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: May 15, 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,

Sub.: Transcript of Conference call with Investors & Analysts held on Wednesday, May 10, 2023

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 **Wednesday, May 10, 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
Date: 2023.05.15 17:23:24 +05'30'

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

"Godrej Agrovet Limited Q4 FY '23 Earnings Conference Call"

May 10, 2023

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**
MODERATOR:	**MS. NEHA MEHTA – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call of Godrej Agrovet Limited, hosted by DAM Capital Advisors. 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 touch-tone phone. Please note that this conference is being recorded. I now had the conference over to Ms. Neha Mehta from DAM Capital Advisors. Thank you. And over to you, ma'am.

Neha Mehta: Good afternoon, everyone, and thank you for joining us on the Godrej Agrovet Q4 and FY '23 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, Chief Financial Officer; and Mr. Anurag Roy, Chief Executive Officer of Astec LifeSciences.

We would like to begin the call with brief opening remarks from the management following which we will have the forum open for an interactive question-and-answer session. Before we start, I would like to point out that some statements made in today's call will be forward-looking and a disclaimer to this effect have 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 are doing well. Godrej Agrovet recorded consolidated revenue from operations of INR9,374 crores in FY23, growing at a 13% year-on-year. The growth was primarily driven by market share gains in animal feed and robust volume growth in branded products in our food businesses. Both of our food businesses delivered excellent top line performance in FY23, growing at 28% year-on-year. Our in-licensed insecticide, Gracia, recorded robust volume performance in its first full year of launch. However, our profitability was impacted due to a drop in operating margins of crop protection, animal feed and the dairy businesses.

Vegetable oil and Godrej Tyson reported margin improvement as compared to the previous year. In FY23, our efforts to optimize working capital and improve cash flows yielded results. Net working capital days improved from 79 to 51. Consequently, net debt to equity ratio improved from 0.57 as of 31st March 2022 to 0.47 as of 31st March 2023.

Coming to the key financial and business highlights of each of our business segments. In Animal Feed, we achieved a volume growth in Q4 and FY23 led by the cattle feed category as we continue to gain market share. The segment margin, however, was impacted in Q4 by volatile commodity price movements and limited transmission due to pricing pressure mainly in poultry feed.

For the full year, a knee-jerk government intervention that resulted in decline in raw material prices in Q1 impacted profitability as high-cost inventory had to be consumed. Our vegetable oil segment registered strong growth in fresh fruit bunch volumes in Q4. However, profitability was impacted by lower crude palm oil (CPO) prices as compared to the previous year. Despite a decline in CPO and PKO prices from the record high levels of FY22, we maintain profitability in FY23 driven by consistent volume and improved operational efficiency. In the standalone crop protection business, the top line growth was led by higher sales of our in-license insecticide Gracia, in-house herbicide portfolio and lower returns. Segment results declined due to the lower sales of plant growth regulator category and pricing pressure. The segment achieved a substantial improvement in the working capital cycle and collections in FY23.

For Astec LifeSciences, Q4 and full year top line was severely impacted by sluggish demand for the key enterprise products, tebu and propi and a sharp drop in realization. In addition to this, high-cost inventories led to the EBITDA margin contraction in FY22 versus the previous year. Contract manufacturing business, however, grew by 1.9x year-on-year with improved profitability in fiscal year '23. The Poultry segment recorded strong growth in top line as well as profitability. Branded businesses, mainly a Real Good Chicken with 30% volume growth continued to drive the top line performance in Q4 for the full year.

Godrej Tyson delivered strong volume growth in branded categories, Real Good Chicken at 53% and Yummiez at 34%. Profitability in FY23 also significantly improved with consistent performance of the Real Good Chicken segment. For the dairy segment, volume growth was robust for Q4 as well as FY23, backed by a 37% increase in value-added products for the year. The salience of value-added products in revenue increased to 32% in FY23 from 29% in FY22. However, partial pass-through of rising milk procurement costs adversely impacted profitability. GAVL's joint venture in Bangladesh, ACI Godrej, recorded revenue growth of 25% year-on-year in FY23, driven by a combination of higher realization and volume growth.

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: We move on to the next question which is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Sir, could you just spell out what are -- what all has happened in each of the segments. Specifically, you could start with animal feeds and talk about, sir. There was a recovery that we were expecting in margins, EBIT per kilo. That has surprised us. And the outlook per segment, please, if you could start with first.

Balram Yadav: Let me start with animal feed. And I think it was a very tough year from the point of view of commodity ups and downs. And you know our first quarter was wiped out because of soya exports were allowed suddenly and all of us were having a lot of stocks of high-cost materials, and we made a loss in first quarter in animal feed. Now we expected this to recover, but unfortunately Q4 has been extremely bad for broiler feed, which pulled us down. And I must also say that whatever growth we got because of cattle feed, and that continues to be the situation in the new year also.

So, we are still trying to figure out what is happening because of the low prices of broiler, the placements were less, And you can see the live segment in Godrej Tyson also suffered. So, my sense is that there is certain amount of stability which is coming now. I am not very sure that whether we will reach 5.3% EBIT margin which we had reached in Q4 of FY22. But definitely the steady rise in the margin was started happening. And the kind of indication which was expected in commodities has not happened. Hopefully, there are no price increases, definitely our margins will show major improvement over Q4 FY23 in the first quarter itself.

Aejas Lakhani: Got it. And sir, could you speak about traditional crop protection and outlook on Astec as well?

Balram Yadav: Yes. So as said, I think Mr. Anurag is here, so he'll talk about it. On normal crop protection business, I must say that I think we had a major housekeeping done for last 4, 5 quarters in this business. 2 of our seasons were wiped out because of COVID and very poor rains. And we had a lot of toxic inventory outstanding, etc. So that we took lot of hit because of sales returns and you know story. But there have been a lot of improvements in working capital. We recovered, as a company, about INR1,000 crores of cash. Cash flow was positive by about INR1,000 crores. And major part of the cash flow came from the crop protection business.

So, we have put a lot of discipline, lot of controls which are now digital so that human intervention is reduced. We also have new product launches this year. Last year, Gracia was launched, and we will build up on that. And my sense is that the new product Maxcott is also going to do well. Having said that, I must tell you two things which are likely to happen this year, apart from improved profitability. Just because these molecules have a lot of pull, huge amounts of field work we have done. We believe that our dependence on plant growth promoters, which were high margin but required a lot of credit and a lot of, I would say, bad debt are also generated because of that. We are under no pressure to sell to meet our profit targets.

And I can assure that for crop protection business it will be watershed year. The other thing I also want to mention, the portfolio we are building. I would not say totally, but it is reasonably well-insulated from monsoon as compared to our portfolio 2 years ago. Oil palm plantation, the prices of palm, we are expanding in different areas. So, 5, 6 years later there will be major jump in production of fruits because we will have planted almost 50,000, 60,000 hectares in Telangana and 15,000 to 20,000 hectares at Northeast till that time. We believe that oil prices will continue to be steady, and we will have steady margins in this business.

As far as Godrej Tyson is concerned, the branded business has done well. That is the focus that you will see increasing salience of branded business and reduced salience of live bird business. We started this process about 2 years ago and we will continue with that. Creamline Dairy, the problem was pass-through of cost. Otherwise, if you see the value-added products which are traditionally the money-spinner are growing very rapidly. Our salience is also improving. So, we are happy in a way that the strategy is working as far as value added is concerned. But a few price increases are desired or a reduction in milk cost desired. And there is a possibility of both happening this year because we are seeing mini flush already. Yes, Anurag, Astec.

Anurag Roy: Yes. So, for Astec LifeSciences, we continue to face significant challenges, particularly from the last 2 quarters. And the entire agro industry is going through these challenges, particularly the first major one has been the inventory pile up in the channel post the COVID situation, supply chain disruption also led to the inventory stock pile up. That was one. We also saw the erratic weather conditions which led to some of the enterprise products less demand in the last 2 quarters. And as we are now approaching into the Q1 of this year, what we are seeing from the customer is more of a wait-and-watch strategy because there has been lot of deflationary impact on the AIs which are coming from China and consumers are still thinking that the prices on some of these enterprise products might go down further.

So, they are waiting and watching. Our sense is that a lot of this inventory would try to balance out. There will be more supply-demand balance achieved by end of Q1 or getting into Q2. And lot will also depend on how the uptake for the next season, which typically starts from June across the globe will happen. So, we had challenging last 2 quarters as Mr. Yadav was mentioning. But on the enterprise side of the business, we continue to see muted financial performance as we get into this year. But as the season picks up, we are very positive that enterprise business should be back up.

On the CDMO side, we have done extremely well last year, almost doubled our business from the previous year. So that lays the fundamental foundation of our business very well. So, we continue to focus on those foundational elements of the business and maintain the same run rate as we get into this financial year.

Aejas Lakhani: Anurag just a follow-up, in the two key products on the enterprise side, what kind of price erosion have we seen from the two quarters prior? And do we expect that given that you mentioned that the season starts from June, do you foresee any uptick in those realizations? Or do you expect the same price points to continue?

Anurag Roy: See, the kind of price decline on particularly these two products, which you're talking about has been historically low. Never over the past decade have we seen such significant decline in 4 to 5 months. So tebu on one of the enterprise products, the price declines were as high as 69% from its peak four quarter back. On propi, the price declines were in the range of 42% to 44%. So that is the kind of steep decline in prices, which we have seen over the last 4 to 5 months. Going forward, on propi particularly, the decline in prices were, because of the inventory pileup. There was a shortage of propi post COVID. There was plant shutdown from China.

So that has led to inventory pile-up at customer end sometime last year. And that is why a lot of companies making this had shown good results last financial year. So there's not been much uptake from these customers, and it was further worsened because of the erratic weather condition. So that led to complete shortfall in uptake of propi. So once the season returns, I believe, or I feel that the demand for this should come back, and the supply demand situation is pretty much balanced.

On the tebu side, because of global factors, because of even muted demand within China and overcapacity situation there, we continue to see tremendous export pressure on the export prices for tebu as we get into this year as well. So, I think tebu, we still feel that there will be challenges as we get into this year. But on propi, we expect once the weather comes back, we should be able to get back on track.

Aejas Lakhani: Got it. And Balram Sir, just a follow-up on what you mentioned earlier. Sir, given that we are now in traditional crop production, doing the in-licensed products, which are relatively lower margins, how should we think about margins for FY24? Because the mix will keep now wearing. So, what is the kind of range of margins that we should be thinking about for the traditional crop protection business?

Balram Yadav: To give you an indication, I think we will be back to our normal margin of 12% to 14% PBT on sales, which we used to make. The focus will be on ROCE and working capital. We don't want to lose that control.

Aejas Lakhani: Got it. So, you've given 12% to 14% is on PBT, right?

Balram Yadav: PBT on sales.

Aejas Lakhani: Okay. And sir, just one last thing is that sir, on this dairy which continues to consume a lot of capital and is not generating returns for us, do we have any strategic thoughts in the current scheme of things? And also, have we taken any calibrated price hikes or have raw material prices softened already? Or is it showing you that any lease indication that the prices are softening for us to start breaking even in this segment? Because, sir, you had, I think, mentioned a couple of quarters back on the call that at 1,500 roughly we should be able to breakeven, right?

Balram Yadav: So, if I correctly remember, I had said that same contribution level about 2,000 -- you can refer to notes also. So, I think most of the erosion of contribution has been because of our inability to take price increase because none of our competitors who are taking and continuous increase in the cost of milk. 2, 3 things we have done. I think last time I briefed you that we have engaged one of the big 4 consultancies to look at a lot of our efficiencies and our costs, etc, and possible pull-out cost from both ends, procurement as well as sales.

That is doing very well. I must also say that the value-added failures are likely to go up because the brands are doing well and weather permitting because South India has a couple bouts of rain. So, April was a little subdued, but as it picks up, we believe that we will definitely register more than 20% to 30% growth in the value-added segment this year also. It may in case season is good, it will go to 40% also.

So that is one of the builders of contribution. We have also built-in in this that about 1% value restriction will still happen, that pass-through will not happen. And with all this happening in case, we registered that 20% growth we are expecting in the overall business and about 40% value-added business. We believe that we will move closer to breakeven. I can assure you that whatever we are seeing in first few weeks in April which is now already with us I think we are right on that path maybe faster than we thought.

And we believe that a little bit of help in case it is a plus, signs of which are already seen, I think we should be moving closer to breakeven this year. And I must also say that based on the experience we have in this business and talking to competitors, I think this kind of secular rise in milk prices for 8, 9 quarters consistently without flush has been unprecedented. So, in case it is a black swan event like that again or something else happens, I cannot tell. But whatever signs are, we are seeing an increase in milk availability, we are seeing tapering of the milk prices in the last few weeks. So, I think all the signs are pointing out that we will improve significantly over FY23 performance.

Aejas Lakhani: Got it. And sir, what is direct procurement today?

Balram Yadav: Direct procurement is about 23%. There are two types of direct procurement. One is our own -- the whole channel and one is through partners who only work for us. So, if you take our own channel, it is 23% and growing, and partners who work for us would be -- that should be close to about 50-55%.

Aejas Lakhani: But sir, the partners who work only for us are paid a small commission over and above, right? Or some sort of incentive?

Balram Yadav: So, we have looked at that quite closely. So, plenty of time in the year plus there. Our milk costs are slightly higher than the partner's milk cost because of their local knowledge, etc, they are able to drive down the costs. So, if you see annually, I think, definitely we would like to move towards our own procurement, but we are not that badly off in partners. What you are referring also is that 25%, 30% of this contractual would-be tie-up procurement. Those tie-up procurements are very volatile. They reflect the supply-demand situation and that sometimes is 3%, 4% lower than our normal cost, or 4%, 5% higher than your normal cost. That is the segment we want to attack and that is segment want to reduce.

Moderator: The next question is from the line of Lokesh Maru from Nippon India Mutual Fund.

Lokesh Maru: Just a simple question on what is the impact that you see on our different segments of conditions coming up. So, one is also how have our segments performed during previous and new year? And what is your expectation this time for different segments?

Balram Yadav: Definitely, poor monsoon affects the entire rural economy. And we will not be any different. So, in case the monsoon failure is severe, what will get hurt most will be our crop protection business, even though the portfolio is becoming more and more insulated from bad monsoon but in a very, very bad monsoon season it will be affected. I'm very sure that milk cost will go through the sky and cooperatives will bear most of them brunt.

And so, we will report to probably take those costs. So that is one big problem I see. I also feel that the positive side of poor monsoon or poor rainfall because El Nino is going to affect large parts of Asia, I believe the certain amount of price increase will also happen in CPO. And that will be positive, but it will not be enough to take care of the kind of problems we will have in other businesses.

Lokesh Maru: and for our feed segment, maybe the green patches which are usually used for as fodder, raw fodder, that will be less maybe 9 months from now or during later part.

Balram Yadav: We have seen the cattle feed sales increases during drought. The only problem is that the other inputs become so expensive. But every time there is a drought, we have seen some kind of a spike in our cattle feed sales.

Lokesh Maru: So that is the positive front. But on margins, also what is your expectation, like for the next -- for this quarter per se, currently?

Balram Yadav: I can tell you; I will make a sweeping statement that apart from Astec Life Sciences where things are steady, they are still not improved. We still don't see the green shoots we wanted to see in this quarter. In rest, all our businesses, our margins are going to be better than Q1 of FY23.

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

Sumant Kumar: So, despite a decent growth on top line, and we have seen cross-segment margin contraction. And in the past also we talked about the risk mitigating strategy for our margins. So, what is going wrong? And what are we planning to lower the volatility in the margin side going forward?

Balram Yadav: So, let me just tell you that volatility is nothing new in this industry. Food and Agri has been volatile all over the world, and we have seen yoyo performance of very, very big companies also if you take data from the developed world also. Having said that, I think the journey started several years ago, and I've been briefing you in these conferences that one big thing for us to build a source of competitive advantage was research and development. And you have seen that in all areas we have invested – first we invested in animal feed. And if you see, we have 7%, 8% CAGR in volumes ever since that time. Some years we have even grown 14%, 15%. So that is the nature of the industry. And we strongly feel that the 7%, 8% CAGR in feeds will happen because we have created that edge. One other example I will give you is that we created this brand called Samruddhi. And in cattle feed we have regained number one position in several states. Our growth in categories last year was 13%. And Samruddhi accounts were almost 30% of our cattle feed volumes. So, I think this is a product which has come out of R&D, it takes about 5, 6 years for something like this to happen.

So, R&D will drive most of the probable prevention from downside. The brands definitely have done well. You see CDPL and GTFL. Unfortunately, we cannot deal in brand from commodity prices and good businesses. It has great bearing if you've seen the same thing happening in other industry, etc, so we will always have our linkages. However, as the brands become big as the marketing expense increase, separately the premium we can charge will definitely be much more.

Then in the Astec LifeSciences the move towards CMO, the new R&D centre, etc, which is open doors further for us and set us for every investment in Astec LifeSciences in several platforms, was also part of the strategy which has been in place since 2017-18. Our big problem is it takes 5 to 7 years to implement several things because of infrastructure requirements, regulatory approvals, and crop protection business, et cetera. One of the star products, for example, is Gracia. We will double the sale over last year if we get the material. But with the partner and registration, it was a six, seven-year process. So, we are well on that way.

But if you really ask me, will we be dealing from volatility? The answer is no. The big thing will be that we will be moving away from more volatile to less volatile. Live Bird will keep on coming down as we go in future. Pure Vanilla Milk will come down as we go in future. And that is how we are constructing our portfolio also. We are hoping that value-added dairy products will grow upwards of 40% last year. Yummy's and Real Good Chicken upwards of 40%. cattle feed upwards of 18%. Then in-house PGRs, in-licensing products upwards of 44%.

So, I think the focus is on the right direction. But you will see some of the results coming not immediately but in the next few years.

Sumant Kumar: Okay, sir. Thank you.

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

Abhijit Akella: Okay. Thank you for taking my question, sir. Just on Astec to start with, the CMO business, would it be possible to just share how much the revenue was in the past year? You mentioned that it almost doubled. So, is it somewhere close to INR200 crores now?

Anurag Roy: So, we closed at INR162 crores last year. That was almost double of what we did a year back.

Abhijit Akella: is this largely driven by the new herbicide facility that we have commissioned or is it something else? And then if you could also, please just update us on the status of the growth projects we had at Astec, particularly both this project, the herbicide one, as well as I think those three major triazole fungicides that we were sort of targeting. So, what's the thought process there and what sort of investment are we looking at in the business over the next year or two?

Anurag Roy: Yes. So, obviously, a lot of the CDMO growth has come from our new investment in herbicide one plant. We had used those assets to build on the CDMO portfolio. And we are well on target or ahead of target of what we committed previously as well in terms of the utilization of herbicide plant 1. We continue to see a good pipeline of CDMO projects coming in. And hence, as you were asking, we are also investing in scaling up or putting another herbicide plant, which is likely to go commercial in this financial year. Around October, November, this financial year, we'll be commercializing another herbicide plant. So, that is the part of CDMO growth will come from these assets. And then, obviously, we are utilizing our other assets, other sites as well, for different reaction chemistries like Grignard, Friedel-Crafts as and when required to deliver on the CDMO part.

On the fungicide or the herbicide product as a part of also our de-risking strategy, because we have been over-reliant on few of the enterprise products. What we have now also taken up with the new R&D coming up is fast-pacing our development time cycles on some of the other enterprise products, which we are also expecting us to hit in this financial year, which not only will help us to de-risk from some of these established products, but also give us delta-improved margins and revenues for the financial year.

Abhijit Akella: Sure. So, just on the capex plans, if you could please help us, both for Astec and for the overall Godrej Agrovet as a whole?

Balram Yadav: So, we are in the process of formulating plans. So, I think, first and foremost, R&D center is commissioned, which is already capitalized. One more herbicide plant will be commissioned in October. We are already making plans to make first phase of a multipurpose plant, which will cost us close to about INR500 crores.

And most likely by the end of the year, we will start. We are still in the process of finalising the location. And I think it will be announced very soon. So, having said that, I think these are already on the anvil, because we will need that multipurpose plant to produce products, which are in process of development in R&D. So, I think my sense is that we will be on track. We will be commissioning this multipurpose plant somewhere around December '24, which is the timeline we have in our plans.

Abhijit Akella: Sure, sir. Apart from Astec, no significant capex plans in any of the other businesses?

Balram Yadav: All other businesses have, I'm saying for the company, big chunk of capex is in Astec. In other businesses, we have several de-bottlenecking projects, etc. But that will come close to about INR150 crores to INR200 crores in the current financial year.

Abhijit Akella: Got it, sir. Just one last thing, if you will permit me. This was with regard to the decline in employee cost that we have seen this quarter. Seems quite significant. So, what might have driven that? And also, as one previous participant was asking, if you could please just help us with the Fresh Fruit bunch number for the quarter end of the year? Thank you so much.

Varadaraj S: So, Abhijit, this is Varadaraj here. On the employee cost, as you know, the current year has not been good. FY22-23. And consequently, the variable remuneration, which we had sort of factored in our employee cost, that was not required to be provided for. And that's the reason why in Q4, our employee cost has gone down. And in terms of Fresh Fruit bunch arrival for the current Q4 FY23, that was around 56,000.

Abhijit Akella: For the full year also, sir?

Varadaraj S: That was 544,000.

Abhijit Akella: Thank you so much. I'll come back in the queue for anymore.

Varadaraj S: Thank you.

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

Aniruddha Joshi: Yes. So, thanks for the opportunity. So, in case of Creamline, what is our -- in a way, the business has remained in investment mode for a very long period of time. And I guess it is consuming the management bandwidth as well as the resources too. So, how do you see the business? Maybe it may turn positive once the milk prices come down. But when do you see that business generating, let's say, 15% plus ROE on a structural basis similar to the other dairy companies?

Balram Yadav: So, in the last two years, a lot of steps have been taken to improve efficiency, reduce cost, make some structural changes from commodity to brand, etc, with very good results. I just want to say that last year in value-added products in dairy on a base of about INR400 crores, we grew 48%, which is very, very heartening for us. And we are seeing steady improvement in margins without a drop in the milk cost because of our change in the salience, efficiency improvement, and other cost, I would say, reductions in the system.

We are very, very confident that in case we get flush this year, even if it is a minor one, from a loss of INR56 crores last year, we will move closer to breakeven. So, that is the expectation. And we are encouraged by what has happened in April and what is likely to happen is yet to be seen. But we believe that I think that is what we are also hearing from experts that this year we might come back to the normal cycle of flush during winter in this business. And if that happens, we will definitely breakeven.

Now, having said that, I think we have already invested a lot of money. We have invested in plants. We are seeing very good traction for branded business. We strongly feel that salience of branded business will grow considerably as we grow this business in future. And once this happens, once the brands become bigger, they will be less volatile, the growth will be more sustainable and insulated from milk costs. And we believe that in a year's time, if we prove that model, we will be ready to make bigger investments and take the branded business probably national. I think that as a company, we believe strongly, and we have the capability in branding products. And I think that will come into play once we prove that this is doable and doable consistently.

Aniruddha Joshi: Okay. Sir, we have added now Godrej brand equity also to Creamline Jersey. So, has that helped to improve the realizations, is there any better offtake at least in value-added products?

Balram Yadav: I think that value-added products it really, really helps. In liquid milk, we are still in different how many of us see which brand of milk comes very closely every morning. But we definitely know what value-added products we are consuming. So, that Godrej brand equity has definitely helped.

Aniruddha Joshi: Okay. Sir, last question. In case of animal feed, which are the segments, basically cattle feed, poultry feed, and shrimp feed or fish feed, which are the segments which are facing maximum pressure right now? And do you see recovery in, let's say, in quarter?

Balram Yadav: So, shrimp, it's facing lot of pressure. We are small in shrimp business and definitely the market is also under pressure. Poultry feed is under pressure in first few months because traditionally they are difficult months for poultry because of heat, etc. I think cattle will be very, very steady. And fish feed, just because of new plant getting commissioned in last year, first quarter when it was not there, we are likely to see good growth in fish feed also. So, I think if you ask me on this quarter, the drivers of growth will be fish feed and cattle feed.

Aniruddha Joshi: Okay. And sir, no end to the problems in shrimp feed at all?

Balram Yadav: So, shrimp feed actually, feed industry is dependent on the output. You know better than me what is happening. So, I think, but point is our stakes are not too big in shrimp feed. We are having 2%-3% market share. It is the fish feed where we have budgeted huge increases and we have the capacity, and our product is also accepted very well.

Aniruddha Joshi: Sure. Okay. Thank you.

Moderator: Ladies and gentlemen, this would be the last question for today which is from the line of Rikin Shah from Omkara Capital.

Rikin Shah: Yes. So, in the Astec end of things on the enterprise segment, what I am seeing is an industry-wide weakness I would say because of China coming back and inventory stuck in the system. But going forward, China would still be expected to be there on the supply side of things. So, how would we be thinking about the same?

Anurag Roy: Yes. So, as I was mentioning earlier, obviously, China is here post-COVID, and we expect them to continue to be aggressive in the coming quarters or years to come. So, the only way out there is expansion in our product portfolio or generating some differentiated advantage wherein we could compete head-on with China. So, in one of our key products, enterprise products are cost structured, the supply demand balance for the macros, for us are equally favourable as to China. So, we expect to maintain our cost position there and we expect to maintain margins in those lines of products for us.

For the products where we are hit directly and where we have little control and we have depended on China, as I mentioned earlier, we have taken a very aggressive plan to broaden our broader portfolio. We are putting in few of the opportunistic enterprise products within the fungicides as well as herbicide area to expand our portfolio and we will be balancing out our margins based on these expanded product portfolios.

So, broadly, these are the two strategies within the enterprise segment and then at an overall business level, as Mr. Yadav was also mentioning, we are heavily investing and focusing in future on expanding our CDMO business, who partnerships with innovators of the world across segment, which will give us good sustainable revenues and profit at an overall level.

So, I think with these two three strategies we expect to move up the value journey for Astec from existing portfolio products, which we have and then have much more stable and sustainable top line as well as profitability.

Rikin Shah: Fair enough. So, with everything that has happened in the last two quarters, we are still a bit compared to FY22 INR 88 crores, we clocked in I think INR162 crores in the CDMO part, is that correct?

Anurag Roy: Yes.

Rikin Shah: So, going forward, can we still expect positive trajectory here?

Anurag Roy: Absolutely. And that's where most of the energy from the management side, top management side, investment side, we are heavily focusing there. And there is no reason we cannot expect similar kind of double-digit growth as we move into subsequent quarters.

Rikin Shah: Fair enough, sir. That's all from my side. Thank you.

Anurag Roy: Thank you.

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

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

Moderator: Thank you very much, sir. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.