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CIN : L15410MH1991PLC135359

Date: November 16, 2021

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”

Subject: Transcript of Conference call with Investors & Analysts held on November 10, 2021

Dear Sir / Madam,

Please find enclosed herewith transcript of Conference call of Godrej Agrovet Limited with the Investors and Analysts held on Wednesday, November 10, 2021.

The aforesaid information is also being hosted on the website of the Company viz., www.godrejagrovvet.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

Q2 & H1 FY22 Earnings Conference Call Transcript

November 10, 2021

Moderator: Ladies and gentlemen, good day and welcome to Godrej Agrovet Limited's Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mit Shah from CDR India. Thank you and over to you.

Mit Shah: Thank you. Good afternoon, everyone and thank you for joining us on Godrej Agrovet's Q2 and H1 FY22 earnings conference call. From the company we have Mr. Nadir Godrej – Chairman of the company, Mr. Balram S. Yadav – Managing Director and Mr. S. Varadaraj – Chief Financial Officer.

We would like to begin the call with brief opening remarks from the management, following which we will open the forum for an interactive question-and-answer session.

Before we begin, I would like to point out that certain statements made in this call maybe forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Mr. Nadir Godrej to make the initial opening remarks. Thank you and over to you, sir.

Nadir Godrej: Good afternoon, everyone. I welcome you all to the Godrej Agrovet's conference call. I hope you are doing well and are staying safe.

The second wave of COVID-19 in Q1FY22 had significantly impacted the economic recovery seen in the preceding quarters, especially in rural India which had much stricter lockdowns. After a good start to the southwest monsoon, it was marked by extreme localized rainfall events and an unusually dry August and an abnormally wet September resulted in lower kharif sowing.

COVID-19 cases have started declining steadily in Q2 FY22. Key macro-economic indicators, such as GST collection, purchasing managers index, unemployment rates, etc., also signaling a recovery. We expect the economic recovery to be faster in the second half of the year.

At Godrej Agrovet Limited, we continue to focus on employee safety and business continuity. I am happy to share that 100% of our eligible employees have been



vaccinated with at least one dose and 85% of employees have been vaccinated with both the doses.

Moving to the financial and operational performance, the key highlights and developments for the second quarter and the six months ended 30th September 2021 are as follows:

Q2FY22 and H1FY22 was a mixed bag for Godrej Agrovet Limited. The total income registered a healthy growth of 25.4% and 26.7% respectively in the current quarter and the half year over the corresponding previous periods. The consolidated profit before tax recorded a modest growth of 3.1% and 2.7% respectively for Q2FY22 and H1FY22. Please note that for the second quarter and half year of FY21, total income excludes 9.6 crore and profit before tax excludes 4.8 crore of income earned from sale of real estate.

Our consolidated balance sheet remained strong with net debt to equity of 0.58 as on 30th September 2021.

Now I will discuss the key financial and business highlights of each of our business segments:

In Animal feed, the growth momentum in volumes continued in Q2FY22 across feed categories resulting in robust growth in revenues and profitability. The segment revenue and segment results grew by 48.8% and 21% respectively during the quarter on the back of volume growth of 20.6%. For the half year, the segment sales grew by a healthy 41.4% and segment results were up by 26.8%. Realization of R&D benefits and introduction of new products supported improvements in the segment results.

We had a very good quarter in the vegetable oil segment. Our segment revenues and segment results grew by 36.9% and 88.5% respectively. Higher yields and higher end products prices contributed to the growth. Prices of crude Palm oil and Palm kernel oil increased by 55% and 76% in Q2FY22 over Q2FY21. Our oil extraction ratio increased by \approx 1% in the quarter. For the half year our segment revenues and results have grown by 53.2% and 131.1% respectively.

In the standalone crop protection business, segment revenue registered a de-growth of 12.6%. Segment results also declined by 24% as erratic and inconsistent monsoon rains resulted in lower sowing of major crops in the kharif and reduced application opportunities for agrochemical products. Margins were further impacted by steep inflation in raw material prices which could not be absorbed, resulting in lower margins in pesticides. Even for the half year ended September 2021 our segment results declined by 7.6%.

Moving to the performance of our subsidiaries:

Astec Lifesciences posted a decline in revenue and EBITDA in Q2FY22 of 33.8% and 29.9% respectively. The performance for the quarter was adversely impacted by the closure of the plant due to floods for about 15 days. Global shortage of containers limited the ability to ship goods resulting in deferment of sales. However, we believe that on a full-year basis, Astec will maintain moderate growth in its topline and profitability levels.

After a challenging first quarter, our poultry subsidiary Godrej Tyson Food Limited registered a revenue growth of 40.4% in Q2FY22 and EBITDA growth of 12.2%



supported by higher volumes and improved realization in 'Live Bird' and the 'Yummies' segments. For the half year Godrej Tyson has reported an EBITDA of Rs. 9.9 crore, a de-growth of 67.5% primarily on account of higher feed costs due to significantly higher raw material prices.

Our dairy subsidiary Creamline Dairy Products Limited's performance was impacted by higher procurement prices as compared to the previous year. During the second quarter, revenues increased by 9.7% year-on-year but EBITDA at 4.1 crore was lower than the corresponding previous period. We launched fruit yogurt which has received an encouraging initial response. For the half year ended September 2021, revenue grew by 11.1%, but EBITDA declined by 95.3%. Revenue from value added products grew by 38.2% year-on-year in Q2FY22 and by 27.1% year-on-year in H1FY22.

GAVL's joint venture in Bangladesh ACI Godrej, recorded another quarter of strong performance with revenue growth of 17.5% in Q2FY22. Growth was driven by strong volume growth across all feed categories, cattle, poultry and aqua feed.

This concludes our business and financial performance update for the quarter and half year. With this I close my opening remarks. We will now be happy to take your questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Two questions from my side. The vegetable oil segment has done extremely well during the quarter. So, with Palm oil prices remaining high and even the various news flows also indicating it remaining at a higher level, can we expect similar performance in H2 as well or do you see any cost pressures, etc., that can build up in the business model? And also how is the progress in terms of the new hectares added, fresh hectares as well as the hectares which can be used for the plantations also. That is question number one. And then second question, obviously this is repeated in earlier quarters also but still, dairy business continues to remain still in lackluster mode and now with inflation expected in dairy, maybe after the flush season so how do we see the dairy business from the value creation perspective over the next two to three years? That's it. Thank you.

Balram S. Yadav: Thank you very much for your question. First question is that yes, prices have been extremely good in the oil palm segment. But all our profits have not come only from price variance. I think there is a substantial improvement in efficiency also. And if you remember in my last meeting, I had said that we have taken help of consultants called Renoir to work on efficiency parameters. Plus, we also have initiated several R&D initiatives which have improved our oil extraction ratio (OER). So, when you see our annual numbers, we will show a significant improvement in our OER which is a direct injection into our profitability because we pay on the weight of the fruit. So, definitely, oil prices not likely to come down in next few months, but of course they will not remain at the level of H1. Today the prices are close to about Rs. 106 and you know that the government has reduced duty from 32.5% to 27.5%. But having said that, the reports are still very bullish. So, my sense is that prices are going to remain like this till February or March.

The next question you asked is how will be the second half. So, second half normally it's 70:30. 70% of the fruit comes in the first half and 30% comes in the second half. But this year is likely to be different because of the change in the monsoon pattern. So we are likely to have a split of about 62% to 63% in the first half and about 37%



to 38% in the second half which is very-very encouraging considering the oil extraction ratio and all the efficiencies have kicked-in in the latter part of the second half which will continue in this quarter also. So, we are very bullish on that. I think unprecedented profit & improvement in efficiency will be seen.

Let me also brief you on expansion plan. You must have known that this national mission on Oil Palm has been started by the Central government. I think one of the meetings has been headed in Northeast where a lot of mistakes by the companies and the government were discussed. And we have been invited by Arunachal Pradesh government. Our first team has already gone and looked at an opportunity of anything around 35,000 to 40,000 hectares. Of course, a lot of work needs to be done. We have also made a laundry list of things which the state government has to do. So, I think that MoU is likely to be signed next quarter.

As far as the regular increase is concerned, I think a net increase of 3,000 to 3,500 hectares will happen this year also which is happening for last several years. And I must also tell you that 18th of November is the meeting of that National Oil Mission oil palm in Hyderabad, focus like Telangana, Hyderabad, Karnataka and Tamil Nadu. So, let us see the government is putting best foot forward, but I must also say that the states are still dragging their feet and not fulfilling their obligation. So, we will let you know what the progress may be in the next quarter, but we are very optimistic because this scheme is very-very, I would say, fair.

On milk, yes, you are absolutely right. We are still not out of the hole we are in. Our big hits to the volumes in milk was because of our overdependence on institutional segment. I think that has not picked up. I can only say that about 10% to 20% of that segment has come back and we are hopeful that as the months go by, we will continue to improve our milk volumes, particularly the institutional segment. Whatever little growth you have seen over past several months is all retail which we are all very happy about because it is very sticky.

The second thing is that the positive part is very good growth in value added products. The salience is still low, but I feel it will chug along at 50%-60% growth per annum. On this base I think 2-3 years later, we will make this business a more sustainable from profit point of view.

The third thing is that yes, we have 30% dependence in our business system on buffalo milk prices and there has been no flush in the buffalo milk. Actually, the prices have gone up by about 10% in the last three months which is a big hit to us. And second thing is, the cow prices particularly in southern India have not dropped in spite of flush because cooperative continue to support the farmers by paying good price. So, we are in a little bit of fix, but I think that progressively things will improve as the salience improves. Products are doing well, and we are hopeful. Of course, I have been telling that in several quarters, but several steps we have taken, I think we will see some improvement in the coming quarters.

Moderator: Next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: I had two questions. As seen in most of the sectors, smaller players are finding it difficult to manage growth in these challenging times, especially given what inflation we are seeing across sectors. So, which segment do we think we can see higher market share gains? Is there an opportunity in 2-3 segments in which we are operating? And in the first half what are the price hikes we have taken in the animal feed and dairy segment? And lastly, input side, how are we planning inventory and procurement given the variations on input cost on a weekly-daily basis?



Balram S. Yadav:

Prakash ji, thank you very much. Excellent question. If you ask me both in cattle and poultry feed, we have benefited partly because of other players becoming a little weak and not able to find working capital that easily. And you must have also seen that the soya meal prices which is the chief ingredient of shrimp feed and poultry feed. In poultry feed soya meal inclusion is 25%, in shrimp feed it is 35%. Everybody has got hit in profitability, etc. Now why this magic has happened? So, one of the things that we have been talking about all our R&D initiatives to bring in substitutes for such volatile raw material and I think full benefit of that can be seen in this year in poultry feed segment where our market share has gone up. And our profitability, we would be the only poultry feed player in the country even though several companies are unlisted who are profitable in the first half.

The second thing I must tell you, in cattle feed, we had a very big problem. We were the number one company in the country, but not a single state we were number one. And I think with new launches, with very high performing feeds, at least in Maharashtra we have retained the number one position once again. And we believe the growth in cattle feed which we have shown in the first half which is close to about 14% will be continued in the second half also and may improve. Here again, market share gains are there. After years of decline for the last two years we have showing improvement in shrimp feed segment and this year we have again grown shrimp feed by about 40%. Of course, it is on a low base from last year, we were 15,000 and we are close to 22,000. But that is also reflective of the fact that we are doing something right there. Of course, the profitability took a very big hit because soya extraction went from Rs. 40,000 to about Rs. 1 lakh a tonne and the quality of soya we use is superior than what is used in poultry.

Similarly, in Oil Palm plantation also, we would see an improvement in market share. Of course, it was not a good year from volume point of view in fruits, but in terms of oil extraction ratio backed by our R&D inputs and efficiency improvement, we will see an improvement in OER. And OER is very precious you know that.

So, these are the few areas where we have gained market share. I can definitely say that fish feed was one area where we were very optimistic, but the party spoiler was COVID. Because what happens in fish is that the safest way to keep inventory is to keep it in water. So, that's what happened in April, May and June when the farmer did not harvest. Of course, harvesting happened in the next quarter and now replacement has started so we are expecting major improvement in fish feed also and improvement in our market share also

Plus, in 'Yummiez' and in value added products, we can share, we have data from Nielsen where our market shares have grown particularly in 'Yummiez' which is the value-added chicken and vegetarian products in Godrej Tyson Foods Limited. And Nielsen tracks I think, flavored milk, etc. There our market shares have improved. So, I think what has hit us very badly, I would say is the cost inflation particularly in our Godrej Tyson business and our milk business and in our shrimp feed business. Of course, we have benefited in the animal feed business and OPP business because of that.

Prakash Kapadia:

If you could comment on how are we managing the procurement inventory and something on the kind of price hikes which we have absorbed? Any further price hikes on that we will give and what we are seeing on the input side?

Balram S. Yadav:

Except for one area that is shrimp, where the price hike could not be taken because Andhra Pradesh is very active in price control with everything. And I think that harassment continues in all industries including us, where we could only pass on less than 50% of the cost increase. In other areas, we were very prompt and 100%



of cost increase was passed on albeit with a time lag particularly in cattle feed, in fish feed, in poultry feed. So, there we don't have a problem. Personally, I love this situation because this is where our muscle will come. At one time we were holding four months stock of corn and five months stock of soya meal and about 4 or 5 stock of other proteins and that you can see flowing into our profit statement, in spite of the fact that we took some time in increasing prices. Almost there was a two to three week lag every time we took a price increase.

I must also tell you that I think some way the government numbers and the industry numbers and production have to be taken with a pinch of salt. There are reports in April on soya meal excess in the country. The price was Rs. 33,000 ex-Indore and the price in August was Rs. 1 lakh a tonne ex-Indore. So, I think we just have to make sure that we improved our information and I think this is an opportunity for us. It's not a problem anymore.

Moderator: Next question is from the line of Abhinit Kulkarni from Techquity Investments. Please go ahead.

Abhinit Kulkarni: I have two questions. The first one is on capital employed. In FY21 I remember we moved partially away from supplier financing to short-term borrowings. So, this had an impact on our capital employed representation. My question is, during the last two quarters have we seen more migration from supplier financing for short term borrowings? That is one. And the second one is, the investor presentation mentioned that milk procurement prices have remained significantly higher. So, I just wanted to know what percentage of your milk procurement today happens from farmers versus via agents? That's all from my side. Thank you.

S. Varadaraj: On the capital employed, our drive to move from acceptances to borrowings continued. Close to Rs. 600 crore is what the drop in acceptances has been vis-à-vis H1 of last year and that's what has flown directly in increasing our borrowings. So, that's on the capital employed.

Balram S. Yadav: We procure about 700,000 liters of milk per day. And we had started direct procurement from the farmers. For last one year a little bit of setback there because we have maintained whatever we were procuring directly from the farmers which is close to about 17%-18% of our requirement. Because of COVID, I think that could not be accelerated. But I think the effort has started once again there. Then we have our own collection center which are run by third parties, which is also similar to our own procurement, and they are paid a service charge on per liter, so they don't control the price or anything. So, that would be about 50% of our procurement. And about 30% of our procurement is through some of the agents and from some suppliers who procure the milk, charge a fixed margin and give it to us.

Moderator: Next question is from the line of Saurabh from Asian Market Securities. Please go ahead.

Saurabh: What was the FFB for this quarter?

Balram S. Yadav: That is what I wanted to say. Last year in H1 we did 3.21 lakh tonnes, this year we have done 3.06 lakh tonnes. Now there is a shift in the FFB procurement. My sense is that this deficit of about 15,000 tonnes will be made up in November itself. So, we will come back to whatever we had budgeted. And over the year there will be growth of about 8% to 10% easily.

Saurabh: What was the oil extraction ratio?



Balram S. Yadav: Good question. OER last year was 16.81% first half. Today we are at 17.75%. Last year Q2 was 17.33%, and I am very sure we will be about 19% this year.

Saurabh: 19% for the full year?

Balram S. Yadav: No, second half. But my sense is the way things are improving maybe get almost close to that number on yearly basis also.

Saurabh: The second question is on the growth projects. So, we have a couple of CAPEX on the animal feed and also on the Astec side. So, I want an update specifically on the animal feed side. The status of the project and the timelines?

Balram S. Yadav: Two projects were discussed last time. One was the herbicide plant which will make sulfonyleureas in Astec Lifesciences. I think that has been commissioned and commercial production has started. In chemical plants normally it takes about a quarter to hit the best efficiencies and all the expectations in terms of parameters from the plant, I think that is happening at a very fast pace. Some of the products will definitely be exported in this quarter from that plant. The second was a fish feed plant in north. I think the target date of commercial production is April 2022. We maintain that. Erection of the plant has started. It is a imported plant which has already reached the site and most probably the trial productions will start in February 2022.

Saurabh: The last thing, any guidance in terms of now volumes for animal feed for this year?

Balram S. Yadav: My sense is that same momentum is likely to be maintained. We are in a very strong position. We have good position on raw materials also. So, I think that we will repeat our performance of H1 in H2.

Moderator: Next question is from the line of Abhijit Akela from IIFL Securities. Please go ahead.

Abhijit Akela: Just one question on the Oil Palm volumes. So, FY21 as we know we had a difficult year because of the whitefly attack and this year's volume recovery is a little bit subdued in relation to that. So, has there been any kind of yield loss because of the last year's attack and by when do we expect to get back to optimal levels of FFB shipments?

Balram S. Yadav: There are two parts to your question. First and foremost, I think that all Oil Palm players have started implementing quality standards for fruits very strongly. Unfortunately, we never had that understanding and now government oil mills like Telangana Oil Fed and Andhra Pradesh Oil Fed are also part of that understanding. The farmers used to harvest prematurely, and we would get poor quality fruits. So, my estimate actually is that industry is rejecting between 3% to 5% of the fruits. And all of us have seen major improvement in farmer behavior from the quality point of view in terms of harvesting and type of harvesting in last few months. So, I can definitely tell you that about 15,000 to 17,000 tonnes of our fruit has been rejected and we have not taken that at even lower price also just to improve the behavior of farmers. And that is one of the reasons why there is an increase in oil extraction ratio. I must also tell you that there are innumerable research papers which say that about 30% of the oil in the fruit comes in the last 20 days. So, that is what is most critical and these people just because they want to catch a good price or they have some marriage, so they harvest early, and the price was being paid by the processors because we had to accept. There was no way of punishing them because of poor OER. So, I think that is one thing which is a great achievement of this industry ad we need to strengthen that.

Apart from that, there is another project on with a startup where infrared technology will be used to grade the fruits and we will trace it all the way back to the farm because now all 35,000 hectares we have in Andhra Pradesh and Telangana has been geotagged. So, that is loss one. Loss two is, shifting of volumes. So, that's what I said that, in spite of these rejections we will post an 8% to 10% increase in volume on a year-round basis.

Abhijit Akela: Next year in FY23, can we aim to get back to the pre whitefly levels of say around 5.7 lakh tonnes of FFB arrivals?

Balram S. Yadav: Easily. But I must also tell you that now while geotagging also we did the census once again. So, this problem of uprooting still continues to be rampant in this industry. So, if you really ask me, in the last five years we would have added about 17,000 to 18,000 hectares. But once we started geotagging and started counting the acreage again, we realized that actual addition has been only 7000-8000. There has been continuous uprooting also.

The second thing is just because of technology and satellite pictures and satellite monitoring, I think the big change would be in case we can do that is to manage this business by trees rather than by hectares, because once we started doing geotagging and we have to walk the plantation, we realized that plantation should have 145 trees. At least half the plantation because of some or the other reason has between 5 to 15 trees left. So, the calculation goes haywire when you have 10% uprooting within the plantation also. So, I think we have learnt a lot and I think increasingly technology will help us monitor this business better.

Abhijit Akela: One last thing, the income from associate on the P&L is a lower year on year. Just was hoping for a breakdown between how much of that is due to ACI and how much due to any other items?

S. Varadaraj: Abhijit, we will give this information offline separately.

Moderator: Next question is from the line of the Dipesh from Equirus Securities. Please go ahead.

Dipesh: Just one on the animal feed business. Now that the soya meal prices have dropped sharply since end of September, just wanted to know if you will be rolling back the price hike that you have taken in the last six months?

Balram S. Yadav: Yes, we have rolled back and almost 90% of the reduction in soya meal prices have been passed on and not just by us by the entire industry and we believe that it is a little bit of a hit to us also because we had imported soya meal from Bangladesh and from Vietnam when there was shortage, and the drop in soya meal prices post 15th of October was very severe. So, I think for the last 2-3 weeks we are still using soya meal which is Rs. 55,000 to Rs. 60,000 a tonne whereas local soya meal in our factories is between Rs. 45,000 to Rs. 47,000 a tonne. But that normally happens whenever the prices fall. But my sense is that November will be better than October and December will be much-much-much better than November. So that happens. So, we are not very concerned. I said that it will be a repeat of H1 performance.

Dipesh: It was basically in the shrimp feed segment, or you are saying in the entire animal feed, poultry feed also you rolled back?

Balram S. Yadav: Shrimp feed we have not dropped because the government had not allowed us to increase the price. But let me tell you the intervention of government and everything

in Andhra Pradesh whether it is Oil Palm, whether it is cattle feed, poultry feed, fish feed, shrimp feed, is progressively increasing which worries the industry a little.

Dipesh: My question was basically that in the first half, especially in the aqua feed the industry has seen a very low margins because of the soya meal prices. And now that the prices have come down and you have taken a couple of price hikes in the first half of this year, so will there be a pressure on the government to roll back the prices and give away all the benefits that you may have seen in the second half?

Balram S. Yadav: Government may be slightly, I would say, lethargic because this is off season for shrimp. But my sense is that we will be able to maintain the same prices definitely till January till the next crop season starts. And contribution per tonne doubled in the last 3-4 weeks.

Dipesh: What is the outlook on the EBITDA margins for the animal feed segment as a whole? You think it will be above of 7% because of the drop in prices?

Balram S. Yadav: I am saying that just because of inflation also the topline has gone up. So, in case you ask me we normally never budget in the animal feed business, EBITDA or profit as a percentage of sales. We budget in Rupees per tonne. So, let me tell you, last year in H1 we were Rs. 1748 per tonne EBIT. This year we are Rs. 1855 per tonne EBIT. And my sense is that this will be definitely maintained at least.

Dipesh: Last question on the palm oil segment. I think you explained in the last question, but just wanted to understand again that in FY20 we did around 5.7 lakh tonnes and at that time I think we were having 70.5 thousand hectares under our plantation, right? So, the yield was around 8%, but now the area under plantation has increased. So, what is the outlook on FY23? Can we actually do more than 6 lakh tonnes of FFB arrivals in FY23?

Balram S. Yadav: Most likely we will be anything between 5.6 to 5.8 lakh tonnes in FY23.

Dipesh: So, the thing that you explained about the 5% to 10% of rejection that the industries are doing.

Balram S. Yadav: Now we will be ruthless because I think the government and the farmers take us for granted, they supply a very bad product and government is a very important player in this thing because they control all formula. And I think it is too-too-too farmer centric. So, I think that we are very sure that we are going to make sure that OER does not come down at all. So, that I think we will strengthen more and more. And other thing, I just wanted to point out that in Andhra Pradesh, Telangana we have almost 30 collection centers. In FY20 all of them were manned by outside suppliers. We had outsourced that, and a collection center is an office with all facilities, internet, etc., plus the weigh scale, plus a big yard. And we have taken over one-third of collection center, put our own people there, put cameras there, etc., and we are going to take two-thirds of the collection center next year. And wherever we have taken up the collection center OER from that fruits has improved because we also use this center as training and development place for the farmers. So, in another two years' time, all collection centers will be very sophisticated. They will be having these infrared tunnels where we will pass the fruits and get an idea of oil also. So, I think we have taken over and I can give a separate presentation on that. Because whatever changes needed to be made to make sure that our collection is good, fruits come on time without losing quality and we don't take nonsense from the farmers, has been achieved this year. We are very happy to lose the fruit because marginally

these fruits are always bad. And I am very happy that in case these fruits go to competitor because they get 13%-14% OER out of it.

Nadir Godrej: Over time, the farmers will make sure they supply good fruit.

Dipesh: Lastly sir, on the crop protection business, I think Astec we already know from the last con call that was done separately. On the domestic crop protection, if you can just talk a bit, because I think earlier our target was 15% growth for the full year, but now we have actually declined in the second quarter. So, what's the outlook for the full year?

Balram S. Yadav: Not very good. Let me just tell you 2-3 things which have happened to us. I think the dry spell that has happened to everybody that the herbicide dependent companies are in deep trouble. So that is one bad news. And in this quarter also we will have to take returns. That is point number one. Point number two, at one time we used to make a decent margin on generics. Just because there were less number of sprays, a price war started, and we had to reduce the price and because of that our profitability almost vanished in generic pesticide which is almost one-third of our business. We were hopeful of launching one more insecticide called Gracia, which is a product from Nissan. But unfortunately, this CIB kept on delaying meetings, etc., because of COVID. A product which should have been launched in July is likely to be launched in December. So that is the third bad news. So, I think that this year is not likely to be very good and I'll be very happy if we get anything near last year's numbers. But I think the problem may be more or less with companies, but the industry is facing this problem. On the other side, Astec Lifesciences like companies, I think we are just going to come back with a bang because now that containers are available, that hazardous containers was a very big problem, that is available, the prices are very high and some of the delays in exporting have also benefited us because the raw material we had for them was at lower cost and the price of the material which we are exporting now is higher. So, I think we will see some kind of improvement in margin per tonne also. So, I think it is a mixed bag. So, when you see an integrated play of Astec plus CPB, we may still save our face. But if you are asking me B2C business, I think it is a very-very tough and challenging year for us.

Moderator: Next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Can you talk about the Palm Oil price outlook?

Nadir Godrej: We expect palm oil prices to be around the same for the next six months. Beyond that it is very difficult to predict, but probably the prices will fall beyond that.

Sumant Kumar: Talking about the overall palm oil plant, can you talk about what is the utilization in H1?

Balram S. Yadav: How do I tell capacity? We have a capacity of about 180 tonnes of fruit per hour. But the plants are utilized fully for only 100 days, partly for about 100 days and nothing for about 125 to 130 days and rest is maintenance. So, my sense is that giving this spread, you know that in FY21 we had modified one of our plants, and increased capacity and sophisticated the equipment also. So, we are good for 6 lakh tonnes of fruit in the same spread on the monthly basis. So, that is the capacity according to me. Post 6 lakh tonnes we will have to invest again close to about Rs. 125 crore in another plant. But 6 lakh tonnes means that we are very good till FY23.

Sumant Kumar: What we observed in the past also apart from the whitefly impact, the competition is getting more FFB versus ours and we have degrown over the years apart from FY21



where the whitefly impact, so we are getting challenges, can you talk about that? What are the challenges we are facing in the market?

Balram S. Yadav:

Let me tell you there are three challenges. One of the challenge definitely is the whitefly challenge which we neutralized to almost 90% level this year. And we were very happy that we got that opportunity in February and March before the second wave came that we were able to spray and get things under control. But I can definitely say that 2%-3% of area is still vulnerable. And I think we will have to get back to a more aggressive control in that area. So, there will be loss of about, my sense is, 8000 to 10,000 tonnes there. Telangana oil seed prices which is adjacent to our mill was slightly higher than Andhra Pradesh prices and there was some flight of fruits to them and particularly in the month of July and August, not in month of September, because government of Telangana realized that the fruits which are coming to them are of very poor quality and actually with the kind of payment they are making to the farmer, they are not making money or losing them. So, they stopped that poaching. So, that is another say 8,000 to 10,000 tonnes. So, I can definitely tell you that this 16,000 to 18,000 tonnes of fruit which belonged to us, and which should have come to us has gone because of whitefly this year. Last year whitefly loss was close to 60,000 to 70,000. So, I think these are the two challenges. Plus, there is a shifting of tonnage also. So, I am quite hopeful that we will register growth over last year come what may in this year, without counting the two losses.

Sumant Kumar:

Can you talk about the overall rabi season the previous year same quarter in Q3 and Q4? Overall, we have shown a good number. But on that base and people are talking about overall rabi season is going to be good, so what is your sense on that?

Balram S. Yadav:

I will tell you that rabi season is an insulated season that way. The reason is that most of the crops are very focused on areas where very good irrigation is there. For example, if you take wheat is the main rabi crop. 98% of wheat is grown in this country in irrigated areas. So, that said whether you have a good monsoon or a bad monsoon, it is not affected. Plus, the very good rains in September and October beginning in certain parts of the country caused a little bit damage to the kharif crop, but definitely left lot of moisture in the soil and water in the reservoirs. So, irrigation for certain oil seeds like rapeseed and say pulses like gram, etc., will also be pretty good. So, I think the kind of risk you see in kharif because the temperatures are very high in the country. So, water is a very-very important input. You don't see that in rabi. So, I feel that rabi will be an improvement over last year definitely. And you and I will shell out more and more money in subsidies and procurement, etc. So, I think that story will continue. Sugarcane will be a little short, but again the government will cover the farmers by increasing the prices. In rural area, if you ask me, there is not much of a stress, whatever you read is totally different now. Of course, they were hit very badly by COVID, and they are not spending, not because they don't have money, just because they know that they need money should there be a second third wave, because whoever had money in the second wave in rural areas had better chance to survive. So, entire rural India is conserving money should there be a third wave. And the government is pumping close to Rs. 20,000 crore per month in rural areas. MGNREGA outlay is going to be about 80,000 crore for the whole year. Almost 80 crore people are being fed, more than 60% of them are in rural India. State governments are giving scheme after scheme. I think in most of the states, farmers receive between Rs. 3,000 to Rs. 5,000 per month for doing nothing. So, I think rural India is in pretty good shape and that will drive growth of economy in the next quarter, once they are comfortable and confident that no wave three is there. So, rural India is pretty much shape. I think the bottom 20% of rural India which is landless in water fed areas and all, have been suffering irrespective of whatever happens. So, that will continue.

- Sumant Kumar:** Lastly, can you talk about the government cut basic duty.
- Balram S. Yadav:** I am saying government gifted more than \$ 2.5 billion to Indonesian and Malaysian. Because when they started cutting duty, the selling price of oil was Rs. 120. And every time they cut duty; it came down by Rs. 5-7 and went back to Rs. 120. That is what because the prices were increased by Malaysian and Indonesian. I think that is a very good gift by central government in spite of wisdom shared by innumerable experts in this area, the Consumer Affairs Ministry prevailed and said that we need to reduce the price for consumers. I think the last duty cut definitely has had some impact particularly in soyabean oil and sun oil, etc., but not in CPO. CPO prices from 120 came down 109-110. My only I would say request and expectations from the government is when the prices start going down, they should bring back the duty with the same fervor and promptness with which they reduced it.
- Sumant Kumar:** So, the current duty is 15.25?
- Balram S. Yadav:** CPO is 5%.
- Sumant Kumar:** Including everything, total custom duty and crude palm oil.
- Balram S. Yadav:** I think something like that. I will just tell you, but it is single digit, I remember.
- Nadir Godrej:** And there are some surcharge.
- Balram S. Yadav:** Let me just read it out to you. This is on October 19th it was the last one. The crude soyabean oil is 5%, soyabean oil edible grade, nil, crude palm oil is 7.5%, sorry. Refined bleached deodorized palm oil, RBD palm olein, RBD palm stearin and any palm oil other than crude palm oil, nil. Crude sunflower seed oil 5%, sunflower oil edible grade, nil.
- Sumant Kumar:** Then other surcharge also sir. So, total is 15.25 what I understood.
- Balram S. Yadav:** No. 8.25, 10% surcharge, but I told you it is single digit. We will send you the table in calculation.
- Moderator:** Thank you very much. Ladies and gentlemen, that was our last question for today. I now hand the conference over to the management for closing comments. Over to you.
- 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 Mr. Godrej and members of management. Ladies and gentlemen, on behalf of Godrej Agrovet Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.