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September 15, 2017

BSE Limited

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The National Stock Exchange of India Ltd.

**Exchange Plaza, 4th Floor,
Bandra-Kurla Complex,
Mumbai 400 050**

Dear Sirs,

We enclose herewith, for your information, a transcript of Concall with Investors and Analysts which was held on August 14, 2017.

Thank you.

Yours faithfully

for Godrej Industries Ltd.



Niufer Shekhawat

Company Secretary



Godrej Industries Limited

Q1 FY18 Earnings Conference Call Transcript August 14, 2017

Moderator Ladies and gentlemen, good afternoon and welcome to the Godrej Industries Limited Earnings Conference Call. 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 would now like to hand the conference over to Mr. Anoop Poojari of CDR India. Thank you and over to you sir.

Anoop Poojari Thank you. Good Afternoon everyone and thank you for joining us on Godrej Industries Q1 FY 2018 earnings conference call. We have with us Mr. Adi Godrej – Chairman, Mr. Nadir Godrej – Managing Director, Mr Pirojsha Godrej – Executive Chairman of Godrej Properties Ltd, Mr. Nitin Nabar, Executive Director and President (Chemicals), Mr. Clement Pinto – CFO & Mr S.Vardaraj CFO- Godrej Agrovet Ltd.

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 this call may be forward-looking and a disclaimer to this effect has been included in the conference call invite sent out earlier. I would now like to invite Mr. Adi Godrej to make the initial remarks.

Adi Godrej Thanks Anoop. Good Afternoon everyone. I welcome you to the Godrej Industries conference call to discuss the operating and financial performance for the first quarter of the fiscal year 2018. I shall take you through some of the key developments and operational highlights of each of our businesses followed by a summary of our financial results.

We had a mixed performance in the first quarter of the fiscal year 2018, but are confident in delivering better results in the quarters ahead.

I am pleased to share that in the first quarter of fiscal year 2018 the market value of Godrej Industries' investment in GCPL and GPL has increased by Rs.4,541 crore (26%, Y-O-Y) while Godrej Industries market capitalization increased by Rs. 8,069 crore (60%, Year-On-Year). GIL's share price has increased by 40% CAGR since 2001.

Godrej Properties registered its highest ever residential sales in the quarter. Four new projects were added to GPL's portfolio and it had one of its best ever quarters in terms of operating cash flow. The total sales booking for the quarter stood at Rs.1,474 crore which represents a YoY growth of 281%. GPL has started the year on a strong note by adding four new projects with a saleable area of 4.9 million sq. ft. and significantly strengthening its development portfolio especially in the NCR region. GPL had strong launches across Mumbai, Pune, and NCR. Godrej Origins at 'The Trees' in Mumbai witnessed sales of 130 apartments within the first week of launch. Total Income for the quarter increased by 3% to Rs.345 crore. EBITDA increased by 9% to Rs.78 crore and net profit for the quarter stood at Rs.23 crore. With rapid consolidation underway in the sector, which will only accelerate with the enforcement of RERA, we believe there is an opportunity for more impactful business development and that is a key focus for us in the current financial year. Our deal pipeline for new projects across the country's leading real estate markets looks robust and we expect substantial positive news on this front in the year ahead.

Godrej Agrovet had a steady growth in revenues while it's PBT for the quarter increased by 13% as compared to corresponding quarter of the previous year. New product launches and good South West monsoon helped GAVL's crop protection business to clock a growth of 19% as compared to the corresponding quarter of the previous year. Astec LifeSciences Ltd, subsidiary of GAVL had a steady performance in the current quarter, its revenue for Q1FY18 grew by 3% as compared to Q1FY17.

Oil Palm business revenues increased by 9% in the current quarter as compared to corresponding quarter of the previous year.

Animal feed business' volumes were flat in the current quarter as compared to the corresponding quarter of the previous year. GAVL working on multiple initiatives to improve competitiveness of the poultry offering.

GAVL's Joint Venture in Bangladesh- ACI Godrej continues to do well, clocking a growth of 13% in the current quarter.

Godrej Tyson's sales for the 1st quarter of the current year remained subdued compared to the corresponding quarter of the previous year. This was mainly due to high bird prices.

Creamline Dairy Products Ltd another subsidiary of GAVL recorded a healthy revenue growth of 23% in this quarter aided by strong performance of value added products and consolidation of RBS dairy acquisition.

Value added products grew by 35% in the first quarter of the fiscal year 2018 as compared to the corresponding quarter of the previous year.

Moving on to performance of Godrej Consumer Products; GCPL's consolidated constant currency sales increased by 8% year-on-year. While India business sales in April and May were strong, June sales growth dipped due to channel de-stocking in the run up to implementation of transformative Goods & Service Tax. Consumer demand however remains robust. GCPL continues to invest in strengthening its brands and supporting several recently launched innovations. GCPL's India business had strong, ahead of market top line growth despite GST driven down stocking; Primary sales grew by 6% and secondary sales grew by 9%. International business grew by 11% on constant currency basis. Consolidated Net Profit without exceptional items for the quarter stood at Rs.230 crore

I am confident that with our clear strategic focus, differentiated product portfolio, superior execution and top-notch team, we will continue to deliver industry-leading results in the future.

Our Chemicals business recorded a revenue of Rs.397 crore in the first quarter of the fiscal year 2018, a growth of 30% as compared to the corresponding quarter of the previous year. PBIT for the quarter stood at Rs.15 crore.

Let me now briefly run through our financial highlights. During the quarter, consolidated Total Income stood at Rs.2,273 crore as compared to Rs.2,126 crore in the corresponding quarter of the previous year. The consolidated net profit stood at Rs.37 crore.

As we look ahead, I feel confident of strong growth in the medium to long term. With implementation of GST, it will be transformative for the Indian economy and will significantly boost consumption and GDP growth. It will also create a level playing field for the organized players by bringing the tax evaders under compliance.

To conclude, we remain encouraged and confident of achieving our long term objectives of inclusive, sustainable and profitable growth. I am confident that our disciplined strategy, prudent approach, focus on agile execution and our committed team will enable us to improve performance further and create greater shareholder value.

Moderator Thank you. We will now begin with a question-and-answer session. The first question is from the line of Abhijit Akella from India Infoline. Please go ahead.

Abhijit Akella My questions are entirely related to Agrovvet. First just a clarification regarding the PBT growth, so we've talked about 13% PBT growth for Agrovvet. And yet, when I look at the segment disclosures, all the major segments seem to have shown a decline, with the sole exception of the crop protection segment. So just trying to reconcile those two facts.

S. Varadaraj In terms of the overall PBT growth of Agrovvet, though in the animal feed business, in terms of the segment results, there was a degrowth, the crop protection business and the oil palm plantation businesses were doing quite well. Similarly, Astec business has done quite well in this quarter and that's how the overall number has seen an upward trend.

Abhijit Akella The oil palm business is within veg oils right? Veg oils seems to have sort of declined.

Clement Pinto Yes, I want to add to what Varadaraj said. The veg oils segment has three elements along with our plantation business. We also have a major part which comes from our international trading business and the profitability has been lower because of the lower margins on account of the trading business. The Agrovvet business within that segment has done well.

Abhijit Akella Okay. Understand. And is there any increase in other income or any other below the EBITDA lines at Agrovvet, which might have led to this?

S. Varadaraj No, there are no such lines, no exceptional items.

Abhijit Akella Okay, fine. Then just taking some of these lines one by one, animal feeds, you've mentioned in the presentation that volumes were flat for the overall animal feed segment, yet the revenues are down sharply. So what is the reason for that? If you could just give us some sense of the segment wise colour there? I mean you mentioned that broiler was weak, but fish was strong. How did cattle feed do and what is the salience of each of these?

S. Varadaraj So first and foremost, the overall commodity prices having quite subdued in terms of our animal feed businesses and consequently the selling prices are also subdued because of that. So that is the first overarching kind of reason why our revenues are lower as compared to the volumes. The volumes are flattish, but revenues are lower. That's point number one. Point number two, as you rightly mentioned, broiler feed within this segment has degrown. However, our cattle feed has grown. Cattle feed has grown, our aqua feed has grown. So it's primarily the broiler feed, which has sort of degrown.

Abhijit Akella Okay. And so the following profit is largely because of the weakness in broiler feed in animal feed?

S. Varadaraj Yes.

Abhijit Akella And then on the dairy business, we've seen significant revenue growth, but yet the margins seem to have come down sharply. So if you could comment on that? And also if you could give us some color about this RBS acquisition, how much is the organic growth, excluding RBS and from what date was RBS included? And also just some color about, how much you paid for it, what its financial profile is, etc.?

S. Varadaraj So let me try and answer one by one. In terms of dairy business, as you rightly said, there is a good volume growth and overall realization has also grown, so there has been a good growth in terms of our dairy business. However, the margins have been under pressure because the procurement price increases were quite steep and we were not able to pass on the entire procurement price increases. So that is the primary reason why our dairy business margins had shrunk. And in terms of the RBS dairy, the split between what is the kind of volumes and revenues, which we've got from that, maybe we could give it offline.

Abhijit Akella Okay. From what date was it included, sir?

S. Varadaraj It was there for the entire quarter.

Abhijit Akella Okay, fine. And on crop protection, you mentioned this the new product launch, Oryzostar, I just wanted to confirm if this is indeed bispyribac sodium that we've been trying to launch from any.

S. Varadaraj Yes, absolutely. That's right.

Abhijit Akella Okay. And could you give us some sense of the pricing strategy there compared to the leader. Are you pricing it at a significant discount or close to the leader and what's your market share sort of game plans over there?

Adi Godrej Sorry, we won't be able to answer such questions in view of the DRHP filed. SEBI does not permit us to discuss any strategies or any future looking statements for Godrej Agrovet as the DRHP is being processed.

Moderator Thank you. The next question is from the line of Srinath Sridhar from ICICI Securities. Please go ahead.

Srinath Sridhar My first question would be on your agro chem business. So we have seen that the industry has basically struggled this quarter on account of channel

destocking due to GST. Just wanted to know how did we manage to grow our sales this quarter?

S. Varadaraj Yes, so in terms of the agro chemical business, the crop production business what we have been doing right from April onwards has been on a steady basis, placing our products at all the market and as we mentioned earlier, we have launched Oryzostar, the rice herbicide, that also has helped us in growing. But not only that, other products also have grown.

Nadir Godrej And we had significant response.

Srinath Sridhar Sir, which are our major markets?

S. Varadaraj So in terms of the markets, we sell to France, UK, USA, Netherlands.

Srinath Sridhar Okay. And domestic anything?

S. Varadaraj Domestic, I split it into two parts, the Godrej Agrovet crop protection business is B2C business, which is primarily domestic. The Astec business, we have exports and then we have B2B business domestically.

Srinath Sridhar Okay. Fine and sir, there is a growing debate that the government is going to lay restrictions on imported technicals, so basically they won't give new permissions for new molecules. So how will that impact us?

Nadir Godrej Astec LifeSciences has very good R&D capabilities and they are quite capable of manufacturing some of these intermediates, if necessary.

Srinath Sridhar So you all can manufacture it in-house, in India?

Nadir Godrej Several of them we could manufacture in-house.

Srinath Sridhar Okay, fine. And sir, based on your animal feed, so I understand that your broiler business which is Tyson, Godrej Tyson has not done well?

S. Varadaraj Yes.

Srinath Sridhar And so can you give me the difference between the fish feed and poultry, what is the breakup?

S. Varadaraj So first and foremost when we look at the Tyson business, that is the poultry business, the poultry and processed food business. Whilst when we look at animal feed, there you have this three components of dairy feed, poultry feed and aqua feed.

Srinath Sridhar Yes, so basically the India business is the one which has struggled as far as I can understand.

S. Varadaraj The animal feed business was having a rough patch in the first quarter. As we saw, there was a flattish volume, revenues degrew because of the commodity price cycle. And the dairy business, though in terms of revenue has grown, we had seen a margin compression because of the high procurement prices.

Srinath Sridhar Okay. And is there any sustainable margin profile on the animal feed business that you all foresee?

S. Varadaraj As mentioned earlier, we have filed our DRHP and are in the process of our listing. So at this stage, it would not be appropriate for us to give any forward-looking comments.

Adi Godrej Sorry, we cannot comment on future trends.

Moderator Thank you. The next question is from the line of Manish Gandhi, he is an individual investor. Please go ahead.

Manish Gandhi My questions are regarding Godrej Properties. First of all Pirojsha, congratulations for the best ever pre-sales, and as per my knowledge, this is the best quality pre-sales we ever have done.

Pirojsha Godrej Many thanks, Manish.

Manish Gandhi Yes. So I have two questions, the first question is regarding the de-merger we are doing for that commercial hotel and retail. So, of course, I can understand, but what would be of a preferred alternative to get a partner or to sell outright or to create annuity income? And can you just give us some color in which direction discussions are going. Is this portfolio is going to have large impact on our P&L and cash flow in next 2-3 years? So it will be helpful.

Pirojsha Godrej Yes, thanks for the question, Manish. I don't think we are quite ready to really comment on that in detail. Frankly, we are currently still exploring a variety of options. The projects are at different stages, I think for the office building work will commence shortly. The hotel is still in very early stages of planning, so I don't expect that to break ground for at least the next 18 months or so. So we will come back to you and shareholders with more information and when plans are more firmed up. But for now we are exploring a variety of options for these assets. The demerger creates a digital flexibility to bring on individual partners at the asset level.

Manish Gandhi Yes. But suppose if we get, our BKC and other commercial cash flow in few months, so would you be looking at rather opting for creating an annuity kind of income?

Pirojsha Godrej No, I don't think to completely turn the project, but there could be midway opportunities or we bring on a partner, or we could do it as you suggested entirely ourselves. That is what we will work out over the next few months.

Manish Gandhi Okay. And one more question, so I was confused regarding the P&L of this quarter of Godrej Properties. So, our net profit, of course, after that other income, so I was just confused. So what affected it? So correct me if I'm wrong, so one thing is for the Rs 20 crore or so interest for the BKC, which is there in the quarter, the other is because of Ind-AS marketing costs for the Rs 1,100 crore new project and the third is for the cost overrun, is it right?

Pirojsha Godrej Yes, I think those are some of the major concerns. And of course, it also depends on the project mix and I think the project mix does affect the sort of the starting margins, but yes, also some of the impactful items in the quarter.

Manish Gandhi But so how do we get an idea, Pirojsha because now we have many projects and become confusing, and see, last quarter also we had Chandigarh project cost overrun. So then in future, what do we do so that we don't have this kind of project cost overruns or is it a natural phenomenon happening in real estate?

Pirojsha Godrej No, obviously, the goal will be to minimize this to the greatest possible extent and hopefully even savings on some projects. But I think the combination of the market being quite sluggish, prices in most places being flat, some markets like NCR being low, is impacting sector margins as a whole. Frankly, the two metrics we're most focused on internally is booking value and net cash flow, and for both of those, it was a good quarter. But I do think that we feel it's also a more relevant metric for P&L currently quarter-to-quarter as a lot of these one-offs that can move it quite substantially.

Manish Gandhi Right, it is true. So can these three factors which I mentioned, of course, I don't want the exact figure, it can be in the range of 50 crore to 70 crore?

Pirojsha Godrej Let us discuss it offline specifically.

Manish Gandhi Definitely. I will do offline.

Pirojsha Godrej Thank you.

Manish Gandhi Thank you very much. And I think Balram is not on the call. So congratulations for the team for in last 10 years what you have done with Godrej Agrovet, and all the best for the IPO.

Moderator Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia Sir, my questions pertain to the standalone Oleochemicals business. So this business has been building for quite some time, right, both in terms of the disciplined margins and return ratios. So is there any firm roadmap to have for turnaround in its operations

Nitin Nabar So we are looking at getting into value-added products and specialty derivatives, so over a period of time will improve the EBITDA margins of this business.

Shashank Kanodia Sir, any timeframe that you would like to put, two years, probably three years it can post decent numbers.

Nadir Godrej It will be a continuous operation, and we will see progress after two to three years. We are also keeping maximum controlled on costs to minimize the loss.

Shashank Kanodia Okay. And does this business command more cash investments moving forward, let's say, FY18 and FY19?

Nadir Godrej No, they are not very capital intensive and we are not investing large amounts of capital.

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

Aniruddha Joshi Just on animal feed, what is the exact issue with the poultry business? So I guess we have seen 2-3 quarters of muted performance in case of poultry. So what is the exact problem and when do you see the situation turning back to normalcy?

S. Varadaraj Yes. So first in terms of the poultry business, over the last couple of quarters, the placement by integrators has been on the increase, and hence, the markets which are available for commercial feed was lower. So that was one aspect which was there. In Q1 specifically, placements per se were lower because of shortage of feeds. Ongoing forward basis, I think it will be difficult for us to comment at this stage given our restrictions which are applicable.

Aniruddha Joshi Okay. And now there are rising number of organized dairy players who are opting for their own animal feed. So do you see any issues in terms of the dairy animal feed business of Godrej Agrovvet or the cattle animal feed business of Godrej Agrovvet?

- S. Varadaraj** So the dairy feed business of Godrej Agrovet is in terms of if I have to really look at the market, which is available, there is a huge potential which is still available because of the under-penetration, which is there, point number one. Point number two is, when you talk about large dairy, at various parts of the country, we have already tied up with certain large dairies for using our feed.
- Aniruddha Joshi** Okay. And so after the acquisition of Astec, the company was supposed to launch multiple new products. So, any update on that?
- S. Varadaraj** Yes, so when we look at the Triazole category per se, that is one area where we wanted the synergy benefits to come in post-acquisition of Astec and that has been doing well. We have been increasing the Triazole portfolio of Godrej Agrovet, thanks to the acquisition of Astec, and that has more than doubled in the last year.
- Aniruddha Joshi** Okay. Last question on the chemical business, this quarter, there was a very strong growth. Do you see the current growth rate continuing for the next 2-3 quarters?
- Nitin Nabar** So, this particular growth is coming from our exports and it is not comparable, because last year same quarter, we had a planned shutdown in one of our plants, and its volume this year first quarter is looking fine.
- Moderator** Thank you. The next question is from the line of Mahesh BP. He is an Individual Investor. Please go ahead.
- Mahesh BP** Can you please provide the breakup of revenue between shrimp feed and fish?
- S. Varadaraj** So shrimp feed, if you look at the revenue that would be around Rs 28 crore.
- Mahesh BP** Fish feed?
- S. Varadaraj** Fish feed would be around Rs 80 crore.
- Mahesh BP** Rs 80 crore. What was the volume growth in shrimp feed, I asked this question because one of the leading player Avanti Feeds has provided excellent results and increasing market share also. So can you provide what is the volume growth for shrimp feed for you and any plan to increase your own market share within that segment?
- S. Varadaraj** We can't talk of the future because of the DRHP has been filed.
- Moderator** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Adi Godrej Thank you. I hope we have been able to answer your question satisfactorily. If you have any further questions or would like to know more about the company, we would be happy to be of assistance. Thank you once again for taking the time to join us on this call.

Moderator Thank you. On behalf of Godrej Industries Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

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