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**Date:** August 9, 2024

To,  
**BSE Limited**  
P. J. Towers, Dalal Street,  
Fort, Mumbai – 400001

**Ref.:** BSE Scrip Code No. “540743”

To,  
**National Stock Exchange of India Limited**  
Exchange Plaza, Bandra-Kurla Complex,  
Bandra (East), Mumbai-400051

**Ref.:** “GODREJAGRO”

Dear Sir / Madam,

**Sub.: Transcript of Conference call with Investors & Analysts held on Tuesday, August 6, 2024 at 3.00 p.m. IST:**

**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 with the Investors and Analysts held on **Tuesday, August 6, 2024 at 3.00 p.m. IST.**

The aforesaid information is also available on the website of the Company viz., [www.godrejagrovet.com](http://www.godrejagrovet.com).

Please take the same on your records.

Thanking you,

Yours faithfully,

**For Godrej Agrovet Limited**

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





“Godrej Agrovet Limited  
Q1 FY'25 Earnings Conference Call”  
August 06, 2024



**MANAGEMENT:** **MR. NADIR GODREJ – CHAIRMAN – GODREJ AGROVET LIMITED**  
**MR. BALRAM YADAV – MANAGING DIRECTOR – GODREJ AGROVET LIMITED**  
**MR. S. VARADARAJ – CHIEF FINANCIAL OFFICER – GODREJ AGROVET LIMITED**  
**MR. ANURAG ROY – CHIEF EXECUTIVE OFFICER, ASTEC LIFESCIENCES – GODREJ AGROVET LIMITED**

**MODERATOR:** **MR. ABHIJIT AKELLA – KOTAK INSTITUTIONAL EQUITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Godrej Agrovat Q1 FY'25 Earnings Conference Call hosted by Kotak Institutional Equities. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhijit. Thank you, and over to you, sir.

**Abhijit:** Thank you, Sejal. Good afternoon, everyone, and thank you for joining us on the Godrej Agrovat Q1 FY'25 Earnings Conference Call. From the company, we have with us Mr. Nadir Godrej, Chairman of the company; Mr. Balram Yadav, Managing Director; Mr. S. Varadaraj, Chief Financial Officer; and Mr. Anurag Roy, Chief Executive Officer of Astec LifeSciences.

We'll begin the call with brief opening remarks from the management, following which we'll have the forum open for an interactive Q&A session. Before we start, I would like to highlight that some statements made on today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared 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 Agrovat earnings call. Godrej Agrovat reported a strong growth in profitability in Q1 FY'25, despite a marginal decline in revenues. Profit before tax, excluding non-recurring items, improved by 36% to ₹ 169 crores as compared to ₹ 124 crores in Q1 FY'24.

The Company recorded consolidated revenue from operations of ₹ 2,351 crores in Q1 FY'25 as against ₹ 2,510 crores in Q1 FY'24. The growth in profitability was primarily driven by robust volumes and improved realization in the domestic Crop Protection business and margin expansion in the Animal Feed and Dairy businesses.

Coming to the key financial and business highlights of each of our business segments. In Animal Feed, the segment margins improved sharply from 4.2% in Q1 FY'24 to 6.8% in Q1 FY'25 on account of favourable commodity position. Further, EBIT/MT improved significantly from ₹ 1,443 in Q1 FY'24 to ₹ 2,258 in Q1 FY'25 and also sequentially. However, volumes were impacted due to subdued milk prices and lower placements.

Our Vegetable Oil segment revenues in Q1 FY'25 was impacted by lower Fresh Fruit Bunch arrivals and lower opening stock in Q1 FY'25. Further, our segment margins were impacted due to a lower Oil Extraction Ratio.

The standalone Crop Protection segment results witnessed strong growth in Q1 FY'25, as segment margins improved significantly from 32% in Q1 FY'24 to 45% in Q1 FY'25, primarily due to higher realization in herbicide and pesticides categories. Also, our segment revenues

improved due to volume growth in Plant Growth Regulators and herbicide categories and improved pricing across categories.

Astec LifeSciences continued to experience pricing pressures and demand headwinds in the enterprise products business, which adversely affected top line and margins, which also necessitated inventory write-down in enterprise products. Furthermore, deferral of CDMO orders contributed to margin compression.

In Q1 FY'25, our Dairy segment demonstrated robust margin expansion, with EBITDA margins improving by 490 basis points. This significant enhancement was primarily driven by operational efficiency gains and an improved milk spread despite a flat top line. The salience of Value-Added Products has improved from 36% of total sales in Q1 FY'24 to 42% in Q1 FY'25, reflecting our successful portfolio optimization efforts.

The Poultry segment recorded a decline in revenues, primarily due to lower volumes in the live bird business as we continued to focus on branded business and reduced our exposure to the live bird business.

GAVL's joint venture in Bangladesh, ACI Godrej, recorded a revenue decline of 13% year-on-year in Q1 FY'25, due to volume contraction and pricing pressures across categories in the backdrop of a challenging political and economic environment.

That concludes our business and financial performance update for the quarter. With this, I close my opening remarks. We will be now happy to answer your questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankur Periwal from Axis Capital.

**Ankur Periwal:** Congratulations on a good set of numbers. First question on the Astec part of the business. If you can share your thoughts on the enterprise sales, the scenario, the macro over there. Are we still seeing pricing pressure, as well as outlook on the CDMO business there?

**Anurag Roy:** Talking first on the enterprise business, as we got into Q1 FY'25, we saw significant headwinds continued in the quarter, as we saw it in the numbers as well. So, what we are seeing in the enterprise business or the portfolio where we play in, primarily the Triazole portfolio is, on some of the products, we are seeing demand being firmed up. But for the others, we still are waiting for a significant demand uptick to come back. If we look at geographically, demand from the domestic market has started firming up, and we are also seeing some prices to firm up. But we continue to experience challenges in the export market, wherein the price points are still very low, and we have also seen continued dumping of products from the China market. So that's the scenario on the enterprise product. We feel that the demand should likely be back in next quarter or two quarters. But price, specifically in the export market, might take a few more quarters to firm up as the supply demand balance evens out in most of the products. On the CDMO side, we continue to have a run. Obviously, we are growing from a smaller base. And each year, we

are growing by almost 60% to 70% year-on-year, and we hope to maintain the same run rate as we get into this year and the following years.

**Ankur Periwal:**

So Anurag, just two follow-up there. One on the CDMO bit, we were given, take around, ₹ 270-odd crores, as the new products put together. How quickly do we think we can scale it up to the full potential for the existing capacity over the next maybe two to three years? And secondly, a follow-up on the enterprise business part. While pricing is, again, not exactly in our hands, but from a volume growth recovery perspective, any timelines you can share there?

**Anurag Roy:**

First on the CDMO part of the question, we have invested to increase the capacity on the herbicide plant, which is likely to be commercialized this quarter. And as such any ramp up in the CDMO will cater through the second herbicide plant, which we'll be commercializing. As I mentioned earlier, since we were growing from a smaller base, we are expecting 50% to 60% growth year-on-year, and we want to maintain that run rate at least for the next 2 to 3 years. So that's on CDMO.

On the enterprise side, as I mentioned, the demand is likely to come back or we are seeing some green shoots in the demand starting this quarter, specifically from the domestic market. And I would say, by end of this year, the demand is likely to come back fully, and the prices might take another quarter or 2 to firm up. That's how we are seeing on the enterprise side.

**Ankur Periwal:**

Just another question on the palm oil plantation side. Slightly weak numbers, and you did mention OERs being slightly weak along with lower FFBs. Any thoughts if that weakness in OERs is still continuing in the last couple of months as well? And how does the full year production looks like?

**Balram Yadav:**

So let me tell you that most of our businesses suffered because of excessive heat during May-June. And that is one of the reasons what we believe that whether it is Animal Feed season or it is the Milk season or is it the Oil season, everything is delayed by a month at least. So if you ask me today, I think the kind of uptick we wanted to see in our FFB production has not happened, but it is not something which we have noticed only this year. Every 2-3 years, there is a year where this happens and the season is delayed, and it gets into November and December or so, instead of getting over in October and November. So our sense is that, based on our past experience and data, it should be another year when the season will be extended. One of the reasons for lower OER in say nearer months is that we had excellent rains in July. But when it rains in July, we also pay for water because it is paid on the rate of the fruits, rather than the oil content of fruits. So we see this as a normal phenomenon. But water is very important, so we believe that the productivity will go up and production will go up in the coming months. So we have not given up. I am very sure that the numbers will be definitely achieved in the FFB production. And in case we follow the last few years pattern, the OER improvement should also start from August onwards, and we should start clawing up in OER also. So I have still not given up. I strongly believe that, definitely, we will achieve last year's numbers come what may.

**Moderator:**

The next question is from the line of Sarvan Vora, who is an individual investor.

- Sarvan Vora:** My first question is on Astec LifeSciences again. So I hear your comments, Mr. Roy. I just wanted to get a little bit of clarification. First was in the prior quarter, we had guided that the new high-margin molecules that we had launched for the idle enterprise capacity, those would start showing some fruit in the July to September period. So where are we on that, is my first question?
- Anurag Roy:** On the enterprise side, there is a new product, which we have launched at a very fast-paced basis on the development timeline, for which the volume has started to go in the export market from Q4 last year quarter. So we had the volume from that product, volume sales from that product in Q1 as well and we'll continue to have that in the subsequent quarters.
- Sarvan Vora:** Just to clarify sir, if you had those sales in Q1, then like the enterprise business like was close to 0, like the older one.
- Anurag Roy:** So for the other enterprise business, two things happened. One, clearly, there was no profitability generated from the other enterprise business. Two, there was a lot of sales which were booked for the export market, which was not realized in the first quarter. So the impact from the revenue perspective will start kicking in from Q2. So that's on the enterprise side.
- On the CDMO side, actually few of our project or the volume sales were being deferred to the subsequent quarter because of the supply chain issues on some of the raw materials coming in from China. So we were not able to realize the revenue in Q1 because the lack of availability of containers coming in from China. So those were the 2 primary reasons for muted Q1 numbers.
- Sarvan Vora:** So just that would be a deferral, so that would come up in 2Q. So could you just quantify the number for CDMO and enterprise separately?
- Anurag Roy:** See typically, I think we maintain our guidance on the CDMO revenues for the full year. As I have repeatedly mentioned, we should not look at CDMO revenues on a quarterly basis. So we maintain the same guidance that from last year, ₹ 260 crores- ₹ 270 crores number. We'll continue to grow that number by 60% to 70% this year, and we are well on target to achieve those numbers. On the enterprise, very difficult to put a number or a forecast, but since we have launched some of the new enterprise projects as well, we believe at a portfolio level, we'll be able to utilize our capacities fully for the remaining quarters and appropriately meet the revenues and profitability.
- Balram Yadav:** But our traditional triazole products, I think in one product, the volumes are back, but the pricing is a problem. In the other crop product, which is propiconazole, neither the volumes are there, not the price is there. So I think that still is baffling us because that is one product, which used to be very fast moving for us. So does the world still have inventories or what has happened because none of the countries have banned that product? So I think we are watching. I must also say for everybody, let me tell you that the line of sight is very limited in our enterprise products, particularly the traditional ones because we really do not know what is happening.

- Sarvan Vora:** Right. Sir, Mr. Yadav, you had mentioned in the last 4Q call that for Astec, we would probably be looking at Capex in 3Q next year or towards the end of FY'25. So any thoughts around that? But any change in thought around that from previous quarter?
- Balram Yadav:** So definitely, there is a big change. The discussion here is that have we run the full life cycle of some of our old triazole products, and in case we get an idea that rather than setting up new capex, we might modify some of our old plants to fit in some new molecules which might come, which may defer the investment by another year or 1.5 years. But we still don't know. It will take another 3 to 6 months to figure that out. But at least, as of now, we are not committing any capex in Astec LifeSciences other than debottlenecking, quality improvement projects and some environmental control investments that far.
- Anurag Roy:** And the herbicide 2 would be commercialized.
- Balram Yadav:** Yes, it is almost complete since money has been already invested.
- Sarvan Vora:** I just wanted to understand from you, post this increase that we are doing a stake in our tie up in our JV with Godrej Tyson, what are the long term, any outlook or thoughts behind that and how we think about the business over three to five years now?
- Balram Yadav:** So I must say that this was one of the very fruitful partnerships we have with Tyson. I think they brought in a lot of knowledge to our team in chicken, in rearing chicken, and in food part of the business. I think they are the leaders in the world, and I think the kind of optimization of the technology and skills they did is commendable. But all joint ventures have a limited life and we felt that it is too big a company and the business in India was too small for them and India is a land of opportunities, but it requires quick decision-making investments both in brand building and people as well as in equipment and facilities. I think in a joint venture, the speed is always a casualty. We felt that we would be better off managing it alone and that is what, I would say, motivated us to go for acquiring 100% stake in this business. Now having said that, apart from the opportunities which we can capture in this business because of agility and investments, etcetera, yes, there is other, I would say, freedom. This thing gives us our ability to do M&A or restructure this business, take portfolio decisions in future. So I think not only gives us an opportunity to build this business, but also to restructure this business if required in future.
- Sarvan Vora:** Just one more question, sir, on Agroveter. We have discussed in the past if the business can actually look forward to any alternate structures for the business. But when I go through the annual report, we've highlighted how we drive gross business synergies and knowledge in the business. So any thoughts, update on thoughts around that from what we have discussed in the last 2 odd quarters?
- Balram Yadav:** So I think we keep on exploring those opportunities in terms of portfolio decisions, that is point number one. And one of the portfolio decisions we took and demonstrated also, that we are seriously looking at the things to bring more flexibility in system that is. The other thing about cross synergies, definitely these cross synergies are very, very useful. They are strengthened.

We keep on working on them. But I don't think that large portfolio decisions can hamper this. Because ultimately, whatever we do, these businesses will always remain in the Godrej pool. And definitely each company can benefit from what other company is doing. And you will see more of it happening in the future also.

**Moderator:** The next question is from the line of Raj Rishi from DCPL.

**Raj Rishi:** Any comments on recent developments in Bangladesh, how it will impact the joint venture there?

**Balram Yadav:** No, it won't impact the joint venture because we are both committed. Because it is a wonderful business we have built, we're growing. When we went there, we were 15th Animal Feed company. Today, we are the second Animal Feed company and growing faster than the #1 company. So it's a very profitable business. Always delivering very high dividends. However, the political developments there are unfortunate. And I must say that definitely last 1 week was very, very difficult for us and our employees because we have several staff with families there, and they were not able to move houses. And whenever something like this happens, I think we expect, particularly Indians are easy targets. So we were very, very disturbed, but of course, yesterday's development has brought some sanity, and our reports are saying that at least Dhaka is very peaceful, and rest of the country is coming back to normal very quickly. My sense is within a day or two, we will start our factory. And we have a meeting post this, where we will assess the situation and take a decision if can start our factories, because they got closed day before yesterday. The other thing I must say is that we are classified in essential services there, so I think as soon as the new government takes charge, somebody responsible is there, they will definitely ask us and provide us all support and protection to start the factory because Animal Feed is as important as food, because animals would be without feed for some time. So I think we will get back to normal very quickly particularly in this sector.

**Raj Rishi:** Yes. I just got disconnected for a while. Can you just repeat the last minute.

**Balram Yadav:** I am saying that we are part of the essential services. So government, as soon as there is one, they will quickly help us and protect us to get back to normal and this is what has happened in several times in the last two decades also, we have been here. So my sense is in a day or two, I think we will come back to normal.

**Raj Rishi:** So net-net, financially, you don't think much of impact would be there?

**Balram Yadav:** It may be an impact this month. But I'm saying that, ultimately, the birds are still there, the animals are still there. So I think things will get back very quickly and in a week's time, I think it will be business as usual. Unless and until, there is a new development which we don't know.

**Raj Rishi:** I just couldn't hear what you said about Godrej Tyson, you're talking about M&A, it will further enable possibility.



- Balram Yadav:** Yes, I am saying that with a partner, there was always difficulty in restructuring because there are always interests of both has to be kept in mind. So, whether it is investment decision, whether it is restructuring decision, whether it is talent decision, whether it's investment in branding, etcetera, all these digital will become much easier when you own something 100%.
- Raj Rishi:** So, is it being the Godrej Agroviet vision to make it a strong brand to what you're doing right now?
- Balram Yadav:** I think you will see increased activity on branding. So definitely, I think we are beefing up talent also. And so, my sense is that all decisions will be made in this room, that is a big plus for any of the businesses we run. Because this requires agility, this requires quick decision and quick changes. India is not a country where you can wait for 2-3 quarters to change things.
- Raj Rishi:** That's right. And sir, like this present recent budget had a lot of stuff on agriculture, like agri stack and all that. So, any comments on how that will impact the business most probably positively?
- Balram Yadav:** Agri stack is going to be revolutionary in the long run. Let them get the data first, and I think whatever pilot we have done in two-three states has been very encouraging. Eventually, they want to bring the 6 crores farmers under Agri stack. But initially that data may not be available to the private sector, but eventually, it will be. And my sense is that I think the whole sector will change with so much of information we will have about each farmer, crop, land, etcetera. So, I'm saying that it will be a technological revolution. So, it is a top-class KYC for our farmers. And I think the company will benefit from that.
- Moderator:** The next question is from the line of Rikin Shah from The Boring AMC.
- Rikin Shah:** My question is more on the Astec part. So, this quarter, we have seen a loss at a gross profit level, I would say. So, does that mean we have seen final stretch of inventory liquidation there?
- Anurag Roy:** Yes. We have taken inventory write-downs in Q1 on tune of almost ₹ 18 crores. We brought all the inventory to the existing pricing level in the market. So, any kind of uptick in prices as we get into the subsequent quarters will have a positive impact on our profitability.
- Balram Yadav:** Let me also tell you that ₹ 4-5 crores of credit notes were also given because the prices fell so sharply in past that whatever we had sold at high price also has to be repriced at lower price.
- Anurag Roy:** So, like from Q4 last year to Q1, we have also seen a deterioration in export prices by 10% to 12%. So that has also impacted our write-downs or the profitability.
- Rikin Shah:** All right. Because I think it has been a pertinent question since the last year. In Q2, I am asking this question myself. And that time, you had mentioned that almost 40% to 50% of inventory or high-cost inventory was depleted. So, from then on, up until now, it has been a long journey. So then can you finally say that next quarter onwards, we should at least not see a gross level loss in the enterprise side?

- Anurag Roy:** Yes. See, for most of those products, Rikin, we were able to liquidate the inventories. But for one product, which I think you are aware of, which Mr. Yadav was also talking was propiconazole, we were still sitting with some of the inventories where we are not seeing any demand even from the domestic or international market. When I say demand, I'm talking about any significant demand. It's moving in a few tons and we were anticipating that, by this quarter or next quarter, the demand will come back, and the prices will not go down significantly. But we saw a deterioration in prices as well and very meagre demand coming up in Q1. Hence, we had to take the write-down. But now our inventory situation is also way less on that particular product. For the remaining zole product, we have almost balanced out. So, as you rightly mentioned, in the subsequent quarters, we should not see any further impact on the inventory write-down.
- Rikin Shah:** All right. Additionally, Balramji mentioned about whether triazoles have run out their life cycle or not, you are evaluating that. But I think the current situation, the supply far outstrips the annual demand in most of the Triazoles. So, would it not be sort of an easy decision to pivot at this point?
- Anurag Roy:** So that's what we are doing. So, you're right from China, we are seeing a huge amount of overcapacity, so increased supply side situation and that's why when the demand is back, we are not seeing any firming up of prices on most of the triazole products. And as a result, what we are doing which Mr. Yadav is also saying, the existing capacity which we had for the triazole products. So, we are also rejigging some of those capacities to work around the other intermediates and CDMO products, some of the other new products and hence, balancing out the capacity from our historic product lines. So, we are working around that balance so that our capacities are fully utilized to the extent possible, and we require very minimal Capex or investment as we breathe through these tough situations.
- Rikin Shah:** All right. Got it. And just lastly, touching up on what you already mentioned. So, you did mention there is a deferral of orders in CDMO because of the supply chain issue, the gutsy prices. I hope we have not lost out on any of the business in CDMO, and it's just a deferral.
- Anurag Roy:** No, no. It's just a deferral. So, as I mentioned for the year, our guidance stays the same, it's just a deferral which has happened in Q1.
- Moderator:** The next question is from line of Resha Mehta from Green Edge Wealth Services.
- Resha Mehta:** Yes. So, my question is specifically on the cattle feed business. So, you've mentioned that the volume growth was impacted due to subdued milk prices and lower placements. So does it basically imply that farmers have started neglecting the health of their animals because the raw meat prices have been soft for a very, very long time.
- Balram Yadav:** Not health, but definitely nutrition. So, I'm saying that decision is very quick when the milk prices start falling and they see their profit going down, definitely they try and start cutting costs. And the first thing to be done is that they start cutting costs in the quantity of feed. So that

definitely happens when milk prices come down. But I'm glad to say that milk prices, particularly in Maharashtra, have gone up again and definitely, we are seeing a little bit of uptick in milk largely because of seasonal change, then this is the milk season which is starting. But you're absolutely right that there is an impact on quantity.

**Resha Mehta:** Right. So, any specific geography, states that you would like to call out where the farmers have started ignoring the nutritional needs of their animals? And also, you said that there has been a dip so this volume degrowth of 7.5% is attributed only to that? Or what share of this volume growth, volume would essentially be cattle feed?

**Balram Yadav:** So, cattle feed degrowth is about 4%. Our big degrowth is in broiler feed and I must tell you that you must look at broiler feed along with Godrej Tyson Foods Limited because, because of the heat, there were no broilers, so who will we sell the feed to? But the big impact is in the uptick in the boiler feed prices, which benefited the Godrej Tyson Foods. So that I think is a very simple analysis you can do and figure it out because when one sector or section does badly, the other section improves because the only way we will sell less is when there are less birds.

**Resha Mehta:** On the question on which state, specifically for cattle feed, where we are...

**Balram Yadav:** I think if you ask me, this impact has been all around, but the major impact was Maharashtra, but I think that has certainly started improving, particularly from the month of July.

**Resha Mehta:** Right. And sir, when would we have seen the string of farmers kind of reducing the feed for their animal, so it's been like this quarter and the quarter before that?

**Balram Yadav:** No, I think this is a normal tendency, they bring down the input cost, and this is one of the ways of doing it. The other way is also they bring down the silage which they buy from themselves and turn to traditional greens and dry fodder. So, I think you can always -they are entrepreneurs so they keep on taking those decisions, which may not be good in the long run health of the animal but provides them some relief in the short run.

**Moderator:** The next question is from the line of Abhishek Anand from Finterest Capital.

**Abhishek Anand:** Yes, I just want to get a brief knowledge on the margins, which have increased in this quarter. So, this has gone up to 10%. And so how do you see this? Is this a sustainable margin in the coming two to three quarters? Or was this a one-time event as such?

**Balram Yadav:** Which margin? Feed margin?

**Abhishek Anand:** The OP margins.

**Balram Yadav:** Sorry?

**Abhishek Anand:** The EBITDA margins that have gone up to 10%.

**Balram Yadav:** EBITDA margins?

- Abhishek Anand:** Yes, yes, sir.
- Balram Yadav:** This has been extraordinarily good quarter. So, my sense is that last year, we had a margin of 8.2%. This year 10.8% and I feel that anything between 9% to 10% is something which we think we will be able to maintain in rest of the quarters.
- Abhishek Anand:** Okay. So, in the coming quarters, we can see the margins to be around 9% to 10%, that's right?
- Balram Yadav:** Yes.
- Abhishek Anand:** So, anything in between of 9% to 10% in the coming quarters, right?
- Balram Yadav:** Yes, please.
- Moderator:** The next question is from the line of Gunit Singh from Carbon Check India Private Limited.
- Gunit Singh:** So, I'm Gunit from Counter Cyclical PMS. I would like to understand the trends in the poultry division, Tyson? So, what's the main reason for fall in revenues? And what kind of trends are we seeing in the poultry sector given that chicken prices are going down broiler process and maize prices -- the feed prices are going up. So, I mean what kind of trends are we expecting in the sector in terms of margins in the coming quarters?
- Balram Yadav:** So, revenue is going down because of conscious decision to reduce the live bird which was a commodity and you will see that increasing salience of branded products as quarter goes by will increase because that is the main focus. Because we don't want -we want this business in 3-4 quarters to reach a level where the live bird prices don't make such a big impact. However, having said that, they will definitely make an impact, but not the impacts which they used to make it in past. I think the thing to watch is the salience of branded business in the total turnover. If that is increasing, then we are on a good footing. The second thing is that we are going to have concentrated efforts on Yummiez and Real Good Chicken and we have good chicken business, and that will be our margin earner in the future. I think you will see increased activity in improving business hygiene, number one; margin expansion, number two; and branding number three. So, I think that will be the focus of this division in future. As far as corn prices are concerned the live bird costs will go up. But live bird cost will not go up in the same proportion as the corn price, because if you see our inventories are very high. And most of the inventories are in Godrej Tyson Foods Limited and the Animal Feed division, where we are already bought till October.
- Gunit Singh:** All right, sir. And if you look at the overall industry trends, I mean, in the poultry sector, should we -- I mean, is it that the prices of -price is not increasing as much as the cost of producing a chicken is increasing?
- Balram Yadav:** This is a bad quarter to ask that question because prices have been falling the last 15 days and Sawan is one very poor consumption months. But my sense is that they will start rising again once October comes like all years, and you will have 3-4 months of good prices again until

January, and then there will be a lull for a month or two. So, I think this is the cyclicality which this industry has been following for last so many decades, and I think that will continue.

The only good thing is that this year, probably we don't have perfect data in this industry, but what we are seeing is industry players are also managing their supply and their inventory depending on this season. So, we will see that prices may fall, but they will not fall the way they used to fall in earlier years, that they used to be at 60% of cost of production or 50% of cost of production. So, I am hopeful that this quarter will not be as bad as other Sawan quarters. But definitely, it will be subdued.

**Gunit Singh:** All right, sir. Just to rephrase what you said, so basically, we're looking at this normal seasonality and things would be better only in terms of margin overall if you look at FY'25 as compared to previous times.

**Balram Yadav:** Yes, yes, yes. So, 1 reason for margin expansion in poultry will also be benign raw metal prices. So even if corn has increased for some time, but if you see protein, particularly soya bean and DDGS because of huge increase in production of ethanol. So, the protein prices are very, very, I would say, at a very comfortable level. They are much lower than last year.

**Moderator:** The next question is from the line of Abhijit from Kotak Institutional Equities.

**Abhijit:** Just a couple of questions on the key segments. So, in Animal Feed, we've seen this very strong margin performance, which you clarified is because of the favourable commodity cost positions we have. So, will this continue through the rest of this year? And how should we think about the margin profile in this segment going forward?

**Balram Yadav:** I think we should be able to maintain it around ₹ 2,000 in rest of the quarters, because I'm very confident because we are definitely covered as far as major raw materials are concerned, where most of the movements take place during the season. And I believe that prices are not going to increase in season also significantly, because corn is the only area where we have seen inflation and there is an 11% growth in corn area. That is point number one.

Point number two, the rain has been extremely good. If it starts tapering in a week or 10 days' time, we will see a bumper corn production, which should take care of the increased demand of starch industry, feed industry and the ethanol industry. So, my sense is that pretty much everything is under control, and everything is looking for pointing towards that.

**Abhijit:** Got it, sir. And in the domestic Crop Protection business, where again the margins are extremely robust. And you mentioned in the presentation that it was driven the higher realizations across product categories. So again, how should we think about the margin profile there, moving forward?

**Balram Yadav:** Yes. I think Q1 and some part of Q22 is always our in-house products. And then we will start now quarter 2 second half and quarter 3 will be our in-licensing products. And some in-house products like double and combined. So, my sense is that our change in strategy and improvement

in our in-licensing product, will definitely make sure that we come to similar margin profile as last year. Having said that, I must say that our in-house products have performed very well in past four months, but due to incessant rain, we are keeping our fingers crossed in the late season, liquidation, which used to be very high is not showing that number. But there is a lot of opportunity with Rashinban, with Gracia, etcetera, later in the season. And my sense is that the kind of product rates we have, and, in the costs, we have, which are very remunerative from particularly vegetables, we should be able to make up for in case there is a slip up in our PYNA products in first half.

**Abhijit:** Just one thing for Anurag on the price also. There was this recent news from China about the closure of some one to four triazole facilities. So, is that potentially a positive for the triazoles business?

**Anurag Roy:** So, we were tracking that news closely as well. There was slight disruption in terms of shipments of raw materials coming in from China. But that problem was very short-lived. So, we are not seeing any delays in terms of raw material shipments coming from China. And what we were anticipating that it might have a significant impact on the prices, but we haven't seen any of that panning into the market.

**Abhijit:** On the capex front, you announced this ₹ 110 crore capex project for Animal Feed in Maharashtra. So is this basically to meet the growing demand for our key brands, is that the thought process there? And from the overall company's perspective, Godrej Agroveter, what sort of capex number could we work with for fiscal '25?

**Balram Yadav:** So, this ₹ 110 crore plant, the sanction has been taken in anticipation, because it takes us normally 2 years to complete one plant. So we thought that it is good if we take this sanction so that we have the flexibility of starting at any time because we already have 11 acres of land at a suitable place in Maharashtra. That is point number one.

Point number two is capex this year, definitely, we are going to have one more refinery in OPP. And with these attachments, etcetera, of ₹ 70-80 crores. Apart from that, there is a capitalization of herbicide. Money is already invested 99% of that. And then routine capex, everything will be managed through internal accrual easily.

**Moderator:** Ladies and gentlemen, we will take that as the last question. 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 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:** On behalf of Kotak Institutional Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your line.