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CIN : L15410MH1991PLC135359

Date: February 14, 2023

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 February 9, 2023

Ref. 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 Thursday, February 9, 2023.

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

"Godrej Agrovet Limited
Q3 FY2023 Earnings Conference Call"

February 09, 2023

ANALYST:	**MR. SUMANT KUMAR – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**
MANAGEMENT:	**MR. NADIR GODREJ – CHAIRMAN - GODREJ AGROVET LIMITED** **MR. BALRAM S YADAV – MANAGING DIRECTOR – GODREJ AGROVET LIMITED** **MR. S. VARADARAJ– CHIEF FINANCIAL OFFICER - GODREJ AGROVET LIMITED** **MR. ANURAG ROY – CHIEF EXECUTIVE OFFICER - ASTEC LIFESCIENCES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY2023 Earnings Conference Call for Godrej Agrovet hosted by Motilal Oswal Financial Services. 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. Sumant Kumar from Motilal Oswal Financial Services Limited. Thank you and over to you, Mr. Kumar!

Sumant Kumar: Good afternoon everyone and thank you for joining us on Godrej Agrovet 3Q FY2023 Earnings Conference Call. From the company we have with us Mr. Nadir Godrej - Chairman of the company; Mr. Balram S Yadav – Managing Director; Mr. S. Varadaraj – CFO; and Mr. Anurag Roy – CEO of Astec LifeSciences. We would like to begin the call with a brief opening remarks from the management following which we will have the forum open for the 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. Over to you Sir!

Nadir Godrej: Good afternoon everyone. I welcome you all to the Godrej Agrovet Earnings Call. I hope and wish you are doing well. Godrej Agrovet continued to report a healthy topline growth of 12% in Q3 FY2023 and 17% in the nine months of FY2023 year-on-year. Most of our businesses maintained robust growth in volumes; however, profitability was impacted due to adverse sector specific macro conditions, unfavorable commodity price movement, and limited transmission of input cost inflation. During the quarter we successfully sold land situated at Ambattur, Tamil Nadu, and the profit net of expenses of 68.4 Crores has been included in other income for Q3 FY2023 and nine months FY2023.

Coming to the key financial and business highlights of each of our business segments. In animal feed we achieved the highest ever quarterly volumes in Q3 FY2023 recording a 7% year-on-year volume growth. The volume growth was mainly led by market share gains in the cattle feed category as we further cemented our dominant position in the western region. On the margin front also, the animal feed segment was able to sustain sequential recovery in EBIT per metric ton from Rs.1,381 in Q2 to 1,507 in Q3. Our vegetable oil segment registered 13% growth in Fresh Fruit Bunch volumes in Q3 FY2023; however, the average realization of crude palm oil and palm kernel oil declined from last year's high base by 24% and 26% respectively in Q3 FY2023. As a result, segment profitability declined year-on-year.

During the quarter, we signed a MoU with the state government of Nagaland for development and promotion of oil palm cultivation. The standalone crop protection business revenues more than doubled in Q3 FY2023 driven by higher sales of in-licensed products mainly Gracia, and lower returns as compared to the previous year. Profitability also improved in Q3 FY2023 as compared to the previous year. Business maintained its steadfast focus on credit hygiene and achieved further improvement in working capital.

For Astec LifeSciences Q3 was a very challenging quarter as performance was impacted due to demand headwinds and pricing correction. Business was impacted on account of high inventories and reduced realization from last year's high base. Contract manufacturing performance, however, was in line with our expectation.

The poultry segment recorded strong growth in topline as well as profitability. Revenues grew by 38% year-on-year with EBITDA margin of 6.3% in Q3 FY2023 led by robust volumes and branded categories coupled with the recovery in live bird prices. Real Good Chicken (RGC) and Yummiez achieved volume growth of 45% and 46% year-on-year respectively.

The dairy segment sustained volume growth in both value-added products and milk volumes was offset by a continued rise in milk procurement prices. Revenues grew by 21% year-on-year in Q3 FY2023 led by 22% growth in value added product. Salience of value-added products portfolio was at 32% of the total sales in the nine months FY2023. Profitability continued to be impacted by limited transmission of rising procurement prices.

GAVL's joint venture in Bangladesh ACI Godrej recorded revenue growth of 31% year-on-year in Q3 driven by a combination of higher realization and volume growth. That concludes our business and financial performance updates 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 will now begin the question and answer session. We have a question from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead.

Lokesh Maru: Hi! Sir, I just have one question on margins within the feed segment. Given that soymeal prices have corrected quite significantly, what is hurting our margin recovery as such?

Balram S Yadav: I must tell you that particularly shrimp and poultry feed both layer and broiler, there is a shrinkage in the market size, but we still are growing and our market share is growing. Just because there is a little bit of intense competition the transmission of increased raw material costs had not been fully transmitted so we can see a little bit of price competition amongst the players, but my sense is that the margin recovery will start probably towards the end of this quarter when the rapeseed etc., is available and we see a further drop in raw material cost. So, I think I do not see that is happening in next three to four weeks, but definitely in six weeks' time things will start improving in the animal feed business and I must also tell you that we have a single-minded focus of going in for more and more volume growth that is more and more market share. In several markets where we were in three and fourth in positions we have come to one or two in several segments and I think we have the initiative. In case we are able to wait for the margin for a quarter or two, I can definitely say that we will register a double-digit growth in coming quarters in the animal feed business.

Lokesh Maru: Within feed it should be a blend of like let us say soybean etc. so the grain prices being again is that inflationary pressure zone what are you from this blend of three how are you seeing the margins actually on each of them turning around?

Balram S Yadav: My sense is that a blended margin will continue to be close to about Rs.1500 whatever we got in Q3.

Lokesh Maru: Within our palm oil business we have seen some shrinkage in our extraction ratio any particular reason for that?

Balram S Yadav: A lot of work has happened in production process, in handling, and I think there is a lot of efficiency which has been built up across the supply chain. So starting with now we have supervisors who tell the farmers when to harvest and that also helps us in scheduling the arrival of fruits in the factory so that they are put in the mill within few hours unlike previous times when the fruit would have to wait on ramps for about 12 to 18 hours before being processed. So, it is the entire supply chain efficiency plus some improvements in our production process, which has resulted in this improvement in OER and I must say that the major improvement has already happened so you would not see such quantum jumps in future, but marginally there is a scope of continuously improving OER for the next few years because of improved practices, improved germplasm, and improved supply chain.

S Varadaraj: I would add that on a quarter-on-quarter basis there would be some minor variations in OER because of oil content in the fruits. So those minor variations should be there, but overall one should see annually.

Lokesh Maru: Keeping the palm prices apart we have seen that our volume growth has been quite handsome how do you guide the volume growth going forward and where do we stand today in terms of acreage and any potential additions because of this Nagaland approval so any light on growth part, volume part of the palm oil business, that is my last question? Thank you.

Balram S Yadav: Let me tell you something futuristic that not only Nagaland we have MoUs in place with Assam, Nagaland, Manipur, Tripura, Mizoram, and we are likely to get more allocations in Assam, apart from that Tamil Nadu, and Odisha have also renewed their program, so we are in a massive expansion mode as far as our nursery is concerned and say a year ago we had a nursery of about 1 million seedlings. Today we have nursery capacity of 2.5 million seedlings that will result in area expansion of close to 10000 to 12000 hectares per annum up from 3000, 4000 hectares, which used to happen in last few years including this year. So, I think NMEO-OP scheme is doing whatever it is required to do and there is a huge focus of state and central government in this space so that is point number one. Point number two is that we are also very worried about this volatility of oil price so there have been certain investments made by us to insulate this business as much as possible, so we have set up a 400 ton refinery, so that we are able to refine the oil and increase the shelf life of that oil so that there is no particular pressure on us to sell on daily basis because CPO develops FFA then CPO goes at a discount to the market price if FFA is higher and we have also set up a solvent extraction plant of 100 TPD mainly for certain byproducts which come out of this process and we will extract more oil and make them usable for the animal feed business. So I think that these initiatives will continue, there are several other initiatives where we convert wealth from waste and I think that will continue. From our sense is that in a year's time significant part, when I say significant part almost 25% to 30% of our profits will come from allied activities other than oil sales so I think that is the effort. Regarding the prices I cannot say much. Mr. Godrej would you like to give some guidance on CPO prices.

Nadir Godrej: Yes. We do expect that CPO prices will rise a little bit but not very much.

Lokesh Maru: Okay Sir, got that. Thank you so much for answering my question and all the best.

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

Abhijit Akella: Good afternoon Sir. Thanks for taking my question. Just a few from my side. One is on the crop protection business including Astec, if you could please just talk about your outlook for how that business is expected to perform given the inventory glut that seems to be underway across a lot of the world? Thank you.

Balram S Yadav: I will request Mr. Anurag to talk about Astec first then I will brief you about the crop protection business.

Anurag Roy: For Astec as you might have seen the numbers we have experienced significant headwinds particularly in Q3 because of the muted domestic demand and the price erosion in the export market so that is how our Q3 was, so we are seeing some uptick in the market for supply demand situation to balance out for most of our Enterprise Products, but that uptick pace is relatively lower than what we have seen last year. So, we continue to have very cautious next few months to meet the volatility coming in from the macros and we continue to focus on producing highest efficiency products, and strategic sourcing. So that is in brief the outlook on Astec at least for the next three to four months and I will turn it over to Mr. Yadav to talk about CPB.

Balram S Yadav: So, I think CPB has been a mixed bag this year, if you ask me our performance as far as this year is concerned there is no problem in the topline growth, etc., and we have been extremely cautious not to get into that debtor and inventory track. Now our big problem has been a little bit of hygiene, which is a hangover of last two years of monsoon failure and COVID during our main months April, May, June, July, in both the years, and I think that cleanup has the significant part of the dent which has come in profitability. So my sense is that from this quarter onwards you will see things going up. I must also say that we are very encouraged by the huge success of Gracia and Hitweed this year. Hitweed and Hitweed Max plan for nine months was 105 Crores it is now 183 Crores, and nine months Gracia plan was 47 crores and we have done already 150 Crores. So, I think that portfolio choices have been made whatever was supposed to be provided have been provided in spite of the fact that we believe that some part of it we will definitely recover in the coming quarters, but for good order's sake we have provided so that we do not continue with them. The team has also been changed so I think all these things which were required to transform this division has been done and you will see a very, very big improvement in the performance in coming quarters and I think we should get back to our normal PBT levels, which used to be for last several years in this business.

Abhijit Akella: On the standalone business basically I guess we are implying that the upcoming year will be significantly better in terms of margins particularly. On Astec if you could share your thoughts on how you see the industry shaping up, do you see these challenges persisting for some indefinite amount of time in the future or will be more of a transient passing phase?

Anurag Roy: For Astec what we have seen is clearly there were host of factors that led to weakening of margins and volumes particularly in Q3. One was the erratic weather conditions across the globe, which we spoke about in the previous calls as well. Then China has also become extremely aggressive particularly in the export market one because of their dual control policy in China has also been relaxed and they also have seen weakening in demand in the internal China market. So there have been two or three of these factors that has significantly contributed to weakening of volumes and margins, and so far a few of the product portfolio which we have we are still seeing an overcapacity or huge price competition from China, but for the other we are clearly seeing that the supply demand balance is about to be reached or we are already see those products reaching the supply demand balance. So I would say that the situation is temporary, it should have turned around a little bit quicker, but as we currently see that it might take few more months before some of the balance in the market both from the supply and demand side would be achieved and then hopefully our margins and our profitability would be back on track.

Abhijit Akella: Got it. Thank you that is helpful. Also, just on the oil palm business a quick bookkeeping question is it possible to share the volumes for this quarter as well as YTD?

S Varadaraj: This quarter we had an FFB arrival of around 159000 metric ton, which is almost a 10% growth over the same quarter last year.

Balram S Yadav: The area added is double of almost last year we did about 1800 now we have done about 3300 hectares.

Abhijit Akella: OER remains in the range of 18%, is that right?

Balram S Yadav: OER for the quarter is close to 20%.

Abhijit Akella: Just one last thing from my side was actually on the Bangladesh business where also margins seem to have declined quite substantially so expect these price controls to continue in the foreseeable future, and how do we see margins progressing in that business?

Balram S Yadav: To tell you something about Bangladesh their import dependence on food is very high and for our sector also if you ask me almost 70% of the feed ingredients are imported and there the currency is depreciating almost every month so I think that country is in a little bit of fix and that is why just to make sure that there are almost 18 Crores, 19 Crores population is secured, they have brought in price controls and lot of essential food commodities. So I am saying that, that is part of the game there and I must tell you the kind of hit we have had is that if you see our contribution in FY2022 in poultry feed was about Rs.2375 and nine months of FY2023 it is negative of Rs.1123 and I must say that the call of the government I think all the industries including all feed companies have cooperated with whatever government has said. My sense is that now they have acceded to most of the demands of IMF and they are likely to get I think a lot of relief from IMF and we are seeing the first signs of removal of price controls in some commodities. So my sense is I think that not in next few weeks but I think by April or May I think it will be a business as usual for Bangladesh unless and until a global recession sets in and I think they suffer as the economy because a lot of their foreign exchanges because of garments to western world and remittances from the western world.

Abhijit Akella: Just to clarify you mentioned the contribution has turned negative, contribution margin and yet we are seeing positive income from associates so how do we reconcile those two?

Balram S Yadav: It is negative only in a particular segment. In cattle feed, etc. there is no control and cattle and aqua is almost two third of our business where we are getting very good and if you see nine months profit is about 26 Crores that is 52 Crores because it is a 50:50 JV so it is already there, but I am saying that had there been no price control we should have been close to almost 100 Crores.

Abhijit Akella: I am sorry if you will permit just one last thing from me. It is on the portfolio management side so we have indicated some sort of thoughts in the past of we are trying to restructure our overall business portfolio to sort of make it more efficient, etc., so if you could comment on that and maybe also particularly touch upon the crop protection side whether you see both Astec and the standalone business remaining separate or would there be some merit in considering a combination of the two at some point what your thoughts on that? Thank you so much.

Balram S Yadav: I think if you see our past as a group investing in harvesting is part and parcel of our business. So, I think buying and selling and noncore, core, etc., is something which we always continue to look at. So I think in case there is an opportunity which is not there right now because I think most of our businesses are under external challenges and I think not a great time to probably look for any kind of consolidation, but I must say that definitely we will be and it is always on the table for us to review these things. Since you have asked about the Astec LifeSciences question I think we have put to rest the discussion that we will ever merge CPB and Astec it is not going to be there. We are just going to commission in six to eight weeks' time a state-of-art R&D center, which will launch us into CDMO and one of the requirements of CDMO is that it should have the ability of operating independently because I think a lot of confidential work happens and a lot of confidence of our associates and our partners will come from Astec being independent. So we have understood it very clearly, I think we appointed consultants to understand that in greater depth and I can assure you that Astec LifeSciences will continue to be an independent company.

Abhijit Akella: Thank you so much. That is very helpful and all the best.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Hi! Team, thanks for the opportunity. My first question is to Anurag. Anurag couple of things, one is CDMO second-half is usually better how is that trending in this year, also if you could call out what kind of price erosion has happened for the enterprise product and more specifically for the two products that we have a good amount of revenues coming from Tebuconazole, and Propiconazole, if you could specifically call out what kind of erosion has happened, is there inventories which are still built up at customers end and for the base business what is the normalized margin range that we should think for 2024?

Anurag Roy: I think there are three, four questions here. So, I will first talk about the CDMO business. So as Mr. Balram was also highlighting for Astec LifeSciences we clearly understand that in our current product portfolio on the enterprise side there is a huge amount of volatility and threat from China's aggressiveness quarter-on-quarter or year-on-year. So in terms of our future strategy clearly the focus has been on the CDMO part of business so that we can ensure sustainable and profitable growth year-on-year and that we would kick start once our R&D is coming on board in a big way. In terms of our performance on CDMO we stay very much on track, if you see our numbers last year we were roughly around 84 or 85 Crores on CDMO revenues and we plan to almost double it this year and that is the indication which we have given in the previous call as well and year-on-year we plan to maintain healthy 30% to 50% growth on our CDMO business as we are seeing a strong pipeline of enquiries building up as are our R&D is also coming on board. Coming back to the question on the margin deterioration the last quarter has been we were expecting, as we got into the quarter significant margin deterioration, but it deteriorated by more than what we were expecting, there were some cancellation of some of the big orders from the customer beginning of the quarter that also took us by surprise because there was a lot of inventory buildup primarily because of the poor kharif season in the domestic market and you would have seen that degrowth in the domestic business in the last quarter and then two particularly on one of our key zole products while we do not give product wise indication on the margin, but as you talked about Tebuconazole on that product if you just see the price erosion that has happened over the last 6 to 8 months we are seeing a price erosion of high of almost $22 to $23 price of Tebuconazole coming down to less than $9, and there has been an overcapacity situation from the China, there has been muted demand, which all is contributing to significant pricing pressure. So, we are observing these trends and the aggression from the China relaxation of dual control policy, and we are going forward with the preparation that for some of our zole products will continue to see these margin threat, and hence our strategy to quickly diversify and expand into CDMO business. So the sooner we get there the more we would be immune to these kind of volatility in the margin, but talking specifically on these zole products we still feel that it is a temporary supply demand imbalance, change in strategy or competitiveness from China and there has been some high cost inventory buildup from our side as well which will all start to ease out and we will start seeing some uptick in the coming months as we move forward even on these products, but at a broad level our vision or our strategy is very clear that we want to immune from these volatility by quickly increasing the share of the CDMO business in our overall revenue.

Aejas Lakhani: That is helpful. Anurag, could you call out the nine months number for CDMO and base business, what kind of margin range should we expect for 2024 or it is too early to call it out?

Anurag Roy: Nine months CDMO revenue numbers are already there around 93 Crores that is where we are and enterprises 407 so as I mentioned for CDMO whatever indication for the year we have given, we are well on track on achieving that number.

Aejas Lakhani: Got it. Balram Sir one question to you. You mentioned at the start of the call that in the animal feeds business you are expecting the Rs.1.5 per kilo to sort of continue you did not quantify the duration for that so are you expecting that for the subsequent quarter and also in the AF business you mentioned the point that there has been a shrinkage of market size for poultry and shrimp, is that something which is just a temporary blip or is there something that we should read into further and when do we expect to go back to that 5% to 6% range from a needed perspective in that segment?

Balram S Yadav: Let me talk about poultry first, I think poultry has gone through some tough times and that is why the population has come down and it is a cyclical business, so I will not be very surprised if poultry market is back once the prices rise, which will happen in the next few months. So my sense is that we will be back to poultry growth by, I am not talking about poultry feed, I am talking about poultry growth by September, October this year because that is why this season will start. So having said that, but we will continue to go for more and more volumes in poultry segment and increase our market share. As far as margins are concerned I think that margins will continue at the same levels at least for next two quarters Q4 and Q1. The reason being that these are off season for most of our raw materials and the kind of price competition we are seeing it is highly unlikely that transmission of all costs will be possible and maybe some players going who want to go for volume may drop prices also. As far as shrimp is concerned the problem is real and as we are unseated by Ecuador from our number one position and a shrimp exporter because of a lot of our quality issues, etc. Shrimp is going to have tough time unless and until some correction is done. My sense is that this decline in the size of the market in shrimp is likely to continue next year also.

Aejas Lakhani: Got it, that is very helpful and just one last question on FFB's. What kind of volume should one be thinking about for FY2024 because I think on last call you had said that substantial amount should come in from 2025 so could you just call out how volume should be for the palm oil?

Balram S Yadav: My sense is that next year also we will see a 10%-12% growth, but FY2025 or FY2026 I think in agriculture and particularly horticulture crops things can change by quarter or two and in your parlance quarter or two maybe a different financial year also. So the issue is that, that time definitely more and more acres are going to come into production so we might see in FY2025-2026 another say 14%-15% jump 2027-2028 all these increases of this year will start coming in. So you will see progressively the quantum of jumps increasing as we go along because from next year onwards we are very sure that from 3000, 4000, 5000 hectares per annum our expansion will go to something 10000, 12000 hectares per annum, and I have already told you that we have doubled the size of our nursery and now we are going to triple it in next six to eight months' time. So I think that is the opportunity which has been created by the central and the state government because of that NMEO-OP scheme. So I think that will continue, you must have also read that we have already got very good allocations in Telangana, we have asked for more and Telangana itself in case the government support continues the way it is will be 10000 hectares per annum in case everything fructifies.

Aejas Lakhani: Got it, Thanks, I will fall back in queue.

Balram S Yadav: I just wanted to add one point in aqua feed while shrimp looks bleak the fish is the next big thing in this country because of renewed support and I think the central government is so encouraged by that Pradhan Mantri Matsya Sampada Yojana, which was brought in four years ago and 20000 Crores were spent you cannot believe the kind of growth inland fisheries have had and that has encouraged them to put another 6000 Crores in the coming year. So my sense is that shrimp decline will definitely be compensated by the phenomenal growth we will see in fish. The constraints will be hatcheries now.

Moderator: Thank you. We have Siddharth Gadekar from Equirus Capital in the question queue.

Siddharth Gadekar: Sir, just on the enterprise business in Astec now given that we have spoken about the overcapacity in a few products is there any way that over the next one-and-a-half, two years we can look at diversifying away from these products given that the competition from China will always be there and the margin volatility is likely to continue because of that?

Anurag Roy: Absolutely so that is what I mentioned earlier getting into CDMO is obviously one diversification strategy for having a sustainable margins and within the zoles or our product portfolio within the enterprise products as well we are working on further diversifying looking at few of the products, which could serve us higher margins in the short-term duration. So absolutely that is clearly one of the key strategies, which we would be seeing. If we see these muted margins in the coming quarter as well.

Siddharth Gadekar: Secondly in terms of our land acquisition and MPP which was supposed to be starting work in this year what is the status of that?

S Varadaraj: So it is on track and at the right time we will make that announcement. So the review process is still on track and the due diligence has been conducted right now and as soon as anything is finalized we will inform the stakeholders.

Siddharth Gadekar: So what will be the capex amount this year when because we had guided for 375 Crores for FY2024?

Balram S Yadav: We already are implementing one more plant so that will be commissioned in September of this year.

Anurag Roy: I think this is what we mentioned earlier also. So there has already been a herbicide expansion plan, which has been taking in Mahad, which we have already started working on and that should be up and running by this year September or latest by November, December, so that is on track. So the projections for the capex what we have given for this year we are on track on implementing that.

Siddharth Gadekar: Okay, Sir. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from Incred Equities. Please go ahead.

Nitin Awasthi: Wanting to know your views on two things broadly and the impact it would have on the company if any, one is the use of DDGS so now there is this room of ethanol plants coming up ethanol need from grain and the byproduct DDGS is being out going out there is plenty which is not there available in all parts of India previously, but what I understand from whatever is out there it says the synthesis of DDGS is not possible by everybody to require technological advancement by companies so if Godrej looking at it, if Godrej being able to synthesize it to use it to a great extent does it matter to Godrej at all?

Balram S Yadav: DDGS is going to be a very welcome thing for the feed industry in this country because it is a very good source of protein and it is very competitive also so we would welcome that, but I must tell you that when DDGS comes out of this system it has almost 80% moisture and I think that there is the biggest cost in DDGS is the energy cost to dry it. Now one of the issues which we are seeing with several ethanol plants is that they are not making efforts or not investing enough to drive DDGS they just want to get rid of it in a neighboring areas as a slurry, which can be directly fed to cattle also of course not that it is the best way to feed DDGS, but we definitely will look for opportunities of collaboration where we can co-invest and get that DDGS in dried form available to us in feed business, but the bottomline is that in any combination DDGS is a very welcome change.

Nitin Awasthi: Is the part about synthesization true that only the blending will increase only once the protein is synthesized that cannot be done in general by everybody?

Balram S Yadav: No, it is not, I am saying once we put a dryer system on other things the rest other thing is hand level not a big issue.

Nitin Awasthi: What percentage of DDGS can you mix to your normal feed proportion I think it is only the highest in fish feed if I am not wrong?

Balram S Yadav: No, I am saying that fish and poultry and everywhere and high quality cattle feeds also this can be used. Now this since it is a very good quality protein definitely it competes with other high quality proteins like fish meal in aqua feeds and soya bean in aqua feeds and poultry feeds. So I think at different levels and different prices we run a linear program and include that, but according to me easily anything between 5% and 10% in these feeds is easily usable, which is going to be a very substantial quantity as far as feed industry is concerned. Such as the attractiveness of this product that about a decade ago we had given an application to Government of India to allow imports of DDGS into the country so that pressure on protein inputs can reduce, but unfortunately all the DDGS outside is GM and that is why that permission was not given. I think it is a wonderful raw material.

Nitin Awasthi: So, the next thing I wanted to understand was a little bit from the competition front. We had a lot of agri tech companies let us call them startup and venture into kind of becoming the middleman between the farmer and the products and now they have launched their own products I am talking about companies in particular where they had now determined what the customers what they need and now they have started to fill that pipeline by themselves one of these companies have started to direct animal feed product, which competes with you, do you have any thoughts whether these agri tech companies will be able to make a dent in the market?

Balram S Yadav: We have been watching this space, but I think that it is still time to form a judgment on this. So I would not like to comment, but I think in case you have any specific questions any specific company any specific area you want to discuss I will be more than glad to enlighten you on what I know about that space offline.

Nitin Awasthi: Definitely Sir, let us catch up then on that. Thank you that is all from my side.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Thanks for the followup. Sir just want to get a sense of the poultry business specifically so what was the contribution of live birds and the branded business this quarter?

Balram S Yadav: So, if you see the branded business was about 51% and live bird business was 49%. You want in Crores?

Aejas Lakhani: No Sir that is fine I was just checking what can you call that out for nine months as well because your trajectory…

Balram S Yadav: Nine months we are 46% live and 54% branded.

Aejas Lakhani: Got it Sir and could you also just again validate that contribution margins for RGC are in the low teens and Yummiez is quite high right that understanding is broadly correct, right?

Balram S Yadav: Yes. You are absolutely right and live bird is close to about 8%.

Aejas Lakhani: Just wanted to get a sense that again the focus is could you speak a little bit on how the branded business distribution is playing out because your focus is to grow that part of the business to reduce volatility so could you comment a little bit about that?

Balram S Yadav: I must tell you that we have a very stable RGC business now. We are processing close to 60000 birds a day in both our facilities and I must tell you that every bird is used up profitability in both our plants. We are the biggest suppliers to several QSR, we are also one of the big suppliers to D2C companies, which is a very, very stable business and I must also tell you that we are only part suppliers to these companies because we still have constraints and capacities because we have our own retail business also and we also have to produce boneless chicken for our Yummiez facility. So I can definitely say that the margins are stable and we have top of the line customers also and we work very closely with them to improve quality as well as do a lot of value addition in our plants which is needed by them and I think one more round of upgradation of plants is likely to happen in the next three to four months and we will increase our capacity by another 15%-16% and that will be the focus for next year.

Aejas Lakhani: Got it Sir, that is very helpful, and just another recheck on the dairy business that at what levels of sales and value add does that business sort of breakeven today?

Balram S Yadav: I think it is an interesting question, but I have a slightly longish answer. Now last two years are very, very different from what it has been because we have data for our Creamline dairy business for last 25 years and we have never seen such low margins because you know and it is known to everybody and results of every company and show that, that we are not able to pass through all the cost increases of milk in price and that is because of cooperatives in several of our industry players very reluctant to increase milk prices regularly. So, I think that is how the industry. So, if you ask me, we will do close to about 1500 Crores at the current contribution and we will make a loss. Had we done 2000 Crores we would have been very close to break even and today we have already reached 40% value-added product in first nine months, which is a big leap over last year actually and now we have already invested in one SIG line, so we will have the capability of making multiple packing also so my sense is that we will try very hard to reach 50% value-added products, we will also try and take price increases wherever possible in value-added product because it is not that price elastic as milk is and in case we reach the number I talked about next year with 50% value-addition we will be I think home as far as profitability is concerned.

Aejas Lakhani: This was very helpful and the direct procurement it is still that one fourth range broadly?

Balram S Yadav: I just want to tell you that where our confidence comes from. I am saying that in first nine months our total value-added product grown by about 43% value growth, 39% volume growth and salience has jumped to 41% already in first nine months. The second thing is that direct procurement definitely I think that has been focused, but it is a slow grind considering there is milk shortage and I think everybody is holding on to their supply chain, but that has been a very, very important focus and that will continue to remain focus. Some substantial results you will see in coming years, but I cannot put a number because the current situation is a little bit grim as far as milk supplies are concerned.

Aejas Lakhani: Could you finally just call out what has been the capex for the first nine months and what is it expected for 2023 and outlook for 2024 on the capex?

Balram S Yadav: I beg pardon.

Aejas Lakhani: Capex for nine months full year 2023 expected and 2024?

Balram S Yadav: We will give it offline to you. So I must tell you that I think this year we will definitely cross about I think we will capitalize close to 300 Crores because there will be a spillover of some plants particularly Astec plant which is close to more than 150 Crores will be capitalized sometime in September, October, but I can definitely say that we are in the process of finalizing AOP for next year so I think within few weeks' time we will be able to tell you offline.

Aejas Lakhani: Got it Sir. Thank a ton and wish you the best.

Moderator: Thank you. The next question is from the line of Harsh Mantri from Flute Aura Enterprises Private Limited. Please go ahead.

Harsh Mantri: Sir, I needed to understand the breakup of the market share of all the sub segments in animal feed business. So, as you mentioned that shrimp business is having some volatile time and the aqua business may grow in future so what would be the future growth aspect, and whether you would be further diversifying the 50% revenue share you are gaining from the animal feed segment, what is your future outlook on the same?

Balram S Yadav: I did not understand that.

Harsh Mantri: Sir, I needed to understand the breakup of the market share of all the sub-segments and the animal feed business?

Balram S Yadav: Very difficult. So what we do is that we collect this data once in Q4 when we discuss our AOP, LRP so I think that process is on, but I cannot give you a number, but definitely next time we have this we will give you segment wise market share and for that also we make an estimation of the industry since the data is very, very scattered in this industry, but I think the question is very good the only thing is that we need some time to answer that.

Harsh Mantri: Sir, any broader guideline on the same not to be precise?

Balram S Yadav: So actually we did not work that out for some months so I would not hazard a guess right now, but I think in a few weeks' time we will be able to share that.

Harsh Mantri: Sir further question on the same like as you are diversifying into different businesses and reducing your revenue share from animal feed business getting more products from your topline so would it continue in the future also, what is your outlook?

Balram S Yadav: Animal feed business revenue share can even increase in case there is inflation in raw material prices, but in volume terms if you see that the other businesses will grow much faster. So animal feeds likely to grow by 11%-12% next year, but if you see crop protection business will grow faster than that, OPP will grow, oil pump plantation faster than that, CDPL or our dairy business will grow faster than that. So I think it depends on inflation numbers also, but my sense is that salience of animal feed business slowly will come down because other businesses are likely to grow much faster on volume basis.

Harsh Mantri: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Aman, individual investor. Please go ahead. Aman is not in the queue anymore. As there are no further questions, I would now like to 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 will 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 Sir. On behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.