Godrej Agrovet Ltd.
Registered Office : Godrej One,
3rd Floor, Pirojshanagar,
Eastern Express Highway,
Vikhroli (E), Mumbai 400 079, India.
Tel. : +91-22-2518 8010/8020/8030
Fax : +91-22-2519 5124
Email : gavlho@godrejagrovet.com
Website : www.godrejagrovet.com
CIN : L15410MH1991PLC135359

Date: February 12, 2024

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,

Sub.: Transcript of Conference call with Investors & Analysts held on Monday, February 5, 2024

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

Please find enclosed herewith a transcript of Conference call of Godrej Agrovet Limited with the Investors and Analysts held on **Monday, February 5, 2024**.

The aforesaid information is also available 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
DN: c=IN, postalCode=400064, st=MAHARASHTRA, street=MUMBAI, l=MUMBAI, o=Personal, serialNumber=822cdf346a33a6951367aba2705ab403bbdd9d33043f37472c57bc25558972e9, pseudonym=df7d975da33646078f9388fab564e1ea, 2.5.4.20=6a68da654a04537b281c4d522941035b9dc1a251034061b3fea77e1da43b8a28, email=VPRAIZADA@YAHOO.COM, cn=VIVEK PRITAMLAL RAIZADA
Date: 2024.02.12 12:27:15 +05'30'

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

“Godrej Agrovet Limited
Quarter-3 of the Financial Year 2023-24
Post-Result Conference Call”

February 5, 2024

MANAGEMENT: MR. NADIR GODREJ – CHAIRMAN
MR. BALRAM YADAV – MANAGING DIRECTOR
MR. BURJIS GODREJ – EXECUTIVE DIRECTOR
MR. S. VARADARAJ – CHIEF FINANCIAL OFFICER
MR. ANURAG ROY – CHIEF EXECUTIVE OFFICER

MODERATORS: MR. RANJIT CIRUMALLA – IIFL SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Godrej Agrovet Limited Q3 FY24 post result conference call hosted by IIFL Securities Limited.

As a reminder, all participants' 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 touchstone phone. Please note that this conference is being recorded.

Before we start, I would like to point out that some statements made in today's call may be forward looking and a disclaimer to this effect has been included in the "Earnings Presentation" shared with you earlier.

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 Ziko. Good afternoon, everyone and thank you for joining us on Godrej Agrovet Q3 and nine months FY24 Earnings Conference Call.

From the Management we have with us Mr. Nadir Godrej – Chairman of the company, Mr. Balram Yadav – Managing Director, Mr. Burjis Godrej – Executive Director, Mr. Varadaraj – Chief Financial Officer and Mr. Anurag Roy – Chief Executive Officer of Astec LifeSciences.

We would like to begin the call with "Opening Remarks" from the Management following which we will open the forum for a Q&A session. Thank you.

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's earnings call. I hope you are all doing well.

Excluding non-recurring and exceptional items, Godrej Agrovet reported a strong year-on-year growth of 26% in profit after tax in Quarter 3 fiscal year 2024, primarily led by the domestic Crop Protection and Dairy businesses. The EBITDA margin continued to improve. Excluding Astec LifeSciences, growth and profit after tax was even higher at 65% in Quarter 3 fiscal year 2024.

The domestic Crop Protection Business continued to deliver robust and consistent financial performance with an excellent growth of 73% in top line and a segment margin of 30% in Quarter 3 Fiscal Year '24.

Our food businesses also delivered healthy volume growth in branded products. The Dairy business remained on a strong recovery path and achieved significant improvement in segment margin in Quarter 3 Fiscal Year '24.

The Poultry business-maintained volume growth in branded products. However, profitability was impacted by a drop in live bird prices.

In the feed business, sustained volume growth in cattle feed was offset by slightly lower Poultry feed and flat aqua feed volume. The Vegetable Oil business profitability was impacted by lower end product prices coupled with a drop in fresh fruit bunch volume.

Astec LifeSciences continued to witness realization and demand headwinds in the Enterprise products on account of an inventory glut across key markets.

On a nine-month Fiscal Year 2023-24 basis, profit after tax grew by 33% year-on-year. Except Astec and Vegetable Oil, all the other businesses contributed to strong growth in profitability.

Now coming to the “Key Financial and Business Highlights” of each of our business segments:

The Animal Feed segment achieved the highest ever quarterly volume in Quarter 3 Fiscal Year 2023-24. Continued growth in cattle feed volumes of 8% year-on-year was offset by lower Poultry feed sales. Segment margin was adversely impacted due to the unfavorable commodity movement.

In the Vegetable Oil segment, lower end product prices and a marginal drop in fresh fruit bunches impacted top line and profitability in Quarter 3 Fiscal Year ’24. Crude palm oil and palm kernel oil prices were lower by 9% and 12% year-on-year, respectively. The oil extraction ratio however, improved sequentially as well as versus Quarter 3 Fiscal Year 2022-23.

The standalone Crop Protection segment maintained strong growth momentum in the third quarter as well. The top line and margin growth in Quarter 3 Fiscal Year 2023-24 was driven by higher sales of in-licensed portfolio and plant growth regulator products coupled with lower returns as compared to the previous year.

In Astec LifeSciences, the Enterprise business has been facing extremely challenging external market conditions which have severely impacted on its top line and margin performance. Continued destocking in the export markets and excess supply from China resulted in a significant margin erosion of the Enterprise business.

The Dairy business achieved robust improvement in segment margin led by significant operational efficiencies and lower raw material costs. Value added products revenues grew by 20% year-on-year in Quarter 3 with the salience of value-added products increased to 36% of total sales in the nine-months of Fiscal Year 2023-24 from 32% a year ago.

Revenues and profitability of the Poultry business were impacted by a sharp drop in live bird prices on account of excess supply in Quarter 3 Fiscal Year 2023-24 vis-à-vis Quarter 3 Fiscal Year ‘23.

The Branded business, however, maintained healthy volume growth of 15% year-on-year in Quarter 3. The Real Good chicken category continued to achieve margin improvement.

Our joint venture in Bangladesh, ACI Godrej, recorded PBT growth of 145% year-on-year on a local currency basis in Quarter 3 Fiscal Year 2023-24. The margin profile improved significantly across categories primarily due to favorable commodity position.

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 very much. We now begin question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and Gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sarvan Vora from Premier Capital.

Sarvan Vora: Hi. Thanks for the opportunity. My first question is to Mr. Roy on Astec LifeSciences. I wanted to better understand from you how we are looking at the CDMO business going ahead and little more qualitative color from you on how things have panned out in the last two, three quarters since our R&D facility was commissioned.

Anurag Roy: Hi. Thanks for the question. Our CDMO business is moving as per our guidance and targets. In fact, we are very much on mark to hit the numbers and performance on the CDMO. Clearly from April, since we have put our new R&D center, there have been lot of products which we have put in pipeline and at very fast pace we are diversifying our existing portfolio from existing Enterprise products and planning to bring in new products as we get into the next financial year. So very well on track on CDMO side of the business meeting or exceeding our guidance despite the challenges from some of the innovator side of the business as well, there have been companies who have been deferring some of the CDMO volumes. We would be very few companies in the market wherein we have still held on to those volumes and financial targets. So very much on track on the CDMO side.

Sarvan Vora: Your CAPEX guidance for 2024 and 2025.

Anurag Roy: We are still working on putting that together. But as we have mentioned in the previous calls as well, while we are facing challenging scenarios in the market, any strategic investments, particularly with reference to our future growth platforms like CDMO, we are not shying away for any new CAPEXs. We are on track on making those investments. Just to give you an example, our herbicide two plant which we had mentioned in the previous call, it is on track for commissioning, and we'll be commissioning it in the next one to two months. Similarly, a lot of debottlenecking initiatives, initiatives for new product launches for diversification from our existing Enterprise portfolio, all those investments will be part of the future CAPEX. The exact numbers and details we will talk about in the next conference call as we go through the budget and the strategic exercise in coming months.

Sarvan Vora: My second question is on Godrej Agrovet. First of all, many congratulations on improved performance. I want to get a more longer-term view from the management. If I see the period between 2014 and 2019, this was a company that made consistently return on capital above 20%. But if I see after that, these five years the company has had various amount of challenges and I am looking at a five-year period because it is long term enough. So, I just wanted to ask how you think about the company over the longer term. Just in continuation to that, our company's stock price remains below the listing price for almost seven, eight years of listing. And just want to get a sense, do you feel that the structure of the business, having so many diversified businesses under one entity, creates a negative hedge for the company? Just any thoughts around that?

Balram Yadav: Let me just answer the portfolio question first. I think the food and agri businesses all over the world are cyclical as well as seasonal. And you have already seen what has happened to a company like Astec LifeSciences, which was a star company till about a few quarters ago. But this is the nature of these businesses. And one of the advantages we had at one time of having these multiple businesses was hedge, because at least, even if one or two businesses don't do well, rest of the businesses will do well. But of course, there is a realization that we should do a few things, but we should do them in a bigger scale, put in bigger investments. I think that the portfolio strategy is being played out, will be played out in time to come and we are conscious of the fact that the share price needs to go up. So, this kind of focus we will bring in future, these things are not easy to do, to make these choices is not easy to conclude easily. I can definitely tell you as we go along Q-on-Q, we will make some or the other announcements. I don't know at what point it got disconnected. So, can you refresh till what point you heard?

Nadir Godrej: You were talking about the portfolio?

Balram Yadav **:** The portfolio is definitely under consideration. And I think in the next few quarters you will see some announcements where we will give you an indication that where we are going to put our capital in future.

Sarvan Vora: I just made that point because we are market leaders in almost all our segments, and we just don't get the desired recognition that we should. So, as a concerned investor, I just wanted to make that point for you. Thank you so much for answering my question.

Balram Yadav: 100%. But I must tell you that if you see, margin expansion is one of the key, I think focus area for us. And we have already specified that without Astec LifeSciences, all the other businesses have shown significant improvement. However, I think we will make these portfolio choices as we go along in future.

Nadir Godrej: And even for Astec, the future looks very bright because of the R&D center.

Sarvan Vora: **Thank you so much Mr. Godrej thanks a lot.**

Moderator: Thankyou. A reminder to all participants, you may press * and 1 to ask a question. The next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: Good afternoon gentlemen. Thanks for taking my questions. Two, three on the key segments. First, on Animal Feed, there has been a compression in margins this quarter, again on the back of commodity prices. If you could please elaborate a bit on exactly what has happened there and what we should expect in 4Q and maybe the early part of Fiscal '25 as well.

Balram Yadav: One thing which I just wanted to specify is that Q-on-Q, it is very difficult because the commodity price movement. But I think if you see the first nine months, that our EBIT per ton from 1203 has gone to 1435. So, there is almost a 19% improvement in first nine months. And these Q-on-Q variations will be there. And I can definitely tell you this quarter will be, this average is going to improve further because this quarter, our margins will be better than the margin per ton for the first nine months.

Abhijit Akella: Ok. Got it sir. That is helpful. Then, on the Vegetable Oils business, if it is possible to just share the data points around volumes and OER for the quarter. And also, just wanted to check, when we look at the revenue numbers for the quarter, it is about (-) 2% whereas the CPO realizations are down about (-) 9 and there's also a 4% decline in FFB arrival volumes. So, I mean, how do we arrive at a 2% revenue decline number? Is it value added products that have contributed to the revenues? If you could please explain that.

S. Varadraj: In terms of the volume drop in FFB, we had talked about in Q3 there was a 4% drop. But if you have to look on a nine-month basis, we have an 8% growth in the FFB arrival, which is there. On the question in terms of revenue versus the volume, it's because of the mix which is there of value-added products.

Nadir Godrej: And was there any change in stock?

S. Varadraj: In inventory, there is no significant change.

Abhijit Akella: But on these value-added products, would it be possible to just quantify the sales for the quarter?

S. Varadraj: We will share it offline, Abhijit.

Balram Yadav: Abhijit, One thing which I also want to tell you, that this OPP (Oil Plam Plantation) business, this is a plantation business. They are trees. Their behavior is never consistent with what has happened in the past. So sometimes they will start producing early for a year, then they get delayed also because it depends on temperature, monsoon condition. So, I am saying that maybe look at this business as YTDs in every area. So, YTD we will register a growth in volumes. No problem. We will also get close to last year OER which is lagging a little because these three months, even though FFB volumes are going to be less, the OER is very good. And pricing, you know, is related to international prices.

One additional thing is that the volatility of business is coming down and that was the plan. We set up a refinery and the refinery is now fully operational and has definitely hedged our drop in CPO prices to a certain extent. We also set up a solvent extraction plant which is performing better than what we expected. We extract oils from palm kernel cakes also. So, I think we will continue to undertake downstream investments in getting more and more value-added products out of the basic oil we produce.

Abhijit Akella: Also, just the Animal Feed category-wise growth rates for the YTD period, would it be possible to share that cattle feed versus the others.

Balram Yadav: In cattle feed close to 14% growth, but on a very big base of more than half a million tons. But the layer feed is our big problem where we have a 14% reduction. And that is not because we have lost market share, it is just because the population was low during the peak months and that is also reflected in the very high or all-time high egg prices prevailing right now. In aqua feed we have 15% growth. So overall the growth is 4% in volume. But we believe that the year we will finish at about between 5.5% to 6% growth.

Abhijit Akella: Thank you sir. One last thing. On Astec, the CDMO revenues seem to be down year over year this quarter. So, is it more of just a deferment issue or is it something else? And can we expect a rebound in the fourth quarter? And then just on the Tyson business, the decline in live bird prices, is that primarily because of festive season or something else? And what is the outlook over there? Thank you so much.

Balram Yadav: I think seasonality of live bird prices is not new, but what surprised is that the highest consumption and high price months are normally October, November, December. And there was so much of overproduction this year that the prices really declined. However, I must say that corrections have already started happening and we believe that prices will be back at July, August levels in February and definitely by March and will continue for a few more months.

Anurag Roy: And for the Astec LifeScienes, this quarter, the CDMO business was deferred into the subsequent quarter. So, it is not a loss in business. That is number one. Number two, as I mentioned earlier, we are on target to meet or exceed our commitment on the CDMO performance or revenues as we have indicated in the previous call. And number three, I think when it comes to the CDMO business, that is one of the suggestions from my side, the quarter and quarter performance typically doesn't work because you'll see a lot of times either some of the businesses are pulled into the previous quarters or deferred into the subsequent quarters. So, quarter-on-quarter it does not give a good gauge on how the business is doing. It is best to look at it on an annualized basis. That will give you a great view on how the businesses are growing.

Abhijit Akella: **Understood. Got it. Thank you so much and all the best.**

Moderator: Thankyou. A reminder to all participants, you may press * and 1 to ask a question. Our next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Hi Sir. Thanks for the opportunity. First question on Astec again. From an Enterprise business perspective, there was pretty lot pricing pressure there due to which the mix had changed significantly, while CDMO, I take your point in terms of more a Q-on-Q deferral and hence from a YTD perspective or maybe even from a full year perspective broadly, what are your thoughts, how the business mix is changing? And secondly, given the new R&D center has been up and running, your thoughts in terms of increase in R&D budgets, the molecules, and if you are diversifying apart from Zole chemistry to others.

Anurag Roy: Our guidance on increased focus on CDMO business remains intact. The new R&D center has really helped us in our initiatives wherein we have created a good pipeline of the products as we get into subsequent years on the CDMO side. So, our story or strategy around CDMO or our guidance to almost grow by 50%-60% every year or even double, looking at the smaller base from which we started is very much intact and R&D has really given it a push to us. So that piece is very clear to us. On the existing Enterprise products, since now we have a good R&D team with us, we have also started broadening our portfolio on the Enterprise side. But as I've mentioned in the previous calls as well, we are taking very strategic bets on very few Enterprise product which could fetch us sustainable margins and which would have good relationship profiles with some of the customers we want to work with. So happy to say that at a very fast pace we have been almost in the last stages of at least bringing in a couple of new products within the Enterprise segment and the impact of that will be seen in say FY25 and beyond on that part of the business as well. So, I think two clear messages. One, keep pushing on the CDMO side of the business at much faster double digit growth rate, upwards of 40% to 50% and then diversify from the existing Zole products from where we had significant financial or performance issues in the last two, three quarters. And we have been working at very fast pace on all these two initiatives. Thanks to our R&D center.

Ankur Periwal: Sure. That is helpful. So YTD, in Astec we have done around 300 crores odd revenue versus 500 crores odd year-on-year nine-month numbers. Will it be fair to say that FY25, the new products ramp up, etc., since you mentioned portfolio expansion there, should be able to compensate for the products which we will let go off.

Anurag Roy: That is what we are targeting or focusing on, to what extent we should be able to cover these gaps, we will still have to see. So, as we get into FY25, our goal is to completely have a plan in place that if these products do not come back in the pricing or the volume, we still are able to get to some kind of financial performance which are appreciable. That is one. And I would say it should cover broadly all these negative losses from the existing Zole products. The second thing, on our existing asset base also, we are also looking at what products we fit in so that we maximize our return on assets. Clearly on the existing Zole products, because of the huge inventories in the market, there has been pressure on utilizing our existing capacities as well to fullest on Enterprise products. So, we are also modifying it appropriately to fit in our new products in a way wherein the CAPEXs could be minimized while the revenues could be at the highest. Hence fetching in good double-digit margins for these products. So, all those things have been heavily worked on in this lean period of two, three quarters and we are expected to show good benefits as we get into Financial Year 2024-25 despite volatility or challenging conditions in the market.

Ankur Periwal: Just a follow up there, you did mention on the fungibility of capacity by doing modification and limiting the CAPEX there. From an operating margins perspective, CDMO was a margin accretive business versus Enterprise. And these newer molecules or newer products that we are working on, my sense is that these will be again margin accretive. So, the current losses that we are seeing, any thoughts there in terms of profitability or margins let us say over the next two, three years.

Anurag Roy: I cannot comment on the profitability part, but these will be sustained margin products not too impacted by the volatilities in the market. So, we are moving more in the direction of working on long term contract basis with the customers, even on the Enterprise side of the business with formalized pricing clauses in build, so that we are able to sustain some level of margins and not too prone to the external volatilities.

Ankur Periwal: Sure. Thank you. That is helpful. Another on the Animal Feed side so Balram sir, volume growth as you highlighted was more impacted because of the slower sales in one of the segments. Any thoughts? And secondly here the competitive dynamics in terms of the unorganized market given the RM inflation and historically we have shown pretty strong volume growth there, any medium-term thoughts on both volume as well as sustainable margin that we can look at on the Animal Feed business?

Balram Yadav: My sense is that this year will end up anything between let us say Financial Year 2023-24 5% to 6% volume. And I would say that if layer feed comes back, which we are seeing now, the placements have gone up, egg prices have been so good that farmers are scrambling, and you would be very surprised that the day-old chick booking for the layer birds is already in pipeline is booked till August-September of this year. So, my sense is this is going to come back. Next year, I can definitely say 8% to 9% volume growth is not an issue and as the volume grows the margin will also expand. The government has decided not to export corn and DORB, which will keep the prices of raw materials in check. And with very good soya bean crops in Latin America, I don't think that we are going to see any high inflation in commodities in case these policies remain unchanged. So, my sense is that I am looking at least 7%-8% volume growth and further margin expansion from where we are.

Ankur Periwal: Great Sir. Last question if I may, on the oil palm side, if I recollect historically, we had taken a lot of initiatives on the R&D side to improve our yields overall. Any update on that and whether the full benefit of that is visible in the current numbers or how should one look at?

Balram Yadav: Let me split the OER into two parts. One part is all the initiatives which we have taken in the existing yielding plantations. I think it is almost at a level where we are very comfortable. A marginal improvement is still possible, but it will not be very material. You must also know that we have upped our game after that NMEOP scheme in terms of increasing plantation. From 3000-4000 hectares per annum, now we are going to be about 11,000-12,000 hectares per annum. And from next year onwards you'll see 15,000-16,000 hectares per annum increase will be there. Traditionally the juvenile plantations the production will be less, and the yield will be less. On our part we will start segregating and start showing that how much is yielding and how much is juvenile and how much is in growing state so that you can understand it more. But I think now more work is needed to increase FFB per hectare rather than oil per ton of FFB. I think there we still feel that there is a reasonably good opportunity by improving the package of practices. And I don't know whether you follow us or not, we have started setting up these Samadhan centers and we have already set up six, seven centers which are one stop shop for farmers including a training room. We give fertilizer, aftermarket services for drip irrigation and all the critical things needed including training plus harvesting assistance, equipment assistance etc. I think that is one thing which wherever we have set up a Samadhan center we are seeing improvement in both areas, yield as well as OER. And today we are at about 6, I think this year, next year that is Financial Year 2024-25 we are going to set up about 14-15 more and that will be our big initiative in terms of improvement of efficiency and productivity.

Ankur Periwal: **Sure Sir. Thats helpful. Thank you and all the best.**

Moderator: Thankyou. Our next question is from the line of Siddharth Gadekar from Equirus.

Siddharth Gadekar: My question is for Anurag. On Enterprise business we just spoke about diversifying away from the existing products that we have. Could you give some sense in terms of what kind of segments are we targeting there and in terms of Chinese competition also how are we looking at things? Secondly, on the existing Enterprise product prices, if we look at the pricing they are slightly below cost. Could you give some sense of how much inventory we are carrying in those two products?

Anurag Roy: Let me add to what I was saying earlier. When I say diversification, I am not saying that the existing products, we are moving away from it. We are diversifying to other products in the same platform or in a different technology platform, so that if in future we go through such market volatility we have a better play across the Enterprise products to balance our sustained margins. So that is one clarification which I want to bring. Maybe as we get into next year and the Zole platform still remains subdued from the pricing perspective we will have few of the other products which could at least give us the utilizations and some level of profitability. So that is one part of it. Second part of it, these products are in the Zole platform or the related, the technology platforms where we are very well equipped looking at our existing asset profile. So, they could or could not be in the existing Zole platforms. That is what we are looking at, what best we can fit in in the existing asset base which we have currently. So that is the answer to your second question. I hope that answers the two parts of the question you have asked.

Siddharth Gadekar: Just one more thing. In terms of inventories, how much inventory is in raw material and finished goods are we carrying in the Enterprise?

Anurag Roy: See, on the inventory side, on a few of our products we have been successfully able to liquidate our inventories and we are at market price right now. We are getting the products at the market price and the final prices on those products are also selling at the market price. But the caution here is right now, the export prices are so low that even on those products, making it and selling it still is not fetching too much of profitability. On a few of them we have successfully liquidated our inventory. There are still one or two products where we are still carrying the inventories and very strategically looking at the right uptick in the demand profile. We will be liquidating that in the coming quarters.

Siddharth Gadekar: Ok Sir. Got it. Thank you.

Moderator: Thankyou. Before we take next question, a reminder to all participants, you may press * and 1 to ask a question. Our next question is from the line of Harsheel Mehta from Mehta Vakil & Company.

Harsheel Mehta: Good evening, Sir. My question was regarding the standalone and Crop Protection Business. It is very pleasing to see the turnaround in this business compared to last year. I just want to understand how our standalone Crop Protection Business is kind of differentiated from the broader industry, given that the broader Crop Protection industry has had a very difficult year while our business is turning around. So, it would be good to have your thoughts on that.

Balram Yadav: I think the first thing was that you know what we have gone through and the kind of efforts we have undertaken to clean the portfolio and clean the inventories we had. And last year we took those hits also. So, I think we had cleaner slate. But this year's profitability was largely driven by our Hitweed and Hitweed Maxx, these two herbicides, which accounted for most of the profits. They registered almost (+) 70% growth this year. Now, there are two parts to it. One is an increase in the number of partners we have who are selling these products and an extremely good season with timely rain. I would say that we have been extremely lucky to have a year like this where everything went right for these products.

The second part of the increase in profitability is in-licensing products, particularly Gracia, Rashinban, and Hanabi, given to us by Nissan. And I think these products are of excellent quality, have been accepted by the farmers very quickly and have driven our profitability. Going forward, I am very sure that even if we maintain this year's Hitweed and Hitweed Maxx volume, it will be a great achievement, because I do not think that every year can be a great year. I would wish that but may not be that great a year. But we will try to hold this performance. And what is most important for us is that definitely this is an extraordinary year for CPB. Even if we have a repeat of this year, keeping our inventory levels, debtors, working, capital, etc., at a very-very comfortable and hygienic level, it will be a very good achievement next year.

Harsheel Mehta: **Understood Sir. That's helpful. Thank you.**

Moderator: Thankyou. Ladies and Gentleman, you may press * and 1 to ask a question. Our next question is from the line of Mayur Matani from Mahesh Kumar & Company. Please go ahead.

Mayur Matani: Good Evening .My question pertains to Astec LifeSciences Limited. As you have mentioned, we are facing the challenges in the Enterprise business side. But I would like to have more understanding as to what kind of quarterly run rate can we maintain in our Enterprise segment side, because last quarter our revenues was hardly 30 crores. So, in terms of revenues, taking into account the market, which is there right now, we will be able to have a revenue of 50 crores on a quarterly basis in the times to come, or that also seems to be difficult.

Anurag Roy: See, in the times to come, definitely, yes. In fact, I would like to believe that we will come back to the previous level. What we are seeing in these products is a correction in the market because of huge inventory pile ups. According to some analyst reports, or even if you pull up the export data and see how much of volumes have been pushed in some of these zole products, you will be surprised to look at those numbers. Those are equivalent to 12 to 18 months of the volumes, actually, which were floating around in the global market. So that is the situation. This will come back. The key part is when. And that is what we all are figuring out. And till we reach that point, what is happening in the markets, and I mentioned in the last conference call as well, that they have been destocking complete price erosion in the export markets. Right now, the price erosion has to some extent abated. It has reached to almost the bottommost level and we are not seeing price erosion. The real pain is the prices are staying at those abysmally low levels. That is number one. And the second is because we are still seeing the inventories in the market. There has not been any meaningful demand coming from the big players. Earlier at times for some of our Zole products, one order could be 200 to 300 metric tons. Currently an order size is 800 kg to 1 ton. So, there has been no meaningful demand which is coming from the market. So now we are also reconfiguring in a way that we liquidate our inventories and then align our production to orders. So currently on these Enterprise products, most of the companies are moving in that direction till we achieve a substantial supply demand balance. So, I would say another five, six months or depends on how China opens up in next two, three weeks. But another couple of quarters at least to have some kind of visibility on the Enterprise supply demand balance, and then it has to come back basically.

Mayur Matani: Second, pertains to the CDMO business. My question basically pertains to the gross margins and the operating level profitability which we can maintain over the future. So earlier we were doing gross margins of 40% on a company level basis where our CDMO business was a small proportion. Now, going by what you are saying and the future prospects, our CDMO business can easily cross the Enterprise business. So, when do you see that impact on the margins, positive impacts on the margin coming through at the company level and our employee costs. So due to the negative operating leverage and the things that you have mentioned that it stood at nearly more than 25% of our overall sales, so, when the positive operating leverage will kick in from the new R&D facility, as well as the increasing sale of the CDMO business.

Anurag Roy: Right now, with this adversity in the market, good things that has happened is we had our R&D center, we are diversifying our Enterprise portfolio and really pressing the pedal on the CDMO pipeline. And I would not hesitate to say that as we get into Financial Year 2024-25 with the current market situation persist, our CDMO component of the business will overtake the Enterprise business wherein we are definitely fetching 5% to 7% higher contributions as compared to the Enterprise business. And add to that, we are now able to take up a lot of lifecycle management projects in the R&D which are again adding 4%-5% margins on our product sales. So, we are very confident that we get back to these gross margins or exceed those gross margins numbers which you have seen in the business earlier. And it could be as soon as maybe Financial Year 2024-25 or Financial Year 2025-26. So typically, as you know, for the CDMO business to kick off, if everything goes well on the commercial side and the development side, it takes roughly three years to scale up. So, any new products coming into the pipeline, year three is when you realize the complete optimization and the revenues for those products. So that is what we are targeting, and I think we have deep confidence to achieve that in the coming years.

Mayur Matani: I would like to know that we are mentioning that our contribution margins are 5% to 7% higher than the Enterprise business. But the situation has changed quite a lot. Can you put a number to the contribution business in the CDMO business?

Anurag Roy: I meant steady state. So, if you are making 20%-25% on Enterprise, you'll be looking at (+) 30% at least on CDMO. Getting even as high as 35% to 40%.

Mayur Matani: **Thank You. All the best to you.**

Moderator: Ladies and gentlemen, that was the last question for today. As there are no further questions from the participants, I now hand the conference over to the management 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. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.