT to about 15-16% PBT which is a standard commodity play. But I must point out where the efforts went and what is the advantage. What is noteworthy is that we have been putting lot of efforts. The focus for last several quarters is the branded business and I must tell you that we have had 26% topline in our branded business, RGC 75% growth over last year and Yummiez is 39% growth over last year. This is the future and that is one of the reason that in spite of a very poor first half as far as live bird prices we are profitable and that is where we are building our business and I can definitely assure you that we have very good clients in our process business. We have also got very good traction in our frozen heat and eat business, so I am very sure we will continue to build this branded business. You asked me about live bird prices, live bird prices will remain close to Rs.100 to Rs.110 in the next coming weeks, I cannot talk about January onwards because we have no clue on what are the placement but I can definitely give you an indication of Q3. Most important part in Q3 is not prices, we believe that cost of production of chicken will fall almost 7-8% it has already fallen about 5% on the back of raw material prices, soya bean has come from Rs.51,000 a ton to Rs.40,000 a ton, corn from Rs.25 to Rs.26 to Rs.22 and all this will play out in next two-three months.

Abhijeet Akela: Thank you sir. I will come back in queue. All the best.

Moderator: Thank you. The next question is from the line of Vidit Shah from IIFL Securities. Kindly proceed.

Vidit Shah: Thanks for taking the question. My first question was around the share of profits from associates that dropped sharply from Q1 levels this year and even year-on-year. What happened there, has the profitability at ACI JV declined sharply or is it coming from other sources?

Balram Yadav: I need to give you some flavor of what is happening in our neighboring country in Bangladesh where we have a substantial business, we are almost we are number two now in the animal feed business there and they are growing volumes at 7-8% last year again was a big growth. The big problem came last year was from the price controls on poultry feeds because Bangladesh has brought lot of price controls in poultry feeds and that has hurt us very badly there and unfortunately, poultry feed used to be the most profitable product. But in the first half has become a loss-making product, so that has hurt a lot in Bangladesh. However, with the drop in cost, profitability has come back in October and is likely to build up in future. But there is very little we can do when the sovereign government start putting price controls on food and very critical commodities. Nearer home you know that Andhra Pradesh government has put price control on aqua fee and fish feed not from point of view of controlling inflation but purely politics.

Vidit Shah: Got it and just in terms of future growth plans we understand that Astec has a lot of plans in terms of growth but if you could shed some light on plans across the other segments specially the animal feed and the dairy segments and the poultry segment?

Balram Yadav: I will go business by business. In animal feed and aqua feed we have adequate capacity now, this year we commissioned one fish feed plant because the situation in Andhra Pradesh is not likely to improve in terms of profitability if the government keeps on bringing price controls. Rest of India both in fish feed and in shrimp feed is the focus. We have commissioned one plant about 3-4 months ago in Barabanki and I am very glad to say that the capacity is to produce 55,000 tons of feed and we might just exhaust that capacity next year. But it has a great opportunity to double the capacity at marginal investment. So, the animal feed put together I do not see more than Rs.20 – Rs.25 Crores investment opportunity at least in next 6 to 8 quarters. In Astec Lifesciences in that meeting we have already told you that the plans are already made for big investments in this for that we are likely to acquire some industrial land in the state of Gujarat or Maharashtra they are very near closing those deals. In oil farm plantation business, two investments are already underway. It will cost us about Rs.70 Crores, one is a 400 metric ton refinery, once we refine then the profit margin can improve by about 1.5 to 2% because of the erratic schedule of lifting by our customers, we get asset-based penalty, because more we keep crude palm oil the FFA rises and there is a penalty for that and we want to use lot of by-products and extract oil from that also. So, we are setting up a 200 metric ton per day solvent extraction plant also. These two investments are already underway then nothing much which has been planned in other businesses except for the fact that one SIG line in our milk business will be operational, so we will be able to make multiple value-added products there in different sizes and that line should be functional in January and the effect of that you will see in our salience pricing in value added products in Q4.

Vidit Shah: Got it. Sir what is the timeline for the two investments in refinery and solvent extraction?

Balram Yadav: Refinery definitely we are going to commission in April and solvent extraction plant in May, but solvent extraction plant is needed in June, so we are trying that if we are able to make it operational in May there will be immediate benefit to us. Good thing about the solvent extraction plant investment is that we will also experiment in off season doing extraction of oil from rice bran and we will also learn about oil rice bran economics through this solvent extraction plant because we are a big user of DORB both in our cattle feed business and our fish feed business and this plant is very important for us to learn in case we need to learn about backward integration into raw material in the other two businesses.

Vidit Shah: Okay, thanks for answering my questions, sir. Good luck.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Kindly proceed.

Sumant Kumar: Hi! Sir, my question is regarding the margin volatility for overall company and we have seen some segments like the animal feed, sometimes margins is on the peak and again we have seen some risks. Overall, all these segment we see maybe the animal feed is complimentary for milk business and the animal feed is complimentary for Tyson food business and having backward integration but sometimes have a severe impact also on the margin front. We need to understand what are the strategic investments we have taken and we are going to take to mitigate the risk of so many variables we have in our company across segments.

Balram Yadav: One thing I fully agree with you because of such a diverse business and you are present in all parts of the Agri value chain, whether it is pesticide, whether it is technical, oils and all kinds of animal protein both on the feed side and the output side, some or the other volatility will hit because we have never had a year in last thirty years of my experience when one part of the segment has not being hit. That is very well understood and that criticism very well accepted by us, and I can definitely say that we are looking at our portfolio very closely. But it is not easy to solve this problem in bad times particularly and if you understand what I am trying to say. Second thing is that we are a little constrained by the structure also in some businesses we own 51%, some businesses we own 52%, one of the company public also Astec Life Sciences, so it will take us some time to solve this puzzle. But I can definitely assure you one thing is that efforts are on in all businesses to pull out more of it, to make them sustainable and scalable. We sit on very huge opportunity in each area and my sense is that internally I am very sure that we are working very, very closely to cover gap which we have. But externally I cannot say because this is a very, very volatile sector and something or the other will definitely hit us. But having said I think vertically integrated business are less susceptible to these kinds of volatility and portfolio of strategy is definitely underway. How and when we do it and in what shape it will come is still under discussions.

Sumant Kumar: We are so diversified and do you think any of your business should de-merge and run separately to handle very good manners of earning volatility will be lower or you will give more energy towards that segment to control all the risks?

Balram Yadav: I am saying that these are the matter of strategy also and definitely there is a need for a discussion and thinking on that which is also underway. I am not saying that it is not underway but point is that these are very, very strategic discussions. I can definitely say that we are sensitive to that fact, we also understand what is happening in the macro environment. But for me to tell you anything concrete on a call is not likely the right thing to do.

Suman Kumar: Okay, thank you so much.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Kindly proceed.

Anurag Patil: Thank you for the opportunity. Sir in shrimp feed business have we taken any price hikes in the current quarter Q3?

Balram Yadav: We have taken a price hike but the government asked us to roll it back. The price hike was Rs.2250 a ton unfortunately we have to roll it back because Andhra Pradesh government advised the industry to do that.

Anurag Patil: Okay, but despite that the raw material price correcting should continue to benefit us in the remaining two quarters, is it correct?

Balram Yadav: The issue is that even though the raw material price correction is there but these businesses now require lot of initial investments, very sophisticated plant and laboratories and we have already commissioned R&D center. The issue is that we need certain amount of contribution per ton to cover our fixed cost and I can definitely say that the contribution in Q3 and Q4 will be definitely better than H1. But still not enough because during the season which was in H1 most of our volumes were sold at lower contribution. Even if the volumes in H2 gets sold at higher contribution the overall contribution will still not be remunerated.

Anurag Patil: Okay, sir understood. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Kindly proceed.

Aejas Lakhani: Hi! Thanks for the opportunity. My first question is, have there been any inventory losses in any of the segments that have impacted margins in this quarter?

Balram Yadav: We have taken some hits in some pesticide stock not much but since you asked that question I must disclose that. We sold lot of stocks which were near expiry etc., at discount. That is the only hit we have taken in Q2 rest most of hit was in soya in Q1.

Aejas Lakhani: This is traditional crop protection two thirds of the portfolio that is our own product basket?

Balram Yadav: This was a traded portfolio.

Aejas Lakhani: Then your blended margins in the traditional crop protection have been higher. What exactly happened this quarter could you just explain that again?

Balram Yadav: There are many things which have happened, one is that we have taken some stocks back, returns of unsold stocks because the first and the foremost thing we have to do is hygiene. If you do not take them back we could not recover money from the market and the disputes continued. That we have done, whatever unsold material is there at the end of the season we will take it back that is the policy which we have made now. That is there plus we will try and dispose off all near expiry stocks, all expired stocks we will take back and if it is not legally re-processable it will be destroyed, that also will be done. Plus the other big thing which we did is that to collect outstanding because our recoveries have been extremely good in Q2 in this business but it has not come free, it has come at a cost of some additional discounts and incentives which we have given to collect that money. All in all, we are doing everything to clean up our system to be ready for next season with a clean face and my sense is that we are almost through in all this in Q3 and we will be very, very little spill over in Q4 this year.

Aejas Lakhani: Got it and sir third quarter for the traditional business is the seasonally weakest quarter and fourth quarter slightly better quarter than third, is that understanding correct?

Balram Yadav: Normally, if you ask me in animal feed third quarter is supposed to be a very good quarter because raw material prices are at the lowest. It is the corn season, it is the soya season, it is DORB season in cattle feed and it has also reflected in milk prices also which may not because most likely there will not be any flush. Q3 is the start of margin enhancement due to low raw material cost in animal protein industry, but unfortunately not likely to happen. But surprisingly because of shifting of season in oil palm plantation business we will see a much better Q3 is and expect it.

Aejas Lakhani: Got it, sir actually my question for Q3 was on the traditional crop protection business, so that is the weak quarter for us?

Balram Yadav: Actually, right it will be a weak quarter.

Aejas Lakhani: Okay, and sir could you just call out what is the extraction ratio and actual as such collections?

Balram Yadav: Oil extraction ratio in H1 FY2023 is 18.62% as compared to H1 FY2022 17.75% which higher by 87 bps and FFB process this year was 3,22,000 against last year of 3,05,000 which is 5.3% increase. Having said that this year we are seeing much larger shift in season then we saw last year. I am expecting Q3 growth will be much, much better than last years' Q3 growth.

Aejas Lakhani: Got it and sir from your own end given the acres that you have, when do you see the larger volumes should really taking place, can we expect it in FY2024 or based on the plantations you would have already done?

Balram Yadav: You will see a secular growth at least for next three-four years. I must also tell you that because of that NMEO-OP scheme we have imported almost 3X of seedlings in 2023 which is a very, very big jump considering our allocations in Assam, Tripura, Manipur, and other states plus more allocation in Telangana and Andhra Pradesh also. Definitely in this year onwards you will see a quantum increase in our plantation. But you know it is a long gestation business, it will all show up as a steep jump in FY26 – FY27 or so.

Aejas Lakhani: Got it and sir in the milk business given that flush is ruled for 2023 and given that, that portion is already quite significant, at what revenue scale do we start to break even?

Balram Yadav: You asked a very interesting question. If you think which would have definitely helped our business this year or the big thing is scale considering the contribution in margins remain what they are. We just did the back of the envelope mathematics that we would have been profitable if we cross Rs.2000 Crores in FY23, however we are very likely to cross Rs.1,500 Crores in FY23 up from about Rs.1,200 Crores. Because you must have seen that our growth is almost 37% topline growth and salience has also gone up to 34% in H1 from 29%. What is heartening is to see growth in curd was 52% in H1 year-on-year and value-added products 34%, ghee 30% etc. On value added salience I am very sure that we will see both improving and we will try and aggressively gun for 45% plus salience next year. The worry remains the cost of milk again and again. We really do not know when it will start tapering or it will be steady, when the prices will catch up with what is likely to happen. The only green shoots I can see is that Tamil Nadu which had not taken price increases for times immemorial, for almost two years they have not taken price increase in the retail market and the gaps between us and private players and the government dairy milk was between Rs.16 to Rs.18 in different parts of Tamil Nadu. Suddenly, two days ago they announced a Rs.12 price increase and I am saying that if same behavior is exhibited by all co-operative we are likely to see some price increase to cover some additional costs which have incurred in the past few months because of milk costs in the coming quarter. Let us see how it pans out but from the outside we get a feeling even the co-operatives are running out of team in terms of supporting low prices. Let us see, but if we have 45% salience at the same contribution level and at Rs.2000 Crores plus turnover we would definitely be near break-even next year.

Aejas Lakhani: Got it, so basically you are saying that the path to profitability will be 2025, 2024 is when you will break even in dairy?

Balram Yadav: You never know, in this business I have seen change is very fast. One day people can wake and take Rs.4 price increase. Now Rs.4 price increase translates to something like 5% or 6% price increase which is big actually and that is cascading effect because curd prices go up by even more, value-added product by even more and where the price elasticity is little less. Anything can happen, so we just keeping a finger crossed. But definitely as current situation is there that Rs.2000 Crores, 45% salience is something which may happen in 2024.

Aejas Lakhani: Got it and just a small request in next quarter if you could consider to give the gross profit per liter for the mix portion, if you just give us the contextually understand where you are, if that is possible. Sir, my last is, you spoke about live bird cost is being Rs.100 – Rs.110 what were they in the corresponding quarter in Q1 and you mentioned Q3 prices are going to be in this range. So, are we again expecting a likely weakest quarter or do we expect the path to profitability to come back in third quarter itself or the poultry segment?

Balram Yadav: You will appreciate the numbers which I am going to tell you because being in stock markets you are also used to volatility. January cost of production was 87 and the price was 84, in March cost of production was 95 price was 126, in May cost of production was 102 price was 117, July cost of production was 98 price was 76, in August cost of production was 97 price was 72, in September cost of production is 97 price was 94, in October cost of production is close to 90 and the price is about 91 or 92 and this is the season for peak consumption. We also know from feed sales and the raw material consumption pattern which we are hearing from the market that placements are a little low that is why I am expecting the cost of production because of raw material cost and improved efficiency to drop to 87-88 and price to remain between 100 to 110 in different parts of the country.

Aejas Lakhani: Got it, that is very helpful and sir roughly what is the component out of the sales which is coming from Yummiez and Real Good Chicken, it is about 35-40%?

Balram Yadav: So, 44% was salience for live birds in first half. Good thing was that last year first half was 56%, there is a drop of 12% there. In Yummiez last year was 17% this year it is 16% there is a drop of 1%. Last year we had excellent demand in the first quarter because of COVID that is the base effect we are having. But we are very happy with the progress in Yummiez business, and I think this where biggest correction has happened. Last year Real Good Chicken was 26% salience and this year it is 40%.

Aejas Lakhani: Got it and at an EBIT level the Yummiez and the RGC business is profitable for us, right?

Balram Yadav: At contribution level that from last year we had contribution which is margin after variables in line at about 4% now it is about 3%. Yummiez which was 40% plus is now about 35%, Real Good Chicken was 4% now it is about 10%, blended margins still remains the same about 11%. But we are expecting a big growth in Yummiez and Real Good Chicken in the coming months, we are in the right direction in this business actually.

Aejas Lakhani: Got it and sir is it possible to divert the live bird sales towards more RGC and Yummiez in the years to come?

Balram Yadav: That is what has happened. More and more live bird is going into these things and processing is going up, we are at about 85% utilization in both our plants. Both our plants are going in for de-bottle necking. My sense is that next year we will be able to increase our processing by 10-12% only by de-bottle necking and we have marquee customers, multinational CSRs, etc. We are producing the quality they want, so hopefully we will keep on building on this business.

Aejas Lakhani: Got it. Thank you. I will fall back in queue.

Moderator: Thank you. The next question is from the line of Rajesh Khetarpal a Retail Investor. Kindly proceed.

Rajesh Khetarpal: Hello! Mr. Yadav, I would appreciate if you can spend a minute taking about Maxxi Milk every time I see you investing in that, I get excited. What is your plan over next three-four-five years' by when it will start contributing to us topline and bottom line etc, etc?

Balram Yadav: I can tell you that generational improvement in large animals takes a long time. We produce an embryo then we impregnate the cow and then nine months later the new calf is born and then it takes another fifteen-sixteen months for that calf to mature sexually and get inseminated again. Normally, it takes about thirty to thirty-three months for the kind of herd we want to build because we are interested not in the surrogate mother but in the progeny of the off spring, if you understand what I mean. It takes time since it is also a biological activity, so plenty of times the embryo transfer fails in the first try there is a success of between 40 to 50% in that. Now, to set up a lab, to set up a farm, to get surrogate mothers that to get very good quality offspring and then to phase out the surrogate mother because mothers where only there to produce the high-quality genetics. This takes between four to five years and that is what time we have spent. Now, technically what is happening right now, right now we have got our herd price is close to about 1,100 of which the 85% of the animals are the ones which have been produced with very high-quality genetics, which mean which are at our farm. These animals almost 500 of them are lactating now and in this country if herd average of 20 was supposed to be very good but we have a herd average of 24-25 liters. That is one good thing which is happening because several of these animals are producing 60 plus liters per day also in their peak. We have the herd ready, now we have got into a phase where we have producing 45 to 50 high quality offspring and the farm will be out of capacity for next three-four months, in next three-four months we can construct farm now again in Nasik.

Now, what is the output of this farm, the heifers which we are producing are commanding a very good price close to between Rs.2 Lakhs to Rs.2.5 lakhs in the market that is one revenue scheme, we have the other revenue scheme we are selling embryos in that breed improvement program of NDDB we have got a sufficiently big order and in case that order continues to repeat and grow which is the government policy we will have to upgrade our lab to have more embryos. Third thing is that the quality of milk we are producing is very high quality, you will not believe the milk is now being bought a multinational for their milk power etc, that is the quality and milk is travelling to 1,000 kilo meters to reach them and stay very high quality and a quite remunerative price. Having said that we have made losses but this year the milk prices remain where they are and all the embryos order we are able to cater we might just come close to EBITDA positive this year.

Rajesh Khetarpal: Okay, what is the turnover this year and expected next couple of years, over next two-three years'?

Balram Yadav: I do not have Maxxi Milk numbers right now, Amit just send him that number. But point is that herd is now ready.

Rajesh Khetarpal: Okay, so this activity you want to remain focused only in and around Nasik only?

Balram Yadav: No, the way things happen, suppose we have 700 animals in 390 days cycle all animals have to produce one more calf. That is how the business goes beyond certain point which is seven to eight years then there is an exponential rise because you have so many. You know offspring also keeps producing. The price has been paid, the price of learning and growing the herd is paid already.

Rajesh Khetarpal: Okay. Thank you.

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

Nadir Godrej: Before I make my closing comments, I just wanted to comment on some of the questions. There was a question about palm oil prices and right now palm oil is tracking gas oil very closely because there is a lot of demand for biodiesel from palm oil to replace diesel. And another comment I wanted to make is that although it will take a long time to expand our palm oil production at least takes five years to grow, there will be very good nursery business in the next five years and that itself will be a significant business and beyond that there will be rapid growth in palm oil production. With those answers to the questions, I would like to thank all of you. I hope we have been able to answer all your questions. If you have any further questions and 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 on this call.

Moderator: Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.